# First Community Corporation

FCCO - NASDAQ

**Institutional Equity Research**

January 25, 2021

## Positive Operating Leverage in the Midlands of SC; BUY

*On the heels of FCCO's 4Q20 earnings report, we're increasing our EPS estimates, raising our PT, and reiterating our **BUY** rating. We continue to view the stock as attractively valued (at only modestly above TBV/sh) – especially when considering the attractive South Carolina footprint (with considerable scarcity value), healthy capital, and generally conservative approach and track record on credit. As the markets continue to normalize, we will look for additional progress in boosting core profitability, mainly via more pronounced loan growth.*

**Core EPS beat on provision and top-line:** FCCO reported 4Q20 EPS of $0.46, which we consider as core. This came in well above our and the Street's estimate of $0.34. The main driver of the beat was a lower than modeled provision for loan losses, as well as higher than expected core PTPP income. The PTPP beat stemmed from better than forecasted NII and core fee revs, partially offset by slightly higher than modeled core expenses. For more details on FCCO's core 4Q20 results, please see our earlier First Look note.

**Increasing our EPS estimates:** After inputting FCCO's core 4Q20 results into our model and fine-tuning our assumptions, we're increasing our 2021E EPS by 57 cents (to $1.60) and our 2022E EPS by 21 cents (to $1.32). The primary adjustment was a lower assumed pace of credit costs (including pushing back our assumed peak losses to 1H22), and to a lesser extent, a larger balance sheet (given excess liquidity and PPP Round 2) and a higher run-rate of core fee revs.

**Reiterate BUY and boosting PT:** We're increasing our PT by $1.00 (to $21.00) mainly owing to a higher assumed peer base multiple (on TBV/sh) and a slightly wider assumed premium (albeit still much less than the stock's historical premium given our outlook for only peer-like core profitability in the intermediate term). We continue to view FCCO's stock as an intriguing valuation – at ~114% of TBV/sh – for a bank with a geographic footprint with considerable scarcity value, a very low cost of funds, and excellent defensive characteristics (e.g., CET1 of 12.83%; conservative approach and track record toward credit), and we expect this valuation to be increasingly recognized when bank investors eventually turn their sights toward smaller cap names. We also believe the stock is poised to benefit from improved loan growth in its Carolinas markets a few quarters out as the economy continues to recover/normalize, while at the same time demonstrating a more stabilized NIM, good cost control, and continued healthy mortgage activity.

**ADDITIONAL TAKEAWAYS FROM 4Q20 RESULTS**

**The reserve-build is now mostly in the rearview**, as we get a sense the bank will look to provide for loan growth and cover any NCOs (although it doesn't expect much to materialize in the near-term horizon), and will likely await a full return to normalized environment before releasing reserves. The slight expansion to the ALLL/loans (ex-PPP) stemmed mainly from COVID-19 related qualitative factors. Management isn't seeing any systematic deterioration in the loan book, and cited positive progress and updates from most COVID-sensitive loans. The LQ increase in criticized and NPAs stemmed from a single credit that was moved to Substandard and Nonaccrual in 4Q20, which management seems confident there won't be any resulting loss from.

**Continued on page 2**

| FY (Dec) | | 2020A | 2021E | Previous | *Cons.* | 2022E | Previous | *Cons.* |
|---|---|---|---|---|---|---|---|---|
| **EPS** | Q1 (Mar) | $0.24 | **$0.45E** | $0.36 | *$0.36* | **$0.32E** | $0.22 | *$0.26* |
| | Q2 (Jun) | $0.30 | **$0.42E** | $0.27 | *$0.33* | **$0.28E** | $0.25 | *$0.30* |
| | Q3 (Sep) | $0.31 | **$0.37E** | $0.20 | *$0.31* | **$0.32E** | $0.29 | *$0.36* |
| | Q4 (Dec) | $0.46 | **$0.36E** | $0.20 | *$0.27* | **$0.40E** | $0.35 | *$0.39* |
| | | $1.30 | **$1.60E** | $1.03 | *$1.37* | **$1.32E** | $1.11 | *$1.39* |
| *Price/EPS* | | *13.8x* | *11.2x* | | | *13.6x* | | |
| **Revenue ($M)** | Q1 (Mar) | $12.3 | **$14.5E** | $14.0 | *$13.9* | **$14.5E** | $13.6 | *$13.4* |
| | Q2 (Jun) | $13.1 | **$14.7E** | $13.4 | *$13.8* | **$14.5E** | $13.8 | *$13.7* |
| | Q3 (Sep) | $13.6 | **$14.5E** | $13.5 | *$13.8* | **$14.7E** | $14.0 | *$13.9* |
| | Q4 (Dec) | $14.3 | **$14.6E** | $13.6 | *$13.8* | **$14.8E** | $14.2 | *$14.0* |
| | | $53.4 | **$58.3E** | $54.5 | *$55.5* | **$58.6E** | $55.6 | *$54.9* |

## Buy

| | |
|---|---|
| **Price Target** | **↑$21.00** |
| Price (1/25/21) | $18.01 |
| Industry | FINANCIAL INSTITUTIONS |

### Valuation & Performance

| | |
|---|---|
| Return on Assets (MRQ) | 0.99% |
| ROTCE (MRQ) | 11.5% |
| Net Interest Margin (MRQ) | 3.31% |
| Efficiency Ratio (MRQ) | 67.2% |
| TBV per Share (12/31/20) | $16.08 |
| TCE/TA (12/31/20) | 8.7% |
| Dividend | $0.48 (2.7%) |

### Trading Data

| | |
|---|---|
| Shares Outstanding (M) | 7.5 |
| Market Capitalization ($M) | $135.1 |
| 52-week range | $12.23 - $21.80 |
| Avg. Volume (3-mth.) (K) | 14.8 |

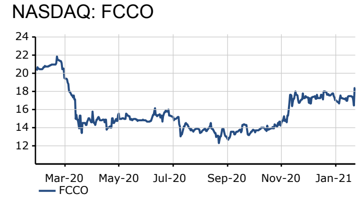
**Kevin P. Fitzsimmons**
MD, Senior Research Analyst
856-994-6062
kfitzsimmons@dadco.com

### Company Description

Lexington, SC - First Community Corporation is the parent company of First Community Bank a +$1.1B asset community bank base in the midlands of South Carolina. First Community Bank offers a full suite of banking and financial planning/ investment advisory services to both retail and commercial clients.

### Price Performance

NASDAQ: FCCO



**PPP loans** of $42.2M and a related credit facility of $5.2M (associated with a prior partnership with an SBA specialist) totaled $47.4M at YE20, down from ~$80M at 3Q20-end (i.e., ~$51M via FCCO direct and the remaining $30M via the SBA specialist). Management expects the bulk of the forgiveness on PPP Round 1 to occur in 2Q21, and estimates that PPP Round 2 could amount to ~$40M.

**The outlook for the core NIM** (ex-PPP) is mostly stabilized to grinding slightly lower, as continued repricing downward of loans and securities, and diminishing ability to reduce cost of deposits much lower, is partially offset by putting some excess liquidity to work in securities. That said, the bank seems confident that it will be able to expand dollars of NII. The 3bp of LQ NIM expansion (from 3.28% to 3.31%) reflected a positive swing in the contribution from PPP loans and related fees (+3bp vs. -1bp), as well as a 3bp contraction in cost of funds. Excluding PPP loans and fees, the core NIM contracted 1bp to 3.28%.

**The outlook for loan growth in 2021** seems in more of a mid-single digit annualized pace, down slightly from the 8.1% pace in 2020, as the generally opened-for-business markets (including an expanding CRE activity) are partially offset by elevated CRE payoffs.

**FCCO had its strongest mortgage production of the year in 4Q20**, and saw an expansion in its mortgage gain-on-sale margin (to 3.0% from 2.47%), as rebuilt capacity began to mitigate the previous market disruption that had hurt the GOS margin earlier in 2020. Looking ahead, we get the sense that revenues could be stable as contracting production is offset by further improvement in GOS margins.

**Capital build and deployment:** Management continues to be open to selective M&A opportunities in the Upstate/Greenville region, although the timing is more dependent on when certain potential sellers are ready to partner with a larger bank. The bank is also open to non-bank acquisitions in the financial planning/investment advisory space. FCCO didn't repurchase shares during 4Q20, and we don't get the sense that the bank will be active until after it builds capital ratios even higher, and sees the impact of PPP Round 2 to ratios. We also note that the bank kept its 4Q20 dividend unchanged at $0.12/sh – unlike its past track record of increasing the dividend in the final quarter of the year – likely signaling a near-term priority on continuing to build capital.

**First Community Corp. (FCCO)**
($M, except Per Share Data)

Kevin P. Fitzsimmons 856-994-6062

| *Income Statement* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET INTEREST INCOME (FTE)** | $ 36.848 | $ 40.023 | $ 43.846 | $ 44.775 | $ 9.020 | $ 9.116 | $ 9.353 | $ 9.359 | $ 9.417 | $ 9.743 | $ 10.176 | $ 10.687 | $ 10.863 | $ 11.010 | $ 10.862 | $ 11.110 | $ 11.161 | $ 11.065 | $ 11.162 | $ 11.387 |
| **PROVISION FOR LOAN LOSSES** | $ 0.139 | $ 3.663 | $ 4.104 | $ 6.151 | $ 0.105 | $ 0.009 | $ 0.025 | $ - | $ 1.075 | $ 1.250 | $ 1.062 | $ 0.276 | $ 0.495 | $ 0.901 | $ 1.143 | $ 1.565 | $ 1.619 | $ 1.921 | $ 1.515 | $ 1.096 |
| **Non-Interest Income** | | | | | | | | | | | | | | | | | | | | |
| Deposit service charges | $ 1.649 | $ 1.121 | $ 1.172 | $ 1.243 | $ 0.411 | $ 0.380 | $ 0.421 | $ 0.437 | $ 0.399 | $ 0.210 | $ 0.242 | $ 0.270 | $ 0.278 | $ 0.292 | $ 0.298 | $ 0.304 | $ 0.302 | $ 0.310 | $ 0.313 | $ 0.318 |
| Mortgage banking income | $ 4.555 | $ 5.557 | $ 6.022 | $ 4.678 | $ 0.844 | $ 1.238 | $ 1.251 | $ 1.222 | $ 0.982 | $ 1.572 | $ 1.403 | $ 1.600 | $ 1.552 | $ 1.583 | $ 1.536 | $ 1.351 | $ 1.162 | $ 1.220 | $ 1.208 | $ 1.087 |
| Invest. Advisory fees & commissions | $ 2.021 | $ 2.720 | $ 3.127 | $ 3.368 | $ 0.438 | $ 0.489 | $ 0.509 | $ 0.585 | $ 0.634 | $ 0.671 | $ 0.672 | $ 0.743 | $ 0.758 | $ 0.777 | $ 0.788 | $ 0.804 | $ 0.816 | $ 0.837 | $ 0.849 | $ 0.866 |
| Gain (loss) on sale of other assets | $ (0.003) | $ 0.147 | $ - | $ - | $ - | $ (0.003) | $ - | $ - | $ 0.006 | $ - | $ 0.141 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Other | $ 3.661 | $ 3.814 | $ 4.166 | $ 4.488 | $ 0.845 | $ 0.918 | $ 0.932 | $ 0.966 | $ 0.907 | $ 0.934 | $ 0.982 | $ 0.991 | $ 1.011 | $ 1.031 | $ 1.052 | $ 1.073 | $ 1.089 | $ 1.111 | $ 1.133 | $ 1.155 |
| **TOTAL NON-INTEREST INCOME (core)** | $ 11.883 | $ 13.359 | $ 14.487 | $ 13.776 | $ 2.538 | $ 3.022 | $ 3.113 | $ 3.210 | $ 2.928 | $ 3.387 | $ 3.440 | $ 3.604 | $ 3.599 | $ 3.683 | $ 3.674 | $ 3.532 | $ 3.369 | $ 3.477 | $ 3.503 | $ 3.426 |
| **OPERATING REVENUE** | $ 48.731 | $ 53.382 | $ 58.333 | $ 58.551 | $ 11.558 | $ 12.138 | $ 12.466 | $ 12.569 | $ 12.345 | $ 13.130 | $ 13.616 | $ 14.291 | $ 14.462 | $ 14.693 | $ 14.536 | $ 14.642 | $ 14.531 | $ 14.543 | $ 14.664 | $ 14.814 |
| **Noninterest Expense** | | | | | | | | | | | | | | | | | | | | |
| Salaries & employee benefits | $ 21.261 | $ 24.026 | $ 25.039 | $ 25.540 | $ 5.170 | $ 5.210 | $ 5.465 | $ 5.416 | $ 5.653 | $ 5.840 | $ 6.087 | $ 6.446 | $ 6.237 | $ 6.268 | $ 6.299 | $ 6.236 | $ 6.330 | $ 6.361 | $ 6.441 | $ 6.409 |
| Occupancy | $ 2.696 | $ 2.709 | $ 2.670 | $ 2.782 | $ 0.655 | $ 0.647 | $ 0.703 | $ 0.691 | $ 0.643 | $ 0.679 | $ 0.736 | $ 0.651 | $ 0.658 | $ 0.664 | $ 0.671 | $ 0.677 | $ 0.683 | $ 0.693 | $ 0.700 | $ 0.707 |
| Equipment | $ 1.493 | $ 1.237 | $ 1.243 | $ 1.299 | $ 0.386 | $ 0.389 | $ 0.365 | $ 0.353 | $ 0.318 | $ 0.298 | $ 0.318 | $ 0.303 | $ 0.306 | $ 0.309 | $ 0.312 | $ 0.315 | $ 0.319 | $ 0.324 | $ 0.326 | $ 0.330 |
| Marketing & public relations | $ 1.115 | $ 1.043 | $ 1.049 | $ 1.052 | $ 0.175 | $ 0.430 | $ 0.159 | $ 0.351 | $ 0.354 | $ 0.247 | $ 0.342 | $ 0.100 | $ 0.300 | $ 0.285 | $ 0.299 | $ 0.165 | $ 0.303 | $ 0.282 | $ 0.301 | $ 0.166 |
| FDIC assessment | $ 0.067 | $ 0.404 | $ 0.548 | $ 0.548 | $ 0.074 | $ 0.071 | $ - | $ (0.078) | $ 0.042 | $ 0.088 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 | $ 0.137 |
| Amortization of intangibles | $ 0.523 | $ 0.363 | $ 0.279 | $ 0.276 | $ 0.132 | $ 0.132 | $ 0.133 | $ 0.126 | $ 0.105 | $ 0.095 | $ 0.095 | $ 0.068 | $ 0.069 | $ 0.069 | $ 0.070 | $ 0.071 | $ 0.070 | $ 0.069 | $ 0.069 | $ 0.068 |
| Other operating expenses | $ 7.380 | $ 7.551 | $ 7.865 | $ 8.210 | $ 1.702 | $ 1.743 | $ 1.934 | $ 2.001 | $ 1.888 | $ 1.844 | $ 1.920 | $ 1.899 | $ 1.937 | $ 1.956 | $ 1.976 | $ 1.996 | $ 2.016 | $ 2.041 | $ 2.061 | $ 2.092 |
| **Noninterest Expense, Ex-Credit** | $ 34.535 | $ 37.333 | $ 38.692 | $ 39.707 | $ 8.294 | $ 8.622 | $ 8.759 | $ 8.860 | $ 9.003 | $ 9.091 | $ 9.635 | $ 9.604 | $ 9.643 | $ 9.689 | $ 9.764 | $ 9.597 | $ 9.857 | $ 9.907 | $ 10.035 | $ 9.908 |
| OREO expense | $ 0.081 | $ 0.201 | $ 0.197 | $ 0.182 | $ 0.029 | $ 0.018 | $ 0.031 | $ 0.003 | $ 0.035 | $ 0.040 | $ 0.079 | $ 0.047 | $ 0.049 | $ 0.049 | $ 0.049 | $ 0.049 | $ 0.047 | $ 0.046 | $ 0.045 | $ 0.044 |
| Write-down of OREO | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net loss (gain) on sale of OREO | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **NONINTEREST EXPENSE (core)** | $ 34.616 | $ 37.534 | $ 38.890 | $ 39.888 | $ 8.323 | $ 8.640 | $ 8.790 | $ 8.863 | $ 9.038 | $ 9.131 | $ 9.714 | $ 9.651 | $ 9.692 | $ 9.738 | $ 9.814 | $ 9.646 | $ 9.904 | $ 9.953 | $ 10.080 | $ 9.951 |
| *Pre-Tax Operating Income* | $ 13.976 | $ 12.185 | $ 15.339 | $ 12.512 | $ 3.130 | $ 3.489 | $ 3.651 | $ 3.706 | $ 2.232 | $ 2.749 | $ 2.840 | $ 4.364 | $ 4.275 | $ 4.054 | $ 3.579 | $ 3.431 | $ 3.008 | $ 2.669 | $ 3.069 | $ 3.766 |
| *Pre-Tax, Pre-Provision Operating Income* | $ 14.115 | $ 15.848 | $ 19.444 | $ 18.663 | $ 3.235 | $ 3.498 | $ 3.676 | $ 3.706 | $ 3.307 | $ 3.999 | $ 3.902 | $ 4.640 | $ 4.770 | $ 4.955 | $ 4.722 | $ 4.996 | $ 4.627 | $ 4.590 | $ 4.584 | $ 4.862 |
| *Pre-Tax, Pre-Credit Costs Operating Income* | $ 14.196 | $ 16.049 | $ 19.641 | $ 18.845 | $ 3.264 | $ 3.516 | $ 3.707 | $ 3.709 | $ 3.342 | $ 4.039 | $ 3.981 | $ 4.687 | $ 4.820 | $ 5.004 | $ 4.772 | $ 5.045 | $ 4.674 | $ 4.636 | $ 4.629 | $ 4.906 |
| Gain (Loss) on sale of securities | $ 0.136 | $ 0.099 | $ - | $ - | $ (0.029) | $ 0.164 | $ - | $ 0.001 | $ - | $ - | $ 0.099 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Non-Operating Revenues | $ - | $ 0.311 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 0.311 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Non-Operating Expenses | $ (0.282) | $ - | $ - | $ - | $ - | $ - | $ - | $ (0.282) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Merger Expenses | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Pre-Tax Income** | $ 13.830 | $ 12.595 | $ 15.339 | $ 12.512 | $ 3.101 | $ 3.653 | $ 3.651 | $ 3.425 | $ 2.232 | $ 2.749 | $ 3.250 | $ 4.364 | $ 4.275 | $ 4.054 | $ 3.579 | $ 3.431 | $ 3.008 | $ 2.669 | $ 3.069 | $ 3.766 |
| Income Taxes | $ 2.858 | $ 2.496 | $ 3.298 | $ 2.690 | $ 0.606 | $ 0.772 | $ 0.753 | $ 0.727 | $ 0.438 | $ 0.532 | $ 0.598 | $ 0.928 | $ 0.919 | $ 0.872 | $ 0.770 | $ 0.738 | $ 0.647 | $ 0.574 | $ 0.660 | $ 0.810 |
| **Tax Rate** | 20.67% | 19.82% | 21.50% | 21.50% | 19.54% | 21.1% | 20.6% | 21.2% | 19.6% | 19.4% | 18.4% | 21.3% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% |
| Core Tax Rate | 20.63% | 19.66% | 21.50% | 21.50% | 19.54% | 21.1% | 20.6% | 21.2% | 19.6% | 19.4% | 18.4% | 21.3% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% | 21.5% |
| Net Income from Continuing Operations | $ 10.972 | $ 10.099 | $ 12.042 | $ 9.822 | $ 2.495 | $ 2.881 | $ 2.898 | $ 2.698 | $ 1.794 | $ 2.217 | $ 2.652 | $ 3.436 | $ 3.356 | $ 3.183 | $ 2.810 | $ 2.693 | $ 2.361 | $ 2.095 | $ 2.409 | $ 2.956 |
| Net Income from Discontinued Operations | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Income | $ 10.972 | $ 10.099 | $ 12.042 | $ 9.822 | $ 2.495 | $ 2.881 | $ 2.898 | $ 2.698 | $ 1.794 | $ 2.217 | $ 2.652 | $ 3.436 | $ 3.356 | $ 3.183 | $ 2.810 | $ 2.693 | $ 2.361 | $ 2.095 | $ 2.409 | $ 2.956 |
| Preferred Dividends | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Gain (Loss) Attributable to Noncontrolling Interes | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **NET INCOME AVAILABLE TO COMMON** | $ 10.972 | $ 10.099 | $ 12.042 | $ 9.822 | $ 2.495 | $ 2.881 | $ 2.898 | $ 2.698 | $ 1.794 | $ 2.217 | $ 2.652 | $ 3.436 | $ 3.356 | $ 3.183 | $ 2.810 | $ 2.693 | $ 2.361 | $ 2.095 | $ 2.409 | $ 2.956 |
| Shares / Per Share Metrics | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
| Earnings Per Share (EPS) - Reported | $ 1.44 | $ 1.35 | $ 1.60 | $ 1.32 | $ 0.32 | $ 0.37 | $ 0.39 | $ 0.36 | $ 0.24 | $ 0.30 | $ 0.35 | $ 0.46 | $ 0.45 | $ 0.42 | $ 0.37 | $ 0.36 | $ 0.32 | $ 0.28 | $ 0.32 | $ 0.40 |
| **Core EPS** | **$ 1.46** | **$ 1.30** | **$ 1.60** | **$ 1.32** | **$ 0.33** | **$ 0.36** | **$ 0.39** | **$ 0.39** | **$ 0.24** | **$ 0.30** | **$ 0.31** | **$ 0.46** | **$ 0.45** | **$ 0.42** | **$ 0.37** | **$ 0.36** | **$ 0.32** | **$ 0.28** | **$ 0.32** | **$ 0.40** |
| Core EPS Growth (Annualized) | -1.8% | -10.8% | 23.0% | -17.7% | -58.1% | 38.2% | 34.9% | 2.6% | -154.2% | 94.5% | 17.2% | 191.4% | -9.3% | -20.6% | -46.9% | -16.6% | -48.1% | -43.9% | 61.5% | 92.4% |
| PTPP/Avg. Shares | $ 1.86 | $ 2.12 | $ 2.59 | $ 2.51 | $ 0.42 | $ 0.45 | $ 0.49 | $ 0.50 | $ 0.44 | $ 0.54 | $ 0.52 | $ 0.62 | $ 0.64 | $ 0.66 | $ 0.63 | $ 0.67 | $ 0.62 | $ 0.62 | $ 0.62 | $ 0.66 |
| Avg. Diluted Shares o/s | 7.590 | 7.480 | 7.503 | 7.441 | 7.725 | 7.704 | 7.463 | 7.469 | 7.468 | 7.465 | 7.482 | 7.503 | 7.503 | 7.503 | 7.503 | 7.503 | 7.478 | 7.453 | 7.428 | 7.403 |
| EOP Shares | 7.440 | 7.500 | 7.500 | 7.400 | 7.665 | 7.511 | 7.409 | 7.440 | 7.462 | 7.486 | 7.493 | 7.500 | 7.500 | 7.500 | 7.500 | 7.500 | 7.475 | 7.450 | 7.425 | 7.400 |
| Dividend per Share | $ 0.45 | $ 0.48 | $ 0.48 | $ 0.48 | $ 0.11 | $ 0.11 | $ 0.11 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 |
| Dividend Payout Ratio | 31.3% | 35.6% | 29.9% | 36.3% | 34.4% | 29.7% | 28.2% | 33.3% | 50.0% | 40.0% | 34.3% | 26.1% | 26.8% | 28.3% | 32.0% | 33.4% | 38.0% | 42.7% | 37.0% | 30.1% |
| TBV / Share | $ 13.99 | $ 16.08 | $ 17.20 | $ 18.02 | $ 13.04 | $ 13.46 | $ 13.84 | $ 13.99 | $ 14.55 | $ 15.35 | $ 15.67 | $ 16.08 | $ 16.40 | $ 16.71 | $ 16.96 | $ 17.20 | $ 17.39 | $ 17.55 | $ 17.75 | $ 18.02 |
| *Profitability Metrics* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
| NIM | 3.62% | 3.34% | 3.29% | 3.29% | 3.73% | 3.67% | 3.65% | 3.56% | 3.55% | 3.38% | 3.28% | 3.31% | 3.29% | 3.32% | 3.26% | 3.30% | 3.31% | 3.27% | 3.28% | 3.30% |
| Core NIM | 3.64% | 3.38% | 3.25% | 3.28% | 3.73% | 3.67% | 3.60% | 3.56% | 3.55% | 3.38% | 3.29% | 3.28% | 3.26% | 3.24% | 3.26% | 3.24% | 3.25% | 3.27% | 3.28% | 3.30% |
| Core ROAA | 0.99% | 0.76% | 0.84% | 0.67% | 0.92% | 1.00% | 1.03% | 1.01% | 0.61% | 0.70% | 0.69% | 0.99% | 0.95% | 0.89% | 0.79% | 0.75% | 0.65% | 0.58% | 0.66% | 0.80% |
| Core PTPP ROAA | 1.26% | 1.22% | 1.36% | 1.28% | 1.19% | 1.27% | 1.31% | 1.29% | 1.12% | 1.26% | 1.16% | 1.33% | 1.35% | 1.39% | 1.32% | 1.38% | 1.28% | 1.26% | 1.26% | 1.31% |
| Core ROAE | 9.48% | 7.60% | 8.55% | 6.70% | 8.85% | 9.39% | 9.89% | 9.76% | 5.81% | 6.99% | 7.04% | 10.31% | 9.76% | 9.10% | 7.91% | 7.49% | 6.50% | 5.73% | 6.55% | 7.97% |
| Core ROTCE | 10.99% | 8.64% | 9.63% | 7.50% | 10.28% | 10.94% | 11.38% | 11.30% | 6.75% | 7.94% | 7.98% | 11.55% | 11.02% | 10.25% | 8.90% | 8.41% | 7.29% | 6.43% | 7.34% | 8.92% |
| Core ROTCE (ex-Reserve Release) | 10.69% | 5.83% | 9.41% | 7.10% | 9.98% | 10.91% | 10.77% | 11.10% | 3.52% | 4.35% | 4.67% | 10.76% | 10.69% | 9.92% | 8.83% | 8.21% | 6.89% | 6.03% | 6.95% | 8.53% |
| Core Efficiency | 71.0% | 70.3% | 66.7% | 68.1% | 71.76% | 71.0% | 70.3% | 70.5% | 72.9% | 69.2% | 70.8% | 67.2% | 67.0% | 66.3% | 67.5% | 65.9% | 68.2% | 68.4% | 68.7% | 67.2% |
| Core Fee Income / Operating Revs | 24.4% | 25.0% | 24.8% | 23.5% | 21.96% | 24.9% | 25.0% | 25.5% | 23.7% | 25.8% | 25.3% | 25.2% | 24.9% | 25.1% | 25.3% | 24.1% | 23.2% | 23.9% | 23.9% | 23.1% |

**First Community Corp. (FCCO)** — **Kevin P. Fitzsimmons 856-994-6062**

($M, except Per Share Data)

| *Average Balance Sheet* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. Loans | $ 735.3 | $ 834.8 | $ 908.4 | $ 923.3 | $ 724.1 | $ 728.7 | $ 740.2 | $ 748.1 | $ 753.7 | $ 824.8 | $ 868.1 | $ 892.8 | $ 905.0 | $ 901.9 | $ 915.4 | $ 911.4 | $ 900.5 | $ 914.0 | $ 930.0 | $ 948.6 |
| Avg. Securities | $ 257.5 | $ 300.8 | $ 347.9 | $ 339.3 | $ 251.9 | $ 250.3 | $ 254.8 | $ 273.1 | $ 286.3 | $ 294.9 | $ 299.9 | $ 322.2 | $ 349.6 | $ 349.6 | $ 346.1 | $ 346.1 | $ 342.7 | $ 339.3 | $ 335.9 | $ 339.2 |
| Avg. Other Earning Assets | $ 25.5 | $ 62.8 | $ 75.4 | $ 98.4 | $ 17.5 | $ 26.4 | $ 27.3 | $ 31.0 | $ 37.3 | $ 51.4 | $ 80.7 | $ 81.9 | $ 66.1 | $ 75.0 | $ 71.3 | $ 89.1 | $ 105.6 | $ 100.3 | $ 95.3 | $ 92.4 |
| Avg. Earning Assets | $ 1,018.3 | $ 1,198.5 | $ 1,331.7 | $ 1,360.9 | $ 993.5 | $ 1,005.4 | $ 1,022.2 | $ 1,052.3 | $ 1,077.2 | $ 1,171.2 | $ 1,248.6 | $ 1,296.9 | $ 1,320.8 | $ 1,326.5 | $ 1,332.8 | $ 1,346.7 | $ 1,348.8 | $ 1,353.6 | $ 1,361.2 | $ 1,380.3 |
| Avg. Total Assets | $ 1,116.0 | $ 1,295.7 | $ 1,429.4 | $ 1,460.8 | $ 1,089.3 | $ 1,103.3 | $ 1,120.0 | $ 1,151.5 | $ 1,176.4 | $ 1,269.2 | $ 1,345.1 | $ 1,392.0 | $ 1,417.7 | $ 1,423.8 | $ 1,430.6 | $ 1,445.5 | $ 1,447.7 | $ 1,452.9 | $ 1,461.0 | $ 1,481.5 |
| Avg. Deposits | $ 934.8 | $ 1,087.1 | $ 1,211.6 | $ 1,260.8 | $ 908.7 | $ 924.2 | $ 938.6 | $ 967.5 | $ 969.4 | $ 1,060.1 | $ 1,137.0 | $ 1,181.8 | $ 1,193.6 | $ 1,205.5 | $ 1,217.6 | $ 1,229.8 | $ 1,242.1 | $ 1,254.5 | $ 1,267.0 | $ 1,279.7 |
| Avg. Total Borrowings | $ 52.7 | $ 66.8 | $ 65.2 | $ 67.9 | $ 57.6 | $ 50.0 | $ 52.0 | $ 51.1 | $ 70.3 | $ 69.9 | $ 63.3 | $ 63.6 | $ 64.3 | $ 64.9 | $ 65.5 | $ 66.2 | $ 66.9 | $ 67.5 | $ 68.2 | $ 68.9 |
| Avg. IB-Liabilities | $ 723.5 | $ 810.0 | $ 890.5 | $ 926.6 | $ 719.4 | $ 713.5 | $ 724.1 | $ 737.2 | $ 758.0 | $ 780.8 | $ 832.7 | $ 868.6 | $ 877.2 | $ 886.0 | $ 894.9 | $ 903.8 | $ 912.9 | $ 922.0 | $ 931.2 | $ 940.5 |
| Avg. Total Liabilities | $ 999.1 | $ 1,166.8 | $ 1,290.6 | $ 1,343.0 | $ 975.5 | $ 986.1 | $ 1,002.8 | $ 1,031.9 | $ 1,052.9 | $ 1,142.3 | $ 1,213.4 | $ 1,258.8 | $ 1,271.4 | $ 1,284.1 | $ 1,296.9 | $ 1,309.9 | $ 1,323.0 | $ 1,336.2 | $ 1,349.6 | $ 1,363.1 |
| Avg. Shareholders Equity | $ 117.0 | $ 128.8 | $ 140.9 | $ 146.7 | $ 113.8 | $ 117.3 | $ 117.2 | $ 119.6 | $ 123.5 | $ 126.9 | $ 131.7 | $ 133.3 | $ 137.6 | $ 139.9 | $ 142.0 | $ 143.9 | $ 145.3 | $ 146.1 | $ 147.0 | $ 148.3 |
| Avg. Tangible Common Equity | $ 101.0 | $ 113.3 | $ 125.1 | $ 130.9 | $ 98.0 | $ 100.7 | $ 101.8 | $ 103.3 | $ 106.3 | $ 111.7 | $ 116.2 | $ 119.0 | $ 121.8 | $ 124.2 | $ 126.3 | $ 128.1 | $ 129.5 | $ 130.4 | $ 131.3 | $ 132.6 |
| *EOP Balance Sheet* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
| PPP | $ - | $ 42.2 | $ 20.0 | $ - | $ - | $ - | $ - | $ - | $ - | $ 47.9 | $ 49.8 | $ 42.2 | $ 52.2 | $ 40.0 | $ 40.0 | $ 20.0 | $ - | $ - | $ - | $ - |
| Loans (ex-PPP) | $ 737.0 | $ 801.9 | $ 838.6 | $ 892.2 | $ 718.4 | $ 726.7 | $ 735.1 | $ 737.0 | $ 749.5 | $ 769.6 | $ 794.7 | $ 801.9 | $ 803.9 | $ 812.0 | $ 824.1 | $ 838.6 | $ 846.9 | $ 859.7 | $ 874.7 | $ 892.2 |
| Loans | $ 737.0 | $ 844.2 | $ 858.6 | $ 892.2 | $ 718.4 | $ 726.7 | $ 735.1 | $ 737.0 | $ 749.5 | $ 817.4 | $ 844.5 | $ 844.2 | $ 856.2 | $ 852.0 | $ 864.2 | $ 858.6 | $ 846.9 | $ 859.7 | $ 874.7 | $ 892.2 |
| Total Assets | $ 1,170.3 | $ 1,395.4 | $ 1,459.1 | $ 1,552.5 | $ 1,097.4 | $ 1,116.0 | $ 1,130.0 | $ 1,170.3 | $ 1,185.3 | $ 1,324.8 | $ 1,381.8 | $ 1,395.4 | $ 1,398.9 | $ 1,412.9 | $ 1,434.1 | $ 1,459.1 | $ 1,473.7 | $ 1,495.8 | $ 1,522.0 | $ 1,552.5 |
| Non-IB Deposits | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Total Deposits | $ 988.2 | $ 1,189.4 | $ 1,243.8 | $ 1,323.3 | $ 919.8 | $ 937.4 | $ 948.8 | $ 988.2 | $ 986.6 | $ 1,118.9 | $ 1,173.6 | $ 1,189.4 | $ 1,192.4 | $ 1,204.3 | $ 1,222.4 | $ 1,243.8 | $ 1,256.2 | $ 1,275.0 | $ 1,297.4 | $ 1,323.3 |
| Total Liabilities | $ 1,036.7 | $ 1,245.3 | $ 1,295.9 | $ 1,335.1 | $ 969.0 | $ 986.5 | $ 998.3 | $ 1,036.7 | $ 1,047.6 | $ 1,179.5 | $ 1,235.7 | $ 1,245.3 | $ 1,257.7 | $ 1,270.3 | $ 1,283.0 | $ 1,295.9 | $ 1,308.8 | $ 1,321.9 | $ 1,335.1 | $ 1,335.1 |
| *Liquidity Ratios* | | | | | | | | | | | | | | | | | | | | |
| Loans / Deposits | 74.6% | 71.0% | 69.0% | 67.4% | 78.1% | 77.5% | 77.5% | 74.6% | 76.0% | 73.1% | 72.0% | 71.0% | 71.8% | 70.7% | 70.7% | 69.0% | 67.4% | 67.4% | 67.4% | 67.4% |
| Avg. Earning Assets / Avg. Assets | 91.2% | 92.5% | 93.2% | 93.2% | 91.2% | 91.1% | 91.3% | 91.4% | 91.6% | 92.3% | 92.8% | 93.2% | 93.2% | 93.2% | 93.2% | 93.2% | 93.2% | 93.2% | 93.2% | 93.2% |
| Avg. Borrowings / Avg. Liabilities | 5.3% | 5.7% | 5.1% | 5.1% | 5.9% | 5.1% | 5.2% | 5.0% | 6.7% | 6.1% | 5.2% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% | 5.1% |
| *Capital Analysis* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
| Beginning Total Equity | | | | | | | | | | | | | $ 136.3 | $ 138.8 | $ 141.1 | $ 143.0 | $ 144.8 | $ 145.8 | $ 146.5 | $ 147.6 |
| + Net Income | | | | | | | | | | | | | $ 3.4 | $ 3.2 | $ 2.8 | $ 2.7 | $ 2.4 | $ 2.1 | $ 2.4 | $ 3.0 |
| - Dividends | | | | | | | | | | | | | $ 0.9 | $ 0.9 | $ 0.9 | $ 0.9 | $ 0.9 | $ 0.9 | $ 0.9 | $ 0.9 |
| - Cost of Share Repurchases | | | | | | | | | | | | | $ - | $ - | $ - | $ - | $ 0.46 | $ 0.47 | $ 0.48 | $ 0.48 |
| + Shares Issued (M&A less cash paid; raises) | | | | | | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| + Net Other | | | | | | | | | | | | | | | | | | | | |
| Ending Shareholders Equity | $ 120.2 | $ 136.3 | $ 144.8 | $ 149.1 | $ 116.4 | $ 117.5 | $ 118.8 | $ 120.2 | $ 124.6 | $ 130.8 | $ 133.2 | $ 136.3 | $ 138.8 | $ 141.1 | $ 143.0 | $ 144.8 | $ 145.8 | $ 146.5 | $ 147.6 | $ 149.1 |
| Less: Intangible Assets | $ 16.1 | $ 15.8 | $ 15.8 | $ 15.8 | $ 16.2 | $ 16.4 | $ 16.2 | $ 16.1 | $ 16.0 | $ 15.9 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 | $ 15.8 |
| Less: Preferred Equity | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Tangible Common Equity | $ 104.1 | $ 120.6 | $ 129.0 | $ 133.4 | $ 100.2 | $ 101.1 | $ 102.5 | $ 104.1 | $ 108.6 | $ 114.9 | $ 117.4 | $ 120.6 | $ 123.0 | $ 125.3 | $ 127.2 | $ 129.0 | $ 130.0 | $ 130.8 | $ 131.8 | $ 133.4 |
| Tangible Assets | $ 1,154.2 | $ 1,379.6 | $ 1,443.4 | $ 1,536.7 | $ 1,081.2 | $ 1,099.6 | $ 1,113.7 | $ 1,154.2 | $ 1,169.3 | $ 1,308.9 | $ 1,366.0 | $ 1,379.6 | $ 1,383.1 | $ 1,397.1 | $ 1,418.3 | $ 1,443.4 | $ 1,458.0 | $ 1,480.1 | $ 1,506.3 | $ 1,536.7 |
| Tier 1 Capital | | | | | $ 109.5 | $ 110.8 | $ 111.3 | $ 112.8 | $ 114.3 | $ 115.8 | $ 117.7 | $ 120.4 | $ 122.8 | $ 125.1 | $ 127.0 | $ 128.83 | $ 129.8 | $ 130.6 | $ 131.6 | $ 133.19 |
| Total Capital | | | | | $ 115.8 | $ 14.3 | $ 117.9 | $ 119.4 | $ 122.0 | $ 124.7 | $ 127.8 | $ 130.8 | $ 133.2 | $ 135.5 | $ 137.4 | $ 139.22 | $ 140.2 | $ 140.9 | $ 142.0 | $ 143.58 |
| CET-1 | | | | | $ 109.5 | $ 110.8 | $ 111.3 | $ 112.8 | $ 114.3 | $ 115.8 | $ 117.7 | $ 120.4 | $ 122.8 | $ 125.1 | $ 127.0 | $ 128.83 | $ 129.8 | $ 130.6 | $ 131.6 | $ 133.19 |
| Risk Weighted Assets | | | | | $ 819.2 | $ 833.1 | $ 843.6 | $ 873.6 | $ 884.9 | $ 989.0 | $ 1,031.5 | $ 1,041.7 | $ 1,044.3 | $ 1,054.7 | $ 1,070.6 | $ 1,089.29 | $ 1,100.2 | $ 1,116.7 | $ 1,136.2 | $ 1,158.95 |
| TBV / Share (calc) | $ 13.99 | $ 16.08 | $ 17.20 | $ 18.02 | $ 13.07 | $ 13.46 | $ 13.84 | $ 13.99 | $ 14.55 | $ 15.35 | $ 15.67 | $ 16.08 | $ 16.40 | $ 16.71 | $ 16.96 | $ 17.20 | $ 17.39 | $ 17.55 | $ 17.75 | $ 18.02 |
| *Shares Repurchased* | - | - | - | 0.100 | 0.000 | - | - | - | - | - | - | - | - | - | - | - | 0.03 | 0.03 | 0.03 | 0.03 |
| *Shares Issued* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| *Avg. Share Effect of Shares Issued* | | | | | | | | | | | | | | | | | | | | |
| *Capital Ratios* | | | | | | | | | | | | | | | | | | | | |
| Total Capital / Risk Weighted Assets | 14.26% | 13.94% | 12.78% | 12.39% | 14.16% | 14.25% | 14.18% | 14.26% | 14.25% | 14.03% | 14.08% | 13.94% | 12.76% | 12.85% | 12.84% | 12.78% | 12.74% | 12.62% | 12.50% | 12.39% |
| Tier-1 / Risk Weighted Assets | 13.47% | 12.83% | 11.83% | 11.49% | 13.38% | 13.47% | 13.39% | 13.47% | 13.35% | 13.02% | 12.97% | 12.83% | 11.76% | 11.86% | 11.87% | 11.83% | 11.80% | 11.69% | 11.58% | 11.49% |
| Leverage Ratio | 9.97% | 8.84% | 9.01% | 9.09% | 10.19% | 10.20% | 10.12% | 9.97% | 9.91% | 9.31% | 8.95% | 8.84% | 8.76% | 8.89% | 8.98% | 9.01% | 9.07% | 9.08% | 9.11% | 9.09% |
| CET-1 / Risk Weighted Assets | 13.47% | 12.83% | 11.83% | 11.49% | 13.38% | 13.47% | 13.39% | 13.47% | 13.35% | 13.02% | 12.97% | 12.83% | 11.76% | 11.86% | 11.87% | 11.83% | 11.80% | 11.69% | 11.58% | 11.49% |
| TCE/TA | 9.02% | 8.74% | 8.94% | 8.68% | 9.27% | 9.20% | 9.21% | 9.02% | 9.29% | 8.78% | 8.60% | 8.74% | 8.90% | 8.97% | 8.97% | 8.94% | 8.92% | 8.83% | 8.75% | 8.68% |
| *Asset Quality* | 2019A | 2020A | 2021E | 2022E | 1Q19A | 2Q19A | 3Q19A | 4Q19A | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21E | 2Q21E | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E |
| Provision / Avg. Loans (ann'l) | 0.02% | 0.44% | 0.45% | 0.67% | 0.06% | 0.00% | 0.01% | 0.00% | 0.57% | 0.61% | 0.49% | 0.12% | 0.22% | 0.40% | 0.50% | 0.69% | 0.72% | 0.84% | 0.65% | 0.46% |
| NCOs / Avg. Loans (ann'l %) | -0.03% | -0.01% | 0.39% | 0.67% | 0.01% | 0.00% | -0.09% | -0.04% | 0.00% | 0.00% | -0.05% | -0.01% | 0.15% | 0.30% | 0.45% | 0.65% | 0.75% | 0.85% | 0.65% | 0.45% |
| Assumed ALLL for New Loans | | | | | | | | | | | | | 1.30% | 1.15% | 1.15% | 1.15% | 1.13% | 1.12% | 1.11% | 1.10% |
| Assumed Add/Release from ALLL | | | | | | | | | | | | | 1.25% | 1.25% | -0.25% | -0.75% | -1.50% | -1.50% | -1.50% | -1.50% |
| Projected NCOs ($) | | | | | | | | | | | | | $ 0.339 | $ 0.676 | $ 1.030 | $ 1.481 | $ 1.688 | $ 1.942 | $ 1.511 | $ 1.067 |
| Provision for New Loans | | | | | | | | | | | | | $ 0.026 | $ 0.092 | $ 0.140 | $ 0.166 | $ 0.095 | $ 0.142 | $ 0.167 | $ 0.192 |
| Add/Release from ALLL | | | | | | | | | | | | | $ 0.13 | $ 0.13 | $ (0.03) | $ (0.08) | $ (0.16) | $ (0.16) | $ (0.16) | $ (0.16) |
| Required Provision | | | | | | | | | | | | | $ 0.495 | $ 0.901 | $ 1.143 | $ 1.565 | $ 1.619 | $ 1.921 | $ 1.515 | $ 1.096 |
| Beginning ALLL | | | | | | | | | | | | | $ 10.389 | $ 10.545 | $ 10.769 | $ 10.882 | $ 10.967 | $ 10.897 | $ 10.876 | $ 10.880 |
| - NCOs | | | | | | | | | | | | | $ 0.339 | $ 0.676 | $ 1.030 | $ 1.481 | $ 1.688 | $ 1.942 | $ 1.511 | $ 1.067 |
| + Provision | | | | | | | | | | | | | $ 0.495 | $ 0.901 | $ 1.143 | $ 1.565 | $ 1.619 | $ 1.921 | $ 1.515 | $ 1.096 |
| Ending ALLL | $ 6.627 | $ 10.389 | $ 10.967 | $ 10.909 | $ 6.354 | $ 6.362 | $ 6.560 | $ 6.627 | $ 7.694 | $ 8.936 | $ 10.113 | $ 10.389 | $ 10.545 | $ 10.769 | $ 10.882 | $ 10.967 | $ 10.897 | $ 10.876 | $ 10.880 | $ 10.909 |
| ALLL / Loans | 0.90% | 1.23% | 1.28% | 1.22% | 0.88% | 0.88% | 0.89% | 0.90% | 1.03% | 1.09% | 1.20% | 1.23% | 1.23% | 1.26% | 1.26% | 1.28% | 1.29% | 1.27% | 1.24% | 1.22% |
| ALLL / Loans (ex-PPP) | 0.90% | 1.30% | 1.31% | 1.22% | 0.88% | 0.88% | 0.89% | 0.90% | 1.03% | 1.16% | 1.27% | 1.30% | 1.31% | 1.33% | 1.32% | 1.31% | 1.29% | 1.27% | 1.24% | 1.22% |
| Provision for Loan Losses | $ 0.139 | $ 3.663 | $ 4.104 | $ 6.151 | $ 0.105 | $ 0.009 | $ 0.025 | $ - | $ 1.075 | $ 1.250 | $ 1.062 | $ 0.276 | $ 0.495 | $ 0.901 | $ 1.143 | $ 1.565 | $ 1.619 | $ 1.921 | $ 1.515 | $ 1.096 |
| Net Charge-Offs | $ (0.225) | $ (0.120) | $ 3.527 | $ 6.209 | $ 0.014 | $ 0.001 | $ (0.173) | $ (0.067) | $ 0.008 | $ 0.008 | $ (0.115) | $ (0.021) | $ 0.339 | $ 0.676 | $ 1.030 | $ 1.481 | $ 1.688 | $ 1.942 | $ 1.511 | $ 1.067 |
| Excess Provision (LLP less NCOs) | $ 0.364 | $ 3.783 | $ 0.578 | $ (0.058) | $ 0.091 | $ 0.008 | $ 0.198 | $ 0.067 | $ 1.067 | $ 1.242 | $ 1.177 | $ 0.297 | $ 0.156 | $ 0.224 | $ 0.113 | $ 0.084 | $ (0.070) | $ (0.021) | $ 0.004 | $ 0.029 |

## Potential Risks

- Significant economic deterioration in the bank's core markets
- Unanticipated deterioration in credit quality
- Increasing competitive pressure on loan pricing - implying headwinds for balance sheet growth and NIM
- NIM compression stemming from a flat or inverted yield curve and/or the Fed adopting a less favorable stance on short-term rates
- M&A related risks, including execution or elevated pricing, resulting in a drag on profitability metrics

## Required Disclosures

D.A. Davidson & Co. makes a market in First Community Corporation.

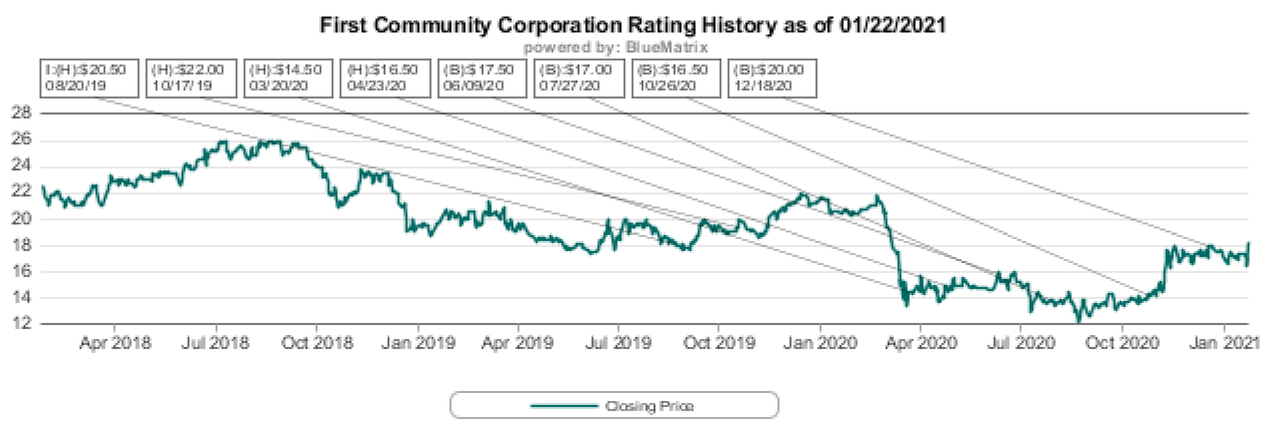
D.A. Davidson & Co, or any of its affiliates, does or seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

D.A. Davidson & Co. is a full service investment firm that provides both brokerage and investment banking services. Kevin P. Fitzsimmons, the research analyst principally responsible for the preparation of this report has received and is eligible to receive compensation, including bonus compensation, based on D.A. Davidson's overall operating revenues, including revenues generated by its investment banking and institutional equities activities. D.A. Davidson & Co.'s analysts, however, are not directly compensated for involvement in specific investment banking transactions.
I, Kevin P. Fitzsimmons, attest that (i) all the views expressed in this research report accurately reflect my personal views about the common stock of the subject company, and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

**Rating Information**
**D.A. Davidson & Co.'s Institutional Research Rating Scale Definitions** (maintained since October 10, 2017); information regarding our previous definitions is available upon request:
**BUY:** Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months
**NEUTRAL:** Expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months
**UNDERPERFORM:** Expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months

| Rating Distribution (as of 12/31/20) | Coverage Universe Distribution | | | Investment Banking Distribution | | |
|---|---|---|---|---|---|---|
| | IR | WMR | Combined | IR | WMR | Combined |
| **BUY (Buy)** | 58% | 92% | 62% | 11% | 0% | 10% |
| **NEUTRAL (Hold)** | 41% | 8% | 38% | 4% | 0% | 3% |
| **UNDERPERFORM (Sell)** | 1% | 0% | 1% | 0% | 0% | 0% |

*IR denotes Institutional Research; WMR denotes Wealth Management Research whose rating scale is Buy/Add, Neutral, Sell/Reduce. Investment Banking Distribution denotes companies from whom D.A. Davidson & Co. has received compensation in the last 12 months.*




Target prices are our Institutional Research Department's evaluation of price potential over the next 12 months, based upon our assessment of future earnings and cash flow, comparable company valuations, growth prospects and other financial criteria. Certain risks may impede achievement of these price targets including, but not limited to, broader market and macroeconomic fluctuations and unforeseen changes in the subject company's fundamentals or business trends.

## Other Disclosures

Information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. These opinions are subject to change at any time without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield. Investors should also remember that past performance is not necessarily an indicator of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. Investors should note this report was prepared by D.A. Davidson & Co.'s Institutional Research Department for distribution to D.A. Davidson & Co.'s institutional investor clients and assumes a certain level of investment sophistication on the part of the recipient. Readers, who are not institutional investors or other market professionals, should seek the advice of their individual investment advisor for an explanation of this report's contents, and should always seek such advisor's advice before making any investment decisions. Consensus estimates are obtained from Capital IQ. Further information and elaboration will be furnished upon request.

## Other Companies Mentioned in this Report

| Company Name | Ticker | Rating | Price |
|---|---|---|---|
| First Community Corporation | FCCO | BUY | $18.01 |