First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

October 18, 2023

Robust Loan Growth, Stabilizing NIM, and Clean Credit; BUY

On the heels of FCCO's 3Q23 earnings report, we're increasing our 2024/2025 EPS estimates, mainly to reflect a larger balance sheet (given robust loan growth in 3Q), a more favorable assumed trajectory for NIM, and an improved view on credit costs. FCCO demonstrated strong loan and deposit growth, and fairly modest NIM compression, and announced a bond restructuring transaction that should be a tailwind for NIM going forward. While core expenses came in above our forecast, we think this was mainly driven by some lumpy, non-run-rate items. Credit quality remains very clean. Nudging PT higher; reiterate ***BUY****.*

Modest core EPS miss: FCCO reported 3Q23 EPS of $023. We estimate core EPS of $0.35 when excluding a $1.2M pe-tax loss on the sale of $39.9M of AFS UST's during 3Q23. This came in 3 cents below consensus and 4 cents below our estimate. The core EPS miss vs. our forecast reflected a higher than modeled provision for loan losses (-$0.02/sh) and lower than expected core PPNR (-$0.01/sh). The slight core PPNR miss (vs. our forecast) stemmed from higher than modeled core expenses (-$0.04/sh), partially offset by better than expected core fee revs (+$0.02/sh) and NII (+$0.01/sh).

Figure 1: RODS (Reported, Operating, Davidson, and Street)

EPS Summary	3Q23A
Reported EPS	$ 0.23
Operating EPS	$ 0.35
Davidson Est.	$ 0.39
Street Est.	$ 0.38

Source: S&P Capital IQ and D.A. Davidson & Co.

FCCO announced a bond restructuring transaction, involving the mid-August sale of ~$40M of USTs (held within AFS) that had a weighted average yield of 1.75%. The sale comes with an upfront, one-time loss of $1.2M pretax that has an implied earn-back of 1.6 years. FCCO used the proceeds to pay down some wholesale borrowings, but mainly is holding the liquidity to fund loan growth in coming quarters.

Increasing our EPS estimates: After inputting FCCO's core 3Q23 EPS estimates into our model and fine-tuning our assumptions, we're leaving our 2023E EPS unchanged (at $1.62), yet increasing our 2024E EPS by 14 cents (to $1.65) and our 2025E EPS by 18 cents (to $1.74). Main adjustments included an improved assumed trajectory for NIM, a larger balance sheet, and a modestly lower assumed pace of credit costs.

Nudging PT higher; reiterate BUY: We're raising our PT by $0.50 (to $21.00) given our increased EPS estimates. Our PT assumes the shares will trade at 12.7x our 2024E EPS and ~132% of our YE24E TBV/sh, with our 2024E ROTCE of 10.9%.

HIGHLIGHTS FROM 3Q23 RESULTS

Core profitability was less favorable LQ, including core ROAA (0.64% vs. 0.73%), PPNR ROAA (0.92% vs. 0.97%), ROTCE (9.97% vs. 11.61%), and efficiency (74.2% vs. 72.1%). Core PPNR declined $0.3M or 7.4% LQ, and came in $0.1M or $0.01/sh below our forecast.

Continued on page 2

FY (Dec)		2022A	2023E	Previous	*Cons.*	2024E	Previous	*Cons.*
EPS	Q1 (Mar)	$0.44	**$0.45A**	-	*n.a.*	**$0.40E**	$0.37	*$0.34*
	Q2 (Jun)	$0.42	**$0.41A**	-	*n.a.*	**$0.41E**	$0.37	*$0.37*
	Q3 (Sep)	$0.52	**$0.35A**	$0.39	*n.a.*	**$0.42E**	$0.39	*$0.40*
	Q4 (Dec)	$0.54	**$0.41E**	$0.37	*$0.36*	**$0.42E**	$0.38	*$0.41*
		$1.92	**$1.62E**	NC	*$1.59*	**$1.65E**	$1.51	*$1.52*
Price/EPS		*9.3x*	*11.0x*			*10.8x*		
Revenue ($M)	Q1 (Mar)	$14.1	**$14.9A**	-	*n.a.*	**$15.4E**	$15.0	*$14.8*
	Q2 (Jun)	$14.1	**$15.0A**	-	*n.a.*	**$15.7E**	$15.3	*$15.2*
	Q3 (Sep)	$15.5	**$15.2A**	$14.9	*n.a.*	**$16.0E**	$15.6	*$15.6*
	Q4 (Dec)	$16.0	**$15.3E**	$14.8	*$14.8*	**$16.2E**	$15.8	*$15.9*
		$59.6	**$60.4E**	$59.6	*$59.7*	**$63.4E**	$61.8	*$61.5*

Buy

Price Target	**↑$21.00**
Price (10/18/23)	$17.80
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	0.64%
ROTCE (MRQ)	10.0%
Net Interest Margin (MRQ)	2.96%
Efficiency Ratio (MRQ)	74.2%
TBV per Share (9/30/23)	$14.25
TCE/TA (9/30/23)	6.1%
Dividend	$0.56 (3.1%)

Trading Data

Shares Outstanding (M)	7.7
Market Capitalization ($M)	$135.2
52-week range	$16.30 - $22.25
Avg. Volume (3-mth.) (K)	15.4

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Company Description

Lexington, SC - First Community Corporation is the parent company of First Community Bank a +$1.6B 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

Please refer to pages 5 - 6 of this report for detailed disclosure and certification information.

The provision for loan losses increased $0.3M or more than doubled LQ (albeit off a low base), and came in $0.2M or $0.02/sh above our forecast. We believe the higher provision was entirely for the strong pace of loan growth. NCOs/average loans (ann'l) were 0.00% vs. (0.01%) in 2Q23. ACL/loans declined 4bp LQ to 1.08%. NPAs/assets declined 2bp LQ to 0.04%. While FCCO is scrubbing and stress testing the loan book, credit remains extremely clean.

NII decreased slightly LQ, yet came in $0.1M or $0.01/sh above our forecast. NIM compressed 6bp LQ to 2.96%, yet this came in 3bp better than our forecast, and reflected a continued diminishing pace of compression over the course of recent quarters. The 3Q compression reflected a higher cost of total deposits (up 35bp LQ to 1.32%), partially offset by higher loan yields (up 28bp to 5.14%). Loan yields and NIM continue to benefit from fixed-to-floating swaps put in place in early-May. The cumulative cycle total deposit beta is now 26.7%.

EOP loans increased $59.5M or 23% LQA. Management attributed the growth to fundings of commercial construction commitments, and to a lesser extent, higher CRE and residential mortgages (as the bank continues to retain its ARM product), as well as a softer pay-downs. More broadly, we get the sense the strength reflects the health of the bank's markets and the opportunity to take share when other banks are pulling back. All that said, we don't get the sense that management views the 23% LQA pace of growth as sustainable going forward.

EOP deposits increased $71.3M or 20% LQA, with $48M of the growth from brokered CDs (as these were a cheaper alternative) and $23M from core client deposits. Impressively, DDA % continues to remain relatively stable at ~31%.

Core fee revs increased $0.2M or 8.6% LQ, and came in $0.2M or $0.02/sh above our forecast. The LQ increase reflected higher mortgage revs (with improved secondary market fees and a wider GOS margin), and to a lesser extent, higher investment advisory revs.

Core expenses increased $0.5M or 4.8% LQ, and came in $0.4M or $0.04/sh above our forecast. The LQ increase mainly stemmed from higher marketing costs, other costs, and salaries/benefits (tied to mortgage activity) and other costs, partially offset by lower occupancy. We believe there was some non-run-rate lift to these costs, including some deliberately increased marketing spend, and a higher-than-normal pace of mail check fraud losses of $230K), which the bank doesn't expect to repeat going forward.

Bank-level capital ratios were mostly lower LQ, including CET1 (12.47% vs. 13.29%), Total RBC (13.50% vs. 14.35%), and Tier 1 RBC (12.47% vs. 13.29%), while Tier 1 Leverage was stable at 8.63%. FCCO saw LQ declines to TCE/TA (6.09% vs. 6.31%) and TBV/sh (down 0.6% to $14.25), which was likely inclusive of a steeper AOCI hit. The bank has yet to repurchase shares from its 375K or 5% share repurchase program.

Figure 2: Variance Table

Quarterly Earnings Snapshot	Actual 2Q23A	Actual 3Q23A	Our Est. 3Q23E	Variance (vs. Our Est.) $	Per Sh Impact	Actual LQ Chg
Net Interest Income (FTE)	$ 12.137	$ 12.103	$ 11.958	$ 0.145	$ 0.01	-0.3%
Provision for Loan Losses	$ 0.186	$ 0.474	$ 0.256	$ 0.218	$ (0.02)	154.8%
Noninterest Income (Core)	$ 2.825	$ 3.067	$ 2.906	$ 0.161	$ 0.02	8.6%
Total Revenue (Core)	$ 14.962	$ 15.170	$ 14.864	$ 0.306		1.4%
Noninterest Expense (Core)	$ 10.755	$ 11.273	$ 10.862	$ 0.411	$ (0.04)	4.8%
PT Oper. Income	$ 4.021	$ 3.423	$ 3.746	$ (0.323)		-14.9%
PTPP Oper. Income	$ 4.207	$ 3.897	$ 4.002	$ (0.105)	$ (0.01)	-7.4%
Tax Rate (Core)	21.66%	20.90%	21.00%	-10bp		-76bp
Avg. Diluted Shares o/s	7.655	7.655	7.655	0.000		0.0%
Core EPS	$ 0.41	$ 0.35	$ 0.39		$ (0.03)	-14.0%
TBV / Share	$ 14.33	$ 14.25	$ 14.58		$ (0.331)	-0.6%
NIM	3.02%	2.96%	2.93%	3bp		-6bp
Core NIM	3.00%	2.96%	2.93%	3bp		-4bp
Core ROAA	0.73%	0.64%	0.68%	-4bp		-8bp
Core PTPP ROAA	0.97%	0.92%	0.92%	1bp		-5bp
Core ROAE	10.15%	8.66%	9.46%	-80bp		-149bp
Core Efficiency	72.1%	74.2%	73.1%	110bp		209bp
Avg. Total Loans	$ 1,017.2	$ 1,065.698	$ 1,039.996	$ 25.7		4.8%
Avg. Earning Assets	$ 1,622.4	$ 1,628.260	$ 1,632.124	$ (3.9)		0.4%
Net Charge-Offs	$ 0.010	$ -	$ 0.078	$ (0.078)		-100.0%
NCOs/Avg. Loans (ann'l)	0.00%	0.00%	0.03%	-3bp		0bp
Excess Provision (LLP less NCOs)	$ 0.176	$ 0.474	$ 0.178	$ 0.296		169.3%

Source: S&P Capital IQ and D.A. Davidson & Co.

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

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Income Statement	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
NET INTEREST INCOME (FTE)	$ 47.943	$ 48.794	$ 50.206	$ 53.541	$ 10.733	$ 11.051	$ 12.794	$ 13.365	$ 12.357	$ 12.137	$ 12.103	$ 12.197	$ 12.260	$ 12.449	$ 12.645	$ 12.852	$ 13.026	$ 13.286	$ 13.494	$ 13.735
PROVISION FOR LOAN LOSSES	$ (0.152)	$ 1.127	$ 1.861	$ 2.997	$ (0.125)	$ (0.070)	$ 0.018	$ 0.025	$ 0.070	$ 0.186	$ 0.474	$ 0.397	$ 0.385	$ 0.417	$ 0.482	$ 0.578	$ 0.584	$ 0.654	$ 0.791	$ 0.969
Non-Interest Income			$ -	$ -																
Deposit service charges	$ 0.960	$ 0.936	$ 1.019	$ 1.092	$ 0.265	$ 0.262	$ 0.243	$ 0.190	$ 0.232	$ 0.220	$ 0.240	$ 0.244	$ 0.247	$ 0.253	$ 0.257	$ 0.261	$ 0.265	$ 0.272	$ 0.276	$ 0.280
Mortgage banking income	$ 1.900	$ 1.517	$ 2.019	$ 2.197	$ 0.839	$ 0.481	$ 0.290	$ 0.290	$ 0.155	$ 0.371	$ 0.508	$ 0.483	$ 0.458	$ 0.513	$ 0.534	$ 0.513	$ 0.492	$ 0.561	$ 0.584	$ 0.560
Invest. Advisory fees & commissions	$ 4.479	$ 4.605	$ 5.406	$ 5.937	$ 1.198	$ 1.195	$ 1.053	$ 1.033	$ 1.067	$ 1.081	$ 1.187	$ 1.270	$ 1.302	$ 1.341	$ 1.368	$ 1.395	$ 1.430	$ 1.473	$ 1.502	$ 1.532
Gain (loss) on sale of other assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ 4.342	$ 4.549	$ 4.753	$ 5.070	$ 1.068	$ 1.111	$ 1.087	$ 1.076	$ 1.121	$ 1.153	$ 1.132	$ 1.143	$ 1.160	$ 1.178	$ 1.196	$ 1.219	$ 1.238	$ 1.256	$ 1.275	$ 1.301
TOTAL NON-INTEREST INCOME (core)	$ 11.681	$ 11.607	$ 13.197	$ 14.296	$ 3.370	$ 3.049	$ 2.673	$ 2.589	$ 2.575	$ 2.825	$ 3.067	$ 3.140	$ 3.168	$ 3.286	$ 3.355	$ 3.388	$ 3.425	$ 3.562	$ 3.637	$ 3.673
OPERATING REVENUE	$ 59.624	$ 60.400	$ 63.402	$ 67.837	$ 14.103	$ 14.100	$ 15.467	$ 15.954	$ 14.932	$ 14.962	$ 15.170	$ 15.336	$ 15.428	$ 15.734	$ 15.999	$ 16.241	$ 16.451	$ 16.848	$ 17.130	$ 17.408
Noninterest Expense																				
Salaries & employee benefits	$ 25.357	$ 26.148	$ 27.742	$ 29.369	$ 6.119	$ 6.175	$ 6.373	$ 6.690	$ 6.331	$ 6.508	$ 6.613	$ 6.696	$ 6.786	$ 6.922	$ 6.974	$ 7.061	$ 7.156	$ 7.317	$ 7.401	$ 7.494
Occupancy	$ 3.002	$ 3.197	$ 3.200	$ 3.347	$ 0.705	$ 0.786	$ 0.786	$ 0.725	$ 0.830	$ 0.813	$ 0.776	$ 0.778	$ 0.788	$ 0.796	$ 0.803	$ 0.814	$ 0.824	$ 0.832	$ 0.840	$ 0.851
Equipment	$ 1.343	$ 1.549	$ 1.727	$ 1.802	$ 0.332	$ 0.329	$ 0.331	$ 0.351	$ 0.336	$ 0.377	$ 0.416	$ 0.420	$ 0.425	$ 0.430	$ 0.434	$ 0.438	$ 0.444	$ 0.448	$ 0.453	$ 0.457
Marketing & public relations	$ 1.259	$ 1.739	$ 1.720	$ 1.781	$ 0.361	$ 0.446	$ 0.163	$ 0.289	$ 0.346	$ 0.370	$ 0.609	$ 0.414	$ 0.435	$ 0.444	$ 0.412	$ 0.429	$ 0.450	$ 0.459	$ 0.427	$ 0.444
FDIC assessment	$ 0.468	$ 0.825	$ 0.844	$ 0.844	$ 0.130	$ 0.105	$ 0.121	$ 0.112	$ 0.182	$ 0.221	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211	$ 0.211
Amortization of intangibles	$ 0.158	$ 0.156	$ 0.148	$ 0.139	$ 0.039	$ 0.040	$ 0.039	$ 0.040	$ 0.039	$ 0.040	$ 0.039	$ 0.038	$ 0.038	$ 0.037	$ 0.037	$ 0.036	$ 0.036	$ 0.035	$ 0.035	$ 0.034
Other operating expenses	$ 9.358	$ 9.975	$ 10.043	$ 10.607	$ 2.221	$ 2.278	$ 2.585	$ 2.274	$ 2.505	$ 2.456	$ 2.588	$ 2.426	$ 2.463	$ 2.493	$ 2.525	$ 2.562	$ 2.601	$ 2.633	$ 2.666	$ 2.706
Noninterest Expense, Ex-Credit	$ 40.945	$ 43.590	$ 45.425	$ 47.889	$ 9.907	$ 10.159	$ 10.398	$ 10.481	$ 10.569	$ 10.785	$ 11.252	$ 10.984	$ 11.145	$ 11.332	$ 11.396	$ 11.551	$ 11.722	$ 11.936	$ 12.033	$ 12.198
OREO expense	$ 0.308	$ (0.121)	$ 0.084	$ 0.084	$ 0.047	$ 0.029	$ 0.019	$ 0.213	$ (0.133)	$ (0.030)	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021	$ 0.021
Write-down of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net loss (gain) on sale of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NONINTEREST EXPENSE (core)	$ 41.253	$ 43.469	$ 45.509	$ 47.973	$ 9.954	$ 10.188	$ 10.417	$ 10.694	$ 10.436	$ 10.755	$ 11.273	$ 11.005	$ 11.166	$ 11.353	$ 11.417	$ 11.572	$ 11.743	$ 11.957	$ 12.054	$ 12.219
Pre-Tax Operating Income	$ 18.523	$ 15.805	$ 16.032	$ 16.867	$ 4.274	$ 3.982	$ 5.032	$ 5.235	$ 4.426	$ 4.021	$ 3.423	$ 3.935	$ 3.877	$ 3.964	$ 4.101	$ 4.091	$ 4.124	$ 4.237	$ 4.285	$ 4.220
Pre-Tax, Pre-Provision Operating Income	$ 18.371	$ 16.932	$ 17.893	$ 19.864	$ 4.149	$ 3.912	$ 5.050	$ 5.260	$ 4.496	$ 4.207	$ 3.897	$ 4.332	$ 4.262	$ 4.381	$ 4.582	$ 4.668	$ 4.708	$ 4.891	$ 5.076	$ 5.189
Pre-Tax, Pre-Credit Costs Operating Income	$ 18.679	$ 16.811	$ 17.977	$ 19.948	$ 4.196	$ 3.941	$ 5.069	$ 5.473	$ 4.363	$ 4.177	$ 3.918	$ 4.353	$ 4.283	$ 4.402	$ 4.603	$ 4.689	$ 4.729	$ 4.912	$ 5.097	$ 5.210
Gain (Loss) on sale of securities	$ (0.045)	$ (1.249)	$ -	$ -	$ -	$ (0.045)	$ -	$ -	$ -	$ -	$ (1.249)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Operating Revenues	$ (0.067)	$ 0.272	$ -	$ -	$ 0.004	$ 0.005	$ -	$ (0.076)	$ -	$ 0.226	$ 0.046	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Non-Operating Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Merger Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pre-Tax Income	$ 18.411	$ 14.828	$ 16.032	$ 16.867	$ 4.278	$ 3.942	$ 5.032	$ 5.159	$ 4.426	$ 4.247	$ 2.220	$ 3.935	$ 3.877	$ 3.964	$ 4.101	$ 4.091	$ 4.124	$ 4.237	$ 4.285	$ 4.220
Income Taxes	$ 3.798	$ 3.173	$ 3.367	$ 3.542	$ 0.789	$ 0.812	$ 1.081	$ 1.116	$ 0.963	$ 0.920	$ 0.464	$ 0.826	$ 0.814	$ 0.832	$ 0.861	$ 0.859	$ 0.866	$ 0.890	$ 0.900	$ 0.886
Tax Rate	20.63%	21.40%	21.00%	21.00%	18.4%	20.6%	21.5%	21.6%	21.8%	21.7%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Core Tax Rate	21.30%	21.33%	21.00%	21.00%	21.5%	20.6%	21.5%	21.6%	21.8%	21.7%	20.9%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income from Continuing Operations	$ 14.613	$ 11.655	$ 12.666	$ 13.325	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.463	$ 3.327	$ 1.756	$ 3.109	$ 3.063	$ 3.131	$ 3.240	$ 3.232	$ 3.258	$ 3.347	$ 3.386	$ 3.334
Net Income from Discontinued Operations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Income	$ 14.613	$ 11.655	$ 12.666	$ 13.325	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.463	$ 3.327	$ 1.756	$ 3.109	$ 3.063	$ 3.131	$ 3.240	$ 3.232	$ 3.258	$ 3.347	$ 3.386	$ 3.334
Preferred Dividends	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Gain (Loss) Attributable to Noncontrolling Interes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AVAILABLE TO COMMON	$ 14.613	$ 11.655	$ 12.666	$ 13.325	$ 3.489	$ 3.130	$ 3.951	$ 4.043	$ 3.463	$ 3.327	$ 1.756	$ 3.109	$ 3.063	$ 3.131	$ 3.240	$ 3.232	$ 3.258	$ 3.347	$ 3.386	$ 3.334

Shares / Per Share Metrics	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Earnings Per Share (EPS) - Reported	$ 1.92	$ 1.52	$ 1.65	$ 1.74	$ 0.46	$ 0.41	$ 0.52	$ 0.53	$ 0.45	$ 0.43	$ 0.23	$ 0.41	$ 0.40	$ 0.41	$ 0.42	$ 0.42	$ 0.43	$ 0.44	$ 0.44	$ 0.44
Core EPS	$ **1.92**	$ **1.62**	$ **1.65**	$ **1.74**	$ **0.44**	$ **0.42**	$ **0.52**	$ **0.54**	$ **0.45**	$ **0.41**	$ **0.35**	$ **0.41**	$ **0.40**	$ **0.41**	$ **0.42**	$ **0.42**	$ **0.43**	$ **0.44**	$ **0.44**	$ **0.44**
Core EPS Growth (Annualized)	-5.6%	-15.2%	1.9%	5.2%	-50.0%	-23.7%	99.8%	14.7%	-63.5%	-36.7%	-56.2%	59.2%	-5.9%	9.0%	13.8%	-1.0%	3.3%	11.0%	4.5%	-6.1%
PTPP/Avg. Shares	$ 2.41	$ 2.21	$ 2.34	$ 2.59	$ 0.55	$ 0.51	$ 0.66	$ 0.69	$ 0.59	$ 0.55	$ 0.51	$ 0.57	$ 0.56	$ 0.57	$ 0.60	$ 0.61	$ 0.62	$ 0.64	$ 0.66	$ 0.68
Avg. Diluted Shares o/s	7.607	7.652	7.655	7.655	7.595	7.607	7.608	7.620	7.644	7.655	7.655	7.655	7.655	7.655	7.655	7.655	7.655	7.655	7.655	7.655
EOP Shares	7.578	7.600	7.600	7.600	7.560	7.567	7.573	7.578	7.588	7.594	7.600	7.600	7.600	7.600	7.600	7.600	7.600	7.600	7.600	7.600
Dividend per Share	$ 0.53	$ 0.56	$ 0.56	$ 0.56	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14
Dividend Payout Ratio	27.6%	36.9%	33.8%	32.2%	28.3%	31.7%	25.0%	26.4%	31.1%	32.6%	60.9%	34.5%	35.0%	34.2%	33.1%	33.2%	32.9%	32.0%	31.7%	32.1%
TBV / Share	$ 13.59	$ 14.77	$ 15.87	$ 17.07	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 14.26	$ 14.33	$ 14.25	$ 14.77	$ 15.03	$ 15.30	$ 15.59	$ 15.87	$ 16.16	$ 16.46	$ 16.77	$ 17.07

Profitability Metrics	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
NIM	3.11%	3.01%	2.96%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	2.96%	2.94%	2.93%	2.95%	2.97%	2.98%	2.99%	3.01%	3.02%	3.03%
Core NIM	3.14%	3.02%	2.96%	3.01%	2.90%	2.93%	3.29%	3.42%	3.19%	3.00%	2.96%	2.94%	2.93%	2.95%	2.97%	2.98%	2.99%	3.01%	3.02%	3.03%
Core ROAA	0.88%	0.73%	0.72%	0.73%	0.83%	0.77%	0.95%	0.98%	0.82%	0.73%	0.64%	0.72%	0.71%	0.72%	0.73%	0.73%	0.72%	0.73%	0.73%	0.71%
Core PTPP ROAA	1.11%	0.99%	1.02%	1.08%	1.02%	0.95%	1.21%	1.25%	1.06%	0.97%	0.92%	1.01%	0.98%	1.00%	1.04%	1.05%	1.04%	1.07%	1.10%	1.11%
Core ROAE	11.95%	10.07%	9.76%	9.62%	9.78%	10.90%	13.28%	14.21%	11.54%	10.15%	8.66%	9.98%	9.67%	9.73%	9.91%	9.72%	9.64%	9.75%	9.69%	9.39%
Core ROTCE	13.72%	11.49%	10.89%	10.65%	11.41%	11.93%	15.74%	16.27%	13.12%	11.61%	9.97%	11.28%	10.82%	10.87%	11.04%	10.81%	10.71%	10.80%	10.72%	10.37%
Core ROTCE (ex-Reserve Release)	13.65%	10.96%	10.88%	10.57%	11.09%	11.86%	15.44%	16.21%	12.87%	11.10%	8.59%	11.28%	10.82%	10.87%	11.04%	10.81%	10.62%	10.72%	10.64%	10.29%
Core Efficiency	69.2%	72.0%	71.8%	70.7%	70.2%	72.0%	67.2%	65.7%	70.8%	72.1%	74.2%	71.8%	72.4%	72.2%	71.4%	71.3%	71.4%	71.0%	70.4%	70.2%
Core Fee Income / Operating Revs	19.6%	19.2%	20.8%	21.1%	23.9%	21.6%	17.3%	16.2%	17.2%	18.9%	20.2%	20.5%	20.5%	20.9%	21.0%	20.9%	20.8%	21.1%	21.2%	21.1%

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

Kevin P. Fitzsimmons 856-994-6062

Average Balance Sheet	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Avg. PPP	0.4	0.2	-	-	0.9	0.3	0.2	0.2	0.2	0.2	0.2	0.1	-	-	-	-	-	-	-	-
Avg. Loans (ex-PPP)	919.7	1,043.5	1,155.3	1,228.8	875.5	896.4	938.1	968.8	986.3	1,017.0	1,065.5	1,105.1	1,128.6	1,146.9	1,164.1	1,181.5	1,199.3	1,217.3	1,237.0	1,261.8
Avg. Total Loans	920.1	1,043.7	1,155.3	1,228.8	876.3	896.6	938.3	969.0	986.5	1,017.2	1,065.7	1,105.2	1,128.6	1,146.9	1,164.1	1,181.5	1,199.3	1,217.3	1,237.0	1,261.8
Avg. Securities	570.5	541.8	494.4	498.8	571.8	560.4	581.0	568.8	565.1	562.6	533.1	506.4	496.3	493.8	492.6	495.1	495.1	497.5	500.0	502.5
Avg. Other Earning Assets	50.6	37.9	47.4	51.0	67.2	72.8	37.5	24.9	30.1	42.6	29.5	49.5	48.4	47.1	47.8	46.1	49.9	51.8	52.7	49.5
Avg. Earning Assets	1,541.2	1,623.4	1,697.1	1,778.6	1,515.4	1,529.8	1,556.9	1,562.7	1,581.8	1,622.4	1,628.3	1,661.2	1,673.3	1,687.8	1,704.5	1,722.7	1,744.2	1,766.6	1,789.8	1,813.9
Avg. Total Assets	1,652.8	1,710.6	1,756.6	1,837.4	1,622.3	1,643.9	1,667.7	1,677.1	1,695.7	1,737.0	1,688.6	1,721.2	1,733.1	1,747.5	1,763.9	1,781.9	1,803.3	1,825.5	1,848.5	1,872.3
Avg. Deposits	1,417.4	1,422.8	1,511.4	1,595.4	1,374.8	1,428.0	1,450.0	1,416.9	1,381.7	1,409.1	1,432.8	1,467.6	1,483.1	1,500.8	1,520.4	1,541.4	1,562.2	1,583.8	1,606.3	1,629.5
Avg. Total Borrowings	100.7	177.4	161.5	159.0	97.5	87.1	86.6	131.5	179.5	189.4	171.3	169.5	166.1	162.9	159.9	157.1	157.9	158.6	159.4	160.2
Avg. IB-Liabilities	1,048.9	1,150.0	1,233.9	1,305.2	1,023.0	1,048.8	1,054.1	1,069.7	1,102.6	1,146.0	1,156.5	1,195.0	1,210.4	1,226.1	1,241.6	1,257.6	1,277.0	1,296.0	1,314.8	1,333.2
Avg. Total Liabilities	1,530.8	1,615.1	1,688.4	1,769.9	1,485.0	1,527.8	1,548.7	1,561.6	1,575.6	1,612.9	1,619.6	1,652.5	1,664.6	1,679.2	1,695.8	1,714.0	1,735.5	1,757.9	1,781.1	1,805.2
Avg. Shareholders Equity	121.9	123.5	129.8	138.6	137.2	116.1	119.0	115.5	120.1	124.2	125.1	124.6	126.6	128.7	130.8	133.0	135.2	137.4	139.7	142.0
Avg. Tangible Common Equity	106.2	108.2	116.4	125.1	117.7	106.0	100.4	100.8	105.6	108.5	108.6	110.3	113.2	115.3	117.4	119.6	121.7	124.0	126.3	128.6

EOP Balance Sheet	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
PPP	0.2	-	-	-	0.3	0.3	0.2	0.2	0.2	0.2	0.2	-	-	-	-	-	-	-	-	-
Loans (ex-PPP)	980.6	1,118.8	1,190.3	1,275.9	875.5	916.1	950.0	980.6	992.5	1,032.2	1,091.5	1,118.8	1,138.3	1,155.4	1,172.7	1,190.3	1,208.2	1,226.3	1,247.8	1,275.9
Total Loans	980.9	1,118.8	1,190.3	1,275.9	875.8	916.3	950.2	980.9	992.7	1,032.3	1,091.6	1,118.8	1,138.3	1,155.4	1,172.7	1,190.3	1,208.2	1,226.3	1,247.8	1,275.9
Total Assets	1,672.9	1,860.2	1,988.7	2,123.8	1,652.3	1,684.8	1,651.8	1,672.9	1,735.4	1,741.0	1,793.7	1,860.2	1,899.5	1,930.4	1,959.3	1,988.7	2,018.5	2,048.8	2,082.1	2,123.8
Non-IB Deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Deposits	1,385.4	1,528.2	1,605.1	1,696.9	1,430.7	1,469.0	1,436.3	1,385.4	1,420.2	1,420.8	1,492.0	1,528.2	1,544.4	1,562.8	1,583.2	1,605.1	1,626.7	1,649.3	1,672.6	1,696.9
Total Liabilities	1,519.1	1,687.8	1,750.6	1,843.7	1,513.8	1,555.7	1,524.9	1,519.1	1,597.1	1,602.8	1,654.2	1,687.8	1,700.2	1,715.0	1,732.0	1,750.6	1,772.6	1,795.4	1,819.2	1,843.7

Liquidity Ratios	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Loans / Deposits	70.8%	73.2%	74.2%	75.2%	61.2%	62.4%	66.2%	70.8%	69.9%	72.7%	73.2%	73.2%	73.7%	73.9%	74.1%	74.2%	74.3%	74.4%	74.6%	75.2%
Avg. Earning Assets / Avg. Assets	93.3%	94.9%	96.6%	96.8%	93.4%	93.1%	93.4%	93.2%	93.3%	93.4%	96.4%	96.5%	96.5%	96.6%	96.6%	96.7%	96.7%	96.8%	96.8%	96.9%
Avg. Borrowings / Avg. Liabilities	6.6%	11.0%	9.6%	9.0%	6.6%	5.7%	5.6%	8.4%	11.4%	11.7%	10.6%	10.3%	10.0%	9.7%	9.4%	9.2%	9.1%	9.0%	9.0%	8.9%

Capital Analysis	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Beginning Total Equity												123.6	125.6	127.6	129.7	131.9	134.1	136.2	138.5	140.9
+ Net Income												3.1	3.1	3.1	3.2	3.2	3.3	3.3	3.4	3.3
- Dividends												1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
- Cost of Share Repurchases												-	-	-	-	-	-	-	-	-
+ Shares Issued (M&A less cash paid; raises)												-	-	-	-	-	-	-	-	-
+ Net Other																				
Ending Shareholders Equity	118.4	125.6	134.1	143.1	125.4	117.6	114.1	118.4	123.6	124.1	123.6	125.6	127.6	129.7	131.9	134.1	136.2	138.5	140.9	143.1
Less: Intangible Assets	15.4	15.3	15.3	15.3	15.5	15.5	15.4	15.4	15.4	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3	15.3
Less: Preferred Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tangible Common Equity	103.0	112.2	120.6	129.7	109.9	102.1	98.7	103.0	108.2	108.8	108.3	112.2	114.2	116.3	118.5	120.6	122.8	125.1	127.4	129.7
Tangible Assets	1,657.5	1,844.9	1,973.4	2,108.5	1,636.8	1,669.3	1,636.4	1,657.5	1,720.0	1,725.7	1,778.4	1,844.9	1,884.2	1,915.1	1,944.0	1,973.4	2,003.3	2,033.5	2,066.8	2,108.5
Tier 1 Capital					135.6	137.9	137.9	145.6	147.9	150.4	151.4	153.40	155.4	157.5	159.6	161.81	164.0	166.3	168.6	170.88
Total Capital					146.6	149.1	149.1	156.9	159.7	162.4	163.9	165.90	167.9	170.0	172.1	174.31	176.5	178.8	181.1	183.38
CET-1					135.6	137.9	137.9	145.6	147.9	150.4	151.4	153.40	155.4	157.5	159.6	161.81	164.0	166.3	168.6	170.88
Risk Weighted Assets					1,233.5	1,257.8	1,233.1	1,248.9	1,295.5	1,299.7	1,339.1	1,388.69	1,418.0	1,441.1	1,462.7	1,484.61	1,506.9	1,529.5	1,554.4	1,585.47
TBV / Share (calc)	13.59	14.77	15.87	17.07	14.53	13.50	13.03	13.59	14.26	14.33	14.25	14.77	15.03	15.30	15.59	15.87	16.16	16.46	16.77	17.07
Shares Repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg. Share Effect of Shares Issued																				

Capital Ratios	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Total Capital / Risk Weighted Assets	12.56%	11.95%	11.74%	11.57%	11.89%	14.57%	12.09%	12.56%	12.33%	12.50%	12.24%	11.95%	11.84%	11.79%	11.77%	11.74%	11.71%	11.69%	11.65%	11.57%
Tier-1 / Risk Weighted Assets	11.66%	11.05%	10.90%	10.78%	10.99%	13.47%	11.18%	11.66%	11.41%	11.57%	11.30%	11.05%	10.96%	10.93%	10.91%	10.90%	10.88%	10.87%	10.85%	10.78%
Leverage Ratio	8.76%	8.99%	9.15%	9.19%	8.46%	8.34%	8.36%	8.76%	8.80%	8.74%	9.05%	8.99%	9.04%	9.08%	9.12%	9.15%	9.16%	9.18%	9.19%	9.19%
CET-1 / Risk Weighted Assets	11.66%	11.05%	10.90%	10.78%	10.99%	13.47%	11.18%	11.66%	11.41%	11.57%	11.30%	11.05%	10.96%	10.93%	10.91%	10.90%	10.88%	10.87%	10.85%	10.78%
TCE/TA	6.21%	6.08%	6.11%	6.15%	6.71%	6.12%	6.03%	6.21%	6.29%	6.31%	6.09%	6.08%	6.06%	6.07%	6.09%	6.11%	6.13%	6.15%	6.17%	6.15%

Asset Quality	2022A	2023E	2024E	2025E	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Provision / Avg. Loans (ann'l)	-0.02%	0.11%	0.16%	0.24%	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.07%	0.18%	0.14%	0.14%	0.15%	0.17%	0.20%	0.19%	0.21%	0.26%	0.31%
NCOs / Avg. Loans (ann'l %)	-0.02%	0.01%	0.09%	0.18%	0.00%	-0.04%	-0.03%	0.00%	-0.01%	0.00%	0.00%	0.03%	0.06%	0.08%	0.10%	0.13%	0.14%	0.16%	0.19%	0.22%
Assumed ALLL for New Loans												1.15%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
Assumed Add/Release from ALLL												0.00%	0.00%	0.00%	0.00%	0.00%	-0.25%	-0.25%	-0.25%	-0.25%
Projected NCOs ($)												0.083	0.169	0.229	0.291	0.384	0.420	0.487	0.588	0.694
Provision for New Loans												0.314	0.215	0.188	0.191	0.194	0.196	0.199	0.236	0.309
Add/Release from ALLL												-	-	-	-	-	(0.03)	(0.03)	(0.03)	(0.03)
Required Provision												0.397	0.385	0.417	0.482	0.578	0.584	0.654	0.791	0.969
Beginning ALLL												11.818	12.132	12.347	12.535	12.726	12.919	13.083	13.250	13.453
- NCOs												0.083	0.169	0.229	0.291	0.384	0.420	0.487	0.588	0.694
+ Provision												0.397	0.385	0.417	0.482	0.578	0.584	0.654	0.791	0.969
Ending ALLL	11.336	12.132	12.919	13.728	11.063	11.220	11.315	11.336	11.420	11.554	11.818	12.132	12.347	12.535	12.726	12.919	13.083	13.250	13.453	13.728
ALLL / Loans	1.16%	1.08%	1.09%	1.08%	1.26%	1.22%	1.19%	1.16%	1.15%	1.12%	1.08%	1.08%	1.08%	1.08%	1.09%	1.09%	1.08%	1.08%	1.08%	1.08%
ALLL / Loans (ex-PPP)	1.16%	1.08%	1.09%	1.08%	1.26%	1.22%	1.19%	1.16%	1.15%	1.12%	1.08%	1.08%	1.08%	1.08%	1.09%	1.09%	1.08%	1.08%	1.08%	1.08%
Provision for Loan Losses	(0.152)	1.127	1.861	2.997	(0.125)	(0.070)	0.018	0.025	0.070	0.186	0.474	0.397	0.385	0.417	0.482	0.578	0.584	0.654	0.791	0.969
Net Charge-Offs	(0.174)	0.078	1.074	2.188	(0.008)	(0.093)	(0.077)	0.004	(0.015)	0.010	-	0.083	0.169	0.229	0.291	0.384	0.420	0.487	0.588	0.694
Excess Provision (LLP less NCOs)	0.022	1.049	0.787	0.809	(0.117)	0.023	0.095	0.021	0.085	0.176	0.474	0.314	0.215	0.188	0.191	0.194	0.164	0.167	0.203	0.275

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

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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:

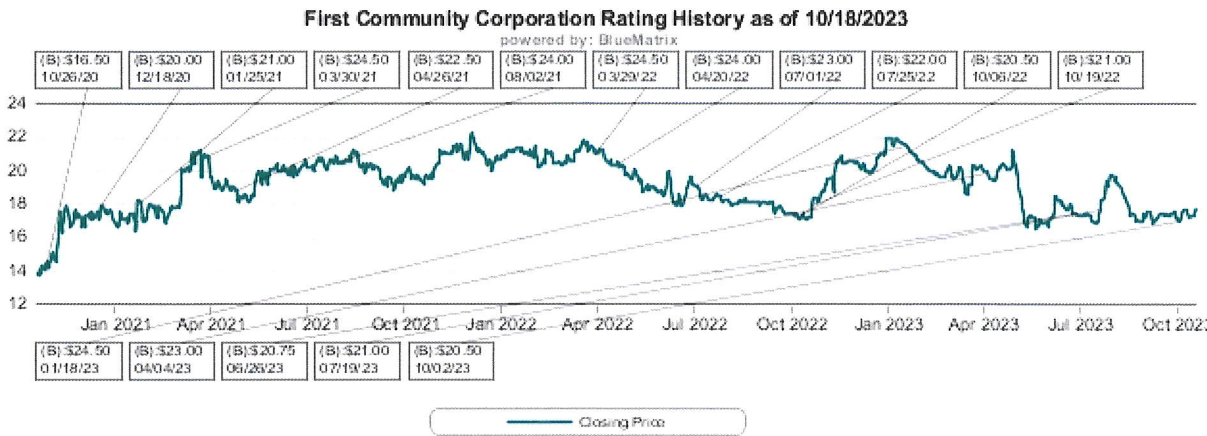
BUY: Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months

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 6/30/23)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	60%	90%	63%	10%	0%	9%
NEUTRAL (Hold)	40%	10%	37%	6%	0%	5%
UNDERPERFORM (Sell)	0%	0%	0%	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. Best-of-Breed: Expected to outperform on a risk adjusted basis over a five-year time horizon.



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.

While the Best-of-Breed designation does not contain a separate rating and/or price target from that of the standard ratings system referenced above, the expectation is that the security, based on the 12 criteria utilized in assessing the "Best-of-Breed" designation, will outperform over a five-year time horizon, not the standard 12-18 month time horizon.

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	$17.80