First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

October 17, 2019

Boosting EPS Ests. and PT Post 3Q19 Beat; Maintain NEUTRAL

*On the heels of FCCO's impressive 3Q19 core beat, we're increasing our 2019 and 2020 EPS estimates by 8 cents and 13 cents, respectively. We're boosting our PT by $1.50 (to $22) – yet sticking with our **NEUTRAL** rating for now.*

- **Solid core 3Q19 beat:** FCCO delivered a solid core beat for 3Q19, with core EPS of $0.39 topping consensus and our estimate by 4 cents and 5 cents, respectively. Main positive LQ drivers included a better than expected NIM, strong fee revs, and a lower than expected provision. Please see our earlier First Look note for details on LQ comparisons.

- **Increasing EPS estimates:** We're increasing our 2019 EPS estimate by 8 cents (to $1.43) and our 2020 EPS estimate by 13 cents (to $1.47) on the heels of a solid core 3Q19 beat delivered by FCCO – with the increase specifically tied to a more manageable downward trajectory forecasted for the NIM, a lower assumed base of provisioning, and a higher base of core fee revenues (albeit with Q-to-Q seasonality in mortgage).

- **Boosting PT – yet sticking with NEUTRAL rating:** We're increasing our PT by $1.50 (to $22.00), in light of our increased 2020E EPS, yet keeping our **NEUTRAL** – with an eye to get more constructive on this name, our PT represents 15x our 2020E EPS. While FCCO continues to face headwinds in terms of a compressing NIM, it continues to benefit from strong mortgage results (representing a countercyclical buffer to falling rates), benign credit quality, and steady loan growth (helping produce positive growth in NII despite NIM pressure). We also continue to view the geographic franchise as possessing tremendous scarcity value – implying theoretical upside over time to FCCO's valuation multiple.

- **More detailed takeaways** from the LQ results, as well as our discussion with management, included:

  - ***NIM compression ahead – but likely at a diminishing pace:*** The reported NIM was 3.65%, but the core NIM (excluding a nonaccrual interest recovery) was 3.60%, which was down 7bp LQ. We expect that the NIM will continue to see pressure from the Fed rate cut in September, and thereafter from potential further cuts. With that said, we get the sense from management that the magnitude of future impact will begin diminishing given a likely declining cost-of-funds starting in 4Q19.

  - ***Stable outlook for steady mid-single-digit loan growth:*** Management emphasizes that with likely steady loan growth in a mid-single digit annualized range, it will focus on growing $ of NII, as opposed to focusing on the % NIM. Interestingly, while prior quarters have exhibited stronger loan growth in the Upstate SC region (i.e., metro Greenville) and metro Augusta (GA/SC) and slower growth in FCCO's legacy Midlands region, in 3Q19 this came in the opposite.

  - ***Look for LQ seasonality in fee revs and expenses:*** We suspect that mortgage production and revenues, which was stronger than expected in 2Q19 and 3Q19, will revert to the typical seasonal decline in 4Q19 – although this also implies lower incentive compensation-related expenses. While the expense run-rate in 3Q19 included certain costs (within "other") that should not recur in 4Q19, this will likely be offset by higher costs in marketing/PR (which tends to be low during summer months).

FY (Dec)		2018A	2019E	Previous	*Cons.*	2020E	Previous	*Cons.*
EPS	Q1 (Mar)	$0.36	**$0.33A**	-	*n.a.*	**$0.35E**	$0.32	*$0.32*
	Q2 (Jun)	$0.38	**$0.36A**	-	*n.a.*	**$0.37E**	$0.34	*$0.35*
	Q3 (Sep)	$0.37	**$0.39A**	$0.34	*n.a.*	**$0.38E**	$0.34	*$0.36*
	Q4 (Dec)	$0.38	**$0.35E**	$0.32	*$0.33*	**$0.37E**	$0.34	*$0.35*
		$1.49	**$1.43E**	$1.35	*$1.38*	**$1.47E**	$1.34	*$1.39*
Price/EPS		*12.9x*	*13.5x*			*13.1x*		
Revenue ($M)	Q1 (Mar)	$11.3	**$11.6A**	-	*n.a.*	**$12.1E**	$11.9	*$12.1*
	Q2 (Jun)	$11.8	**$12.1A**	-	*n.a.*	**$12.5E**	$12.3	*$12.4*
	Q3 (Sep)	$11.7	**$12.5A**	$12.0	*n.a.*	**$12.7E**	$12.3	*$12.5*
	Q4 (Dec)	$12.0	**$12.1E**	$11.9	*$12.0*	**$12.5E**	$12.4	*$12.6*
		$46.7	**$48.2E**	$47.6	*$48.0*	**$49.9E**	$48.9	*$49.6*

Neutral

Price Target	**↑$22.00**
Price (10/16/19)	$19.25
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	1.03%
ROTCE (MRQ)	11.4%
Net Interest Margin (MRQ)	3.65%
Efficiency Ratio (MRQ)	70.3%
TBV per Share (9/30/19)	$13.84
TCE/TA (9/30/19)	9.2%
Dividend	$0.44 (2.3%)

Trading Data

Shares Outstanding (M)	7.5
Market Capitalization ($M)	$143.5
52-week range	$17.08 - $23.96
Avg. Volume (3-mth.) (K)	8.5

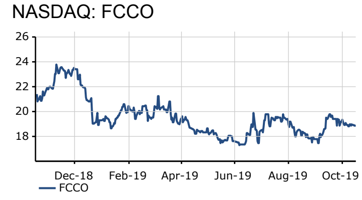
Kevin P. Fitzsimmons
MD, Senior Research Analyst
856-994-6062
kfitzsimmons@dadco.com

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



- ***Credit quality remains benign:*** We don't get the sense that FCCO is seeing anything concerning on the credit front, which, coupled with lower than expected credit costs in 3Q19, leads us to model in a modestly lower pace of provisioning going forward.

- ***Buyback activity likely slower:*** While FCCO implemented another buyback (of 200K shares) following the completion of the prior 300K share buyback, we get the sense that the pace of activity in the new authorization will be at a much slower pace (if at all) than the prior program.

- ***M&A outlook:*** On the M&A front, we don't get the sense that this is a very high priority at the moment. Given FCCO's very liquid balance sheet (loans/deposits of 77.5%), there is likely less incentive to boost low-cost deposits in slower-growth rural markets. That said, with the main focus on boosting loan growth, we suspect that FCCO would be more interested in targets in higher-growth parts of its franchise (e.g., metro Greenville, Augusta) – although there are likely a more limited number of targets in these markets.

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

Income Statement	2018A	2019E	2020E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E
NET INTEREST INCOME (FTE)	$ 35.748	$ 36.784	$ 37.635	$ 8.534	$ 8.939	$ 8.883	$ 9.392	$ 9.020	$ 9.116	$ 9.353	$ 9.295	$ 9.300	$ 9.351	$ 9.421	$ 9.563
PROVISION FOR LOAN LOSSES	$ 0.346	$ 0.231	$ 0.555	$ 0.202	$ 0.029	$ 0.021	$ 0.094	$ 0.105	$ 0.009	$ 0.025	$ 0.092	$ 0.102	$ 0.137	$ 0.152	$ 0.164
Non-Interest Income															
Deposit service charges	$ 1.769	$ 1.638	$ 1.728	$ 0.463	$ 0.423	$ 0.434	$ 0.449	$ 0.411	$ 0.380	$ 0.421	$ 0.426	$ 0.420	$ 0.430	$ 0.437	$ 0.441
Mortgage banking income	$ 3.895	$ 4.206	$ 4.444	$ 0.951	$ 1.016	$ 1.159	$ 0.769	$ 0.844	$ 1.238	$ 1.251	$ 0.873	$ 0.934	$ 1.260	$ 1.286	$ 0.964
Invest. Advisory fees & commissions	$ 1.683	$ 1.953	$ 2.148	$ 0.383	$ 0.401	$ 0.423	$ 0.476	$ 0.438	$ 0.489	$ 0.509	$ 0.517	$ 0.522	$ 0.535	$ 0.543	$ 0.548
Gain (loss) on sale of other assets	$ 0.024	$ (0.003)	$ -	$ 0.015	$ 0.022	$ (0.029)	$ 0.016	$ -	$ (0.003)	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ 3.615	$ 3.646	$ 3.937	$ 0.923	$ 0.955	$ 0.855	$ 0.882	$ 0.845	$ 0.918	$ 0.932	$ 0.951	$ 0.970	$ 0.970	$ 0.989	$ 1.009
TOTAL NON-INTEREST INCOME (core)	$ 10.986	$ 11.439	$ 12.257	$ 2.735	$ 2.817	$ 2.842	$ 2.592	$ 2.538	$ 3.022	$ 3.113	$ 2.766	$ 2.845	$ 3.195	$ 3.254	$ 2.963
OPERATING REVENUE	$ 46.734	$ 48.223	$ 49.892	$ 11.269	$ 11.756	$ 11.725	$ 11.984	$ 11.558	$ 12.138	$ 12.466	$ 12.061	$ 12.145	$ 12.546	$ 12.675	$ 12.525
Noninterest Expense															
Salaries & employee benefits	$ 19.515	$ 21.187	$ 22.042	$ 4.577	$ 4.881	$ 5.079	$ 4.978	$ 5.170	$ 5.210	$ 5.465	$ 5.342	$ 5.449	$ 5.503	$ 5.600	$ 5.490
Occupancy	$ 2.380	$ 2.708	$ 2.819	$ 0.614	$ 0.583	$ 0.611	$ 0.572	$ 0.655	$ 0.647	$ 0.703	$ 0.703	$ 0.707	$ 0.699	$ 0.706	$ 0.706
Equipment	$ 1.513	$ 1.509	$ 1.508	$ 0.381	$ 0.398	$ 0.388	$ 0.346	$ 0.386	$ 0.389	$ 0.365	$ 0.369	$ 0.371	$ 0.375	$ 0.379	$ 0.383
Marketing & public relations	$ 0.919	$ 1.037	$ 1.016	$ 0.089	$ 0.194	$ 0.177	$ 0.459	$ 0.175	$ 0.430	$ 0.159	$ 0.273	$ 0.260	$ 0.364	$ 0.145	$ 0.247
FDIC assessment	$ 0.375	$ 0.145	$ 0.185	$ 0.081	$ 0.083	$ 0.094	$ 0.117	$ 0.074	$ 0.071	$ -	$ -	$ -	$ 0.037	$ 0.074	$ 0.074
Amortization of intangibles	$ 0.563	$ 0.529	$ 0.514	$ 0.142	$ 0.143	$ 0.142	$ 0.136	$ 0.132	$ 0.132	$ 0.133	$ 0.132	$ 0.130	$ 0.129	$ 0.128	$ 0.126
Other operating expenses	$ 6.760	$ 7.178	$ 7.340	$ 1.692	$ 1.912	$ 1.606	$ 1.550	$ 1.702	$ 1.743	$ 1.934	$ 1.799	$ 1.808	$ 1.826	$ 1.844	$ 1.862
Noninterest Expense, Ex-Credit	$ 32.025	$ 34.292	$ 35.424	$ 7.576	$ 8.194	$ 8.097	$ 8.158	$ 8.294	$ 8.622	$ 8.759	$ 8.617	$ 8.725	$ 8.933	$ 8.876	$ 8.890
OREO expense	$ 0.098	$ 0.108	$ 0.116	$ 0.018	$ 0.031	$ 0.037	$ 0.012	$ 0.029	$ 0.018	$ 0.031	$ 0.030	$ 0.030	$ 0.029	$ 0.029	$ 0.028
Write-down of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net loss (gain) on sale of OREO	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NONINTEREST EXPENSE (core)	$ 32.123	$ 34.401	$ 35.540	$ 7.594	$ 8.225	$ 8.134	$ 8.170	$ 8.323	$ 8.640	$ 8.790	$ 8.648	$ 8.754	$ 8.963	$ 8.905	$ 8.918
Pre-Tax Operating Income	$ 14.265	$ 13.592	$ 13.797	$ 3.473	$ 3.502	$ 3.570	$ 3.720	$ 3.130	$ 3.489	$ 3.651	$ 3.322	$ 3.289	$ 3.446	$ 3.619	$ 3.443
Pre-Tax, Pre-Provision Operating Income	$ 14.611	$ 13.823	$ 14.352	$ 3.675	$ 3.531	$ 3.591	$ 3.814	$ 3.235	$ 3.498	$ 3.676	$ 3.414	$ 3.391	$ 3.583	$ 3.771	$ 3.607
Pre-Tax, Pre-Credit Costs Operating Income	$ 14.709	$ 13.931	$ 14.468	$ 3.693	$ 3.562	$ 3.628	$ 3.826	$ 3.264	$ 3.516	$ 3.707	$ 3.444	$ 3.421	$ 3.612	$ 3.799	$ 3.635
Gain (Loss) on sale of securities	$ (0.342)	$ 0.135	$ -	$ (0.104)	$ 0.094	$ -	$ (0.332)	$ (0.029)	$ 0.164	$ -	$ -	$ -	$ -	$ -	$ -
Other Net One-Time Items	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pre-Tax Income	$ 13.923	$ 13.727	$ 13.797	$ 3.369	$ 3.596	$ 3.570	$ 3.388	$ 3.101	$ 3.653	$ 3.651	$ 3.322	$ 3.289	$ 3.446	$ 3.619	$ 3.443
Income Taxes	$ 2.694	$ 2.812	$ 2.863	$ 0.660	$ 0.595	$ 0.737	$ 0.702	$ 0.606	$ 0.772	$ 0.753	$ 0.681	$ 0.682	$ 0.715	$ 0.751	$ 0.714
Tax Rate	19.35%	20.49%	20.75%	19.59%	16.55%	20.64%	20.72%	19.54%	21.1%	20.6%	20.5%	20.8%	20.8%	20.8%	20.8%
Core Tax Rate	19.38%	20.45%	20.75%	19.59%	16.55%	20.64%	20.72%	19.54%	21.1%	20.6%	20.5%	20.8%	20.8%	20.8%	20.8%
Extraordinary Items	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Income	$ 11.229	$ 10.915	$ 10.934	$ 2.709	$ 3.001	$ 2.833	$ 2.686	$ 2.495	$ 2.881	$ 2.898	$ 2.641	$ 2.606	$ 2.731	$ 2.868	$ 2.729
Preferred Dividends		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AVAILABLE TO COMMON	$ 11.229	$ 10.915	$ 10.934	$ 2.709	$ 3.001	$ 2.833	$ 2.686	$ 2.495	$ 2.881	$ 2.898	$ 2.641	$ 2.606	$ 2.731	$ 2.868	$ 2.729
Shares / Per Share Metrics	2018A	2019E	2020E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E
Earnings Per Share (EPS) - Reported	$ 1.46	$ 1.43	$ 1.47	$ 0.35	$ 0.39	$ 0.37	$ 0.35	$ 0.32	$ 0.37	$ 0.39	$ 0.35	$ 0.35	$ 0.37	$ 0.38	$ 0.37
Core EPS	**$ 1.49**	**$ 1.43**	**$ 1.47**	**$ 0.36**	**$ 0.38**	**$ 0.37**	**$ 0.38**	**$ 0.33**	**$ 0.36**	**$ 0.39**	**$ 0.35**	**$ 0.35**	**$ 0.37**	**$ 0.38**	**$ 0.37**
Avg. Diluted Shares o/s	7.724	7.586	7.453	7.713	7.726	7.724	7.732	7.725	7.704	7.463	7.453	7.453	7.453	7.453	7.453
EOP Shares	7.634	7.399	7.399	7.601	7.605	7.630	7.634	7.665	7.511	7.409	7.399	7.399	7.399	7.399	7.399
Dividend per Share	$ 0.40	$ 0.44	$ 0.48	$ 0.10	$ 0.10	$ 0.10	$ 0.10	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.12	$ 0.12	$ 0.12	$ 0.12
Dividend Payout Ratio	27.4%	30.7%	32.7%	28.6%	25.6%	27.0%	28.6%	34.4%	29.7%	28.2%	31.0%	34.3%	32.7%	31.2%	32.8%
TBV / Share	$ 12.56	$ 14.08	$ 15.08	$ 11.64	$ 11.85	$ 11.98	$ 12.56	$ 13.04	$ 13.46	$ 13.84	$ 14.08	$ 14.31	$ 14.56	$ 14.83	$ 15.08
Profitability Metrics	2018A	2019E	2020E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E
NIM	3.64%	3.62%	3.52%	3.66%	3.71%	3.60%	3.79%	3.73%	3.67%	3.65%	3.57%	3.54%	3.52%	3.51%	3.52%
Core NIM	3.69%	3.64%	3.52%	3.66%	3.71%	3.60%	3.79%	3.73%	3.67%	3.60%	3.57%	3.54%	3.52%	3.51%	3.52%
Core ROAA	1.07%	0.97%	0.93%	1.06%	1.09%	1.04%	1.08%	0.92%	1.00%	1.03%	0.93%	0.91%	0.94%	0.98%	0.92%
Core PTPP ROAA	1.36%	1.24%	1.23%	1.39%	1.32%	1.32%	1.40%	1.19%	1.27%	1.31%	1.20%	1.18%	1.23%	1.28%	1.21%
Core ROAE	10.73%	9.24%	8.81%	10.58%	11.03%	10.50%	10.81%	8.85%	9.39%	9.89%	8.83%	8.60%	8.88%	9.18%	8.60%
Core ROTCE	12.70%	10.71%	10.14%	12.62%	13.09%	12.48%	12.60%	10.28%	10.94%	11.38%	10.22%	9.93%	10.23%	10.55%	9.87%
Core Efficiency	68.7%	71.3%	71.2%	67.2%	69.7%	69.1%	68.1%	71.76%	71.0%	70.3%	71.7%	72.1%	71.4%	70.3%	71.2%
Core Fee Income / Operating Revs	23.5%	23.7%	24.6%	24.3%	24.0%	24.2%	21.6%	21.96%	24.9%	25.0%	22.9%	23.4%	25.5%	25.7%	23.7%

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

Average Balance Sheet	2018A	2019E	2020E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19E	1Q20E	2Q20E	3Q20E	4Q20E
Avg. Loans	$ 686.3	$ 735.9	$ 776.3	$ 658.2	$ 677.5	$ 696.2	$ 713.1	$ 724.1	$ 728.7	$ 740.2	$ 750.5	$ 759.9	$ 770.9	$ 781.3	$ 793.0
Avg. Securities	$ 271.7	$ 255.2	$ 264.4	$ 278.7	$ 275.7	$ 271.3	$ 261.0	$ 251.9	$ 250.3	$ 254.8	$ 263.7	$ 263.7	$ 263.7	$ 264.4	$ 265.7
Avg. Other Earning Assets	$ 23.1	$ 24.6	$ 27.8	$ 21.0	$ 24.8	$ 25.1	$ 21.6	$ 17.5	$ 26.4	$ 27.2	$ 27.2	$ 27.2	$ 27.9	$ 27.9	$ 27.9
Avg. Earning Assets	$ 981.1	$ 1,015.6	$ 1,068.4	$ 957.9	$ 978.0	$ 992.6	$ 995.7	$ 993.5	$ 1,005.4	$ 1,022.2	$ 1,041.5	$ 1,050.9	$ 1,062.6	$ 1,073.6	$ 1,086.7
Avg. Total Assets	$ 1,076.5	$ 1,113.5	$ 1,170.7	$ 1,054.5	$ 1,073.3	$ 1,087.2	$ 1,091.2	$ 1,089.3	$ 1,103.3	$ 1,120.0	$ 1,141.1	$ 1,151.4	$ 1,164.2	$ 1,176.4	$ 1,190.7
Avg. Shareholders Equity	$ 107.2	$ 117.0	$ 124.0	$ 105.6	$ 106.0	$ 107.9	$ 109.1	$ 113.8	$ 117.3	$ 117.2	$ 119.6	$ 121.3	$ 123.1	$ 125.0	$ 126.9
Avg. Tangible Common Equity	$ 90.6	$ 101.0	$ 107.8	$ 88.5	$ 89.3	$ 90.8	$ 93.6	$ 98.0	$ 100.7	$ 101.8	$ 103.4	$ 105.0	$ 106.8	$ 108.7	$ 110.6
EOP Balance Sheet	**2018A**	**2019E**	**2020E**	**1Q18A**	**2Q18A**	**3Q18A**	**4Q18A**	**1Q19A**	**2Q19A**	**3Q19A**	**4Q19E**	**1Q20E**	**2Q20E**	**3Q20E**	**4Q20E**
Loans	$ 718.5	$ 745.4	$ 787.6	$ 668.6	$ 684.3	$ 696.5	$ 718.5	$ 718.4	$ 726.7	$ 735.1	$ 745.4	$ 754.7	$ 765.7	$ 776.0	$ 787.6
Total Assets	$ 1,091.6	$ 1,145.8	$ 1,210.7	$ 1,070.5	$ 1,092.1	$ 1,091.1	$ 1,091.6	$ 1,097.4	$ 1,116.0	$ 1,130.0	$ 1,145.8	$ 1,160.1	$ 1,177.0	$ 1,192.8	$ 1,210.7
Total Deposits	$ 925.5	$ 962.1	$ 1,016.6	$ 919.9	$ 933.4	$ 921.7	$ 925.5	$ 919.8	$ 937.9	$ 948.8	$ 962.1	$ 974.1	$ 988.3	$ 1,001.6	$ 1,016.6
Loans / Deposits	77.6%	77.5%	77.5%	72.7%	73.3%	75.6%	77.6%	78.1%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%
Capital Analysis	**2018A**	**2019E**	**2020E**	**1Q18A**	**2Q18A**	**3Q18A**	**4Q18A**	**1Q19A**	**2Q19A**	**3Q19A**	**4Q19E**	**1Q20E**	**2Q20E**	**3Q20E**	**4Q20E**
Beginning Total Equity											$ 118.8	$ 120.4	$ 122.1	$ 124.0	$ 126.0
+ Net Income											$ 2.6	$ 2.6	$ 2.7	$ 2.9	$ 2.7
- Dividends											$ 0.8	$ 0.9	$ 0.9	$ 0.9	$ 0.9
- Cost of Share Repurchases											$ 0.19	$ -	$ -	$ -	$ -
+ Shares Issued (M&A less cash paid; raises)											$ -	$ -	$ -	$ -	$ -
Ending Shareholders Equity	$ 112.5	$ 120.4	$ 127.8	$ 105.5	$ 107.0	$ 108.2	$ 112.5	$ 116.4	$ 117.5	$ 118.8	$ 120.4	$ 122.1	$ 124.0	$ 126.0	$ 127.8
Less: Intangible Assets	$ 16.6	$ 16.2	$ 16.2	$ 17.0	$ 16.8	$ 16.8	$ 16.6	$ 16.2	$ 16.4	$ 16.2	$ 16.2	$ 16.2	$ 16.2	$ 16.2	$ 16.2
Less: Preferred Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tangible Common Equity	$ 95.9	$ 104.2	$ 111.6	$ 88.5	$ 90.2	$ 91.4	$ 95.9	$ 100.2	$ 101.1	$ 102.5	$ 104.2	$ 105.9	$ 107.7	$ 109.7	$ 111.6
Tangible Assets	$ 1,075.0	$ 1,129.6	$ 1,194.5	$ 1,053.5	$ 1,075.3	$ 1,074.4	$ 1,075.0	$ 1,081.2	$ 1,099.6	$ 1,113.7	$ 1,129.6	$ 1,143.9	$ 1,160.7	$ 1,176.6	$ 1,194.5
TCE/TA	8.92%	9.22%	9.34%	8.40%	8.38%	8.51%	8.92%	9.27%	9.20%	9.21%	9.22%	9.26%	9.28%	9.32%	9.34%
TBV / Share (calc)	$ 12.56	$ 14.08	$ 15.08	$ 11.64	$ 11.85	$ 11.98	$ 12.56	$ 13.07	$ 13.46	$ 13.84	$ 14.08	$ 14.31	$ 14.56	$ 14.83	$ 15.08
Shares Repurchased	-	0.010	-	0.000	0.000	0.000	0.000	0.000	-	-	0.01				
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Quality	**2018A**	**2019E**	**2020E**	**1Q18A**	**2Q18A**	**3Q18A**	**4Q18A**	**1Q19A**	**2Q19A**	**3Q19A**	**4Q19E**	**1Q20E**	**2Q20E**	**3Q20E**	**4Q20E**
Provision / Avg. Loans (ann'l)	0.05%	0.03%	0.07%	0.12%	0.02%	0.01%	0.05%	0.06%	0.00%	0.01%	0.05%	0.05%	0.07%	0.08%	0.08%
NCOs / Avg. Loans (ann'l %)	-0.02%	-0.02%	0.02%	0.01%	-0.04%	-0.06%	0.02%	0.01%	0.00%	-0.09%	0.00%	0.01%	0.02%	0.03%	0.03%
Assumed ALLL for New Loans											0.89%	0.89%	0.90%	0.90%	0.90%
Assumed Add/Release from ALLL											0%	0%	0%	0%	0%
Projected NCOs ($)											$ -	$ 0.019	$ 0.039	$ 0.059	$ 0.059
Provision for New Loans											$ 0.092	$ 0.083	$ 0.098	$ 0.093	$ 0.105
Add/Release from ALLL											$ -	$ -	$ -	$ -	$ -
Required Provision											$ 0.092	$ 0.102	$ 0.137	$ 0.152	$ 0.164
Beginning ALLL											$ 6.560	$ 6.652	$ 6.735	$ 6.833	$ 6.926
- NCOs											$ -	$ 0.019	$ 0.039	$ 0.059	$ 0.059
+ Provision											$ 0.092	$ 0.102	$ 0.137	$ 0.152	$ 0.164
Ending ALLL	$ 6.263	$ 6.652	$ 7.031	$ 5.986	$ 6.087	$ 6.212	$ 6.263	$ 6.354	$ 6.362	$ 6.560	$ 6.652	$ 6.735	$ 6.833	$ 6.926	$ 7.031
ALLL / Loans	0.87%	0.89%	0.89%	0.90%	0.89%	0.89%	0.87%	0.88%	0.88%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%
Provision for Loan Losses	$ 0.346	$ 0.231	$ 0.555	$ 0.202	$ 0.029	$ 0.021	$ 0.094	$ 0.105	$ 0.009	$ 0.025	$ 0.092	$ 0.102	$ 0.137	$ 0.152	$ 0.164
Net Charge-Offs	$ (0.121)	$ (0.158)	$ 0.176	$ 0.013	$ (0.072)	$ (0.105)	$ 0.043	$ 0.014	$ 0.001	$ (0.173)	$ -	$ 0.019	$ 0.039	$ 0.059	$ 0.059
Excess Provision (LLP less NCOs)	$ 0.467	$ 0.389	$ 0.379	$ 0.189	$ 0.101	$ 0.126	$ 0.051	$ 0.091	$ 0.008	$ 0.198	$ 0.092	$ 0.083	$ 0.098	$ 0.093	$ 0.105

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

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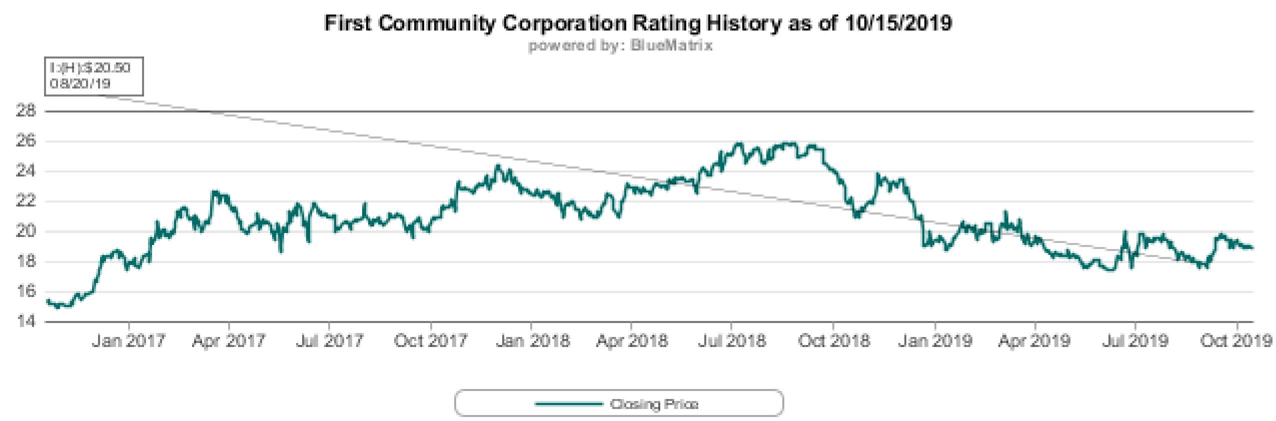
Rating Information
D.A. Davidson & Co.'s Institutional Research Rating Scale Definitions (maintained since October 10, 2017); information regarding our previous definitions is available upon request:
BUY: Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months
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 9/30/19)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	57%	87%	59%	12%	0%	10%
NEUTRAL (Hold)	42%	13%	40%	6%	0%	6%
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

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