

First Community Corp.

FCCO (NASDAQ)

Outperform
Price \$17.25
Price Target \$23.00

David Bishop, CFA
(443) 610-7379
dbishop@hovdegroup.com

Market Data

Market Cap (\$M)	\$130.6
Price / Tang. Book	1.32x
52-Week Range	\$16.97 - \$23.42
3-Mo. Avg. Daily Volume	6,877
Dividends	\$0.52
Dividend Yield	3.01%
Shares Outstanding (M)	7.6

Financial Summary

As of September 30, 2022

Assets (\$M)	\$1,651.8
Tangible Book Value	\$13.03
Tang. Common Eq. / Tang. Assets	6.0%
ROA	0.95%
ROE	13.2%
Net Interest Margin	3.29%

Price Performance

First Community Corporation vs. NASDAQ Bank Index



Company Description

First Community Corporation is the holding company for First Community Bank, a community bank based headquartered in Lexington, SC and operates in the Midlands, Aiken, and Greenville, South Carolina markets as well as Augusta, Georgia.

Raising Estimates as Franchise Value Remains Understated; Reiterate OP-Rating on FCCO

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2021A	\$0.41	\$0.49	\$0.61	\$0.51	\$2.02	56.1%	--	8.6x
2022E	\$0.46A	\$0.42A	\$0.52A	\$0.51	\$1.90	(5.6%)	\$0.10	9.1x
2023E	\$0.53	\$0.54	\$0.55	\$0.54	\$2.16	13.4%	\$0.12	8.0x
2024E	\$0.53	\$0.56	\$0.58	\$0.54	\$2.22	2.7%	--	7.8x

Conclusion

We are updating our 2022-23 estimates to \$1.90 (+\$0.10) and \$2.16 (+\$0.12), respectively, to reflect the add-on impact of the \$0.06 beat to our 2Q22 estimate (see [link](#)) and establish an initial 2024 estimate of \$2.22. Third quarter results were relatively free of the "noise" that marred 2Q22 core results as loan growth remained healthy and the NIM rebounded even more than expected as overall deposit betas remained at zero through 3Q22. Trading at an attractive valuation of ~8.0x our new 2024 EPS estimate and 1.0x adjusted TBV (see below) we continue to see material upside to the shares and **reiterate OP-rating and our \$23 price target equating to ~10x our new 2024 EPS estimate.**

- **Loans Again Exceed our Estimates.** EOP loan balances rose ~15% LQA (~6% above our modeling) as management cites strong production in its core CRE product driving about 80% of loan growth with commercial loan production of \$71M comparing to \$88M last quarter. Management does expect growth to moderate and our revised earnings model contemplates annual growth of 8% during 2023-2024. ARM production also continues to be portfolioed with management also noting the newer Rock Hill market drove 50% of growth in the quarter overall (new branch opening tomorrow with staffing mostly in the expense run rate).
- **NIM Aided by Flat Deposit Costs.** The 3Q22 reported NIM of 3.29% reflected 34bps of GAAP expansion but eliminating certain one-time amortization costs in 2Q22 translated to about 28bps improvement. Management notes that based on current pricing expectations and rate sensitivity another quarter marked by high single-digit expansion is likely next quarter but deposit costs are expected to accelerate over the quarter (assuming a 25% deposit beta). Overall deposit costs remained static at 0.09% during the quarter. Incorporating 3Q22 results, we have revised our NIM forecast to 3.13% and 3.39% for 2022-23 (up 12bps and 22bps, respectively).
- **TBV and TCE Understated due to AOCI.** FCCO was not immune to the impact of adverse AOCI trends which translated to stated TBV falling to \$13.03/sh. and TCE declining 10bps to 6.0% at quarter end. Adjusted TBV/TCE excluding the AOCI adjusts to \$17.43/sh and 7.9% - implying the shares trade at a slight premium to TBV (adjusted).

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 6 of this report. Past performance is no guarantee of future results.

- **Fee Income Below Expectations But Expenses Offset This Partially.** Core fees declined ~12.3% LQ and were about \$0.03 below forecast as Mortgage banking revenues declined 40% LQ as the bank was impacted by slowing production as a result of rising rates with GOS sale declining \$190K to \$290K while investment advisory fees declined 12% LQ and were a penny below our modeling. Countering this trend was that Operating expense growth was in line with our expectations from an EPS perspective and grew at 2.2% with management noting that the growth in other expenses included certain unusual items that accounted for half the growth rate. We continue to model mid-single digit growth in Operating expenses during 2023 and 2024 in the 4% growth range.
- **Review of the quarter.** FCCO posted 3Q22 operating EPS of \$0.52 vs. our estimate and consensus of \$0.46. Relative to our forecast, the beat was driven by higher than expected Spread income which was \$0.07 better than our modeling on material NIM expansion of 36bps to 3.29% (22 bps higher than Hovde expectations). This was only partially offset by lower than modeled Fee income as both Mortgage Banking and WM revenues were below trend while Operating expenses were in line with our estimate. Asset quality showed mostly stability as NCOs were in a net recovery position as NonAcruals rose modestly by ~\$500K in 3Q22 after seeing a \$4.2M increase in nonaccrual loans during 2Q22 as one commercial relationship relating to a multi-use parcel building in Augusta where the owner/partners have stopped payments and the company has started foreclosure. Based on updated appraisals the property has a LTV of 76% and should be resolved, in our view, with minimal loss (no reserve established as of yet) but the credit could sit in NPAs for some time before resolution though management is already hearing of investor interest in the property.

Exhibit 1: FCCO 3Q22 Variance Table

Actuals vs. Hovde and Consensus

(\$M) FCCO	Estimates		Actual	Actuals vs:					
	Hovde	Cons.		Hovde		Consensus			
			3Q22	\$ Diff.		P/S	\$ Diff.		P/S
Net Interest Income	12.2	12.1	12.9	0.7	▲	\$0.07	0.8	▲	\$0.09
NIM	3.07%	3.10%	3.29%	22 bps	▲		19 bps	▲	
Fee Income	3.0	3.0	2.7	(0.3)	▼	(\$0.03)	(0.3)	▼	(\$0.03)
Revenue	15.2	15.1	15.6	0.4	▲	\$0.04	0.5	▲	\$0.05
Expenses	10.5	10.3	10.4	0.0	▼	\$0.00	(0.1)	▲	(\$0.01)
Core PPNR	4.8	-	5.2	0.4	▲	\$0.04	-		-
PPNR	4.8	4.8	5.2	0.4	▲	\$0.04	0.4	▲	\$0.04
Provision	0.3	0.3	0.0	0.2	▼	\$0.02	0.3	▼	\$0.03
Tax Rate	23%	21%	21%		▼			▲	
EPS	\$0.46	-	\$0.52		▲	\$0.06			
Core EPS	\$0.46	\$0.46	\$0.52		▲	\$0.06		▲	\$0.06
TBVPS	\$13.96	\$13.29	\$13.03		▼	(\$0.92)		▼	(\$0.26)
Diluted Shares	7.6	7.6	7.6						
Profitability									
ROA	0.82%	0.83%	0.95%	13 bps	▲		12 bps	▲	
ROTCE	13.3%	-	15.1%	188 bps	▲				
Efficiency Ratio	69%	69%	67%	-192 bps	▼		-181 bps	▼	
Balance Sheet									
Avg Earning Assets	1,579	1,561	1,557	(22)	▼		(4)	▼	
Avg Loans	926	929	938	12	▲		9	▲	
EOP Loans	936	944	950	14	▲		7	▲	
Loans/Deposits	63%	64%	66%						
TCE Ratio	6.25%	-	6.03%	-22 bps	▼				
Credit									
NCOs	0.0	0.1	(0.1)	(0.1)	▼		(0.2)	▼	
Net Charge-Off Ratio	0.02%	0.05%	-0.03%	-5 bps	▼		-8 bps	▼	
LLP/Loans	0.11%	0.13%	0.01%						

Source: Company Filings, S&P Global Market Intelligence, and FactSet

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

(\$M) FCCO	2022E					2023E				
	Estimates		Change			Estimates		Change		
	Prior	Current	\$ Diff.	▲/▼	P/S	Prior	Current	\$ Diff.	▲/▼	P/S
Net Interest Income	46.9	48.1	1.2	▲	\$0.12	52.0	53.0	1.1	▲	\$0.11
NIM	3.01%	3.13%	12 bps	▲		3.17%	3.40%	23 bps	▲	
Fee Income	12.5	11.7	(0.8)	▼	(\$0.08)	12.9	11.3	(1.6)	▼	(\$0.16)
Revenue	59.3	59.7	0.4	▲	\$0.04	64.9	64.4	(0.5)	▼	(\$0.05)
Expenses	41.2	40.8	0.4	▼	\$0.04	43.5	41.7	1.9	▼	\$0.19
Core PPNR	18.1	18.9	0.8	▲	\$0.08	21.4	22.7	1.4	▲	\$0.14
PPNR	18.1	18.9	0.8	▲	\$0.08	21.4	22.7	1.4	▲	\$0.14
Provision	0.4	0.2	0.2	▼	\$0.02	1.2	1.3	(0.1)	▲	(\$0.01)
Tax Rate	23%	23%		▲		23%	24%		▲	
EPS	\$1.80	\$1.90		▲	\$0.10	\$2.04	\$2.16		▲	\$0.12
Core EPS	\$1.80	\$1.90		▲	\$0.10	\$2.04	\$2.16		▲	\$0.12
TBVPS	\$14.43	\$13.55		▼	(\$0.88)	\$16.48	\$15.71		▼	(\$0.77)
Diluted Shares	7.6	7.6				7.6	7.6			
<u>Profitability</u>										
ROA	0.82%	0.88%	6 bps	▲		0.88%	0.98%	10 bps	▲	
ROTCE	12.6%	13.5%	94 bps	▲		13.3%	14.8%	150 bps	▲	
Efficiency Ratio	70%	68%	-118 bps	▼		67%	65%	-237 bps	▼	
<u>Balance Sheet</u>										
Avg Earning Assets	1,555	1,536	(19)	▼		1,639	1,559	(80)	▼	
EOP Loans	955	971	15	▲		1,031	1,046	14	▲	
Loans/Deposits	64%	67%				66%	69%			
TCE Ratio	6.39%	6.25%	-14 bps	▼		7.00%	7.08%	7 bps	▲	
<u>Credit</u>										
Net Charge-Off Ratio	-0.02%	-0.03%	-1 bps	▼		0.03%	0.03%	0 bps	▲	
LLP/Loans	0.05%	0.02%				0.12%	0.13%			
LLR/Loans	1.23%	1.20%				1.23%	1.21%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

Ticker	Company Name	10/19 Price	Mkt Cap (\$M)	Assets (\$M)	Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)		
					Price/Earnings ¹		Price/TBV	Dvd Yield	Dep. Prem.		ROA	ROTCE	NIM	Eff. Ratio	LTD Ratio	Core Dep. ²	COFs	TCE Ratio	NCOs (LTM)	NPAs/ Assets	LLR/ Loans	EPS		TBVPS		1M	3M	YTD
					LTM	'23E	'24E															'16-'21	'21-'23E	'16-'21	'21-'23E			
AMNB	Amer Natl Bkshs	\$34.40	\$368	\$3,234	9.3x	9.9x	9.7x	1.54x	3.3%	4.6%	1.17	15.4	2.85	54.9	71.8	95.1	0.14	7.58	0.00	0.17	0.91	16%	-7%	6%	-	1.0	(3.4)	(8.7)
CARE	Carter Bkshs	\$17.15	\$420	\$4,123	12.6x	7.9x	7.1x	1.26x	0.0%	2.3%	0.89	9.5	2.92	68.0	79.9	96.2	NA	8.10	0.48	0.50	3.27	14%	35%	2%	1%	(0.1)	20.2	11.4
CBAN	Colony Bkcp Inc	\$14.01	\$249	\$2,729	9.2x	8.5x	7.6x	1.42x	3.1%	3.2%	0.72	NA	3.20	76.4	62.3	91.5	0.33	6.52	0.02	0.45	0.94	15%	0%	3%	-2%	(1.8)	(6.7)	(17.9)
CSTR	CapStar Finl Hldgs	\$19.00	\$424	\$3,097	9.0x	9.1x	9.3x	1.34x	2.1%	4.3%	1.47	14.7	3.15	54.6	85.0	92.6	0.30	10.19	0.02	0.08	0.93	22%	-3%	6%	4%	(4.5)	(6.7)	(9.7)
FBK	FB Finl Corp	\$37.55	\$1,883	\$12,258	11.9x	10.5x	10.1x	1.72x	1.4%	8.6%	1.10	12.4	3.42	62.7	91.0	88.6	0.65	8.54	0.04	NA	1.46	14%	-4%	16%	2%	(8.2)	(6.7)	(14.3)
FBMS	First Bancshares	\$31.42	\$761	\$6,037	10.0x	8.6x	7.9x	1.71x	2.4%	7.2%	1.10	14.6	3.06	56.5	58.9	94.8	NA	6.43	-0.03	0.50	1.03	14%	10%	9%	-6%	1.5	7.8	(18.6)
FBNC	First Bancorp	\$40.91	\$1,481	\$10,566	10.7x	9.7x	9.1x	2.12x	2.2%	8.5%	1.10	14.3	3.14	50.2	66.7	96.0	0.09	6.75	0.01	0.39	1.32	19%	15%	12%	-4%	4.8	14.9	(10.5)
FCBC	First Comm Bkshs	\$34.21	\$568	\$3,258	13.0x	-	-	1.99x	3.4%	10.2%	1.37	15.4	3.60	57.8	82.2	99.1	0.06	9.08	0.11	0.82	1.29	15%	-2%	5%	-	3.8	12.3	2.4
FRST	Primis Financial C	\$12.33	\$308	\$3,237	12.1x	10.0x	8.9x	1.05x	3.2%	0.7%	0.63	7.3	3.03	69.2	98.0	91.1	0.53	9.27	0.06	0.65	1.14	9%	-2%	6%	2%	(5.2)	(8.3)	(18.0)
HTBI	HomeTrust Bcshs	\$22.33	\$349	\$3,549	10.4x	9.2x	7.7x	0.96x	1.6%	-0.5%	1.01	9.6	3.42	69.9	89.3	95.6	0.16	10.31	-0.02	0.45	1.22	8%	59%	3%	3%	(4.7)	(11.4)	(27.9)
SFST	Southern First	\$42.65	\$345	\$3,288	8.3x	9.7x	10.2x	1.21x	-	2.2%	1.41	15.2	3.36	55.7	99.1	93.2	NA	8.60	0.06	0.20	1.19	25%	-14%	16%	9%	(1.3)	(8.5)	(31.7)
SSBK	Sthrn States Bcshs	\$26.75	\$235	\$1,902	12.7x	10.3x	11.4x	1.55x	1.3%	5.2%	1.11	12.4	3.71	57.0	86.9	93.5	0.34	7.95	0.00	0.41	1.17	6%	8%	5%	-	(3.3)	13.8	36.7
SMBK	SmartFinancial Inc	\$27.03	\$464	\$4,788	11.2x	8.7x	8.5x	1.45x	1.0%	3.4%	0.78	11.7	3.06	63.7	69.9	95.3	0.31	6.74	0.01	0.12	0.73	23%	18%	6%	8%	6.0	12.6	(1.2)
Peer Median			\$420	\$3,288	10.7x	9.4x	9.0x	1.45x	2.1%	4.3%	1.10	13.4	3.15	57.8	82.2	94.8	0.30	8.10	0.02	0.43	1.17	15%	0%	6%	2%	(1.3)	(3.4)	(10.5)
FCCO	First Cmnty Corp	\$18.00	\$131	\$1,685	8.9x	9.0x	8.3x	1.33x	2.9%	1.9%	0.95	13.1	3.07	66.6	62.4	92.4	0.12	6.12	-0.09	0.32	1.22	16%	-1%	8%	-4%	0.2	(1.9)	(13.8)

¹Based on consensus EPS estimates

²Core deposits as % of total non-equity funding

Source: S&P Global Market Intelligence and FactSet

First Community Corporation (FCCO)

David Bishop; 443-610-7379

Summary Model

(\$M)	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	2020A	2021A	2022E	2023E	2024E
Income Statement																					
Net Interest Income	10.7	11.2	12.6	11.3	10.9	11.2	12.9	13.1	13.1	13.2	13.4	13.4	13.2	13.4	13.7	13.7	40.4	45.8	48.1	53.0	54.0
Noninterest Income	3.1	3.4	3.5	3.5	3.4	3.0	2.7	2.6	2.8	2.9	2.9	2.8	2.9	3.1	3.3	3.2	13.2	13.5	11.7	11.3	12.5
Total Revenue	13.8	14.6	16.1	14.8	14.2	14.2	15.6	15.7	15.8	16.1	16.2	16.2	16.1	16.6	17.0	16.9	53.6	59.3	59.7	64.4	66.5
Noninterest Expense	9.5	9.7	10.1	9.9	10.0	10.2	10.4	10.3	10.3	10.4	10.5	10.5	10.4	10.7	10.9	11.0	37.5	39.2	40.8	41.7	43.0
Pre-tax, Pre-provision Income	4.3	4.9	6.0	4.9	4.3	4.0	5.2	5.4	5.6	5.7	5.8	5.7	5.7	5.9	6.1	5.9	16.1	20.1	18.9	22.7	23.5
Loan Loss Provision	0.2	0.2	0.0	(0.1)	(0.1)	(0.1)	0.0	0.4	0.3	0.4	0.3	0.3	0.4	0.3	0.4	0.5	3.7	0.3	0.2	1.3	1.6
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-	-	0.4	0.5	-	-	-
Pre-tax Earnings	4.3	4.6	6.2	5.1	4.4	4.1	5.2	5.0	5.3	5.3	5.4	5.3	5.3	5.6	5.7	5.4	13.0	20.1	18.7	21.4	21.9
Taxes	1.0	1.0	1.4	1.2	0.9	0.9	1.2	1.2	1.3	1.3	1.3	1.3	1.2	1.3	1.3	1.3	2.9	4.7	4.3	5.0	5.2
Tax Rate (%)	21%	21%	22%	21%	18%	21%	21%	23%	24%	24%	24%	24%	24%	24%	24%	24%	20%	21%	23%	24%	24%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	3.3	3.5	4.7	3.9	3.5	3.1	4.0	3.9	4.1	4.1	4.2	4.1	4.0	4.3	4.4	4.1	10.1	15.5	14.4	16.3	16.8
Reported EPS	\$ 0.43	\$ 0.47	\$ 0.63	\$ 0.52	\$ 0.46	\$ 0.41	\$ 0.52	\$ 0.51	\$ 0.53	\$ 0.54	\$ 0.55	\$ 0.54	\$ 0.53	\$ 0.56	\$ 0.58	\$ 0.54	\$ 1.35	\$ 2.05	\$ 1.90	\$ 2.16	\$ 2.22
Core EPS	\$ 0.41	\$ 0.49	\$ 0.61	\$ 0.51	\$ 0.46	\$ 0.42	\$ 0.52	\$ 0.51	\$ 0.53	\$ 0.54	\$ 0.55	\$ 0.54	\$ 0.53	\$ 0.56	\$ 0.58	\$ 0.54	\$ 1.29	\$ 2.02	\$ 1.90	\$ 2.16	\$ 2.22
Average Diluted Shares	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6	7.6
Period-end Shares	7.5	7.5	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6	7.6
Book Value Per Share	\$ 17.63	\$ 18.29	\$ 18.44	\$ 18.68	\$ 16.59	\$ 15.54	\$ 15.07	\$ 15.45	\$ 15.86	\$ 16.26	\$ 16.68	\$ 17.09	\$ 17.49	\$ 17.93	\$ 18.37	\$ 18.79	\$ 18.18	\$ 18.68	\$ 15.45	\$ 17.09	\$ 18.79
Tangible Book Value Per Share	\$ 15.55	\$ 16.22	\$ 16.37	\$ 16.62	\$ 14.53	\$ 13.50	\$ 13.03	\$ 13.55	\$ 14.08	\$ 14.62	\$ 15.17	\$ 15.71	\$ 16.25	\$ 16.81	\$ 17.39	\$ 17.94	\$ 16.08	\$ 16.62	\$ 13.55	\$ 15.71	\$ 17.94
Dividend Per Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.48	\$ 0.49	\$ 0.52	\$ 0.52	\$ 0.52
Performance Ratios																					
ROA	0.87%	0.98%	1.19%	0.96%	0.86%	0.77%	0.95%	0.93%	0.98%	0.97%	0.99%	0.97%	0.95%	0.99%	1.00%	0.93%	0.75%	1.00%	0.88%	0.98%	0.97%
ROCE	9.7%	10.5%	13.4%	11.1%	10.3%	10.8%	13.2%	13.2%	13.9%	13.4%	13.2%	12.7%	12.5%	12.7%	12.6%	11.6%	7.8%	11.2%	11.8%	13.3%	12.4%
ROTCE	11.0%	11.9%	15.1%	12.5%	11.6%	12.5%	15.1%	15.2%	15.7%	15.0%	14.6%	13.8%	13.6%	13.6%	13.3%	12.2%	8.9%	12.7%	13.5%	14.8%	13.2%
Pretax Preprovision ROAA	1.19%	1.31%	1.56%	1.24%	1.06%	0.98%	1.24%	1.31%	1.34%	1.38%	1.38%	1.34%	1.34%	1.37%	1.39%	1.33%	1.24%	1.33%	1.15%	1.36%	1.36%
Net Interest Margin	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.37%	3.42%	3.41%	3.40%	3.38%	3.38%	3.35%	3.33%	3.28%	3.37%	3.23%	3.13%	3.40%	3.33%
Efficiency Ratio	69%	66%	63%	67%	70%	72%	67%	65%	65%	64%	65%	65%	65%	64%	64%	65%	70%	66%	68%	65%	65%
Fee Income/Operating Revenue	23%	23%	22%	24%	24%	21%	17%	16%	17%	18%	18%	17%	18%	19%	19%	19%	25%	23%	20%	18%	19%
Dividend Payout Ratio	28%	26%	19%	25%	28%	32%	25%	26%	24%	24%	24%	24%	24%	23%	23%	24%	36%	24%	27%	24%	23%
Average Balance Sheet																					
Loans	886	896	894	880	876	897	938	960	979	996	1,016	1,036	1,056	1,076	1,099	1,121	835	889	918	1,007	1,088
Securities	373	431	489	532	572	560	581	566	555	545	532	525	526	528	530	531	301	456	570	539	529
Earning Assets	1,339	1,404	1,441	1,491	1,515	1,530	1,557	1,541	1,548	1,556	1,561	1,572	1,588	1,610	1,631	1,651	1,198	1,419	1,536	1,559	1,620
Assets	1,435	1,508	1,543	1,594	1,622	1,644	1,668	1,654	1,660	1,666	1,671	1,683	1,702	1,724	1,746	1,768	1,296	1,520	1,647	1,670	1,735
Deposits	1,208	1,285	1,313	1,363	1,375	1,428	1,450	1,444	1,456	1,470	1,486	1,503	1,516	1,529	1,547	1,564	1,087	1,292	1,424	1,479	1,539
Borrowings	78	75	78	77	98	87	88	90	90	91	92	94	94	94	95	96	67	77	90	91	95
Common Equity	136	135	140	140	137	116	119	116	119	122	125	128	131	134	137	141	129	138	122	123	136
Balance Sheet Ratios																					
TCE Ratio	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.25%	6.46%	6.69%	6.91%	7.08%	7.22%	7.37%	7.52%	7.66%	8.74%	8.00%	6.25%	7.08%	7.66%
Avg Loans/Avg Earning Assets	66%	64%	62%	59%	58%	59%	60%	62%	63%	64%	65%	66%	66%	67%	67%	68%	70%	63%	60%	65%	67%
Avg Loans/Avg Deposits	73%	70%	68%	65%	64%	63%	65%	67%	67%	68%	68%	69%	70%	70%	71%	72%	77%	69%	64%	68%	71%
Avg Earning Assets/Avg Assets	93%	93%	93%	94%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	92%	93%	93%	93%	93%
Credit Quality Ratios																					
Reserve/Loans	1.21%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.20%	1.20%	1.21%	1.21%	1.21%	1.22%	1.22%	1.22%	1.23%	0.49%	1.29%	1.20%	1.21%	1.23%
Reserve/NPLs	175%	110%	601%	660%	645%	251%	226%	-	-	-	-	-	-	-	-	-	141%	660%	-	-	-
NPAs/Loans+OREO	0.82%	1.23%	0.34%	0.33%	0.33%	0.60%	0.63%	-	-	-	-	-	-	-	-	-	1.01%	0.33%	-	-	-
Net Charge-Off Ratio	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.10%	-0.03%	0.02%	0.02%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	-0.01%	-0.05%	-0.03%	0.03%	0.03%
Provision/Average Loans	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.16%	0.10%	0.17%	0.13%	0.12%	0.16%	0.13%	0.13%	0.16%	0.44%	0.04%	0.02%	0.13%	0.15%
Provision/NCOs	2213%	181%	-14%	28%	1563%	31%	-23%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-3700%	-74%	-79%	423%	489%

Sources: Company Filings, Hovde Group.

Model updated as of: 10/19/22

IMPORTANT DISCLOSURES:

Regulation Analyst Certification

I, David Bishop, hereby certify the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s). I further certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this report.

Research Disclosures:

Hovde Group, LLC currently makes a market and/or will sell to or buy from customers on a principal basis, the securities of First Community Corporation

Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, institutional equities and investment banking.

Hovde Group, LLC expects to receive or intends to seek compensation for investment banking services from the following subject company in the next three months: First Community Corporation.

Price Target Risks & Related Risk Factors:

Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Hovde Group, LLC's earnings and revenue estimates; unforeseen macroeconomic and/or industry events that adversely affect demand for a company's products or services; product obsolescence; changes in investor sentiment regarding the specific company or industry; intense and rapidly changing competitive pressures; the continuing development of industry standards; the company's ability to recruit and retain competent personnel; and adverse market conditions.

Company Specific Risks:

Risks to the price target, rating, and EPS estimates include: (a) the announcing of a large acquisition that is dilutive to TBV/sh and/or implies considerable integration risk, (b) the announcing of a large, dilutive capital raise, (c) the emergence of unanticipated credit deterioration, (d) NIM compression stemming from heightened deposit pricing competition amid rising ST rates and/or a flattening/inverted yield curve, (e) an economic downturn specific to the company's South Carolina footprint (likely slowing loan growth and pressuring credit quality), and (f) worsening economic conditions and credit losses beyond what we are currently expecting.

Valuation Methodology:

Methodology for ratings and target prices includes both qualitative and quantitative factors including an assessment of industry size, structure, trends and overall sector attractiveness; management; competition; financial condition; and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry or company-specific occurrences. Hovde Group, LLC analysts base valuations on a combination of forward looking earnings multiples and price-to-tangible book multiples. Hovde Group, LLC, believes this accurately reflects the strong absolute value of earnings, the strong earnings growth rate, the inherent profitability, and adjusted balance sheet factors. Additional company-specific valuation methodology is available through Hovde Group, LLC.

Company Specific Valuation:

Our price target of \$23.00 is based on 11x our 2023 EPS estimate.

Definition of Investment Ratings:

Outperform (OP): Anticipated to outperform relative to the sector indices over the next 12 months.

Market Perform (MP): Anticipated to perform in line relative to the sector indices over the next 12 months.

Underperform (UP): Anticipated to underperform relative to the sector indices over the next 12 months.

Ratings Distribution:

Rating Category	Count	Percent	IB Serv./Past 12Mos.	
			Count	Percent
Outperform	63	63.64%	13	20.63%
Market Perform	36	36.36%	7	19.44%
Underperform	0	0.00%	0	0%

For purposes only of FINRA ratings distribution rules, our Outperform rating falls into a buy rating category; our Market Perform rating falls into a hold rating category; and our Underperform rating falls into a sell rating category.

First Community Corporation Rating History as of 10/18/2022

powered by: BlueMatrix



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST: Contact the Hovde Research Department at 1-855-559-6831, or write to 1629 Colonial Parkway Inverness, IL 60067.

For current company specific disclosures please see the most recently published company report, or contact the Hovde Group Research Department at the address or telephone number listed above. You may also access such disclosures, including price charts or other relevant disclosures, by visiting the following website: <https://hovdegroupp.bluematrix.com/sellside/Disclosures.action>.

Other Disclosures:

This report has been prepared and issued by Hovde Group, LLC. The information contained in this report (except information regarding Hovde Group, LLC) was obtained from various sources which we believe to be reliable, but we do not guarantee its accuracy or completeness. Additional information is available upon request. The information, opinions or recommendations contained in this report speak only as of the date of this report and are subject to change without notice.

This report does not constitute an offer, or a solicitation of an offer, to buy or sell any securities or other financial instruments, including the securities of companies mentioned in this report. This report has been prepared and circulated for general information only and does not take into account the financial position or particular needs or investment objectives of any individual or entity. The securities or strategies discussed in this report may not be suitable for all investors. Investors must make their own determination of the appropriateness of an investment in any securities based on the legal, tax and accounting considerations applicable to such investors and their own investment strategy. Investors are cautioned that statements regarding future prospects may not be realized and that past performance is not necessarily indicative of future performance.

Hovde Group, LLC generally prohibits research analysts and members of their households from maintaining a financial interest in securities or options of any company that the analyst covers. This report or any portion thereof may not be reproduced or redistributed by any person for any purpose without the written consent of Hovde Group, LLC.

© Copyright 2022 Hovde Group, LLC. All rights reserved.