HOVDE GROUP

October 18, 2023

First Community Corp.

Outperform

FCCO (NASDAQ)

Price $17.57

Price Target $22.00

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

Market Data

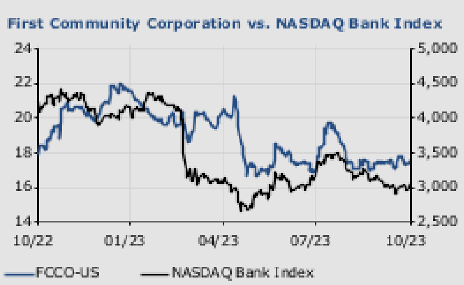
Market Cap ($M)	$133.5
Price / Tang. Book	1.23x
52-Week Range	$16.30 - $22.25
3-Mo. Avg. Daily Volume	15,240
Dividends	$0.56
Dividend Yield	3.19%
Shares Outstanding (M)	7.6

Financial Summary

As of September 30, 2023

Assets ($M)	$1,793.7
Tangible Book Value	$14.25
Tang. Common Eq. / Tang. Assets	6.1%
ROA	0.61%
ROE	5.6%
Net Interest Margin	2.96%

Price Performance



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.

Solid Quarter with Stability in Core Funding Supporting OP-Rating Exiting 3Q23

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2022A	$0.46	$0.42	$0.52	$0.53	**$1.92**	(4.5%)	--	9.1x
2023E	$0.45A	$0.41A	$0.35A	$0.37	**$1.58**	(17.8%)	$-0.03	11.1x
2024E	$0.36	$0.40	$0.44	$0.47	**$1.67**	5.5%	$-0.09	10.5x

Conclusion

Following 3Q23 earnings (see link) we are adjusting our 2023/24 EPS estimates to $1.58 (-$0.03) and $1.67 (-$0.09), respectively, **and reiterate our Outperform rating and $22 Price target equating to ~1.35x 2024E TBV (a slight premium to current valuation inclusive of moderate AOCI headwinds). Excluding the impact of AOCI, our price target equates to only 1.18x TBV (see last bullet below).** We continue to like the bank's long-term positioning within the greater South Carolina market and note that with the ending of interest rate hikes the mostly CRE-laden loan portfolio should witness lagging repricing benefits into 2024/25.

- **Hedging Activity Again Protects the NIM.** The 3Q23 NIM of 2.96% was 1bp above our expectations and was again buoyed by the 2Q23 completion of a $150M pay fixed/receive floating rate swap on fixed rate loans (prior to this 85% of portfolio was fixed rate). The swap agreement matures in May 2026 (entered into May 5, 2023) and FCCO will pay fixed at 3.58% while receiving the overnight SOFR rate. This swap benefited spread income by $626K in 3Q23 (almost double the 2Q23 level) with loan yields rising 28bps to 5.14% incorporating a 25bps impact (14bps last quarter). Given the impact of rising rates on the Securities portfolio average yields are improving as well. Management notes new loan pricing is in the mid-7% range but does expect further modest contraction ahead. As such, we have adjusted our 2024 NIM forecast down by 6bps to 3.00% but do model a rising NIM beginning in 1H24 as we expect funding costs to plateau in that time frame.

- **Core Deposits Remain Stable with Brokered Sources Growing.** Core Deposits ex-CDs were essentially flat at $1.29B LQ as DDA balances were also stable at 31.2% of deposits (down from 31.5% at 6/30/23) and up from 29.4% pre-pandemic). As telegraphed last quarter, management tapped brokered CDs to fund loan growth (three-year callable at 5.50% rate) at a better funding rate than FHLB advances that were reduced $15M from partial deployment from the restructuring of the Securities portfolio. The average cost of deposits rose to 1.32% from 0.97% with the sequential increase of 36bps slowing 2bps from 2Q23. The Loan-to-Deposit ratio of 73.2% continues to imply material funding capacity for growth.

- **TBV Remains Understated Due to AOCI Impact**. FCCO's TCE ratio dropped modestly to 6.1% from 6.3% during the quarter, but we note that TBV remains understated with the inclusion of AOCI adjustments. Specifically, TBV rose to $18.60/sh. on an adjusted basis excluding the AOCI from $18.48/sh - implying the shares trade at a modest discount to TBV (~0.96x 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.

- **CRE Exposure Detailed Again.** Total loans rose ~23% LQA with advances from unfunded commercial Construction loans adding $25.9M to the total loan growth of $59M for the quarter. FCCO again provided deeper disclosures regarding the CRE portfolio focusing on the Non-Owner Occupied segment. The largest segment is within the Retail segment ($90M or 8.2% of loans) with an average loan size of only $1.0M and WAVG LTV of 55% for the top 10 loans. The Office segment totals $64M with an average loan size of $719K and comprises 5.9% of EOP loans. We do expect loan growth to moderate during 2024 but still project healthy overall loan growth of 8% during 2024 as management notes that the local markets it serves in SC and NC remain healthy and benefitting from in migration trends.

- **Operating Expenses Impacted by Fraud-Elevated Marketing**. Core operating expenses of $11.3M were up 4.8% sequentially and $0.03 higher than our model. The company experienced approximately 3x the normal check fraud losses during the quarter as the local market (and FCCO) were hit by an organized mail theft ring targeting smaller counterfeit checks in the $3-$5K range compared the typical $30-$50K range. Based on current case volumes the bank believes the fraud surge is behind it. Additionally, FCCO increased its TV, digital and outdoor marketing efforts to promote its Deposit products and offerings that drove Marketing costs 65% higher LQ and $0.03 above our expectations.

Exhibit 1: FCCO 3Q23 Variance Table

Actuals vs. Hovde and Consensus

($M) FCCO	Estimates		Actual	Actuals vs: Hovde			Consensus		
	Hovde	Cons.	3Q23	$ Diff.		P/S	$ Diff.		P/S
Net Interest Income	**12.1**	**12.1**	**12.2**	**0.1**	▲	**$0.01**	**0.1**	▲	**$0.01**
NIM	2.95%	2.94%	2.96%	1 bps	▲		2 bps	▲	
Fee Income	2.9	3.0	3.1	0.2	▲	$0.02	0.1	▲	$0.01
Revenue	15.0	15.0	15.2	0.2	▲	$0.02	0.3	▲	$0.03
Expenses	11.0	10.9	11.3	(0.3)	▲	($0.03)	(0.4)	▲	($0.04)
Core PPNR	**4.0**	**-**	**4.0**	**(0.1)**	▼	**($0.01)**	**-**		**-**
PPNR	**4.0**	**4.1**	**4.0**	**(0.1)**	▼	**($0.01)**	**(0.1)**	▼	**($0.01)**
Provision	0.4	0.3	0.5	(0.1)	▲	($0.01)	(0.2)	▲	($0.02)
Tax Rate	23%	22%	21%		▼			▼	
EPS	**$0.37**	**-**	**$0.23**		▼	**($0.14)**			
Core EPS	**$0.37**	**$0.38**	**$0.35**		▼	**($0.02)**		▼	**($0.03)**
TBVPS	$14.70	$14.61	$14.25		▼	($0.44)		▼	($0.35)
Diluted Shares	7.6	7.6	7.7						
Profitability									
ROA	0.65%	0.67%	0.61%	-3 bps	▼		-5 bps	▼	
ROTCE	10.2%	-	6.3%	-384 bps	▼				
Efficiency Ratio	73%	73%	74%	96 bps	▲		143 bps	▲	
Balance Sheet									
Avg Earning Assets	1,628	1,625	1,628	0	▲		3	▲	
EOP Loans	1,051	1,047	1,091	41	▲		45	▲	
Loans/Deposits	73%	73%	73%						
TCE Ratio	6.45%	-	6.09%	-36 bps	▼				
Credit									
Net Charge-Off Ratio	0.02%	0.04%	0.00%	-2 bps	▼		-4 bps	▼	
LLP/Loans	0.14%	0.10%	0.09%						

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

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

($M)	2023E					2024E				
FCCO	Estimates		Change			Estimates		Change		
	Prior	Current	$ Diff.	▲/▼	P/S	Prior	Current	$ Diff.	▲/▼	P/S
Net Interest Income	**49.0**	**49.2**	**0.3**	▲	**$0.03**	**51.6**	**51.5**	**(0.2)**	▼	**($0.02)**
NIM	3.03%	3.02%	0 bps	▼		3.06%	3.00%	-6 bps	▼	
Fee Income	11.2	11.5	0.3	▲	$0.03	12.6	12.5	(0.1)	▼	($0.01)
Revenue	60.1	60.7	0.6	▲	$0.06	64.3	64.0	(0.2)	▼	($0.02)
Expenses	43.2	43.8	(0.7)	▲	($0.07)	45.4	46.0	(0.6)	▲	($0.06)
Core PPNR	**17.0**	**16.9**	**(0.1)**	▼	**($0.01)**	**18.8**	**18.0**	**(0.8)**	▼	**($0.09)**
PPNR	**17.0**	**16.9**	**(0.1)**	▼	**($0.01)**	**18.8**	**18.0**	**(0.8)**	▼	**($0.09)**
Provision	0.9	0.9	(0.0)	▲	($0.00)	1.4	1.5	(0.0)	▲	($0.00)
Tax Rate	23%	23%		▼		23%	23%		▼	
EPS	**$1.64**	**$1.48**		▼	**($0.16)**	**$1.75**	**$1.67**		▼	**($0.08)**
Core EPS	**$1.62**	**$1.58**		▼	**($0.04)**	**$1.75**	**$1.67**		▼	**($0.08)**
TBVPS	$15.07	$14.61		▼	($0.45)	$16.79	$16.25		▼	($0.54)
Diluted Shares	7.6	7.6				7.6	7.6			
Profitability										
ROA	0.71%	0.71%	-1 bps	▼		0.74%	0.69%	-5 bps	▼	
ROTCE	11.5%	10.7%	-76 bps	▼		11.0%	10.8%	-20 bps	▼	
Efficiency Ratio	72%	72%	40 bps	▲		71%	72%	120 bps	▲	
Balance Sheet										
Avg Earning Assets	1,618	1,628	10	▲		1,687	1,715	29	▲	
EOP Loans	1,071	1,117	46	▲		1,157	1,203	46	▲	
Loans/Deposits	74%	73%				75%	73%			
TCE Ratio	6.54%	6.21%	-33 bps	▼		6.93%	6.63%	-30 bps	▼	
Credit										
Net Charge-Off Ratio	0.01%	0.00%	-1 bps	▼		0.04%	0.04%	-1 bps	▼	
LLP/Loans	0.09%	0.09%				0.13%	0.13%			
LLR/Loans	1.13%	1.09%				1.13%	1.10%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

					Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)		
		10/18	Mkt Cap	Assets	Price/Earnings[1]			Price/	Dvd	Dep.				Eff.	LTD	Core		TCE	NCOs	NPAs/	LLR/	EPS		TBVPS				
Ticker	Company Name	Price	($M)	($M)	LTM	'23E	'24E	TBV	Yield	Prem.	ROA	ROTCE	NIM	Ratio	Ratio	Dep.[2]	COFs	Ratio	(LTM)	Assets	Loans	'16-'21	'21-'23E	'16-'21	'21-'23E	1M	3M	YTD
AMNB	Amer Natl Bkshs	$38.96	$423	$3,113	12.0x	15.1x	16.2x	1.72x	3.1%	6.9%	1.09	14.5	3.16	58.1	84.6	91.5	1.22	7.94	0.03	0.04	1.13	16%	-20%	6%	-1%	(0.3)	28.1	5.5
CARE	Carter Bkshs	$11.52	$272	$4,384	5.5x	9.0x	5.5x	0.78x	0.0%	-2.0%	1.22	15.1	3.54	59.6	93.1	-	NA	7.85	0.17	7.17	2.83	14%	4%	2%	-1%	(12.8)	(26.5)	(30.5)
CBAN	Colony Bkcp Inc	$9.94	$177	$3,101	8.2x	7.7x	7.1x	0.94x	4.4%	-0.3%	0.73	NA	3.08	74.4	70.0	85.8	1.67	6.09	0.01	0.38	0.91	15%	-12%	3%	-1%	0.2	(2.0)	(21.7)
CSTR	CapStar Finl Hldgs	$14.85	$316	$3,179	9.2x	10.5x	11.0x	1.03x	3.0%	0.5%	1.03	11.0	3.30	59.0	87.0	92.3	2.38	9.64	0.03	0.35	1.06	22%	-20%	6%	0%	5.3	11.2	(15.9)
FBK	FB Finl Corp	$29.51	$1,345	$12,490	9.7x	10.0x	10.5x	1.23x	2.0%	2.1%	1.02	12.0	3.52	63.4	87.3	93.3	2.68	9.16	0.02	NA	1.56	14%	-15%	16%	0%	2.3	(8.2)	(18.3)
FBMS	First Bancshares	$27.15	$848	$7,862	8.7x	8.5x	8.6x	1.53x	3.4%	4.5%	0.98	15.4	3.61	52.2	77.2	91.1	1.16	7.36	0.02	0.28	1.05	14%	3%	9%	-10%	(0.3)	(5.1)	(15.2)
FBNC	First Bancorp	$28.17	$1,178	$12,033	7.7x	11.7x	10.5x	1.47x	3.1%	3.9%	1.07	16.8	3.27	50.5	77.7	92.0	1.28	6.82	0.04	0.26	1.38	19%	-6%	12%	-8%	0.8	(15.0)	(34.2)
FCBC	First Comm Bkshs	$31.15	$591	$3,391	10.5x	11.2x	13.4x	1.75x	3.7%	8.9%	1.49	16.1	4.29	52.6	91.9	99.3	0.29	10.48	0.24	0.56	1.38	15%	-3%	5%	3%	2.0	(3.9)	(8.1)
FRST	Primis Financial C	$7.96	$200	$3,848	14.3x	11.6x	6.1x	0.69x	5.0%	-2.6%	0.37	5.1	3.22	74.0	95.7	93.0	2.81	7.64	0.41	0.60	1.19	9%	-26%	6%	-3%	(2.5)	(11.6)	(32.8)
HTBI	HomeTrust Bcshs	$20.66	$358	$4,607	6.9x	5.4x	7.5x	0.84x	1.9%	-1.9%	1.16	11.5	4.41	58.3	101.6	-	1.60	9.34	0.10	0.36	1.23	8%	81%	3%	8%	(8.2)	(11.1)	(14.5)
SFST	Southern First	$27.15	$225	$4,002	11.5x	21.0x	14.0x	0.73x	-	-2.2%	0.53	6.5	2.60	68.3	103.0	89.9	NA	7.53	-0.04	0.08	1.16	25%	-53%	16%	4%	(1.2)	(2.0)	(40.7)
SSBK	Sthrn States Bcshs	$22.20	$197	$2,278	6.7x	7.4x	8.5x	1.08x	1.6%	0.9%	1.64	20.7	4.09	47.7	89.2	90.1	2.57	7.94	0.03	0.23	1.24	6%	16%	5%	12%	(4.3)	1.5	(23.3)
SMBK	SmartFinancial Inc	$21.32	$369	$4,746	7.7x	10.0x	10.2x	1.08x	1.5%	0.8%	0.95	14.6	3.26	63.0	79.5	93.8	1.95	7.25	0.02	0.13	0.98	23%	-2%	6%	4%	(5.2)	(11.1)	(22.5)
Peer Median			**$358**	**$4,002**	**8.7x**	**10.0x**	**10.2x**	**1.08x**	**3.0%**	**0.8%**	**1.03**	**14.6**	**3.30**	**59.0**	**87.3**	**92.0**	**1.67**	**7.85**	**0.03**	**0.31**	**1.19**	**15%**	**-6%**	**6%**	**0%**	**(0.3)**	**(5.1)**	**(21.7)**
FCCO	**First Cmnty Corp**	**$18.19**	**$133**	**$1,741**	**9.4x**	**11.2x**	**11.8x**	**1.27x**	**3.1%**	**1.7%**	**0.87**	**14.3**	**3.23**	**68.2**	**72.6**	**86.6**	**1.34**	**6.31**	**-0.01**	**0.06**	**1.11**	**16%**	**-11%**	**8%**	**-5%**	**4.5**	**4.1**	**(16.9)**

[1]Based on consensus EPS estimates
[2]Core 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

($M)	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	2020A	2021A	2022A	2023E	2024E
Income Statement																					
Net Interest Income	10.7	11.2	12.6	11.3	10.9	11.2	12.9	13.5	12.5	12.2	12.2	12.4	12.2	12.6	13.1	13.6	40.4	45.8	48.5	49.2	51.5
Noninterest Income	3.1	3.4	3.5	3.5	3.4	3.0	2.7	2.5	2.6	2.8	3.1	3.0	2.9	3.2	3.2	3.3	13.2	13.5	11.6	11.5	12.5
Total Revenue	**13.8**	**14.6**	**16.1**	**14.8**	**14.2**	**14.2**	**15.6**	**16.0**	**15.0**	**15.0**	**15.2**	**15.4**	**15.1**	**15.8**	**16.4**	**16.8**	**53.6**	**59.3**	**60.1**	**60.7**	**64.0**
Noninterest Expense	9.5	9.7	10.1	9.9	10.0	10.2	10.4	10.7	10.4	10.8	11.3	11.4	11.2	11.5	11.6	11.8	37.5	39.2	41.3	43.8	46.0
Pre-tax, Pre-provision Income	**4.3**	**4.9**	**6.0**	**4.9**	**4.3**	**4.0**	**5.2**	**5.3**	**4.6**	**4.3**	**4.0**	**4.0**	**3.9**	**4.3**	**4.7**	**5.0**	**16.1**	**20.1**	**18.8**	**16.9**	**18.0**
Loan Loss Provision	0.2	0.2	0.0	(0.1)	(0.1)	(0.1)	0.0	0.0	0.1	0.2	0.5	0.4	0.3	0.3	0.4	0.4	3.7	0.3	(0.2)	0.9	1.5
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	0.4	0.5	-	-	-
Pre-tax Earnings	4.3	4.6	6.2	5.1	4.4	4.1	5.2	5.3	4.5	4.3	2.3	3.6	3.6	4.0	4.3	4.6	13.0	20.1	18.9	15.0	16.5
Taxes	1.0	1.0	1.4	1.2	0.9	0.9	1.2	1.2	1.1	1.0	0.5	0.8	0.8	0.9	1.0	1.1	2.9	4.7	4.3	3.4	3.8
Tax Rate (%)	21%	21%	22%	21%	18%	21%	21%	22%	22%	22%	21%	23%	23%	23%	23%	23%	20%	21%	23%	23%	23%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	**3.3**	**3.5**	**4.7**	**3.9**	**3.5**	**3.1**	**4.0**	**4.0**	**3.5**	**3.3**	**1.8**	**2.8**	**2.8**	**3.1**	**3.3**	**3.5**	**10.1**	**15.5**	**14.6**	**11.6**	**12.7**
Reported EPS	**$ 0.43**	**$ 0.47**	**$ 0.63**	**$ 0.52**	**$ 0.46**	**$ 0.41**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.43**	**$ 0.23**	**$ 0.37**	**$ 0.36**	**$ 0.40**	**$ 0.44**	**$ 0.47**	**$ 1.35**	**$ 2.05**	**$ 1.92**	**$ 1.48**	**$ 1.67**
Core EPS	**$ 0.41**	**$ 0.49**	**$ 0.61**	**$ 0.51**	**$ 0.46**	**$ 0.42**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.41**	**$ 0.35**	**$ 0.37**	**$ 0.36**	**$ 0.40**	**$ 0.44**	**$ 0.47**	**$ 1.29**	**$ 2.02**	**$ 1.92**	**$ 1.58**	**$ 1.67**
Average Diluted Shares	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.7	7.7	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	$ 15.62	$ 16.29	$ 16.35	$ 16.26	$ 16.49	$ 16.72	$ 16.98	$ 17.27	$ 17.60	$ 18.18	$ 18.68	$ 15.62	$ 16.49	$ 17.60
Tangible Book Value Per Share	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 14.26	$ 14.33	$ 14.25	$ 14.61	$ 14.97	$ 15.36	$ 15.79	$ 16.25	$ 16.08	$ 16.62	$ 13.59	$ 14.61	$ 16.25
Dividend Per Share	$ 0.12	$ 0.12	$ 0.12	$ 0.13	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.48	$ 0.49	$ 0.53	$ 0.56	$ 0.56
Performance Ratios																					
ROA	0.87%	0.98%	1.19%	0.96%	0.86%	0.77%	0.95%	0.96%	0.82%	0.73%	0.61%	0.62%	0.61%	0.67%	0.72%	0.76%	0.75%	1.00%	0.89%	0.71%	0.69%
ROCE	9.7%	10.5%	13.4%	11.1%	10.3%	10.8%	13.2%	13.9%	11.7%	10.7%	5.6%	8.9%	8.9%	9.6%	10.1%	10.6%	7.8%	11.2%	12.0%	9.4%	9.8%
ROTCE	11.0%	11.9%	15.1%	12.5%	11.6%	12.5%	15.1%	16.0%	13.4%	12.3%	6.3%	10.1%	10.0%	10.7%	11.1%	11.5%	8.9%	12.7%	13.7%	10.7%	10.8%
Pretax Preprovision ROAA	1.19%	1.31%	1.56%	1.24%	1.06%	0.98%	1.24%	1.27%	1.08%	0.99%	0.91%	0.90%	0.87%	0.94%	1.02%	1.08%	1.24%	1.33%	1.14%	0.97%	0.98%
Net Interest Margin	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	2.96%	2.93%	2.93%	2.96%	3.02%	3.09%	3.37%	3.23%	3.14%	3.02%	3.00%
Efficiency Ratio	69%	66%	63%	67%	70%	72%	67%	67%	69%	72%	74%	74%	74%	73%	71%	70%	70%	66%	69%	72%	72%
Fee Income/Operating Revenue	23%	23%	22%	24%	24%	21%	17%	16%	17%	19%	20%	19%	19%	20%	20%	19%	25%	23%	19%	19%	20%
Dividend Payout Ratio	28%	26%	19%	25%	28%	32%	25%	26%	31%	32%	61%	38%	38%	35%	32%	30%	36%	24%	28%	38%	34%
Average Balance Sheet																					
Loans	886	896	894	880	876	897	938	969	987	1,017	1,066	1,104	1,127	1,148	1,169	1,192	835	889	920	1,043	1,159
Securities	373	431	489	532	572	560	581	569	565	563	533	504	503	505	507	507	301	456	571	541	506
Earning Assets	1,339	1,404	1,441	1,491	1,515	1,530	1,557	1,563	1,582	1,622	1,628	1,679	1,691	1,706	1,723	1,741	1,198	1,419	1,541	1,628	1,715
Assets	1,435	1,508	1,543	1,594	1,622	1,644	1,668	1,677	1,696	1,737	1,745	1,798	1,810	1,826	1,845	1,864	1,296	1,520	1,653	1,744	1,836
Deposits	1,208	1,285	1,313	1,363	1,375	1,428	1,450	1,417	1,382	1,409	1,433	1,514	1,552	1,581	1,609	1,638	1,087	1,292	1,417	1,434	1,595
Borrowings	78	75	78	77	98	87	87	131	180	189	171	163	145	147	149	151	67	77	101	176	148
Common Equity	136	135	140	140	137	116	119	115	120	124	125	124	126	128	130	133	129	138	122	123	129
Balance Sheet Ratios																					
TCE Ratio	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.29%	6.31%	6.09%	6.21%	6.30%	6.41%	6.50%	6.63%	8.74%	8.00%	6.21%	6.21%	6.63%
Avg Loans/Avg Earning Assets	66%	64%	62%	59%	58%	59%	60%	62%	62%	63%	65%	66%	67%	67%	68%	68%	70%	63%	60%	64%	68%
Avg Loans/Avg Deposits	73%	70%	68%	65%	64%	63%	65%	68%	71%	72%	74%	73%	73%	73%	73%	73%	77%	69%	65%	73%	73%
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%	1.16%	1.15%	1.12%	1.08%	1.09%	1.09%	1.09%	1.10%	1.10%	0.49%	1.29%	1.16%	1.09%	1.10%
Reserve/NPLs	175%	110%	601%	660%	645%	251%	226%	227%	271%	6925%	8151%	-	-	-	-	-	141%	660%	227%	-	-
NPAs/Loans+OREO	0.82%	1.23%	0.34%	0.33%	0.33%	0.60%	0.63%	0.60%	0.52%	0.11%	0.07%	-	-	-	-	-	1.01%	0.33%	0.60%	-	-
Net Charge-Off Ratio	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.10%	-0.03%	0.00%	-0.01%	0.00%	0.00%	0.02%	0.03%	0.03%	0.04%	0.04%	-0.01%	-0.05%	-0.03%	0.00%	0.04%
Provision/Average Loans	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.06%	0.09%	0.15%	0.11%	0.11%	0.14%	0.14%	0.44%	0.04%	-0.02%	0.09%	0.13%
Provision/NCOs	2213%	181%	-14%	28%	1563%	31%	-23%	625%	-467%	1540%	#DIV/0!	0%	0%	0%	0%	0%	-3700%	-74%	49%	1759%	360%

Sources: Company Filings, Hovde Group.

Model updated as of: 10/18/23

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.

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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 $22.00 is based on ~12.5x our 2024 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:

			IB Serv./Past 12Mos.	
Rating Category	Count	Percent	Count	Percent
Outperform	62	55.86%	9	14.52%
Market Perform	49	44.14%	11	22.45%
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.

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

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