

Banks & Thrifts

Price:	\$21.02
Fair Value Estimate:	\$23.00
52-Week Range:	\$16.35 - \$23.42
Market Cap (MM):	\$159
Shr.O/S-Diluted (mm):	7.5
Average Daily Volume:	9,230
Dividend:	\$0.52
Yield:	2.5%
Tang Book Value:	\$16.62
Tang Comn Equity Ratio:	8.0%
Price/Tangible Book:	1.26x

FYE: Dec	2021A	2022E	2023E
EPS - non-GAAP	\$2.03A	\$1.94E	\$2.02E
Adjusted: Prior EPS - non-GAAP	\$2.01	\$1.70	NC
Adjusted: P/E non-GAAP Ratio:	10.4x	10.8x	10.4x

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.42A	\$0.41E	--
Q2	\$0.49A	\$0.47E	--
Q3	\$0.61A	\$0.53E	--
Q4	\$0.52A	\$0.53E	--
Year:	\$2.03A	\$1.94E	\$2.02E



January 24, 2022

First Community Corporation (FCCO) - NEUTRAL

Core Trends Remain Solid – Increase 2022 EPS & Establish 2023. Loan Growth Outlook is Positive & Credit Quality is Excellent

PORTFOLIO MANAGER BRIEF

- FCCO closed out 2021 with a solid quarter which beat our estimate as better revenues and a modest LLP benefit more than offset higher than expected expenses. Loan growth decelerated as solid production was more than offset by elevated payoffs. Growth in deposits remained healthy while solid contributions from Fee based businesses were noted representing 24% of revenues. Downward repricing of Assets and increased liquidity contributed to core NIM (ex PPP) pressure. Credit trends remained strong with steady growth in TBV noted.
- Loan growth is a key focus as FCCO works to deploy excess liquidity into higher yielding loans/securities in an effort to optimize balance sheet efficiency and profitability. Avg. Cash/Securities ~41% of AEA (5% & 36%, respectively.)
- FCCO enters 2022 from a position of strength on the credit front with most key metrics at or near record low levels. Reserve coverage is expected to trend back to pre-pandemic levels as FCCO's COVID allocation is reduced as the economy continues to strengthen.
- EPS Outlook. Increase 2022 EPS to \$1.94 from \$1.70 and establish 2023 EPS at \$2.02. Our upward revision primarily reflects a larger balance sheet, improved AEA mix, lower credit costs, and a lower tax rate (previous estimate was elevated reflecting potential tax law change), which more than offsets higher expenses. Our LLP benefit in 2022 reflects the reversal of the COVID reserve allocation.

ANALYST NOTES

Management is optimistic on loan growth given solid pipelines which support a mid-to-high single digit growth rate; however, holding loan yields will remain a challenge given the competitive environment.

FCCO had another solid deposit growth quarter in 4Q though deposit growth is expected to moderate. We forecast net growth to slow in 2022 as customers begin to deploy some of their excess liquidity tempering new inflows.

Solid loan growth and runoff of some stimulus deposits in 2022 should help reduce liquidity levels though returning to more normalized levels will be a multiyear event.

NIM is expected to increase over the coming quarters as 1) FCCO begins to deploy excess liquidity into higher yielding Loans / Securities and 2) liquidity begins to exit the

Bank. Further, we expect NIM to benefit from the first couple rate hikes as we expect limited impact on deposit costs. Core NIM ex PPP (non FTE) was 2.91%.

In a +100bp scenario, FCCO's internal asset sensitivity analysis projects NII to decrease 1.6% in year one and increase 3.5% in year 2. FCCO's analysis assumes deposit betas perform similar to last cycle though given current liquidity levels FCCO is optimistic they can outperform historic levels while still protecting relationship deposits.

FCCO expects to see a modest impact on deposit pricing with the first couple moves by the Fed with deposit betas increasing towards the 40% level over time.

TCE is expected to increase in the coming quarters (absent significant share repurchases) given our expectation the balance sheet begins to and earnings remain solid.

FCCO expects to remain patient with share repurchases until more clarity is gained on how the balance sheet moves in the coming quarters. That said, we believe they would be opportunistic on share price weakness.

Mortgage volume increased modestly from 3Q's level though revenues were down about 10% as GOS margins narrowed. We expect mortgage volume to approximate \$140M in 2022 similar to 2021's level with a GOS margin of 3.22% leading to a ~5% increase in annual mortgage revenues. Wealth management revenues continue to expand and remain a bright spot. FCCO added several new MLO's and Financial Advisors late in 2021, which should contribute to future growth.

Wage / inflationary pressure and continued investments in technology are expected to impact expense growth in 2022 leading us to increase our expense expectations. Our forecast calls for ~5% expense growth in 2022.

Our outlook for a provisioning benefit in 2022 is driven by the reversal of the company's \$1.9M COVID reserve allocation, which more than offsets provisioning expense to cover projected organic loan growth and NCOs.

The Loan book continues to hold up well, and we are encouraged by low levels of NPAs and NCOs. Further, FCCO's Criticized and Classified ratios are low and significantly better than peer at about 7% and 5%, respectively.

Janney Research Rating: "Neutral"

Fair Value: \$23.00

Implied Gain/Loss versus Current Price: 9.4%

2022 Outlook

2022 EPS	\$2.03	11.1x	\$22.52
Cash Dividends	\$0.48	1.0x	<u>\$0.48</u>
			\$23.00

Tangible Book 12/22 \$18.07 1.27x \$23.00

Source: Janney Research (FIG Group) & Forward Estimates

Deposit Premium Analysis

	Current	Dec-22	Dec-23
Market-Cap	158.6	163.3	168.2
TCE in \$\$	123.5	136.4	147.7
Total Deposits	1,333.6	1,388.7	1,455.9
CORE Deposits	1,211.3	1,261.4	1,322.3
Premium - Total	2.6%	1.9%	1.4%
Premium - CORE	2.9%	2.1%	1.6%

Weekly Stock Price Trends



Background and Risks

First Community Corporation stock trades on the NASDAQ Capital Market under the symbol "FCCO" and is the holding company for First Community Bank, a local community bank based in the Midlands of South Carolina. First Community Bank is a full-service commercial bank offering deposit and loan products and series, residential mortgage lending and financial planning/investment advisory services for businesses and consumers. First Community serves customers in the Midlands, Aiken, and Greenville, South Carolina markets as well as Augusta, Georgia. For more information, visit www.firstcommunitysc.com.

We see primary risks to include (1) integration of acquisitions; (2) negative impact from persistently low or rapidly changing interest rates and/or a flattening yield curve; and (3) potential for rising credit costs in light of further growth in unemployment.

FCCO Peer Comparison

Ticker	Company Name	State	Rating	Market Cap. (\$M)	Total Assets (\$000) <i>MRQ</i>	DDA % <i>MRQ</i>	Cost of Deposits <i>MRQ</i>	TCE Ratio <i>MRQ</i>	NPAs % of Loans+ORE <i>MRQ</i>	Core Deposit Premium <i>Today</i>	Price-to- T.Book <i>1/23/22</i>	P/E 2022 EPS <i>Consensus</i>	ROA Forecast in 2022 <i>Consensus</i>	Loans-to- Deposits Ratio
Peer Analysis:														
FCCO	First Cmnty Corp	SC	Neutral	\$159	\$1,584,508	<i>32</i>	0.11	<i>8.0</i>	<i>0.3%</i>	<i>2.8%</i>	126	11.4x	0.89	66%
FIZN	Frst Ctzns Bcshs	TN	Not Rated	\$279	\$2,159,736	<i>NA</i>	NA	<i>9.8</i>	<i>na</i>	<i>na</i>	<i>na</i>	na	NA	62%
JMSB	John Marshall Bncp	VA	Not Rated	\$282	\$2,149,309	<i>26</i>	0.29	<i>9.7</i>	<i>0.0%</i>	<i>7.2%</i>	145	na	NA	87%
FVCB	FVCBankcorp Inc	VA	Buy	\$273	\$1,997,902	<i>32</i>	0.42	<i>9.9</i>	<i>0.5%</i>	<i>5.3%</i>	139	14.0x	1.22	86%
RVRF	River Finl Corp	AL	Not Rated	\$188	\$2,309,314	<i>27</i>	0.19	<i>6.6</i>	<i>0.3%</i>	<i>2.2%</i>	126	na	NA	60%
CBAN	Colony Bkcp Inc	GA	Buy	\$241	\$2,691,715	<i>23</i>	0.12	<i>5.9</i>	<i>1.9%</i>	<i>4.3%</i>	155	8.3x	0.97	60%
MCBS	MetroCity Bkshs	GA	Not Rated	\$646	\$2,750,228	<i>30</i>	0.20	<i>9.7</i>	<i>0.6%</i>	<i>23.6%</i>	243	9.0x	2.44	112%
FFMH	Frst Farmers	TN	Not Rated	\$151	\$1,920,554	<i>28</i>	0.12	<i>8.0</i>	<i>0.2%</i>	<i>(0.1%)</i>	99	na	NA	52%
BFCC	BankFirst Cap Corp	MS	Not Rated	\$169	\$1,789,714	<i>30</i>	0.28	<i>6.8</i>	<i>1.0%</i>	<i>4.0%</i>	143	na	NA	73%
MNSB	MainStreet Bcshs	VA	Buy	\$178	\$1,647,402	<i>38</i>	0.51	<i>9.7</i>	<i>0.1%</i>	<i>2.5%</i>	116	10.5x	1.62	89%
HSBI	Heritage SE Bncp	GA	Not Rated	\$185	\$1,654,565	<i>34</i>	0.20	<i>7.3</i>	<i>0.3%</i>	<i>5.8%</i>	160	na	NA	75%
BRBS	Blue Ridge Bkshrs	VA	Not Rated	\$333	\$2,699,302	<i>31</i>	0.29	<i>8.8</i>	<i>0.8%</i>	<i>5.9%</i>	142	na	NA	82%
PEBK	Peoples Bncp of NC	NC	Not Rated	\$158	\$1,616,251	<i>38</i>	0.21	<i>8.9</i>	<i>0.3%</i>	<i>1.1%</i>	110	na	NA	63%
NKSH	Natl Bankshares	VA	Not Rated	\$218	\$1,644,031	<i>23</i>	0.20	<i>11.3</i>	<i>0.9%</i>	<i>2.5%</i>	118	12.7x	1.03	56%
CIZN	Citizens Hdg Co	MS	Not Rated	\$102	\$1,355,919	<i>26</i>	0.34	<i>7.0</i>	<i>1.2%</i>	<i>0.9%</i>	108	na	NA	55%
OPOF	Old Point Finl	VA	Not Rated	\$123	\$1,311,626	<i>34</i>	0.24	<i>9.1</i>	<i>0.1%</i>	<i>0.4%</i>	103	na	NA	73%
CPKF	Chesapeake Finl	VA	Not Rated	\$139	\$1,328,771	<i>28</i>	0.23	<i>9.6</i>	<i>0.8%</i>	<i>1.3%</i>	110	10.9x	0.92	57%
MBLU	Morris State Bcshs	GA	Not Rated	\$172	\$1,365,894	<i>28</i>	0.18	<i>9.7</i>	<i>na</i>	<i>4.1%</i>	132	na	NA	74%
SFDL	Security Federal	SC	Not Rated	\$105	\$1,230,280	<i>NA</i>	0.15	<i>9.4</i>	<i>0.6%</i>	<i>(1.2%)</i>	91	na	NA	50%
MCBI	Mtn Commerce Bncp	TN	Not Rated	\$195	\$1,293,978	<i>30</i>	0.20	<i>9.1</i>	<i>0.1%</i>	<i>9.2%</i>	166	9.3x	1.57	97%
COSO	CoastalSouth Bcshs	SC	Not Rated	\$148	\$1,333,349	<i>28</i>	0.29	<i>8.2</i>	<i>0.4%</i>	<i>3.1%</i>	128	na	NA	66%
EFSI	Eagle Finl Svcs	VA	Not Rated	\$121	\$1,252,753	<i>40</i>	0.14	<i>8.8</i>	<i>0.6%</i>	<i>1.1%</i>	110	na	NA	82%
GRRB	Grandsouth Bancorp	SC	Not Rated	\$145	\$1,203,722	<i>27</i>	0.27	<i>7.9</i>	<i>0.5%</i>	<i>5.8%</i>	152	na	NA	89%
Source: Janney Research (FIG Group), S&P Global MI					<u>Median</u>	<u>29</u>	<u>0.21</u>	<u>9.0</u>	<u>0.5%</u>	<u>3.1%</u>	<u>128</u>	<u>10.5x</u>	<u>1.22</u>	<u>72.8%</u>

First Community Corporation (FCCO)

Updated on 1/20/21

Earnings Model

	Annual				2020 Quarterly				2021 Quarterly				2022 Quarterly			
	2020A	2021A	2022E	2023E	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$40.0	\$45.3	\$44.8	\$48.4	\$9.4	\$9.7	\$10.2	\$10.7	\$10.6	\$11.1	\$12.5	\$11.2	\$10.8	\$11.0	\$11.3	\$11.7
Loan Loss Provision	\$3.7	\$0.3	(\$0.60)	\$1.30	\$1.1	\$1.3	\$1.1	\$0.3	\$0.2	\$0.2	\$0.0	(\$0.1)	\$0.1	(\$0.2)	(\$0.2)	(\$0.2)
Non-Interest Income	\$13.4	\$13.7	\$14.4	\$15.4	\$2.9	\$3.4	\$3.4	\$3.6	\$3.2	\$3.4	\$3.5	\$3.6	\$3.4	\$3.6	\$3.8	\$3.5
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	\$0.3	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.3	\$0.0	\$0.1	(\$0.2)	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$37.5	\$39.2	\$41.1	\$42.9	\$9.0	\$9.1	\$9.7	\$9.7	\$9.5	\$9.7	\$10.1	\$9.9	\$10.1	\$10.3	\$10.3	\$10.3
Pre-Tax Income	\$12.6	\$19.6	\$18.7	\$19.5	\$2.2	\$2.7	\$3.3	\$4.4	\$4.1	\$4.5	\$6.1	\$5.0	\$3.9	\$4.5	\$5.1	\$5.1
Taxes	\$2.5	\$4.2	\$4.0	\$4.2	\$0.4	\$0.5	\$0.6	\$0.9	\$0.9	\$0.9	\$1.3	\$1.1	\$0.8	\$1.0	\$1.1	\$1.1
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$10.1	\$15.5	\$14.7	\$15.3	\$1.8	\$2.2	\$2.7	\$3.4	\$3.3	\$3.5	\$4.7	\$3.9	\$3.1	\$3.5	\$4.0	\$4.0
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$10.1	\$15.5	\$14.7	\$15.3	\$1.8	\$2.2	\$2.7	\$3.4	\$3.3	\$3.5	\$4.7	\$3.9	\$3.1	\$3.5	\$4.0	\$4.0
Avg. Shares O/S	\$7.5	\$7.5	\$7.6	\$7.6	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.5	\$7.6	\$7.6	\$7.6	\$7.6	\$7.6	\$7.6
Earnings Per Share (EPS)	\$1.35	\$2.05	\$1.94	\$2.02	\$0.24	\$0.30	\$0.35	\$0.46	\$0.43	\$0.47	\$0.63	\$0.52	\$0.41	\$0.47	\$0.53	\$0.53
<u>Per Share Data:</u>																
Reported Book Value	\$18.18	\$18.68	\$20.12	\$21.59	\$16.70	\$17.47	\$17.78	\$18.18	\$17.63	\$18.29	\$18.44	\$18.68	\$18.96	\$19.30	\$19.71	\$20.12
Tangible Book Value	\$16.07	\$16.62	\$18.07	\$19.57	\$14.55	\$15.34	\$15.67	\$16.07	\$15.54	\$16.22	\$16.37	\$16.62	\$16.90	\$17.25	\$17.66	\$18.07
Dividends	\$0.48	\$0.48	\$0.50	\$0.55	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12	\$0.12	\$0.13	\$0.13	\$0.13	\$0.13
Pre-Tax, Pre-Provision EPS	\$2.12	\$2.63	\$2.39	\$2.75	\$0.44	\$0.54	\$0.52	\$0.62	\$0.56	\$0.64	\$0.78	\$0.65	\$0.53	\$0.57	\$0.65	\$0.65
CORE GAAP EPS	\$1.30	\$2.03	\$1.94	\$2.02	\$0.23	\$0.30	\$0.31	\$0.46	\$0.42	\$0.49	\$0.61	\$0.52	\$0.41	\$0.47	\$0.53	\$0.53
<u>KEY Ratios:</u>																
Net Interest Margin	3.35%	3.19%	3.00%	3.16%	3.52%	3.35%	3.24%	3.28%	3.20%	3.17%	3.43%	2.97%	2.93%	2.95%	3.02%	3.11%
Return on Avg Assets	0.78%	1.02%	0.92%	0.94%	0.61%	0.70%	0.79%	0.99%	0.91%	0.94%	1.23%	0.98%	0.77%	0.89%	1.01%	1.01%
Return on Avg Equity	7.84%	11.21%	10.05%	9.73%	5.81%	6.99%	8.05%	10.31%	9.60%	10.46%	13.53%	11.18%	8.65%	9.81%	10.96%	10.71%
Return on Tang. Comm. Eq.	8.57%	12.43%	10.83%	10.42%	6.86%	7.94%	9.25%	11.55%	11.26%	11.68%	15.49%	12.58%	9.71%	10.96%	12.18%	11.87%
Pre-Tax Pre-Provision ROA	1.22%	1.31%	1.14%	1.27%	1.12%	1.26%	1.16%	1.33%	1.18%	1.28%	1.53%	1.23%	1.01%	1.07%	1.23%	1.23%
Efficiency Ratio	69.64%	66.04%	69.14%	67.11%	71.94%	67.70%	70.10%	66.58%	68.37%	65.92%	62.14%	66.01%	71.38%	70.43%	67.40%	67.55%
Overhead Ratio	2.90%	2.58%	2.58%	2.63%	3.07%	2.88%	2.89%	2.77%	2.66%	2.57%	2.61%	2.48%	2.55%	2.59%	2.58%	2.59%
TCE/TA	3.66%	7.99%	8.70%	9.04%	9.29%	8.78%	8.59%	8.74%	7.92%	8.15%	7.99%	7.99%	8.13%	8.30%	8.50%	8.70%
<u>Period-End Balances: (\$ in Millions)</u>																
Earning Assets	\$1,252	\$1,477	\$1,477	\$1,537	\$1,066	\$1,193	\$1,246	\$1,252	\$1,365	\$1,401	\$1,452	\$1,477	\$1,477	\$1,477	\$1,477	\$1,477
Total Assets	\$3,306	\$1,585	\$1,585	\$1,649	\$1,185	\$1,325	\$1,382	\$1,395	\$1,492	\$1,515	\$1,560	\$1,585	\$1,585	\$1,585	\$1,585	\$1,585
Gross Loans	\$844	\$864	\$929	\$1,006	\$750	\$817	\$844	\$844	\$869	\$878	\$882	\$864	\$876	\$893	\$911	\$929
Total Deposits	\$1,189	\$1,361	\$1,389	\$1,456	\$987	\$1,119	\$1,174	\$1,189	\$1,271	\$1,290	\$1,334	\$1,361	\$1,368	\$1,375	\$1,382	\$1,389
Intangibles	\$16	\$16	\$15	\$15	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$15	\$15	\$15
Total Common Equity	\$136	\$141	\$152	\$163	\$125	\$131	\$133	\$136	\$133	\$138	\$139	\$141	\$143.12	\$146	\$149	\$152

Source: Janney Research (FIG Group), S&P Global MI

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Brian Martin, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

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Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thomson Financial and regulatory filings.

The research analyst is compensated based on, in part, Janney Montgomery Scott's and/or its affiliate, FIG's profitability, which includes its investment banking revenues.

Janney Montgomery Scott LLC and/or its affiliate, FIG intends to seek or expects to receive compensation for investment banking services from First Community Corporation in the next three months.

Janney Montgomery Scott LLC and/or its affiliate, FIG, currently acts as a market-maker in the securities of First Community Corporation

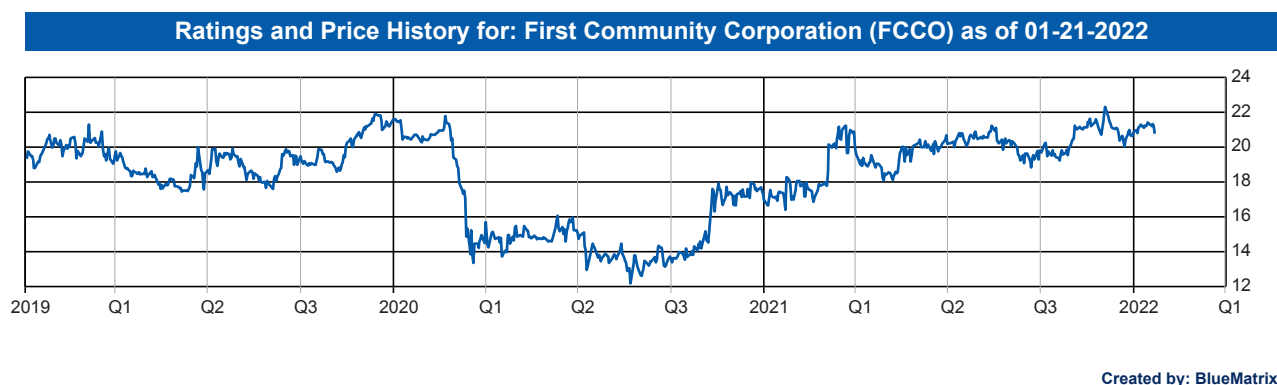
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 12/31/2021

Rating	Count	Percent	IB Serv./Past 12 Mos. *	
			Count	Percent
BUY [B]	127	50.60	34	26.77
NEUTRAL [N]	95	37.85	8	8.42
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	29	11.55	5	17.24

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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