Brian Martin, CFA 312-461-4346 bmartin@janney.com

Janney

Formerly Covered by FIG Partners LLC

Banks & Thrifts

Price:	$20.62
Fair Value Estimate:	$23.00
52-Week Range:	$17.08 - $22.79
Market Cap (MM):	$153
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	7,400
Dividend:	$0.48
Yield:	2.3%
Tang Book Value:	$13.99
Tang Comn Equity Ratio:	9.0%
Price/Tangible Book:	1.47x

FYE: Dec	2019A	2020E	2021E
EPS - non-GAAP Adjusted:	$1.47A	$1.41E	$1.44E
Prior EPS - non-GAAP Adjusted:	$1.46	$1.38	NC
P/E non-GAAP Ratio:	14.0x	14.6x	14.3x

Quarterly EPS - non-GAAP Adjusted:			
Q1	$0.33A	$0.28E	$0.29E
Q2	$0.36A	$0.34E	$0.35E
Q3	$0.39A	$0.40E	$0.42E
Q4	$0.38A	$0.39E	$0.38E

1 Year Price History for FCCO

January 27, 2020

First Community Corporation (FCCO) - NEUTRAL

Solid Finish to 2019; Improving Balance Sheet Efficiency a Key Focus in 2020

PORTFOLIO MANAGER BRIEF

- Increase 2020 EPS to $1.41 (+$0.03) and establish 2021 at $1.44.
- Loan production is expected to remain solid while payoffs remain a wildcard; NIM is expected to hold stable with an upward bias as 2020 progresses; steady growth is expected in fees and expense growth should be contained from 4Q.
- We expect FCCO to leverage recent investments in the franchise driving improved operating leverage prospectively. Efficiency ratio is forecast to trend slightly higher in 2020 due to timing issues of expenses) before moderating in 2021.
- TCE is healthy at 9% and supportive of share repurchases with a second plan (200k) announced in 3Q19. Absent a pullback in the stock, we do not expect FCCO to be aggressive in repurchasing shares in the near term.

ANALYST NOTES

Loan payoffs were a significant headwind in 2019 and management is optimistic the pace will moderate in 2020. This coupled with a solid pipeline and near record unfunded C&D advances should allow for mid-single digit growth in 2020. Deposit growth is expected to trail loan growth as FCCO uses excess liquidity to fund a portion of future loan growth (75% L/D ratio).

Absent any movement in rates, NIM is expected to remain relatively stable. Our forecast calls for some modest NIM pressure early in the year as FCCO works to deploy excess liquidity and loan repricing continues to outpace deposit repricing, which has limited room to move lower given its current low level, with a rebound likely as the year progresses as improvements in the earning asset mix (less securities/more loans) are noted. FCCO is targeting a Loan / Earning Asset ratio of 80% over time vs. ~70% today. While the current rate environment is expected to result in a year over year decline in NIM, FCCO is focused on growing dollars of NII to support earnings. We forecast a modest uptick in NII in 2020 and a ROAA of ~90bps.

Good revenue diversification should continue to help support earnings in a low rate environment. Fee income is forecast to grow modestly from 2019 levels aided by wealth and mortgage. We model ~$145M in annual mortgage production in 2020 up from $140M in 2019 at a stable GOS margin. On the expense front, FCCO is focused on realizing recent investments in the franchise and driving improved operating leverage. We expect E/R to trend slightly higher in 2020 with improvement noted in 2021. Expenses are forecast to grow modestly off 4Q19's level in 2020. Provisioning is expected to tick up in 2020 due entirely to growth as credit quality remains excellent.

Increase Fair Value to $23

Janney Research Rating: "Neutral"
Fair Value: $23.00

Implied Gain/Loss versus Current Price: 11.5%

2020 Outlook			
2020 EPS	$1.41	16.0x	$22.52
Cash Dividends	$0.48	1.0x	$0.48
			$23.00
Tangible Book 12/20	**$14.94**	**1.54x**	**$23.00**

Source: Janney Research (FIG Group) & Forward Estimates

Deposit Premium Analysis

	Current	Dec-20	Dec-21
Market-Cap	1,141.4	1,175.6	1,210.9
TCE in $$	104.1	111.1	118.1
Total Deposits	988.2	1,023.2	1,059.5
CORE Deposits	847.3	882.3	918.6
Premium - Total	105.0%	104.0%	103.1%
Premium - CORE	**122.4%**	**120.6%**	**119.0%**

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

Maintain Neutral and Increase Fair Value to $23 or ~147% of Forward Tangible Book Value.

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~$1.1 Billion bank holding company (BHC) and the parent of First Community Bank, NA.

Founded in 1995 by a group of former executives from Republic National Bank (acquired by South Financial Group, Inc.), FCCO provides traditional retail, commercial and mortgage banking services through a network of 21 branches in the Midlands area of South Carolina.

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

	Company Name	Market Cap. ($M)	Total Assets ($000) MRQ	DDA % MRQ	Cost of Deposits MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 10/17/19	P/E 2019 EPS Consensus	P/E 2020 EPS Consensus	ROA Forecast in 2019 Consensus	Loans-to-Deposits Ratio
Peer Analysis:												
FCCO	**First Cmnty Corp**	$143	$1,129,990	28	0.52	9.2	**5.3%**	**140**	14.0x	13.9x	0.95	78%
BCBP	BCB Bncp Inc	$213	$2,738,130	13	1.45	7.0	**1.9%**	**112**	10.7x	10.2x	0.73	105%
BCML	BayCom Corp	$266	$1,771,727	36	0.52	11.6	**5.7%**	**134**	11.0x	9.6x	1.16	81%
CIVB	Civista Bcshs Inc	$337	$2,202,995	30	0.47	10.9	**7.8%**	**146**	10.7x	10.5x	1.52	98%
CSTR	CapStar Finl Hlgs	$289	$2,018,421	19	1.39	10.6	**5.8%**	**136**	12.3x	12.6x	1.17	84%
EBMT	Eagle Bancorp	$110	$1,007,725	24	0.50	9.8	**2.5%**	**114**	9.6x	8.7x	0.95	101%
ENFC	Entegra Financial	$208	$1,664,209	16	1.09	9.2	**6.9%**	**139**	14.6x	14.3x	NA	87%
ESXB	Cmty Bnk Trst Corp	$182	$1,431,131	15	1.21	10.3	**6.1%**	**124**	12.7x	12.7x	1.03	87%
EVBN	Evans Bancorp Inc	$178	$1,471,120	19	0.95	8.8	**5.1%**	**140**	10.7x	10.0x	1.13	95%
FBIZ	Frst Bus Fnl Svcs	$213	$2,070,304	20	1.67	8.6	**3.3%**	**121**	10.0x	11.0x	1.04	112%
FCCO	First Cmnty Corp	$143	$1,129,990	28	0.52	9.2	**5.3%**	**140**	14.0x	13.9x	0.95	78%
FFNW	Frst Finl NW	$142	$1,297,561	5	1.79	11.7	**(1.1%)**	**97**	14.4x	13.9x	0.75	104%
HBMD	Howard Bncp Inc	$312	$2,295,634	25	0.95	10.3	**7.7%**	**137**	18.1x	17.4x	0.76	99%
ICBK	Cnty Bncp Inc	$130	$1,484,646	9	1.91	10.1	**(4.6%)**	**87**	9.7x	9.9x	0.92	95%
ISTR	Investar Hldg Corp	$235	$1,996,641	19	1.24	9.1	**6.4%**	**133**	12.6x	11.0x	0.96	99%
LCNB	LCNB Corp	$229	$1,642,012	25	0.73	10.1	**6.8%**	**144**	12.3x	11.2x	1.15	91%
NRIM	Northrim BanCorp	$252	$1,552,770	34	0.38	12.4	**5.4%**	**133**	14.0x	16.8x	1.17	79%
ORRF	Orrstown Finl Svcs	$242	$2,399,508	12	1.04	8.1	**3.5%**	**125**	11.0x	10.1x	0.94	79%
PMBC	Pacific Mercantile	$169	$1,419,117	32	1.26	NA	**2.4%**	**115**	17.5x	13.4x	0.68	91%
PROV	Provident Finl	$151	$1,084,850	11	0.36	11.1	**4.7%**	**125**	24.6x	14.6x	0.55	105%
RVSB	Riverview Bancorp	$165	$1,165,234	30	0.15	9.7	**6.5%**	**149**	9.7x	9.7x	1.48	96%
TCFC	Community Finl Cp	$179	$1,756,448	15	1.10	8.6	**2.7%**	**119**	11.4x	10.7x	0.90	93%
TRCB	Two River	$178	$1,153,797	18	1.15	9.1	**11.1%**	**172**	15.3x	14.4x	1.01	98%
			Median	**19**	**1.07**	**9.8**	**5.4%**	**133**	**12.3x**	**11.1x**	**0.96**	**94.9%**

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

First Community Corporation (FCCO) **Updated on 1/26/20**

Earnings Model

	Annual			2019 Quarterly				2020 Quarterly				2021 Quarterly			
	2019A	2020E	2021E	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Income Data: ($ in Millions)															
Net Interest Income	$36.8	$37.8	$39.3	$9.0	$9.1	$9.4	$9.4	$9.2	$9.4	$9.6	$9.7	$9.6	$9.8	$9.9	$10.0
Loan Loss Provision	$0.1	$0.6	$1.2	$0.1	$0.0	$0.0	$0.0	$0.10	$0.15	$0.15	$0.15	$0.2	$0.3	$0.3	$0.4
Non-Interest Income	$11.9	$12.2	$12.9	$2.5	$3.0	$3.1	$3.2	$2.7	$3.2	$3.3	$2.9	$2.9	$3.4	$3.5	$3.1
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
Gain/Loss on Securities	$0.1	$0.0	$0.0	($0.0)	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	($0.4)	$0.0	$0.0	$0.0	$0.0	($0.1)	($0.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$34.5	$36.2	$37.3	$8.3	$8.6	$8.7	$8.9	$9.1	$9.3	$9.0	$8.8	$9.5	$9.5	$9.2	$9.2
Pre-Tax Income	$13.8	$13.3	$13.7	$3.1	$3.7	$3.7	$3.4	$2.7	$3.2	$3.8	$3.7	$2.7	$3.4	$4.0	$3.6
Taxes	$2.9	$2.8	$2.9	$0.6	$0.8	$0.8	$0.7	$0.6	$0.7	$0.8	$0.8	$0.6	$0.7	$0.8	$0.8
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
Net Income	$11.0	$10.5	$10.8	$2.5	$2.9	$2.90	$2.70	$2.1	$2.5	$3.0	$2.9	$2.1	$2.6	$3.1	$2.8
Preferred Dividend	$0.0	$0.0	$0.0	$0.0	$0.0	$0.00	$0.00	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income Avail. To Common	**$11.0**	**$10.5**	**$10.8**	**$2.5**	**$2.9**	**$2.9**	**$2.7**	**$2.1**	**$2.5**	**$3.0**	**$2.9**	**$2.1**	**$2.6**	**$3.1**	**$2.8**
Avg. Shares O/S	$7.6	$7.5	$7.5	$7.7	$7.7	$7.5	$7.5	$7.5	$7.5	$7.5	$7.5	$7.5	$7.5	$7.5	$7.5
Earnings Per Share (EPS)	**$1.45**	**$1.41**	**$1.44**	**$0.32**	**$0.37**	**$0.39**	**$0.36**	**$0.28**	**$0.34**	**$0.40**	**$0.39**	**$0.29**	**$0.35**	**$0.42**	**$0.38**
Per Share Data:															
Reported Book Value	$16.16	$17.09	$18.00	$15.19	$15.64	$16.03	$16.16	$16.32	$16.54	$16.82	$17.09	$17.24	$17.47	$17.76	$18.00
Tangible Book Value	**$13.99**	**$14.94**	**$15.87**	**$13.03**	**$13.46**	**$13.84**	**$13.99**	**$14.15**	**$14.38**	**$14.66**	**$14.94**	**$15.10**	**$15.32**	**$15.62**	**$15.87**
Dividends	$0.45	$0.48	$0.53	$0.11	$0.11	$0.11	$0.12	$0.12	$0.12	$0.12	$0.12	$0.13	$0.13	$0.13	$0.13
Pre-Tax, Pre-Provision EPS	**$1.88**	**$1.86**	**$1.99**	**$0.42**	**$0.46**	**$0.50**	**$0.50**	**$0.38**	**$0.45**	**$0.53**	**$0.51**	**$0.40**	**$0.50**	**$0.58**	**$0.54**
CORE GAAP EPS	**$1.47**	**$1.41**	**$1.44**	**$0.33**	**$0.36**	**$0.39**	**$0.38**	**$0.28**	**$0.34**	**$0.40**	**$0.39**	**$0.29**	**$0.35**	**$0.42**	**$0.38**
KEY Ratios:															
Net Interest Margin	3.62%	3.53%	3.54%	3.68%	3.64%	3.62%	3.53%	3.51%	3.51%	3.53%	3.55%	3.55%	3.54%	3.54%	3.54%
Return on Avg Assets	0.98%	0.90%	0.89%	0.92%	1.04%	1.03%	0.94%	0.73%	0.86%	1.02%	0.98%	0.72%	0.88%	1.03%	0.93%
Return on Avg Equity	9.38%	8.53%	8.27%	8.77%	9.83%	9.89%	9.02%	7.00%	8.23%	9.68%	9.16%	6.73%	8.19%	9.58%	8.52%
Return on Tang. Comm. Eq.	10.87%	9.76%	9.39%	10.33%	11.74%	11.64%	10.69%	8.34%	9.71%	11.31%	10.70%	7.94%	9.56%	11.08%	9.88%
Pre-Tax Pre-Provision ROA	**1.28%**	**1.19%**	**1.23%**	**1.20%**	**1.27%**	**1.32%**	**1.29%**	**0.97%**	**1.15%**	**1.35%**	**1.30%**	**1.00%**	**1.23%**	**1.43%**	**1.31%**
Efficiency Ratio	69.67%	71.26%	70.59%	70.18%	69.55%	67.91%	69.09%	75.62%	72.53%	68.39%	68.83%	75.41%	71.26%	67.21%	68.83%
Overhead Ratio	3.09%	3.09%	3.09%	3.06%	3.13%	3.09%	3.08%	3.16%	3.18%	3.05%	2.99%	3.19%	3.16%	3.02%	2.99%
TCE/TA	9.02%	9.36%	9.62%	9.24%	9.19%	9.20%	9.02%	9.10%	9.17%	9.26%	9.36%	9.41%	9.46%	9.54%	9.62%
Period-End Balances: ($ in Millions)															
Earning Assets	$1,070	$1,100	$1,136	$997	$1,013	$1,026	$1,070	$1,072	$1,080	$1,091	$1,100	$1,105	$1,117	$1,128	$1,136
Total Assets	$1,170	$1,203	$1,243	$1,097	$1,116	$1,130	$1,170	$1,173	$1,182	$1,194	$1,203	$1,209	$1,221	$1,234	$1,243
Gross Loans	$737	$775	$816	$718	$727	$735	$737	$739	$750	$765	$775	$776	$792	$808	$816
Total Deposits	$988	$1,023	$1,060	$920	$937	$949	$988	$993	$1,003	$1,013	$1,023	$1,028	$1,039	$1,049	$1,060
Intangibles	$16	$16	$16	$17	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16	$16
Total Common Equity	$120	$127	$134	$116	$117	$119	$120	$121.41	$123	$125	$127	$128.29	$130	$132	$134

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.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney or its affiliate FIG may act as principal for its own account or as agent for both buyer and seller in connection with the purchase or sale of any security discussed herein.

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

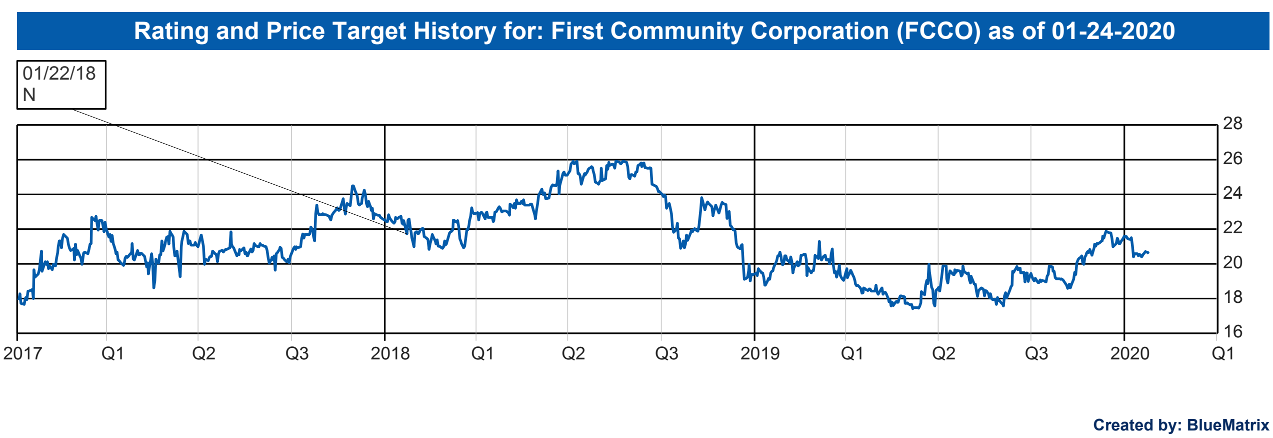
Definition of Ratings

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 12/31/2019

			IB Serv./Past 12 Mos.*	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [B]	167	51.38	35	20.96
NEUTRAL [N]	157	48.31	23	14.65
SELL [S]	1	0.31	0	0.00

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

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.