

FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

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Maintain Outperform, TP Up to \$21, Underlying Core and Credit Trends Generally Positive

RECOMMENDATION

We are maintaining our **Outperform** rating, and raising our target price to \$21 from \$20 on First Community (FCCO) following 1Q21 results that were in line with expectations on a reported basis. On a PTPP basis, the company slightly missed, but noted its mortgage operations were slowed by backend issues related to processing/delivery, which it expects to be resolved (effectively accounted for the miss). Elsewhere, underlying trends were generally strong as the company delivered ~3%+ annualized loan growth for the fourth consecutive quarter, which we view very positively. Additionally, deferrals were stable at 1.1% of loans ex. PPP, as discussed in the second bullet, in line with our observations at other reporting banks thus far. Ultimately, with encouraging underlying trends and a continued grasp on credit, our thesis remains virtually unchanged at this time. Our \$21 target does not appear particularly aggressive, and we believe the risk/reward dynamic screens favorably at this time (especially on a P/E basis).

- **1Q21 results in line with expectations:** FCCO reported 1Q21 GAAP EPS of \$0.43. Excluding \$100,000 in one-time gains, we estimate operating EPS were \$0.42, in line with both our and the consensus \$0.42 estimates.
- **Deferral trends stable:** Recall, the company had just 2.0% of the portfolio ex. PPP under deferral at December 30, down further to 1.1% at January 13. Since then, deferrals have held stable at 1.1% (well below the 26.9% peak), which is in line with the ~1% neighborhood we are observing at other banks.
- **PPP loans will continue to impact margin with "PPP 2.0" on the books:** As of March 31, FCCO has roughly \$62 million in paycheck protection (PPP) loans on the balance sheet as a result of its activity through the two "rounds" of the PPP. We assume the vast majority of these loans will be forgiven and off the balance sheet as we move through each round in 2021 and 2022, with quarterly margin impacted as the associated accelerated fee amortization flows through interest income.
- **Estimates:** We are raising our 2021E/2022E EPS from \$1.70/\$1.85 to \$1.75/\$2.05, respectively.

VALUATION

FCCO trades at 1.2x its 1Q21 TBV of \$15.55 and 9.2x our 2022E EPS. Our new \$21 target assumes shares trade at 1.2x our forward-year TBV and 10.2x our 2022E EPS, versus micro-cap peers at 1.2x and 11.5x, respectively. We believe these relatively in line multiples are justifiable as our new model calls for above-peer profitability at FCCO.

APRIL 21, 2021 | 3:55 PM EDT
COMPANY COMMENT

Outperform 2

Target Price **\$21.00** ↑ old: \$20.00

Suitability*

MA/ACC

MARKET DATA

Current Price (Apr-21-21)	\$19.14
Market Cap (mln)	\$144
Current Net Debt (mln)	\$37
Enterprise Value (mln)	\$181
Shares Outstanding (mln)	7.5
30-Day Avg. Daily Value (mln)	\$0.5
Dividend	\$0.48
Dividend Yield	2.5%
52-Week Range	\$12.23 - \$22.00
BVPS	\$17.63
Tangible BVPS	\$15.55

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS (\$, Dec FY)				
2020A	0.24	0.30	0.31	0.46
2021E	0.42	0.43	0.43	0.42
new	0.42 A	0.42	0.45	0.46
2022E	UR	UR	UR	UR
	2020A	2021E	2022E	
Non-GAAP EPS (\$, Dec FY)				
old	1.31	1.70	1.85	
new	1.31	1.75	2.05	
P/E (Non-GAAP)	14.7x	10.9x	9.4x	
GAAP EPS (\$, Dec FY)				
old	1.35	1.70	1.84	
new	1.35	1.76	2.04	
Revenue (mln) (\$, Dec FY)				
old	53	57	58	
new	53	57	59	

Source: Thomson One, Raymond James & Associates. Quarterly figures may not add to full year due to rounding.
*Suitability categories changed 3/12/21. See disclosures for details.
Non-GAAP EPS is operating earnings and excludes one-time items.

Raising Earnings Estimates

(\$ in thousands)	2021E			2022E		
	Old	Current	Change	Old	Current	Change
Operating EPS	\$1.70	\$1.75	\$0.05	\$1.85	\$2.05	\$0.20
GAAP EPS	\$1.70	\$1.76	\$0.06	\$1.84	\$2.04	\$0.20
Core PTPP* Earnings	18,478	18,479	0%	18,737	19,886	6%
Avg. Earning Assets	1,267,879	1,294,792	2%	1,327,558	1,342,407	1%
NIM	3.30%	3.20%	-11 bps	3.35%	3.32%	-3 bps
Net Interest Income	42,718	42,566	0%	44,498	45,002	1%
Provision	2,200	1,777	-19%	850	725	-15%
Operating Fee Income	13,856	13,950	1%	13,775	14,220	3%
Operating Expense	38,140	38,096	0%	39,581	39,381	-1%
Operating Efficiency	67%	67%	-1 bps	68%	66%	-143 bps
Tax Rate	21.0%	21.5%	50 bps	21.5%	21.5%	0 bps
Diluted shares	7,543	7,469	-1%	7,603	7,344	-3%
Dividends per share	\$0.48	\$0.48	\$0.00	\$0.48	\$0.48	\$0.00
Loan Growth	8.5%	8.2%	-36 bps	9.1%	8.9%	-19 bps
Reserves/Loans	1.19%	1.16%	-3 bps	1.08%	1.04%	-4 bps
NPA's/Loans	0.77%	0.73%	-4 bps	0.80%	0.76%	-4 bps
NCOs/Avg. Loans	0.19%	0.18%	-1 bps	0.10%	0.10%	0 bps

*PTPP = pre-tax, pre-provision

Source: Company documents and Raymond James research.

First Community Regional Peer Group Comparison

Company Name	Ticker	Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
		Assets (\$M)	Core Deposits	Nonint Deposits	Loans/ Deposits	NIM	Loan Yields	Yield on Assets	Cost of Deposits	Cost of Funds	Fee Income/ Revenue	Efficiency Ratio	NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	Reserves/ NPAs	TCE ratio	Leverage Ratio	Tier 1 risk-based
Southern First Bancshares, Inc.	SFST	\$2,483	89%	27%	100%	3.57%	4.22%	3.98%	0.34%	NA	24%	50%	0.07%	0.66%	2.00%	304%	9.2%	9.7%	12.0%
CNB Corp.	CNBW	\$1,498	78%	31%	47%	2.61%	5.20%	2.83%	0.22%	NA	19%	62%	-0.01%	0.52%	1.24%	238%	9.2%	8.7%	18.1%
First Community Corporation	FCCO	\$1,395	86%	32%	71%	3.33%	4.38%	3.56%	0.21%	0.24%	25%	65%	0.00%	0.88%	1.17%	133%	8.7%	8.8%	12.8%
Security Federal Corporation	SFDL	\$1,172	80%	NA	53%	3.07%	5.38%	3.74%	0.26%	NA	24%	66%	0.00%	0.74%	2.61%	351%	9.5%	9.8%	18.6%
CoastalSouth Bancshares, Inc.	COSO	\$1,148	83%	26%	79%	3.61%	4.91%	4.19%	0.48%	0.56%	15%	72%	0.02%	0.65%	0.86%	134%	8.5%	9.2%	11.5%
GrandSouth Bancorporation	GRRB	\$1,090	70%	22%	93%	4.57%	5.90%	5.22%	0.52%	0.65%	5%	63%	-0.02%	0.42%	1.43%	339%	7.8%	10.1%	11.7%
South Atlantic Bancshares, Inc.	SABK	\$1,037	87%	33%	75%	3.92%	4.82%	4.17%	NA	NA	20%	66%	0.00%	0.09%	0.99%	1080%	9.0%	8.1%	11.2%
First Reliance Bancshares, Inc.	FSRL	\$710	77%	28%	80%	3.27%	4.69%	3.71%	0.25%	0.44%	49%	78%	-0.08%	0.65%	1.20%	184%	9.5%	10.3%	14.5%
Coastal Carolina Bancshares, Inc.	CCNB	\$603	74%	NA	76%	3.32%	4.85%	3.94%	NA	NA	24%	69%	0.00%	0.47%	1.03%	219%	8.4%	8.7%	12.1%
Community First Bancorporation	CFOK	\$544	69%	21%	91%	3.49%	4.78%	4.11%	0.53%	NA	35%	84%	0.02%	0.82%	1.15%	141%	8.8%	8.8%	NA
Bank of South Carolina Corporation	BKSC	\$554	NA	NA	NA	NA	5.18%	3.88%	NA	NA	NA	NA	0.20%	NA	NA	NA	10.1%	10.2%	NA
First Community Corporation	FCCO	\$1,395	86%	32%	71%	3.33%	4.38%	3.56%	0.21%	0.24%	25%	65%	0.00%	0.88%	1.17%	133%	8.7%	8.8%	12.8%
Peer Group Medians:		\$1,090	79%	28%	77%	3.41%	4.85%	3.94%	0.30%	0.50%	24%	66%	0.00%	0.65%	1.19%	229%	9.0%	9.2%	12.1%

Peer group consists of banks based in SC with assets between roughly \$500 million and \$5 billion and excludes Mutual Holding Companies. Data as of most recent quarter and may not reflect current quarter results. Core deposits exclude all time deposits. Note: Peer comparisons can be skewed during earnings reporting season due to the timing of reports. Credit metrics include covered NPA and Loan balances for banks that have acquired institutions with FDIC loss share arrangements which can skew credit metrics negatively. SNL calculates certain metrics differently than individual companies in some cases which can cause variance from our models.

Source: S&P Global and Raymond James research

Select Valuation and Profitability Metrics

	Count	Mkt Cap (M)	Assets (M)	Valuation Metrics					Profitability Metrics						
				P/TBV	2021E P/E	2022E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (2021E)	ROTCE (2022E)	2021E EPS Growth	2022E EPS Growth
Industry Medians	566	\$208	\$1,871	1.45x	12.7x	12.5x	4%	2.6%	1.17%	11.0%	13.3%	11.7%	10.9%	25%	0%
Large Cap (>\$10B)	18	\$27,009	\$181,710	1.84x	12.0x	12.3x	9%	2.9%	1.25%	12.1%	16.8%	14.3%	13.3%	69%	2%
Mid-Cap (\$2B - \$10B)	72	\$3,387	\$21,936	1.77x	14.2x	13.9x	8%	2.6%	1.37%	10.7%	15.5%	12.8%	11.8%	26%	-1%
Small-Cap (\$500M - \$2B)	93	\$899	\$6,619	1.56x	13.6x	13.5x	6%	2.4%	1.29%	11.0%	14.1%	11.4%	11.0%	24%	2%
Micro-Cap (<\$500M)	383	\$124	\$1,227	1.24x	11.1x	11.5x	2%	2.6%	1.10%	11.0%	12.0%	10.9%	9.9%	21%	-1%
Asset Size Medians															
Over \$50B	24	\$19,456	\$148,935	1.71x	12.0x	12.3x	7%	2.9%	1.23%	11.4%	16.5%	13.6%	13.0%	68%	1%
\$10B to \$50B	78	\$3,020	\$18,635	1.72x	13.9x	13.9x	8%	2.6%	1.33%	10.7%	15.4%	12.5%	11.5%	26%	-1%
\$5B to \$10B	60	\$976	\$6,887	1.55x	13.8x	13.4x	7%	2.5%	1.26%	10.8%	14.0%	11.2%	11.0%	32%	3%
\$1B to \$5B	256	\$199	\$1,813	1.26x	11.8x	12.1x	3%	2.6%	1.13%	11.2%	12.8%	11.0%	10.1%	19%	-1%
\$500M to \$1B	148	\$65	\$697	1.29x	9.3x	9.4x	2%	2.5%	1.04%	10.7%	10.8%	12.9%	11.9%	9%	0%
Regional Medians															
Mid-Atlantic	131	\$180	\$1,790	1.15x	12.1x	11.9x	3%	2.9%	1.07%	10.4%	12.0%	11.5%	11.0%	28%	3%
Midwest	141	\$185	\$1,818	1.22x	12.0x	12.4x	4%	2.5%	1.27%	12.7%	14.2%	12.4%	11.0%	20%	-1%
New England	31	\$398	\$2,844	1.32x	12.7x	12.9x	5%	2.6%	1.10%	10.3%	12.5%	10.6%	10.5%	25%	2%
Southwest	29	\$1,265	\$6,957	1.56x	13.7x	14.3x	7%	2.0%	1.49%	13.1%	17.0%	12.2%	10.7%	22%	-3%
West	99	\$222	\$1,906	1.29x	14.0x	13.2x	3%	2.6%	1.15%	10.8%	13.3%	11.2%	10.5%	26%	4%
Southeast	135	\$159	\$1,571	1.24x	13.2x	13.2x	4%	2.4%	1.17%	10.7%	13.1%	11.4%	10.8%	28%	-2%
First Community Corporation	FCCO	\$146	\$1,395	1.20x	11.7x	11.7x	2%	2.5%	1.01%	10.3%	11.6%	10.1%	9.4%	42%	0%

Priced as of April 20, 2021.

Note: Excludes banks with less than \$500 million in assets, Mutual Holding Companies, and trust banks. Forward P/E and ROTE metrics are based on FactSet consensus

Source: S&P Global, FactSet, and Raymond James research

First Community Corporation

Income Statement

(\$ in thousands)

	1Q19 31-Mar	2Q19 30-Jun	3Q19 30-Sep	4Q19 31-Dec	2019 31-Dec	1Q20 31-Mar	2Q20 30-Jun	3Q20 30-Sep	4Q20 31-Dec	2020 31-Dec	1Q21 31-Mar	2Q21E 30-Jun	3Q21E 30-Sep	4Q21E 31-Dec	2021E 31-Dec	2022E 31-Dec
Net Interest Income	9,020	9,116	9,353	9,359	36,848	9,417	9,743	10,176	10,687	40,023	10,567	10,588	10,587	10,824	42,566	45,002
Provision for loan losses	105	9	25	0	139	1,075	1,250	1,062	276	3,663	177	500	500	600	1,777	725
Net Interest Income after Provision	8,915	9,107	9,328	9,359	36,709	8,342	8,493	9,114	10,411	36,360	10,390	10,088	10,087	10,224	40,789	44,277
Deposit service charges	411	380	421	437	1,649	399	210	242	270	1,121	246	294	297	326	1,163	1,744
Mortgage origination fees	844	1,238	1,251	1,222	4,555	982	1,572	1,403	1,600	5,557	990	1,287	1,480	1,332	5,089	4,557
Investment advisory fees and commissions	438	489	509	585	2,021	634	671	672	743	2,720	877	886	895	904	3,561	3,706
Gain on sale of securities	(29)	164	0	1	136	0	0	99	0	99	0	0	0	0	0	0
Gain (loss) on sale of other assets	0	(3)	0	0	(3)	6	0	141	0	147	77	0	0	0	77	0
Loss on early extinguishment of debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	845	918	932	684	3,379	907	934	1,293	991	4,125	1,106	1,036	984	1,034	4,160	4,213
Noninterest Income	2,509	3,186	3,113	2,929	11,737	2,928	3,387	3,850	3,604	13,769	3,296	3,503	3,656	3,595	14,050	14,220
Non-Operating items	(29)	164	0	(282)	(147)	0	0	410	0	410	100	0	0	0	100	0
Operating Noninterest Income	2,538	3,022	3,113	3,211	11,884	2,928	3,387	3,440	3,604	13,359	3,196	3,503	3,656	3,595	13,950	14,220
Total Revenue	11,529	12,302	12,466	12,288	48,585	12,345	13,130	14,026	14,291	53,792	13,863	14,091	14,243	14,419	56,616	59,223
Total Operating Revenue	11,558	12,138	12,466	12,570	48,732	12,345	13,130	13,616	14,291	53,382	13,763	14,091	14,243	14,419	56,516	59,223
Salaries and employee benefits	5,170	5,210	5,465	5,416	21,261	5,653	5,840	6,087	6,446	24,026	5,964	6,024	6,054	6,084	24,125	25,198
Occupancy	655	647	703	691	2,696	643	679	736	651	2,709	730	737	745	752	2,964	3,084
Equipment	386	389	365	353	1,493	318	298	318	303	1,237	275	278	279	281	1,112	1,146
Marketing and public relations	175	430	159	351	1,115	354	247	342	100	1,043	396	376	263	184	1,220	1,033
FDIC assessment	74	71	(10)	(78)	57	42	88	137	137	404	169	179	181	182	711	750
Other real estate expense	29	18	31	3	81	35	40	79	47	201	29	10	10	10	59	45
Amortization of intangibles	132	132	133	126	523	105	95	95	68	363	57	56	56	55	225	216
Other	1,702	1,743	1,944	2,001	7,390	1,888	1,844	1,920	1,899	7,551	1,920	1,910	1,930	1,920	7,680	7,910
Noninterest Expense	8,323	8,640	8,790	8,863	34,616	9,038	9,131	9,714	9,651	37,534	9,540	9,570	9,517	9,469	38,096	39,381
Non-Operating items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	8,323	8,640	8,790	8,863	34,616	9,038	9,131	9,714	9,651	37,534	9,540	9,570	9,517	9,469	38,096	39,381
Income Before Tax	3,101	3,653	3,651	3,425	13,830	2,232	2,749	3,250	4,364	12,595	4,146	4,021	4,226	4,350	16,743	19,116
Income tax expense	606	772	753	727	2,858	438	532	598	928	2,496	891	864	909	935	3,599	4,110
GAAP Net Income	2,495	2,881	2,898	2,698	10,972	1,794	2,217	2,652	3,436	10,099	3,255	3,156	3,318	3,415	13,144	15,006
Operating Net Income	2,518	2,756	2,898	2,920	11,093	1,794	2,217	2,317	3,436	9,764	3,176	3,176	3,318	3,415	13,085	15,031
Diluted shares	7,725	7,704	7,463	7,469	7,590	7,468	7,465	7,482	7,503	7,480	7,525	7,500	7,450	7,400	7,469	7,344
GAAP EPS - diluted	\$0.32	\$0.37	\$0.39	\$0.36	\$1.45	\$0.24	\$0.30	\$0.35	\$0.46	\$1.35	\$0.43	\$0.42	\$0.45	\$0.46	\$1.76	\$2.04
Operating EPS - diluted	\$0.33	\$0.36	\$0.39	\$0.39	\$1.46	\$0.24	\$0.30	\$0.31	\$0.46	\$1.31	\$0.42	\$0.42	\$0.45	\$0.46	\$1.75	\$2.05
Financial Highlights																
TBV/share	\$13.04	\$13.46	\$13.84	\$13.99	\$13.99	\$14.55	\$15.35	\$15.67	\$16.08	\$16.08	\$15.55	\$15.91	\$16.35	\$16.81	\$16.81	\$18.57
TCE/Assets	9.2%	9.2%	9.2%	9.0%	9.0%	9.3%	8.8%	8.6%	8.7%	8.7%	7.9%	8.0%	8.2%	8.3%	8.3%	8.7%
Loans/Deposits	78%	78%	77%	75%	75%	76%	73%	72%	71%	71%	68%	68%	69%	70%	70%	72%
Loan Growth	0.0%	1.2%	1.1%	0.4%	2.6%	1.7%	9.1%	3.3%	0.0%	14.5%	3.0%	0.4%	2.3%	2.3%	8.2%	8.9%
Deposit Growth	-0.6%	1.9%	1.2%	4.1%	6.8%	-0.2%	13.4%	4.9%	1.4%	20.4%	6.9%	1.0%	1.0%	1.0%	10.1%	5.1%
NPAs/Loans	0.57%	0.56%	0.50%	0.51%	0.51%	0.43%	0.40%	0.35%	0.68%	0.68%	0.64%	0.66%	0.68%	0.73%	0.73%	0.76%
NPAs/Loans (ex PPP)	0.57%	0.56%	0.50%	0.51%	0.51%	0.43%	0.42%	0.37%	0.72%	0.72%	0.69%	0.70%	0.71%	0.76%	0.76%	0.77%
NCOs/Avg. Loans	0.01%	0.00%	-0.09%	-0.04%	-0.03%	0.00%	0.00%	-0.05%	0.00%	-0.01%	0.00%	0.10%	0.20%	0.40%	0.18%	0.10%
NCOs/Avg. Loans (ex PPP)	0.01%	0.00%	-0.09%	-0.04%	-0.03%	0.00%	0.00%	-0.06%	0.00%	-0.01%	0.00%	0.11%	0.21%	0.42%	0.18%	0.10%
Reserves/Loans	0.88%	0.88%	0.89%	0.90%	0.90%	1.03%	1.09%	1.20%	1.23%	1.23%	1.22%	1.24%	1.22%	1.16%	1.16%	1.04%
Reserves/Loans (ex PPP)	0.88%	0.88%	0.89%	0.90%	0.90%	1.03%	1.16%	1.27%	1.30%	1.30%	1.31%	1.31%	1.29%	1.22%	1.22%	1.06%
NIM	3.73%	3.67%	3.65%	3.56%	3.65%	3.73%	3.38%	3.28%	3.31%	3.37%	3.23%	3.19%	3.16%	3.20%	3.20%	3.32%
NIM (ex. PPP)	3.73%	3.67%	3.65%	3.56%	3.65%	3.55%	3.40%	3.29%	3.28%	3.38%	3.16%	3.18%	3.22%	3.26%	3.20%	3.30%
G&A/Avg. Assets	3.06%	3.13%	3.14%	3.08%	3.10%	3.07%	2.88%	2.89%	2.77%	2.90%	2.66%	2.56%	2.53%	2.50%	2.56%	2.54%
Efficiency Ratio	72%	71%	71%	71%	71%	73%	70%	71%	68%	70%	69%	69%	67%	66%	67%	66%
Effective tax rate	19.5%	21.1%	20.6%	21.2%	20.7%	19.6%	19.4%	18.4%	21.3%	19.8%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
ROA (operating)	0.92%	1.00%	1.03%	1.01%	0.99%	0.61%	0.70%	0.69%	0.99%	0.75%	0.89%	0.85%	0.88%	0.90%	0.88%	0.97%
ROE (operating)	8.9%	9.4%	9.9%	9.8%	9.5%	5.8%	7.0%	7.0%	10.3%	7.6%	9.4%	9.5%	9.7%	9.9%	9.6%	10.3%
ROTCE (operating)	10.5%	11.0%	11.6%	11.4%	11.1%	6.8%	8.1%	8.1%	11.7%	8.7%	10.6%	10.8%	11.0%	11.1%	10.9%	11.6%
Dividends per share	\$0.11	\$0.11	\$0.11	\$0.11	\$0.44	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48	\$0.12	\$0.12	\$0.12	\$0.12	\$0.48	\$0.48

Source: Company reports and Raymond James research

First Community Corporation**Balance Sheet**

(\$ in thousands)

Stated Equity

Intangibles

Tangible Common Equity

Book Value

Tangible BV

Shares Outstanding

Equity/Assets

TCE ratio**Capital Ratios**

Common Equity Tier 1

Tier 1 Capital Ratio

Total Capital Ratio

Leverage Ratio

Total Assets

Other short-term investments

Investment securities

Loans held for sale

Loans

Allowance for loan losses

Other assets

Total Liabilities

Total deposits

Securities sold under repo

FHLB advances

Junior sub debt

Other liabilities

1Q19 31-Mar	2Q19 30-Jun	3Q19 30-Sep	4Q19 31-Dec
116,434	117,489	118,780	120,194
16,511	16,379	16,246	16,120
99,923	101,110	102,534	104,074
\$15.19	\$15.64	\$16.03	\$16.16
\$13.04	\$13.46	\$13.84	\$13.99
7,665	7,511	7,409	7,440
10.6%	10.5%	10.5%	10.3%
9.2%	9.2%	9.2%	9.0%
13.30%	13.47%	13.79%	13.44%
13.30%	13.47%	13.79%	13.44%
14.07%	14.24%	14.58%	14.23%
10.19%	10.19%	10.38%	9.95%
1,097,396	1,115,968	1,129,990	1,170,279
22,677	24,989	13,156	32,741
248,909	252,302	267,060	288,792
7,299	8,730	10,775	11,155
718,420	726,707	734,374	737,028
(6,354)	(6,362)	(6,560)	(6,627)
106,445	109,602	111,185	107,190
980,962	998,479	1,011,210	1,050,085
919,773	937,391	948,827	988,201
32,007	33,889	34,321	33,296
2,226	221	216	211
14,964	14,964	14,964	14,964
11,992	12,014	12,882	13,413

1Q20 31-Mar	2Q20 30-Jun	3Q20 30-Sep	4Q20 31-Dec
124,614	130,801	133,244	136,337
16,015	15,920	15,825	15,757
108,599	114,881	117,419	120,580
\$16.70	\$17.47	\$17.78	\$18.18
\$14.55	\$15.35	\$15.67	\$16.08
7,462	7,486	7,493	7,500
10.5%	9.9%	9.6%	9.8%
9.3%	8.8%	8.6%	8.7%
13.35%	13.02%	12.97%	12.83%
13.35%	13.02%	12.97%	12.83%
14.25%	14.03%	14.08%	13.94%
9.91%	9.31%	8.95%	8.84%
1,185,307	1,324,800	1,381,804	1,395,382
25,637	77,666	106,231	46,062
290,943	297,972	295,525	361,919
11,937	33,496	37,587	45,020
749,529	817,372	844,460	844,157
(7,694)	(8,936)	(10,113)	(10,389)
114,955	107,230	108,114	108,613
1,060,693	1,193,999	1,248,560	1,259,045
986,645	1,118,872	1,173,551	1,189,413
46,041	45,651	47,142	40,914
0	0	0	0
14,964	14,964	14,964	14,964
13,043	14,512	12,903	13,754

1Q21 31-Mar	2Q21E 30-Jun	3Q21E 30-Sep	4Q21E 31-Dec	4Q22E 31-Dec
132,687	134,943	137,367	139,894	151,375
15,700	15,644	15,588	15,532	15,317
116,987	119,300	121,779	124,361	136,059
\$17.63	\$17.99	\$18.44	\$18.90	\$20.67
\$15.55	\$15.91	\$16.35	\$16.81	\$18.57
7,525	7,500	7,450	7,400	7,325
8.9%	9.0%	9.1%	9.2%	9.6%
7.9%	8.0%	8.2%	8.3%	8.7%
13.13%				
13.13%				
14.26%				
8.73%				
1,492,494	1,499,956	1,507,456	1,522,531	1,584,352
88,389				
407,547				
23,481				
869,066	872,624	892,635	913,177	994,871
(10,563)	(10,845)	(10,904)	(10,601)	(10,388)
114,574				
1,359,807				
1,271,440	1,284,154	1,296,996	1,309,966	1,376,686
60,319				
0				
14,964				
13,084				

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a more than \$1 billion asset bank holding company that operates approximately 20 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.



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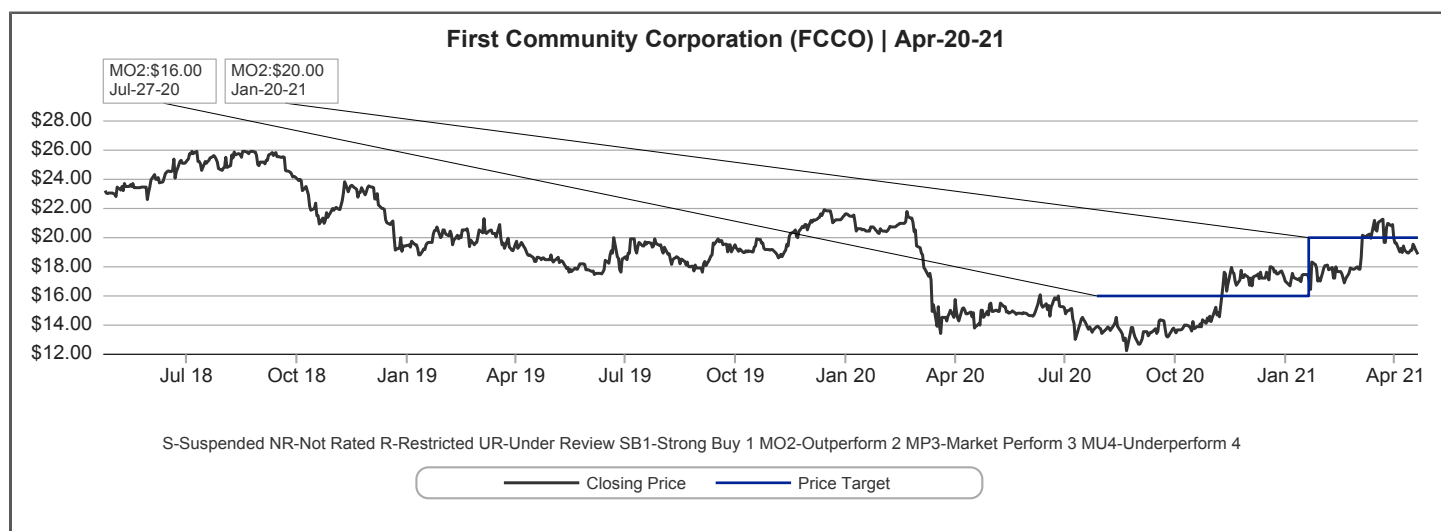
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First Community Corporation

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Company Specific Risk Factors

First Community Corporation

Interest Rate Risk: As a commercial bank, First Community's revenue stream is sensitive to changes in interest rates, and earnings estimates could vary based on changes in the slope of the yield curve.

Credit Risk: First Community originates residential, commercial, and consumer loans, which may enter default, especially during times of economic stress. Depending on the health of the economy and the creditworthiness of its borrowers, loans could default more rapidly than anticipated, which could translate into higher losses at the bank.

Macroeconomic Risk: If unemployment levels rise or if the housing market weakens further, credit losses could accelerate more rapidly than anticipated, causing downside to our earnings expectations. Conversely, if unemployment levels decline and the housing market strengthens meaningfully, or if losses in weak markets are less than expected, there could be upside to our estimates.

Competition: Substantial competition exists in all of First Community's primary markets, from domestic banks and thrifts, foreign banks, and specialty finance companies. The level and aggressiveness of competition could lead to adverse pressures on both asset yields and funding costs, which could negatively impact First Community's margins and pressure its profitability.

Regulatory Reform: With the myriad regulatory and legislative changes facing the industry, these amendments will pressure fee income across the industry. First Community's asset size excludes it from the debit interchange provision in the Durbin amendment under the Dobb-Frank Act; however, competitive industry pressures will likely force the company to charge similar fees in order to compete, which will ultimately impact profitability.

Acquisition Risk: First Community recently announced its acquisition of Cornerstone Bancorp (April 2017). Acquiring a financial services company involves a number of risks, including those related to asset quality issues, loss of customers, entering new and unfamiliar markets, and integration of the acquired bank. In particular, integration poses a number of challenges, as the company must expend substantial resources to integrate acquired entities. Such failure to integrate acquired entities may adversely affect the company's results of operations and financial condition. Our suitability rating takes into account the highly competitive banking industry and the potentially adverse impact of continued loan growth pressures on the company's net interest income.

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Underperform (Sell)	3%	1%	3%	0%

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