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FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

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COMPANY COMMENT

Downgrading to Market Perform; Premium Reflects Franchise Value, Additional Catalyst Lacking

RECOMMENDATION

We are downgrading shares of First Community (FCCO) from Outperform to **Market Perform** following 4Q21 results that were above expectations as a negative provision and stronger revenue more than offset higher expenses. Notably, loan growth decelerated in 4Q, down 1.2% (ex PPP) on a linked quarter basis, from +5.0% in 3Q, as payoffs were higher than anticipated. While revenue trends remain strong we note wage pressure will likely impact expense growth in 2022, and we are increasing our 2022 and 2023 expense expectations as a result. Despite the resulting decrease in our 2023E EPS, we anticipate core profitability will remain generally stable, and credit metrics will remain very strong. That said, FCCO shares have approached our prior target ($23), and given their neutral to mildly liability sensitive balance sheet we do not see a catalyst for further multiple expansion in what we believe will be a rising rate environment.

- **4Q21 results beat:** FCCO reported 4Q21 GAAP EPS of $0.52. Excluding $24,000 of nonrecurring revenue related to a collection of insurance proceeds, we calculate operating EPS were also $0.52, above both our and consensus estimates of $0.49.
- **Loan growth decelerates:** As mentioned above, core loan growth (ex PPP) declined 1.2% on a linked quarter basis as paydowns/payoffs accelerated from 3Q, though production levels remained robust. Management conservatively believes mid- to high-single digit growth should be achievable in 2022 with paydowns/payoffs being the biggest variable. Based on 4Q trends and management conservatism, we are lowering our 2022 and 2023 loan growth to 7.7% and 8.2%, respectively, from 9.3% for both.
- **Credit risk de minimus:** NPAs declined 7.2% sequentially to 0.16% of loans as management maintains a strong, conservative credit culture. We believe the risk of losses due to any economic downturn remains, at this point, negligible.
- **Rate hikes could add pressure:** 4Q core NIM (ex PPP) of 2.95% was below our 3.02% model as liquidity pressures remain. We are now adding three 25-bp Fed rate hikes into our models for June 2022, December 2022, and June 2023. We estimate 1-2 basis points of NIM compression for each hike, though we expect compression will likely be lower the first two and then higher as deposit betas likely lag. Offsetting this pressure, we anticipate the bank benefits from shifting excess liquidity into higher yielding securities/loans. Putting it all together, we have reduced our 2022 and 2023 NIM expectations to 2.91% and 2.92% from 3.01% and 3.05%, respectively.
- **Estimates:** We are increasing our 2022E EPS from $1.80 to $1.85, but lowering our 2023E EPS from $2.00 to $1.85.

VALUATION

FCCO trades at 1.3x its 4Q21 TBV of $16.62 and 11.5x our 2022E/2023E EPS, versus micro-cap peers at 1.3x, 11.3x, and 10.1x, respectively. We believe valuation appropriately reflects in line profitability and EPS growth metrics on what we believe is a more conservative balance sheet, though we do not see near-term catalysts for multiple expansion from here.

Market Perform 3 ↓ old: Outperform 2
Target Price NM old: $23.00

Suitability	MA/ACC

MARKET DATA

Current Price (Jan-19-22)	$21.33
Market Cap (mln)	$160
Current Net Debt (mln)	$50
Enterprise Value (mln)	$210
Shares Outstanding (mln)	7.5
30-Day Avg. Daily Value (mln)	$0.2
Dividend	$0.48
Dividend Yield	2.3%
52-Week Range	$16.18 - $23.42
BVPS	$18.68
Tangible BVPS	$16.62

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2020A	0.24	0.30	0.31	0.46
2021A	0.42	0.47	0.62	0.49
new	**0.42**	**0.47**	**0.62**	**0.52**
2022E	0.42	0.45	0.46	0.47
new	**0.43**	**0.47**	**0.47**	**0.48**
2023E	UR	UR	UR	UR

	2020A	2021A	2022E	2023E
Non-GAAP EPS ($, Dec FY)				
old	1.31	2.00	1.80	2.00
new	**1.31**	**2.03**	**1.85**	**1.85**
P/E (Non-GAAP)				
	16.3x	10.5x	11.5x	11.5x
GAAP EPS ($, Dec FY)				
old	1.35	2.02	1.80	2.00
new	**1.35**	**2.05**	**1.85**	**1.85**
Revenue (mln) ($, Dec FY)				
old	53	59	58	62
new	**53**	**59**	**59**	**62**

Source: Thomson One, Raymond James & Associates. Quarterly figures may not add to full year due to rounding.
Non-GAAP EPS is operating earnings and excludes one-time items.

Please read domestic and foreign disclosure/risk information beginning on page 7 and Analyst Certification on page 8.

Higher 2022 EPS from Negative Provision, Higher Expenses Drive 2023 EPS Lower

($ in thousands)	2022E			2023E		
	Old	**Current**	**Change**	**Old**	**Current**	**Change**
Operating EPS	**$1.80**	**$1.85**	**$0.05**	**$2.00**	**$1.85**	**($0.15)**
GAAP EPS	**$1.80**	**$1.85**	**$0.05**	**$2.00**	**$1.85**	**($0.15)**
Core PTPP* Earnings	18,050	17,701	-2%	20,834	19,475	-7%
Avg. Earning Assets	1,470,885	1,533,893	4%	1,561,105	1,614,046	3%
NIM	3.01%	2.91%	-10 bps	3.05%	2.92%	-12 bps
Net Interest Income	43,764	44,168	1%	47,065	46,663	-1%
Provision	650	(200)	NA	1,150	1,350	17%
Operating Fee Income	14,078	14,502	3%	14,718	15,498	5%
Operating Expense	39,893	41,049	3%	41,028	42,736	4%
Operating Efficiency	69%	70%	100 bps	66%	69%	234 bps
Tax Rate	21.0%	21.0%	0 bps	21.5%	21.5%	0 bps
Diluted shares	7,611	7,610	0%	7,676	7,675	0%
Dividends per share	$0.48	$0.52	$0.04	$0.48	$0.52	$0.04
Loan Growth	9.3%	7.7%	-159 bps	9.3%	8.2%	-106 bps
Reserves/Loans	1.15%	1.15%	1 bps	1.10%	1.15%	5 bps
NPAs/Loans	0.17%	0.15%	-1 bps	0.16%	0.15%	-1 bps
NCOs/Avg. Loans	0.05%	0.03%	-3 bps	0.06%	0.05%	-1 bps

*PTPP = pre-tax, pre-provision

Source: Company reports and Raymond James research

First Community Regional Peer Group Comparison

		Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
Company Name	Ticker	Assets ($M)	Core Deposits	Nonint Deposits	Loans/ Deposits	NIM	Loan Yields	Yield on Earning 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	$2,784	93%	30%	98%	3.41%	3.89%	3.63%	0.16%	NA	16%	53%	-0.03%	0.58%	1.49%	257%	9.5%	10.2%	12.6%
CNB Corp.	CNBW	$1,766	83%	32%	40%	2.54%	5.77%	2.65%	0.10%	NA	19%	58%	-0.03%	0.24%	1.23%	515%	8.0%	8.2%	18.0%
First Community Corporation	FCCO	$1,560	88%	32%	66%	3.49%	4.90%	3.63%	0.12%	0.15%	22%	61%	-0.15%	0.31%	1.24%	397%	8.0%	8.6%	13.6%
Security Federal Corporation	SFDL	$1,230	85%	NA	50%	3.17%	5.75%	3.52%	0.15%	NA	23%	69%	-0.33%	0.75%	2.18%	292%	9.4%	10.2%	18.8%
CoastalSouth Bancshares, Inc.	COSO	$1,333	89%	28%	66%	3.31%	4.63%	3.72%	0.29%	0.38%	21%	62%	0.07%	0.42%	0.90%	215%	8.2%	8.2%	10.9%
GrandSouth Bancorporation	GRRB	$1,203	79%	26%	89%	4.48%	5.77%	4.90%	0.29%	0.45%	5%	59%	0.04%	0.46%	1.47%	315%	7.6%	10.0%	12.1%
South Atlantic Bancshares, Inc.	SABK	$1,165	92%	34%	68%	3.38%	4.46%	3.48%	0.20%	NA	19%	70%	0.00%	0.05%	1.07%	2007%	8.5%	7.6%	11.3%
First Reliance Bancshares, Inc.	FSRL	$911	83%	31%	72%	3.15%	4.40%	3.39%	0.14%	0.24%	34%	84%	-0.35%	0.50%	1.16%	233%	9.8%	10.2%	14.2%
Coastal Carolina Bancshares, Inc.	CCNB	$736	80%	NA	69%	NA	4.69%	3.46%	NA	NA	19%	64%	0.00%	0.30%	1.07%	353%	7.5%	8.2%	12.2%
Community First Bancorporation	CFOK	$664	70%	NA	82%	NA	4.76%	3.91%	NA	NA	44%	79%	-0.02%	0.77%	1.09%	142%	8.9%	8.9%	NA
Bank of South Carolina Corporation	BKSC	$692	97%	46%	50%	2.69%	5.02%	3.31%	0.03%	NA	16%	61%	-0.08%	0.79%	1.37%	174%	7.9%	9.4%	NA
First Community Corporation	**FCCO**	**$1,560**	**88%**	**32%**	**66%**	**3.49%**	**4.90%**	**3.63%**	**0.12%**	**0.15%**	**22%**	**61%**	**-0.15%**	**0.31%**	**1.24%**	**397%**	**8.0%**	**8.6%**	**13.6%**
	Peer Group Medians:	**$1,203**	**85%**	**32%**	**68%**	**3.31%**	**4.76%**	**3.52%**	**0.15%**	**0.31%**	**19%**	**62%**	**-0.03%**	**0.46%**	**1.23%**	**292%**	**8.2%**	**8.9%**	**12.6%**

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 de
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

				Valuation Metrics					Profitability Metrics						
	Count	Mkt Cap (M)	Assets (M)	P/TBV	2022E P/E	2023E P/E	Deposit Premium	Dividend Yield	ROA (3Q21)	ROE (3Q21)	ROTCE (3Q21)	ROTCE (2022E)	ROTCE (2023E)	2022E EPS Growth	2023E EPS Growth
Industry Medians	**537**	**$233**	**$2,096**	**1.62x**	**12.9x**	**11.8x**	**4%**	**2.5%**	**1.18%**	**11.7%**	**13.9%**	**11.8%**	**12.2%**	**-10%**	**11%**
Large Cap (>$10B)	20	$27,976	$187,021	2.14x	14.3x	12.0x	10%	2.7%	1.13%	11.1%	15.8%	14.3%	15.5%	-12%	15%
Mid-Cap ($2B - $10B)	74	$3,596	$20,470	1.89x	14.3x	13.0x	9%	2.4%	1.38%	11.0%	15.6%	12.8%	13.4%	-11%	11%
Small-Cap ($500M - $2B)	101	$922	$6,268	1.62x	12.8x	11.7x	6%	2.6%	1.31%	12.5%	14.8%	11.7%	12.0%	-9%	10%
Micro-Cap (<$500M)	342	$123	$1,249	1.26x	11.3x	10.1x	3%	2.5%	1.10%	11.7%	12.6%	11.1%	11.5%	-9%	10%
Asset Size Medians															
Over $50B	24	$23,497	$173,224	2.06x	14.2x	11.8x	9%	2.7%	1.12%	10.9%	15.7%	13.9%	15.2%	-10%	15%
$10B to $50B	80	$3,219	$19,024	1.80x	14.2x	12.7x	8%	2.5%	1.34%	10.9%	15.3%	12.3%	12.9%	-13%	11%
$5B to $10B	63	$1,059	$6,860	1.65x	13.3x	11.9x	7%	2.6%	1.30%	12.6%	15.3%	12.2%	12.3%	-8%	9%
$1B to $5B	240	$202	$1,859	1.31x	11.7x	10.6x	3%	2.4%	1.15%	11.9%	13.4%	11.3%	11.7%	-9%	10%
$500M to $1B	130	$64	$696	1.08x	11.8x	10.7x	2%	2.5%	1.07%	11.5%	11.8%	10.0%	11.5%	2%	23%
Regional Medians															
Mid-Atlantic	125	$217	$1,873	1.23x	12.6x	11.1x	4%	2.7%	1.15%	11.2%	12.8%	11.8%	12.2%	-9%	10%
Midwest	131	$199	$2,083	1.25x	12.5x	11.5x	4%	2.5%	1.26%	12.6%	14.3%	11.8%	12.1%	-15%	8%
New England	30	$333	$2,520	1.45x	14.3x	11.6x	6%	2.4%	1.13%	11.2%	13.4%	10.9%	11.4%	-3%	12%
Southwest	29	$1,393	$7,101	1.73x	15.6x	14.0x	8%	1.9%	1.37%	12.3%	15.0%	11.5%	12.3%	-11%	11%
West	96	$271	$2,209	1.30x	13.0x	11.2x	4%	2.6%	1.25%	12.6%	14.4%	11.7%	12.4%	-7%	11%
Southeast	126	$192	$1,712	1.31x	13.1x	12.2x	4%	2.2%	1.13%	11.0%	13.0%	12.0%	12.1%	-12%	12%
First Community Corporation	**FCCO**	**$161**	**$1,560**	**1.28x**	**11.9x**	**10.5x**	**3%**	**2.3%**	**1.24%**	**13.8%**	**15.3%**	**10.3%**	**10.8%**	**-11%**	**14%**

Priced as of January 19, 2022.

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 estimates. Core deposits exclude all time deposits.

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

First Community Corporation

Income Statement *($ in thousands)*	2019 31-Dec	1Q20 31-Mar	2Q20 30-Jun	3Q20 30-Sep	4Q20 31-Dec	2020 31-Dec	1Q21 31-Mar	2Q21 30-Jun	3Q21 30-Sep	4Q21 31-Dec	2021 31-Dec	1Q22E 31-Mar	2Q22E 30-Jun	3Q22E 30-Sep	4Q22E 31-Dec	2022E 31-Dec	2023E 31-Dec
Net Interest Income	36,848	9,417	9,743	10,176	10,687	40,023	10,567	11,092	12,456	11,164	45,279	10,715	10,903	11,151	11,399	44,168	46,663
Provision for loan losses	139	1,075	1,250	1,062	276	3,663	177	168	49	(59)	335	(50)	(150)	0	0	(200)	1,350
Net Interest Income after Provision	**36,709**	**8,342**	**8,493**	**9,114**	**10,411**	**36,360**	**10,390**	**10,924**	**12,407**	**11,223**	**44,944**	**10,765**	**11,053**	**11,151**	**11,399**	**44,368**	**45,313**
Deposit service charges	1,649	399	210	242	270	1,121	246	212	257	262	977	354	396	426	485	1,661	2,047
Mortgage origination fees	4,555	982	1,572	1,403	1,600	5,557	990	1,143	1,147	1,039	4,319	883	971	971	826	3,652	3,720
Investment advisory fees and commissions	2,021	634	671	672	743	2,720	877	957	1,040	1,121	3,995	1,132	1,155	1,189	1,225	4,702	5,075
Gain on sale of securities	136	0	0	99	0	99	0	0	0	0	0	0	0	0	0	0	0
Gain (loss) on sale of other assets	(3)	6	0	141	0	147	77	0	13	103	193	0	0	0	0	0	0
Loss on early extinguishment of debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	3,379	907	934	1,293	991	4,125	1,106	1,106	1,107	1,101	4,420	1,112	1,145	1,088	1,143	4,488	4,657
Noninterest Income	**11,737**	**2,928**	**3,387**	**3,850**	**3,604**	**13,769**	**3,296**	**3,418**	**3,564**	**3,626**	**13,904**	**3,481**	**3,667**	**3,675**	**3,678**	**14,502**	**15,498**
Non-Operating items	(147)	0	0	410	0	410	100	0	47	24	171	0	0	0	0	0	0
Operating Noninterest Income	**11,884**	**2,928**	**3,387**	**3,440**	**3,604**	**13,359**	**3,196**	**3,418**	**3,517**	**3,602**	**13,733**	**3,481**	**3,667**	**3,675**	**3,678**	**14,502**	**15,498**
Total Revenue	**48,585**	**12,345**	**13,130**	**14,026**	**14,291**	**53,792**	**13,863**	**14,510**	**16,020**	**14,790**	**59,183**	**14,196**	**14,570**	**14,826**	**15,077**	**58,670**	**62,162**
Total Operating Revenue	**48,732**	**12,345**	**13,130**	**13,616**	**14,291**	**53,382**	**13,763**	**14,510**	**15,973**	**14,766**	**59,012**	**14,196**	**14,570**	**14,826**	**15,077**	**58,670**	**62,162**
Salaries and employee benefits	21,261	5,653	5,840	6,087	6,446	24,026	5,964	5,948	6,394	6,188	24,494	6,312	6,375	6,439	6,471	25,596	26,535
Occupancy	2,696	643	679	736	651	2,709	730	734	743	740	2,947	755	759	766	774	3,053	3,205
Equipment	1,493	318	298	318	303	1,237	275	338	336	347	1,296	350	354	358	359	1,421	1,468
Marketing and public relations	1,115	354	247	342	100	1,043	396	313	140	324	1,173	259	272	275	302	1,109	1,240
FDIC assessment	57	42	88	137	137	404	169	146	189	114	618	190	191	192	194	767	784
Other real estate expense	81	35	40	79	47	201	29	55	58	(37)	105	25	20	20	15	80	50
Amortization of intangibles	523	105	95	95	68	363	57	52	52	40	201	40	39	39	38	156	150
Other	7,390	1,888	1,844	1,920	1,899	7,551	1,920	2,292	1,993	2,162	8,367	2,184	2,205	2,228	2,250	8,866	9,304
Noninterest Expense	**34,616**	**9,038**	**9,131**	**9,714**	**9,651**	**37,534**	**9,540**	**9,878**	**9,905**	**9,878**	**39,201**	**10,115**	**10,215**	**10,316**	**10,403**	**41,049**	**42,736**
Non-Operating items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	**34,616**	**9,038**	**9,131**	**9,714**	**9,651**	**37,534**	**9,540**	**9,878**	**9,905**	**9,878**	**39,201**	**10,115**	**10,215**	**10,316**	**10,403**	**41,049**	**42,736**
Income Before Tax	**13,830**	**2,232**	**2,749**	**3,250**	**4,364**	**12,595**	**4,146**	**4,464**	**6,066**	**4,971**	**19,647**	**4,131**	**4,505**	**4,511**	**4,674**	**17,821**	**18,075**
Income tax expense	2,858	438	532	598	928	2,496	891	921	1,318	1,052	4,182	868	946	947	982	3,742	3,886
GAAP Net Income	**10,972**	**1,794**	**2,217**	**2,652**	**3,436**	**10,099**	**3,255**	**3,543**	**4,748**	**3,919**	**15,465**	**3,264**	**3,559**	**3,563**	**3,692**	**14,078**	**14,189**
Operating Net Income	**11,093**	**1,794**	**2,217**	**2,317**	**3,436**	**9,764**	**3,176**	**3,543**	**4,711**	**3,900**	**15,331**	**3,264**	**3,559**	**3,563**	**3,692**	**14,078**	**14,189**
Diluted shares	7,590	7,468	7,465	7,482	7,503	7,480	7,525	7,537	7,556	7,565	7,546	7,590	7,605	7,615	7,630	7,610	7,675
GAAP EPS - diluted	$1.45	$0.24	$0.30	$0.35	$0.46	$1.35	$0.43	$0.47	$0.63	$0.52	$2.05	$0.43	$0.47	$0.47	$0.48	$1.85	$1.85
Operating EPS - diluted	**$1.46**	**$0.24**	**$0.30**	**$0.31**	**$0.46**	**$1.31**	**$0.42**	**$0.47**	**$0.62**	**$0.52**	**$2.03**	**$0.43**	**$0.47**	**$0.47**	**$0.48**	**$1.85**	**$1.85**

Financial Highlights	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
TBV/share	$13.99	$14.55	$15.35	$15.67	$16.08	$16.08	$15.55	$16.22	$16.37	$16.62	$16.62	$16.87	$17.18	$17.50	$17.83	$17.83	$19.02
TCE/Assets	9.0%	9.3%	8.8%	8.6%	8.7%	8.7%	7.9%	8.2%	8.0%	8.0%	8.0%	8.1%	8.1%	8.2%	8.2%	8.2%	8.4%
Loans/Deposits	75%	76%	73%	72%	71%	71%	68%	68%	66%	63%	63%	64%	65%	65%	67%	67%	71%
Loan Growth	2.6%	1.7%	9.1%	3.3%	0.0%	14.5%	3.0%	1.1%	0.4%	-2.0%	2.3%	1.0%	1.5%	2.0%	3.0%	7.7%	8.2%
Deposit Growth	6.8%	-0.2%	13.4%	4.9%	1.4%	20.4%	6.9%	1.5%	3.4%	2.1%	14.5%	0.0%	0.5%	1.0%	0.5%	2.0%	2.5%
NPAs/Loans	0.51%	0.43%	0.40%	0.35%	0.68%	0.68%	0.64%	0.59%	0.17%	0.16%	0.16%	0.16%	0.15%	0.15%	0.15%	0.15%	0.15%
NPAs/Loans (ex PPP)	0.51%	0.43%	0.42%	0.37%	0.72%	0.72%	0.69%	0.62%	0.17%	0.16%	0.16%	0.16%	0.15%	0.15%	0.15%	0.15%	0.15%
NCOs/Avg. Loans	-0.03%	0.00%	0.00%	-0.05%	0.00%	-0.01%	0.00%	0.04%	-0.15%	-0.10%	-0.05%	0.00%	0.03%	0.03%	0.05%	0.03%	0.05%
NCOs/Avg. Loans (ex PPP)	-0.03%	0.00%	0.00%	-0.06%	0.00%	-0.01%	0.00%	0.04%	-0.16%	-0.10%	-0.05%	0.00%	0.03%	0.03%	0.05%	0.03%	0.05%
Reserves/Loans	0.90%	1.03%	1.09%	1.20%	1.23%	1.23%	1.22%	1.21%	1.25%	1.29%	1.29%	1.28%	1.23%	1.20%	1.15%	1.15%	1.15%
Reserves/Loans (ex PPP)	0.90%	1.03%	1.16%	1.27%	1.30%	1.30%	1.31%	1.28%	1.26%	1.30%	1.30%	1.28%	1.23%	1.20%	1.15%	1.15%	1.15%
NIM	3.65%	3.55%	3.38%	3.28%	3.31%	3.37%	3.23%	3.20%	3.47%	3.01%	3.23%	2.92%	2.91%	2.90%	2.92%	2.91%	2.92%
NIM (ex. PPP)	3.65%	3.55%	3.40%	3.29%	3.28%	3.38%	3.16%	3.11%	3.08%	2.95%	3.07%	2.92%	2.91%	2.90%	2.92%	2.91%	2.92%
G&A/Avg. Assets	3.10%	3.07%	2.88%	2.89%	2.77%	2.90%	2.66%	2.62%	2.57%	2.48%	2.58%	2.54%	2.54%	2.53%	2.52%	2.53%	2.51%
Efficiency Ratio	71%	73%	70%	71%	68%	70%	69%	68%	62%	67%	66%	71%	70%	70%	69%	70%	69%
Effective tax rate	20.7%	19.6%	19.4%	18.4%	21.3%	19.8%	21.5%	20.6%	21.7%	21.2%	21.3%	21.0%	21.0%	21.0%	21.0%	21.0%	21.5%
ROA (operating)	0.99%	0.61%	0.70%	0.69%	0.99%	0.75%	0.89%	0.94%	1.22%	0.98%	1.01%	0.82%	0.89%	0.88%	0.89%	0.87%	0.83%
ROE (operating)	9.5%	5.8%	7.0%	7.0%	10.3%	7.6%	9.4%	10.5%	13.4%	11.1%	11.1%	9.2%	9.8%	9.7%	9.9%	9.6%	9.1%
ROTCE (operating)	11.1%	6.8%	8.1%	8.1%	11.7%	8.7%	10.6%	11.9%	15.1%	12.5%	12.6%	10.3%	11.1%	10.8%	11.0%	10.8%	10.1%
Dividends per share	$0.44	$0.12	$0.12	$0.12	$0.12	$0.48	$0.12	$0.12	$0.12	$0.12	$0.48	$0.13	$0.13	$0.13	$0.13	$0.52	$0.52

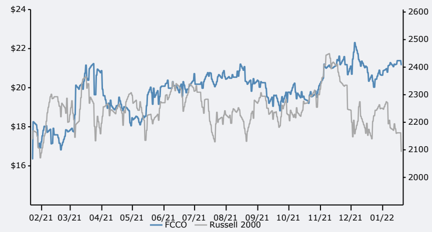
Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet *($ in thousands)*	4Q19 31-Dec	1Q20 31-Mar	2Q20 30-Jun	3Q20 30-Sep	4Q20 31-Dec	1Q21 31-Mar	2Q21 30-Jun	3Q21 30-Sep	4Q21 31-Dec	1Q22E 31-Mar	2Q22E 30-Jun	3Q22E 30-Sep	4Q22E 31-Dec	4Q23E 31-Dec
Stated Equity	**120,194**	**124,614**	**130,801**	**133,244**	**136,337**	**132,687**	**137,927**	**139,113**	**140,998**	**143,277**	**145,850**	**148,425**	**151,128**	**161,334**
Intangibles	16,120	16,015	15,920	15,825	15,757	15,700	15,648	15,596	15,556	15,516	15,477	15,438	15,400	15,250
Tangible Common Equity	**104,074**	**108,599**	**114,881**	**117,419**	**120,580**	**116,987**	**122,279**	**123,517**	**125,442**	**127,761**	**130,372**	**132,987**	**135,728**	**146,084**
Book Value	$16.16	$16.70	$17.47	$17.78	$18.18	$17.63	$18.29	$18.44	$18.68	$18.92	$19.22	$19.53	$19.85	$21.01
Tangible BV	**$13.99**	**$14.55**	**$15.35**	**$15.67**	**$16.08**	**$15.55**	**$16.22**	**$16.37**	**$16.62**	**$16.87**	**$17.18**	**$17.50**	**$17.83**	**$19.02**
Shares Outstanding	7,440	7,462	7,486	7,493	7,500	7,525	7,540	7,544	7,549	7,574	7,589	7,599	7,614	7,679
Equity/Assets	10.3%	10.5%	9.9%	9.6%	9.8%	8.9%	9.1%	8.9%	8.9%	9.0%	9.0%	9.0%	9.1%	9.2%
TCE ratio	**9.0%**	**9.3%**	**8.8%**	**8.6%**	**8.7%**	**7.9%**	**8.2%**	**8.0%**	**8.0%**	**8.1%**	**8.1%**	**8.2%**	**8.2%**	**8.4%**
Capital Ratios														
Common Equity Tier 1	13.44%	13.35%	13.02%	12.97%	12.83%	13.13%	13.52%	13.58%	14.00%					
Tier 1 Capital Ratio	13.44%	13.35%	13.02%	12.97%	12.83%	13.13%	13.52%	13.58%	14.00%					
Total Capital Ratio	14.23%	14.25%	14.03%	14.08%	13.94%	14.26%	14.66%	14.74%	15.18%					
Leverage Ratio	9.95%	9.91%	9.31%	8.95%	8.84%	8.73%	8.48%	8.56%	8.45%					
Total Assets	**1,170,279**	**1,185,307**	**1,324,800**	**1,381,804**	**1,395,382**	**1,492,494**	**1,514,973**	**1,560,326**	**1,584,508**	**1,600,353**	**1,616,357**	**1,640,602**	**1,665,211**	**1,758,645**
Other short-term investments	32,741	25,637	77,666	106,231	46,062	88,389	52,316	55,259	47,049					
Investment securities	288,792	290,943	297,972	295,525	361,919	407,547	470,669	515,260	566,624					
Loans held for sale	11,155	11,937	33,496	37,587	45,020	23,481	11,416	6,213	7,120					
Loans	**737,028**	**749,529**	**817,372**	**844,460**	**844,157**	**869,066**	**878,318**	**881,520**	**863,702**	**872,339**	**885,424**	**903,133**	**930,227**	**1,006,810**
Allowance for loan losses	(6,627)	(7,694)	(8,936)	(10,113)	(10,389)	(10,563)	(10,638)	(11,025)	(11,179)	(11,129)	(10,913)	(10,846)	(10,731)	(11,573)
Other assets	107,190	114,955	107,230	108,114	108,613	114,574	112,892	113,099	111,192					
Total Liabilities	**1,050,085**	**1,060,693**	**1,193,999**	**1,248,560**	**1,259,045**	**1,359,807**	**1,377,046**	**1,421,213**	**1,443,510**					
Total deposits	988,201	986,645	1,118,872	1,173,551	1,189,413	1,271,440	1,289,883	1,333,568	1,361,291	1,361,291	1,368,097	1,381,778	1,388,687	1,423,683
Securities sold under repo	33,296	46,041	45,651	47,142	40,914	60,319	60,487	59,821	54,216					
FHLB advances	211	0	0	0	0	0	0	0	0					
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964	14,964	14,964					
Other liabilities	13,413	13,043	14,512	12,903	13,754	13,084	11,712	12,860	13,039					

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a more than $1.4 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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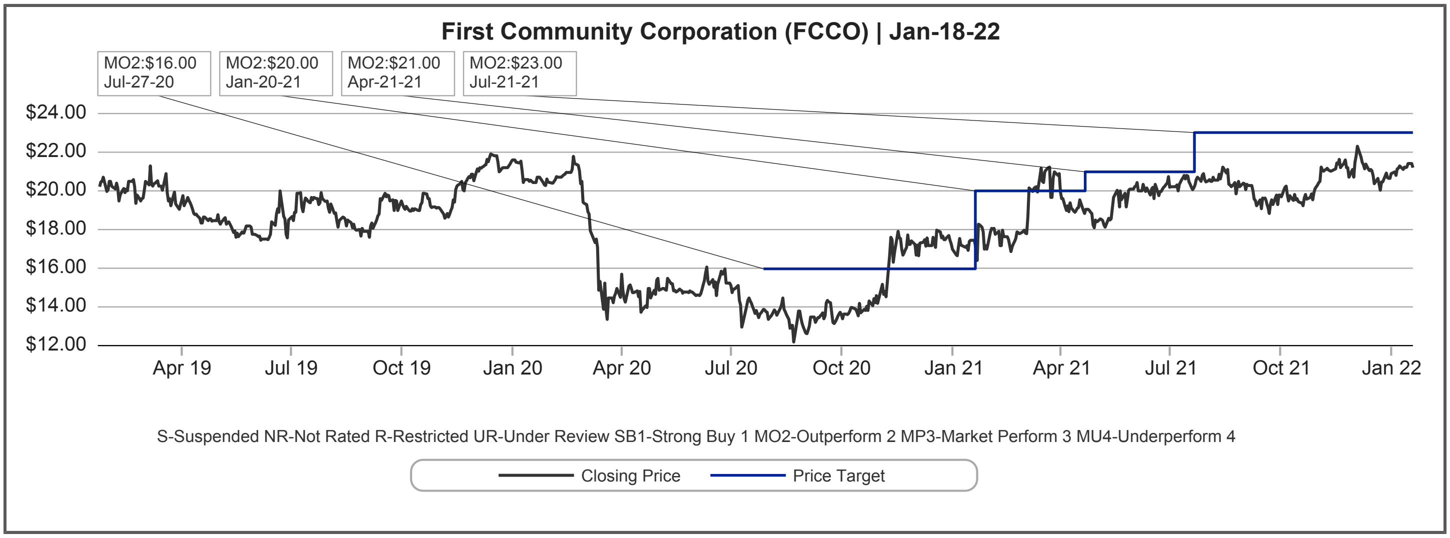

Valuation Methodology

First Community Corporation
For First Community Corporation, our valuation methodology utilizes a 12-month estimate of intrinsic value and also takes into consideration the company's price/tangible book value and P/E ratio in comparison to its return on tangible equity and its peer group.

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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 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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	Coverage Universe Rating Distribution*				Investment Banking Relationships			
	RJA		RJL		RJA		RJL	
Strong Buy and Outperform (Buy)	603	64%	195	77%	194	32%	71	36%
Market Perform (Hold)	324	34%	55	22%	47	15%	9	16%
Underperform (Sell)	22	2%	2	1%	5	23%	0	0%
Total Number of Companies	949	100%	252	100%	246		80	

** Columns may not add to 100% due to rounding.*

** Total does not include companies with a suspended rating.*

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