FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

Steve Moss | (202) 872-5931 | steve.moss@raymondjames.com
Thomas Reid, Research Associate | thomas.reid@raymondjames.com

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COMPANY COMMENT

Solid Quarter Beneath the Expense Noise; Reiterate Market Perform

Market Perform 3
Target Price NM

Suitability	MA/ACC

RECOMMENDATION

3Q23 EPS Breakdown

Reported	Core	Consensus	RJ
$0.23	$0.35	$0.38 ($0.37-$0.41)	$0.37

FCCO reported 3Q23 results of $0.23 per share. Excluding a securities loss, we peg core EPS at $0.35, two cents below our estimate and three cents below consensus. Results were marked by better than expected loan growth and higher than expected NII, which were more than offset by elevated marketing and fraud expense ($0.05). FCCO's results continue to show the benefit of the strong South Carolina markets the bank operates in. While earnings headwinds remain due to the difficult interest rate environment, with the stock at 1.2x TBV and greater comfort in the credit outlook post our discussion with management, the stock may be attractive for those investors with a longer-term view. Our **Market Perform** rating reflects our near-term concerns regarding NIM pressure and the impact of higher long-term interest rates.

- **Loan pricing has improved, which suggests NIM pressure should continue to moderate.** FCCO's NIM declined 6 bps LQ to 2.96% as funding costs continued to increase, though the pace has moderated. Deposit competition remains intense, as IBD deposits increased 54 bps LQ to 196 bps. NIM pressure expected to continue at a similar pace for 4Q23, despite a benefit from the sale of investment securities which we estimate should benefit the NIM by ~8 bps. Additionally, the $150M notional swap added in 2Q23 benefited NII by $626K, and the NIM by 15 bps (8 bps in 2Q23). Positively, FCCO noted that loan pricing had improved, with new originations in the mid-to-upper 7% range. Additionally, FCCO estimates ~30% of fixed rate loans should reprice in the next 12-months, at rates that are 250-300 bps higher, which should temper NIM pressure. We model a 4Q23 NIM of 2.91%.
- **Credit remains strong and internal stress tests provide comfort.** NPAs declined 3 bps LQ to 7 bps of related assets as of September 30, 2023. The LLR ratio declined 4 bps LQ to 1.08% due to loan growth and an improved economic outlook, which reduced the recession probability weight to 40%, from 50% (baseline scenario up to 60%). Quarterly, FCCO evaluates and stresses all non-owner CRE loans with a balance of over $1M maturing in the next 18-months for cash flow shortfalls due to higher interest rates and lower NOIs. For the most recent quarter, only 11 loans with a value of $32M had potential issues, and after further analysis with updated operating data, only three loans worth $8M had DSCRs below 1.1x. We model a slow, but steady increase in the LLR to 1.13% by YE24.
- **Expenses and capital discussion** here.
- **We raise our 2023E non-GAAP EPS** to $1.60, from $1.58, to reflect higher loan balances and a higher NIM. We maintain our 2024E of $1.20, and establish our 2025E of $1.30.

VALUATION

FCCO trades at 14.9x our 2024 estimate, a premium to versus small cap peers at 9.2x. On a TBV basis, shares trade at 1.2x TBV, in-line with peers. We believe FCCO should trade at a premium to peers given its South Carolina franchise, strong core deposit base, and asset quality.

MARKET DATA

Current Price (Oct-18-23)	$18.03
Market Cap (mln)	$137
Current Net Debt (mln)	$154
Enterprise Value (mln)	$291
Shares Outstanding (mln)	7.6
30-Day Avg. Daily Value (mln)	$0.2
Dividend	$0.56
Dividend Yield	3.1%
52-Week Range	$16.30 - $22.25
BVPS	$16.26
Tangible BVPS	$14.25
ROE	8.7%
ROAE	8.7%
ROTE	9.9%

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2022A	0.46	0.42	0.52	0.54
2023E	0.45	0.43	0.37	0.32
new	**0.45 A**	**0.43 A**	**0.35 A**	**0.36**
2024E	0.29	0.29	0.30	0.32
new	**0.31**	**0.30**	**0.30**	**0.29**
2025E	0.31	0.32	0.33	0.34

	2022A	2023E	2024E	2025E
Non-GAAP EPS ($, Dec FY)				
old	1.93	1.58	1.20	NA
new	**1.93**	**1.60**	**1.20**	**1.30**
P/E (Non-GAAP)				
	9.3x	11.3x	15.0x	13.9x
GAAP EPS ($, Dec FY)				
old	1.92	1.58	1.20	NA
new	**1.92**	**1.47**	**1.20**	**1.30**
Operating Revenue (mln) ($, Dec FY)				
	60	59	58	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.

- **Loan growth was strong, but should moderate as the pipeline has slowed.** Total loans increased 5.8% LQ, driven by commercial construction draws that are likely to continue near-term. FCCO indicated the pipeline has slowed and that loan growth is likely to moderate given higher rates. For new originations, FCCO is requiring deposits and expects to incentivize deposit growth in 2024. We model mid-single-digit growth through 2024.

- **Expenses were elevated, should revert closer to 2Q23 levels.** Expenses increased 4.8% LQ to $11.3M, driven by a $239K LQ increase in marketing and $230K of elevated fraud losses, or $0.05 per share combined. FCCO expects both expenses should revert to prior levels in 4Q23. We model $10.9M in total expenses and an efficiency ratio of 74% for 4Q23.

- **Capital remains strong.** FCCOs TCE/TA ratio was 6.1% as of September 30, 2023, down from 6.3% as of June 30, 2023, due to balance sheet growth and AOCI marks. Regulatory capital ratios remain strong, with the leverage ratio unchanged at 8.6% as of September 30, 2023. FCCO sold $39.9M of U.S. Treasuries with a coupon of 1.75% for a $1.2M, or $0.12 per share loss (3% loss on face value). The transaction is expected to have an earnback of 1.6 years and was used to pay down borrowings and fund future loan growth. FCCO is evaluating additional sales, that would result in a similar dollar loss level; however, given the size of the marks ($25M, or 7% as of June 30, 2023) on the remaining portfolio, such sales would be smaller. We model a TCE/TA ratio of 6.3% at YE23.

		FCCO	Estimates		vs. RJ		vs. Consensus	
		Actual	RJ	Street	$mm/bp	EPS	$mm/bp	EPS
Income Statement ($mm)	NII	12.2	11.9	12.1	0.3	0.028	0.1	0.011
	Provision	0.5	0.3	0.3	0.2	(0.019)	0.2	(0.021)
	Core Fee Revenue	3.1	2.7	3.0	0.3	0.035	0.1	0.012
	Core Expenses	11.3	10.7	10.9	0.6	(0.062)	0.4	(0.036)
	Core Net Income	2.7	2.8	3.0	-0.1	(0.008)	-0.3	(0.026)
	EPS (operating)	0.35	0.37	0.38	-0.01	-	-0.03	-
	Tax rate	20.9%	21.5%	23.3%	-60 bp	0.002	-240 bp	0.009
	Avg. Dil. Shares	7.7	7.6	7.6	0.1	(0.010)	0.0	(0.002)
Bal Sheet/Other ($mm)	NIM	2.96%	2.91%	2.94%	6 bp	0.024	2 bp	0.009
	Loans EOP	1,092	1,045	1,047	47	-	45	-
	Deposits EOP	1,492	1,428	1,427	64	-	65	-
	AEA	1,628	1,623	1,625	5	0.004	3	0.002
	Efficiency ratio	74.0%	72.9%	72.6%	106 bp	-	146 bp	-
	ROA	0.62%	0.63%	0.67%	-2 bp	-	-5 bp	-
	ROE	8.7%	8.8%	9.8%	-18 bp	-	-113 bp	-
	NCO's	0.00	0.03	0.04	0.0	-	0.0	-

Source: FactSet, S&P Global, Raymond James research, company filings
Note: consensus estimates may not add due to rounding

FCCO 3Q23 - Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Street High	Street Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.35	$0.37	-$0.01	$0.38	-$0.03	$0.41	$0.37	5
Book value per share	16.26	16.58	-0.31	16.58	-0.32	16.62	16.54	4
Tangible book value	14.25	14.56	-0.31	14.61	-0.35	14.70	14.56	5
Dividends per share	0.14	0.14	0.00	0.14	0.00	0.14	0.14	5
Avg. fully diluted shares (mil.)	7.7	7.6	0.1	7.6	0.0	7.7	7.6	5
INCOME STATEMENT								
Net interest income (FTE)	12.2	11.9	0.3	12.1	0.1	12.2	12.0	5
Loan loss provision	0.5	0.3	0.2	0.3	0.2	0.4	0.0	5
Core fee income	3.1	2.7	0.3	3.0	0.1	3.0	2.9	5
Operating Revenue (FTE)	15.2	14.5	0.7	15.0	0.3	15.0	14.9	4
Core expenses	11.3	10.7	0.6	10.9	0.4	11.0	10.8	5
Taxes	0.5	0.8	-0.3	0.9	-0.4	1.0	0.8	5
Core net income	2.7	2.8	-0.1	3.0	-0.3	3.1	2.8	4
BALANCE SHEET								
Loans (EOP)	1,092	1,045	47	1,047	45	1,048	1,045	3
Average Loans	1,066	1,038	27	1,040	26	1,042	1,038	3
Deposits (EOP)	1,492	1,428	64	1,427	65	1,432	1,421	3
Average Deposits	1,433	1,416	17	1,422	11	1,429	1,416	3
Average Earning Assets	1,628	1,623	5	1,625	3	1,632	1,618	4
Total Assets	1,794	1,746	48	1,763	31	1,780	1,745	3
ASSET QUALITY								
Non-performing Loans	0.1	1.0	-0.9	-	-	-	-	0
Non-performing Assets	0.7	2.0	-1.3	2.0	-1.3	2.0	2.0	3
Net charge-offs	0.0	0.0	0.0	0.0	0.0	0.1	0.0	2
Net charge-offs / Avg. loans	0.00%	0.01%	-0.01%	0.04%	-0.04%	0.10%	0.01%	4
FINANCIAL RATIOS								
Net interest margin (NIM)	2.96%	2.91%	5 bp	2.94%	2 bp	2.98%	2.91%	5
Efficiency ratio	74.0%	72.9%	106 bp	72.6%	146 bp	73.1%	71.7%	5
ROA	0.62%	0.63%	-1 bp	0.7%	-5 bp	0.72%	0.63%	5
ROE	8.7%	8.8%	-18 bp	9.8%	-112 bp	10.5%	8.9%	5
ROTE	9.9%	10.1%	-19 bp	10.6%	-69 bp	11.3%	10.1%	5

Source: S&P Global, Factset, Raymond James research, company reports
Note: Dollar amounts in millions, except per share data

FCCO 3Q23 - Summary Results

	3Q23	RJ 3Q23E	dif (+/-)	2Q23	Q/Q	3Q22	Y/Y
PER SHARE DATA							
Operating EPS	$0.35	$0.37	-$0.01	$0.43	-$0.08	$0.52	-$0.17
Reported EPS (GAAP)	0.23	0.37	-0.14	0.43	-0.21	0.52	-0.29
Book value per share	16.26	16.58	-0.31	16.35	-0.09	15.07	1.19
Tangible book value	14.25	14.56	-0.31	14.33	-0.08	13.03	1.22
Dividends per share	0.14	0.14	0.00	0.14	0.00	0.13	0.01
Avg. fully diluted shares (mil.)	7.7	7.6	0.1	7.7	0.0	7.6	0.0
INCOME STATEMENT							
Net interest income (FTE)	12.2	11.9	0.3	12.2	0.0	12.9	-0.8
Loan loss provision	0.5	0.3	0.2	0.2	0.3	0.0	0.5
Core fee income	3.1	2.7	0.3	3.1	0.0	2.7	0.4
Operating Revenue (FTE)	15.2	14.5	0.7	15.2	0.0	15.5	-0.2
Core expenses	11.3	10.7	0.6	10.8	0.5	10.4	0.9
Taxes	0.5	0.8	-0.3	0.9	-0.5	1.1	-0.6
Core net income	2.7	2.8	-0.1	3.3	-0.6	4.0	-1.2
BALANCE SHEET							
Assets	1,794	1,746	48	1,741	53	1,652	142
Loans (EOP)	1,092	1,045	47	1,032	59	950	141
Average Loans	1,066	1,038	27	1,017	48	938	127
Deposits (EOP)	1,492	1,428	64	1,421	71	1,436	56
Average Deposits	1,433	1,416	17	1,409	24	1,450	-17
Average Earning Assets	1,628	1,623	5	1,622	6	1,557	71
Total equity	124	126	-2	124	-1	114	9
FINANCIAL RATIOS							
Net interest margin (NIM)	2.96%	2.91%	5 bp	3.02%	-6 bp	3.29%	-33 bp
Core efficiency ratio	74.0%	72.9%	106 bp	70.5%	355 bp	66.8%	722 bp
TCE Ratio	6.1%	6.4%	-30 bp	6.3%	-22 bp	6.0%	6 bp
LLR / Total loans	1.08%	1.13%	-5 bp	1.12%	-4 bp	1.19%	-11 bp
Net charge-offs / Avg. loans	0.00%	0.01%	-1 bp	0.00%	0 bp	-0.03%	3 bp

Source: Raymond James research; company reports
Note: Dollar amounts in millions, except per share data

Five-Quarter Snapshot: Core Revenue, Expenses and PTPPI ($ millions)

	% Total	3Q23	2Q23	1Q23	4Q22	3Q22	% Chg. 3Q23 / 2Q23	% Chg. 3Q23 / 3Q22
FTE Net Interest Income	**80%**	**$12.2**	**$12.2**	**$12.5**	**$13.5**	**$12.9**	**-0.4%**	**-5.9%**
Net Interest Margin		*2.96%*	*3.02%*	*3.19%*	*3.42%*	*3.29%*	*-6 bps*	*-17 bps*
Deposit service charges	2%	$0.2	$0.2	$0.2	$0.2	$0.2	9.1%	-1.2%
Mortgage banking	3%	$0.5	$0.4	$0.2	$0.3	$0.3	36.9%	75.2%
Invstmnt advis fees and non-deposit comms	8%	$1.2	$1.1	$1.1	$1.0	$1.1	9.8%	12.7%
Other Income	7%	$1.1	$1.4	$1.1	$1.1	$1.1	-17.9%	4.1%
Noninterest Income	**20%**	**$3.1**	**$3.1**	**$2.6**	**$2.6**	**$2.7**	**0.5%**	**14.7%**
Total Operating Revenue		**$15.2**	**$15.3**	**$15.0**	**$16.1**	**$15.6**	**-0.2%**	**-2.3%**
Salaries and employee benefits	59%	$6.6	$6.5	$6.3	$6.7	$6.4	1.6%	3.8%
Occupancy	7%	$0.8	$0.8	$0.8	$0.7	$0.8	-4.6%	-1.3%
Equipment	4%	$0.4	$0.4	$0.3	$0.4	$0.3	10.3%	25.7%
Marketing and PR	5%	$0.6	$0.4	$0.3	$0.3	$0.2	64.6%	273.6%
FDIC assessment	2%	$0.2	$0.2	$0.2	$0.1	$0.1	-4.5%	74.4%
OREO	0%	$0.0	($0.0)	($0.1)	$0.2	$0.0	NM	10.5%
Amortization of intangibles	0%	$0.0	$0.0	$0.0	$0.0	$0.0	-2.5%	0.0%
Other Expenses	23%	$2.6	$2.5	$2.5	$2.3	$2.6	5.4%	0.1%
Noninterest Expenses		**$11.3**	**$10.8**	**$10.4**	**$10.7**	**$10.4**	**4.8%**	**8.2%**
Efficiency ratio		*74.0%*	*70.5%*	*69.4%*	*66.5%*	*66.8%*	*355 bps*	*103 bps*
Pretax Pre-Provision Income		**$4.0**	**$4.5**	**$4.6**	**$5.3**	**$5.2**	**-12.2%**	**-23.6%**

Source: Company reports, Raymond James research

Five-Quarter Snapshot: Credit Quality ($ millions)

	3Q23	2Q23	1Q23	4Q22	3Q22	% Chg. 3Q23 / 2Q23	% Chg. 3Q23 / 3Q22
Loan loss provision	$0.5	$0.2	$0.1	$0.0	$0.0	154.8%	2533.3%
Net Charge-Offs	$0.0	$0.0	($0.0)	$0.0	($0.1)	-80.0%	NM
Provisions - NCOs	$0.5	$0.2	$0.1	$0.0	$0.1	168.2%	396.8%
Allowance for Loan Losses	$11.8	$11.5	$11.4	$11.3	$11.3	2.4%	4.4%
Nonperforming loans	$0.1	$0.1	$4.1	$4.9	$4.9	-25.6%	-98.7%
Other real estate owned	$0.0	($0.0)	($0.1)	$0.2	$0.0	NM	10.5%
Total nonperforming assets	$0.7	$1.0	$5.1	$5.8	$5.9	-27.7%	-87.6%
NPAs / Loans + OREO	0.07%	0.10%	0.51%	0.59%	0.62%	-3 bps	-55 bps
Net charge-offs / Avg. loans	0.00%	0.00%	-0.01%	0.00%	-0.03%	0 bps	3 bps
Provision / Avg. loans	0.18%	0.07%	0.03%	0.01%	0.01%	11 bps	17 bps
LLR / Total loans	1.08%	1.12%	1.15%	1.16%	1.19%	-4 bps	-11 bps

Source: Company reports, Raymond James research

First Community Corp 10/18/2023 ($ in thousands, except as noted)								Raymond James & Associates Steve Moss (202) 872-5931 steve.moss@raymondjames.com
	2022	% Chg	2023E	% Chg	2024E	% Chg	2025E	% Chg
Income Statement Summary:								
Net Interest Income (FTE)	48,455	6%	48,932	1%	47,584	-3%	50,219	6%
Core Non-interest Income:								
Deposit service charges	960	-2%	922	-4%	960	4%	960	0%
Mortgage banking	1,900	-56%	1,234	-35%	900	-27%	1,450	61%
Investment advisory fees and comms.	4,479	12%	4,485	0%	4,800	7%	4,800	0%
Other income	4,342	2%	4,782	10%	4,650	-3%	5,100	10%
Subtotal Core	11,681	-14%	11,423	-2%	11,310	-1%	12,310	9%
Nonrecurring Income	-112	-131%	-1,203	974%	0	-100%	0	NM
Total Non-interest Income	11,569	-17%	10,220	-12%	11,310	11%	12,310	9%
Operating Revenue (FTE)	59,512	1%	58,795	-1%	58,419	-1%	62,027	6%
Non-interest Expense:								
Salaries and employee benefits	25,357	4%	26,052	3%	26,964	3%	27,773	3%
Occupancy	3,002	2%	3,269	9%	3,400	4%	3,600	6%
Equipment	1,343	4%	1,504	12%	1,550	3%	1,600	3%
Marketing and PR	1,259	7%	1,725	37%	1,650	-4%	1,750	6%
FDIC assessment	468	-24%	824	76%	900	9%	980	9%
OREO	308	193%	-92	-130%	200	-317%	200	0%
Amortization of intangibles	158	-21%	158	0%	156	-1%	156	0%
Other expenses	9,358	12%	9,949	6%	10,100	2%	10,700	6%
Core Expenses	41,253	5%	43,389	5%	44,920	4%	46,759	4%
Nonrecurring Expense	0	NM	0	NM	0	NM	0	NM
Total Non-interest Expense	41,253	5%	43,389	5%	44,920	4%	46,759	4%
Pre-tax Pre-Provision Earnings	18,771	-8%	15,763	-16%	13,975	-11%	15,770	13%
Subtract Loan Loss Provision	-152	-145%	1,053	-793%	1,865	77%	2,662	43%
Add Net Nonrecurring Gains(Charges)	112	-131%	1,203	974%	0	-100%	0	NM
Reported Pretax FTE Income	18,411	-6%	14,353	-22%	11,634	-19%	12,606	8%
FTE Tax Rate (reported)	21%		22%		22%		22%	
Reported Net Income	14,613	-6%	11,262	-23%	9,133	-19%	9,895	8%
Normalized Net Income	14,701	-3%	12,213	-17%	9,133	-25%	9,895	8%
Per Share Data:								
Diluted EPS - Reported	**1.92**	**-7%**	**1.47**	**-23%**	**1.20**	**-19%**	**1.30**	**8%**
Diluted EPS - Core	**1.93**	**-7%**	**1.60**	**-23%**	**1.20**	**-19%**	**1.30**	**8%**
Dividends	0.52	6%	0.56	8%	0.56	0%	0.56	0%
Payout ratio	27%		38%		47%		43%	
Book Value	15.62	-16%	16.48	6%	17.13	4%	17.87	4%
Tangible Book Value	13.59	-18%	14.48	7%	15.14	5%	15.91	5%
Avg. F.D. Shares Outstanding (000s)	7,607	1%	7,641	0%	7,610	0%	7,610	0%
Profitability Measures:								
Return on Assets (Reported)	0.88%		0.65%		0.51%		0.55%	
Return on Assets (Normalized)	0.88%		0.65%		0.51%		0.55%	
Return on Common Equity (Norm.)	12.01%		9.14%		7.15%		7.45%	
Net Interest Margin	3.14%		3.02%		2.87%		3.00%	
Efficiency Ratio	69%		73%		76%		75%	
Fee Income % Revenues	19%		17%		19%		20%	
Balance Sheet								
EOP Loans	980,857	14%	1,111,295	13%	1,161,002	4%	1,221,346	5%
Average Loans	920,075	3%	1,042,721	13%	1,137,103	9%	1,188,442	5%
Average Earning Assets	1,541,209	9%	1,620,975	5%	1,662,103	3%	1,673,442	1%
Average Total Assets	1,652,755	0%	1,738,285	0%	1,787,207	0%	1,799,400	0%
Asset Quality Measures:								
Provision % Avg. Loans	-0.02%		0.10%		0.16%		0.22%	
Net Charge-offs % Avg. Loans	-0.03%		0.00%		0.08%		0.13%	
Loss Reserve % Loans	1.16%		1.09%		1.13%		1.17%	
Loss Reserve % Noncurrent Lns	231%		485%		262%		286%	
Nonperforming Asset Ratio (%)	0.59%		0.22%		0.43%		0.41%	
Noncurrent Asset Ratio (%)	0.59%		0.22%		0.43%		0.41%	
Capital & Leverage Measures:								
Total Equity % Assets	7.1%		7.1%		7.3%		7.5%	
Tangible Common Equity % Assets	6.2%		6.2%		6.5%		6.7%	
Earnings Retention Ratio (%)	9%		6%		4%		4%	
Avg. Loans % Avg. Erng Assets	60%		64%		68%		71%	

First Community Corp | **Raymond James & Associates**

10/18/2023

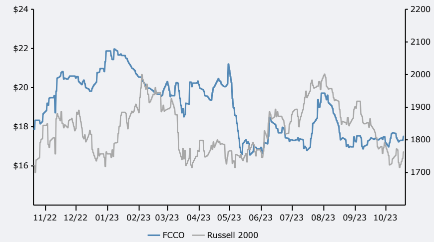
($ in thousands, except as noted)

Steve Moss (202) 872-5931
steve.moss@raymondjames.com

	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Income Statement Summary:												
Net Interest Income (FTE)	12,455	12,213	12,165	12,099	11,727	11,775	12,011	12,071	12,125	12,385	12,765	12,944
Core Non-interest Income:												
Deposit service charges	232	220	240	230	240	240	240	240	240	240	240	240
Mortgage banking	155	371	508	200	200	250	250	200	250	400	400	400
Investment advisory fees and comms.	1,067	1,081	1,187	1,150	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Other income	1,121	1,379	1,132	1,150	1,100	1,150	1,200	1,200	1,200	1,300	1,300	1,300
Subtotal Core	2,575	3,051	3,067	2,730	2,740	2,840	2,890	2,840	2,890	3,140	3,140	3,140
Nonrecurring Income	0	0	(1,203)	0	0	0	0	0	0	0	0	0
Total Non-interest Income	2,575	3,051	1,864	2,730	2,740	2,840	2,890	2,840	2,890	3,140	3,140	3,140
Operating Revenue (FTE)	14,932	15,188	13,967	14,708	14,350	14,497	14,781	14,790	14,893	15,402	15,778	15,954
Non-interest Expense:												
Salaries and employee benefits	6,331	6,508	6,613	6,600	6,553	6,736	6,844	6,831	6,749	6,938	7,050	7,036
Occupancy	830	813	776	850	850	850	850	850	900	900	900	900
Equipment	336	377	416	375	375	375	400	400	400	400	400	400
Marketing and PR	346	370	609	400	400	425	425	400	400	450	450	450
FDIC assessment	182	221	211	210	220	220	230	230	240	240	250	250
OREO	(133)	(30)	21	50	50	50	50	50	50	50	50	50
Amortization of intangibles	39	40	39	40	39	39	39	39	39	39	39	39
Other expenses	2,505	2,456	2,588	2,400	2,500	2,500	2,500	2,600	2,600	2,700	2,700	2,700
Core Expenses	10,436	10,755	11,273	10,925	10,987	11,195	11,338	11,400	11,378	11,717	11,839	11,825
Nonrecurring Expense	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-interest Expense	10,436	10,755	11,273	10,925	10,987	11,195	11,338	11,400	11,378	11,717	11,839	11,825
Pre-tax Pre-Provision Earnings	4,594	4,509	3,959	3,904	3,481	3,420	3,563	3,511	3,636	3,809	4,066	4,259
Subtract Loan Loss Provision	70	186	474	323	396	403	530	536	536	573	763	790
Add Net Nonrecurring Gains(Charges)	0	0	1,203	0	0	0	0	0	0	0	0	0
Reported Pretax FTE Income	4,426	4,247	2,220	3,460	2,968	2,899	2,913	2,854	2,979	3,112	3,176	3,339
FTE Tax Rate (reported)	22%	22%	21%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Reported Net Income	3,463	3,327	1,756	2,716	2,330	2,276	2,287	2,241	2,338	2,443	2,493	2,622
Normalized Net Income	3,463	3,327	2,706	2,716	2,330	2,276	2,287	2,241	2,338	2,443	2,493	2,622
Per Share Data:												
Diluted EPS - Reported	**0.45**	**0.43**	**0.23**	**0.36**	**0.31**	**0.30**	**0.30**	**0.29**	**0.31**	**0.32**	**0.33**	**0.34**
Diluted EPS - Core	**0.45**	**0.43**	**0.35**	**0.36**	**0.31**	**0.30**	**0.30**	**0.29**	**0.31**	**0.32**	**0.33**	**0.34**
Dividends	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Payout ratio	31%	32%	61%	39%	46%	47%	47%	48%	46%	44%	43%	41%
Book Value	16.29	16.35	16.26	16.48	16.65	16.81	16.97	17.13	17.29	17.48	17.67	17.87
Tangible Book Value	14.26	14.33	14.25	14.48	14.65	14.81	14.98	15.14	15.31	15.50	15.70	15.91
Avg. F.D. Shares Outstanding (000s)	7,644	7,655	7,655	7,610	7,610	7,610	7,610	7,610	7,610	7,610	7,610	7,610
Profitability Measures:												
Return on Assets (Reported)	0.83%	0.77%	0.40%	0.61%	0.53%	0.51%	0.51%	0.50%	0.53%	0.55%	0.55%	0.57%
Return on Assets (Normalized)	0.83%	0.77%	0.40%	0.61%	0.53%	0.51%	0.51%	0.50%	0.53%	0.55%	0.55%	0.57%
Return on Common Equity (Norm.)	11.61%	10.77%	5.62%	8.66%	7.50%	7.18%	7.07%	6.86%	7.25%	7.41%	7.41%	7.70%
Net Interest Margin	3.19%	3.02%	2.96%	2.91%	2.87%	2.84%	2.86%	2.88%	2.95%	2.98%	3.02%	3.05%
Efficiency Ratio	69%	70%	80%	74%	76%	77%	76%	76%	76%	75%	74%	74%
Fee Income % Revenues	17%	20%	13%	18%	19%	19%	19%	19%	19%	20%	20%	20%
Balance Sheet												
EOP Loans	992,720	1,032,165	1,091,645	1,111,295	1,124,630	1,138,126	1,149,507	1,161,002	1,172,612	1,186,683	1,203,297	1,221,346
Average Loans	986,500	1,017,215	1,065,698	1,101,470	1,117,962	1,131,378	1,143,816	1,155,254	1,166,807	1,179,648	1,194,990	1,212,322
Average Earning Assets	1,581,752	1,622,420	1,628,260	1,651,470	1,657,962	1,661,378	1,663,816	1,665,254	1,666,807	1,669,648	1,674,990	1,682,322
Average Total Assets	1,695,654	1,737,044	1,744,670	1,775,774	1,782,755	1,786,428	1,789,050	1,790,596	1,792,266	1,795,320	1,801,065	1,808,948
Asset Quality Measures:												
Provision % Avg. Loans	0.03%	0.07%	0.18%	0.12%	0.14%	0.14%	0.18%	0.18%	0.19%	0.19%	0.25%	0.26%
Net Charge-offs % Avg. Loans	-0.01%	0.00%	0.00%	0.01%	0.05%	0.05%	0.10%	0.10%	0.10%	0.10%	0.15%	0.15%
Loss Reserve % Loans	1.15%	1.12%	1.08%	1.09%	1.10%	1.11%	1.12%	1.13%	1.14%	1.15%	1.16%	1.17%
Loss Reserve % Noncurrent Lns	277%	13743%	17639%	485%	412%	253%	257%	262%	446%	273%	279%	286%
Nonperforming Asset Ratio (%)	0.51%	0.10%	0.07%	0.22%	0.27%	0.44%	0.43%	0.43%	0.26%	0.42%	0.42%	0.41%
Noncurrent Asset Ratio (%)	0.51%	0.10%	0.07%	0.22%	0.27%	0.44%	0.43%	0.43%	0.26%	0.42%	0.42%	0.41%
Capital & Leverage Measures:												
Total Equity % Assets	7.1%	7.1%	6.9%	7.1%	7.1%	7.2%	7.2%	7.3%	7.3%	7.4%	7.5%	7.5%
Tangible Common Equity % Assets	6.3%	6.3%	6.1%	6.2%	6.3%	6.4%	6.4%	6.5%	6.5%	6.6%	6.7%	6.7%
Earnings Retention Ratio (%)	8%	7%	2%	5%	4%	4%	4%	4%	4%	4%	4%	5%
Avg. Loans % Avg. Erng Assets	62%	63%	65%	67%	67%	68%	69%	69%	70%	71%	71%	72%

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a $1.7 billion asset bank that operates 22 branches, primarily in the midlands region of the state, with a growing presence in Greenville and eastern Georgia.



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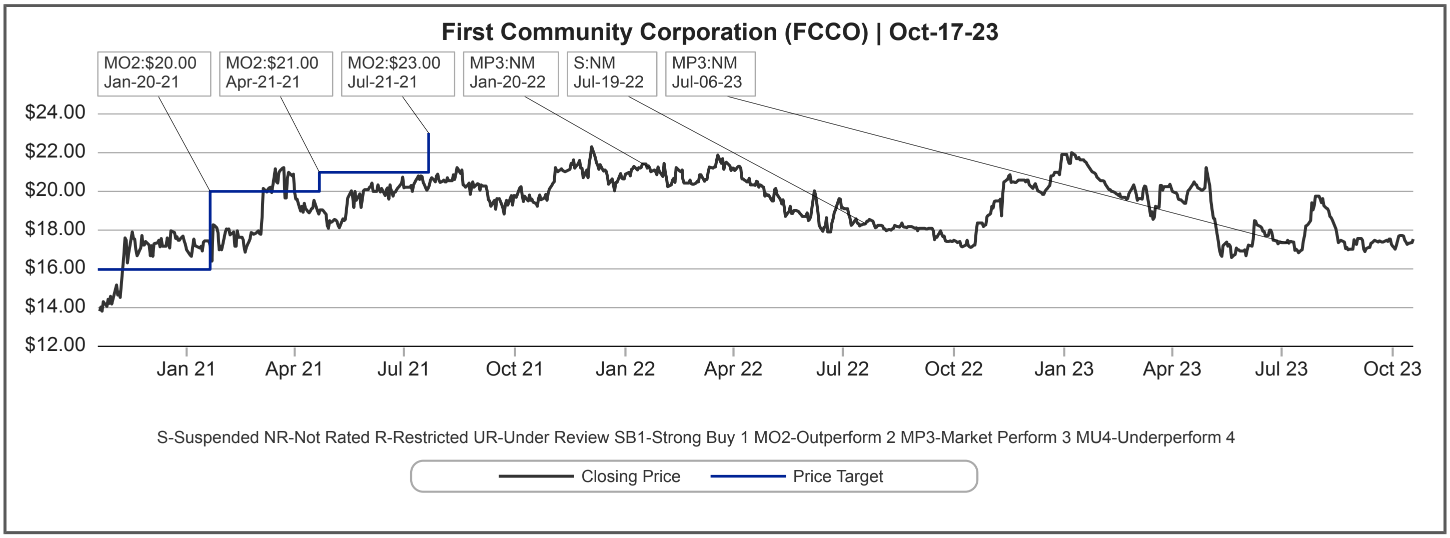

Valuation Methodology

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: 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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Company Name	Disclosure
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Market Perform (Hold)	362	39%	47	20%	29	8%	6	13%
Underperform (Sell)	20	2%	2	1%	0	0%	0	0%
Total Number of Companies	934	100%	231	100%	108		45	

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

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

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