FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

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JULY 19, 2023 | 2:15 PM EDT
COMPANY COMMENT

Swap Transaction Tempers NIM Pressure; Reiterate Market Perform

RECOMMENDATION

FCCO reported better than expected results as NIM pressure moderated due to an interest rate swap that was added in May 2023. The quarter was also marked by stronger than expected loan growth, reflective of the bank's strong markets, and relatively stable average non-interest bearing deposits, which represented 32% of average deposits. With the stock at 1.2x TBV, a strong capital position, and greater comfort in the outlook given an improved interest rate position due to the swap, the stock may be attractive for those investors with a longer-term view. Our **Market Perform** rating reflects our near-term concerns regarding interest rate uncertainty and the risk to profitability.

- **FCCO reported 2Q23 results of $0.43**, eight cents ahead of our estimate and four cents ahead of consensus. We include $0.02 of gains from OREO, BOLI, and insurance proceeds in our core EPS number. Results exceeded our estimate due to lower than expected NIM compression and higher loan balances.
- **Interest rate swap support NIM.** FCCO's NIM declined 17 bps LQ to 3.02%, 9 bps ahead of our estimate of 2.93%. NIM was supported by an interest rate swap (pay 3.58%, receive overnight SOFR) that benefited NII by $336K and the NIM by 8 bps. The 3-year interest rate swap was effective on May 5, 2023, (~2/3 benefit in Q1), and We estimate the swap will support loan yields by an incremental 9 bps in 3Q23. Accordingly, NIM pressure should moderate further due to the swap. Additionally, FCCO noted that pricing on new originations had improved to the high 6s to low 7s, which should also temper NIM pressure in future periods. FCCO has a granular deposit base with an average customer deposit of $28K ($15K consumer, $62K non-consumer), which should support a lower deposit beta relative to other banks. FCCO's cumulative interest bearing deposit beta was 26% through 2Q23. We model a 2.87% NIM by 4Q23.
- **Loans grow more than expected.** Loans increased 4% LQ, versus our up 1.2% estimate, driven by commercial loan growth as commercial production increased to $46.4M for 2Q23, versus $25.7M for 1Q23. Additionally, commercial construction draws increased to $30.8M for 2Q23, versus $20.9M for 1Q23, which supported an ~11% increase in construction loan balances to $94M, or 9% of loans. FCCO continues to see good opportunities for new production and believes that mid-to-high single digit loan growth for 2H23 is likely. We conservatively model 6% annualized growth for 2H23.
- **Credit, capital, and expenses detailed here.**
- **We raise our 2023 and 2024 EPS estimates** to $1.58 and $1.20 from $1.30 and $0.90 to reflect greater benefits from the swap transaction and greater than expected loan growth.

VALUATION

FCCO trades at 11.3x our 2023 EPS estimate versus small cap peers at 9.7x. FCCO shares trade at 1.2x TBV, in-line with small cap peers. We believe FCCO should trade at a modest premium to peers given its South Carolina franchise, strong core deposit base, and asset quality.

Market Perform 3
Target Price NM

Suitability	MA/ACC

MARKET DATA

Current Price (Jul-19-23)	$17.90
Market Cap (mln)	$136
Current Net Debt (mln)	$150
Enterprise Value (mln)	$286
Shares Outstanding (mln)	7.6
30-Day Avg. Daily Value (mln)	$0.9
Dividend	$0.56
Dividend Yield	3.1%
52-Week Range	$16.30 - $22.25
BVPS	$16.35
Tangible BVPS	$14.33
ROE	10.8%
ROAE	10.8%
ROTE	12.3%

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2022A	0.46	0.42	0.52	0.54
2023E	0.45	0.35	0.27	0.23
new	**0.45 A**	**0.43 A**	**0.37**	**0.32**
2024E	0.21	0.23	0.23	0.23
new	**0.29**	**0.29**	**0.30**	**0.32**

	2022A	2023E	2024E
Non-GAAP EPS ($, Dec FY)			
old	1.93	1.30	0.90
new	**1.93**	**1.58**	**1.20**
P/E (Non-GAAP)			
	9.3x	11.3x	15.0x
GAAP EPS ($, Dec FY)			
old	1.92	1.30	0.90
new	**1.92**	**1.58**	**1.20**
Revenue (mln) ($, Dec FY)			
old	60	56	53
new	**60**	**59**	**57**

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.

- **Resolution of large NPA improves credit quality**. NPAs decreased 41bps LQ to 10 bps, as a $3.9M nonperforming mortgage loan was resolved through the foreclosure process and resulted in a $105K gain to the bank. Due to the resolution of the problem credit, criticized loans declined to just $1.9M, or 18 bps as of June 30, 2023, and the LLR ratio decreased 3 bps LQ to 1.12%. FCCO disclosed that the office portfolio accounts for 6.3% of total loans with an average loan size of $695K. The weighted average LTV of its top 10 office loans was 62% as of June 30, 2023. FCCO only has four office loans with rentable office space of over 50K square feet with a total balance of $10.5M and a weighted average LTV of 37%. We expect credit costs will remain low and conservatively model a slight uptick in the LLR ratio to 1.14% by YE23.
- **Capital remains strong.** FCCOs TCE/TA ratio was unchanged at 6.3% as of June 30, 2023, and regulatory capital ratios remain strong. FCCO has ample capital to support a balance sheet restructuring should management seek to eliminate $95M borrowings. Assuming a 200-250 bps negative carry, a restructuring would benefit annual EPS by $0.20-0.25, all else equal. We model a TCE/TA ratio of 6.5% by YE23.
- **Expenses remain well-controlled.** Total expenses increased 3.1% LQ to $10.8M due to higher mortgage production, and consistent with management's expected range on expenses per quarter between $10.2-10.8M. We model $10.8M/quarter for 2H23.

FCCO 2Q23 - Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Street High	Street Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.43	$0.35	$0.08	$0.39	$0.05	$0.41	$0.35	5
Book value per share	16.35	16.50	-0.15	16.54	-0.19	16.56	16.50	4
Tangible book value	14.33	14.48	-0.15	14.56	-0.23	14.66	14.50	4
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	7.6	7.6	5
INCOME STATEMENT								
Net interest income (FTE)	12.2	11.5	0.7	12.0	0.2	12.4	11.5	5
Loan loss provision	0.2	0.1	0.1	0.2	0.0	0.5	0.1	5
Core fee income	3.1	2.7	0.3	2.7	0.3	2.9	2.7	5
Revenue (FTE)	15.2	14.1	1.0	14.7	0.5	15.3	14.2	4
Core expenses	10.8	10.6	0.1	10.7	0.1	10.9	10.6	5
Pre-Provision Net Revenue (PPNR)	4.5	3.6	0.9	4.0	0.5	-	-	-
Pre-tax income	4.2	3.4	0.8	3.8	0.5	4.0	3.4	5
Taxes	0.9	0.7	0.2	0.8	0.1	0.9	0.8	4
Core net income	3.3	2.7	0.7	3.0	0.4	3.2	2.7	5
BALANCE SHEET								
Loans (EOP)	1,032	1,005	28	1,004	28	1,006	1,002	4
Average Loans	1,017	999	19	999	18	1,000	998	4
Deposits (EOP)	1,421	1,422	-1	1,431	-10	1,438	1,420	3
Average Deposits	1,409	1,383	26	1,422	-13	1,429	1,411	3
Average Earning Assets	1,622	1,579	44	1,598	24	1,621	1,579	4
Total Assets	1,741	1,698	43	1,740	1	1,755	1,731	3
ASSET QUALITY								
Non-performing Loans	0.1	0.0	0.1	4.1	-4.0	4.1	4.1	1
Non-performing Assets	1.0	2.0	-1.0	5.1	-4.1	5.1	5.1	3
Net charge-offs	0.0	0.0	0.0	0.2	-0.2	0.3	0.1	2
Net charge-offs / Avg. loans	0.00%	0.00%	0.00%	0.04%	-0.04%	0.12%	0.00%	4
FINANCIAL RATIOS								
Net interest margin (NIM)	3.02%	2.93%	9 bp	3.00%	2 bp	3.17%	2.93%	5
Efficiency ratio	70.5%	74.4%	-398 bp	72.3%	-185 bp	74.0%	69.4%	5
ROA	0.77%	0.63%	14 bp	0.7%	6 bp	0.73%	0.66%	4
ROE	10.8%	8.6%	217 bp	9.9%	92 bp	10.4%	9.1%	4
ROTE	12.3%	9.8%	249 bp	11.1%	117 bp	11.5%	10.4%	4

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

FCCO 2Q23 - Summary Results

	2Q23	RJ 2Q23E	dif (+/-)	1Q23	Q/Q	2Q22	Y/Y
PER SHARE DATA							
Operating EPS	$0.43	$0.35	$0.08	$0.45	-$0.02	$0.42	$0.02
Reported EPS (GAAP)	0.43	0.35	0.08	0.45	-0.02	0.41	0.02
Book value per share	16.35	16.50	-0.15	16.29	0.06	15.54	0.81
Tangible book value	14.33	14.48	-0.15	14.26	0.07	13.50	0.84
Dividends per share	0.14	0.14	0.00	0.14	0.00	0.13	0.01
Avg. fully diluted shares (mil.)	7.65	7.6	0.1	7.64	0.0	7.6	0.0
INCOME STATEMENT							
Net interest income (FTE)	12.2	11.5	0.7	12.5	-0.2	11.2	1.0
Loan loss provision	0.2	0.1	0.1	0.1	0.1	-0.1	0.3
Core fee income	3.1	2.7	0.3	2.6	0.5	3.0	0.0
Revenue (FTE)	15.2	14.1	1.0	14.9	0.3	14.1	1.1
Core expenses	10.8	10.6	0.1	10.4	0.3	10.2	0.6
Pre-Provision Net Revenue (PPNR)	4.5	3.6	0.9	4.6	-0.1	4.0	0.5
Pre-tax income	4.2	3.4	0.8	4.4	-0.2	3.9	0.3
Taxes	0.9	0.7	0.2	1.0	0.0	0.8	0.1
Core net income	3.3	2.7	0.7	3.5	-0.1	3.2	0.2
BALANCE SHEET							
Assets	1,741	1,698	43	1,735	6	1,685	56
Loans (EOP)	1,032	1,005	28	993	39	916	116
Average Loans	1,017	999	19	987	31	897	121
Deposits (EOP)	1,421	1,422	-1	1,420	1	1,469	-48
Average Deposits	1,409	1,383	26	1,382	27	1,428	-19
Average Earning Assets	1,622	1,579	44	1,582	41	1,530	93
Total equity	124	125	-1	124	1	118	7
FINANCIAL RATIOS							
Net interest margin (NIM)	3.02%	2.93%	9 bp	3.19%	-17 bp	2.93%	9 bp
Core efficiency ratio	70.5%	74.4%	-398 bp	69.4%	103 bp	71.6%	-114 bp
TCE Ratio	6.3%	6.5%	-22 bp	6.3%	2 bp	6.1%	19 bp
LLR / Total loans	1.12%	1.15%	-3 bp	1.15%	-3 bp	1.22%	-10 bp
Net charge-offs / Avg. loans	0.00%	0.00%	0 bp	-0.01%	1 bp	-0.10%	10 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	2Q23	1Q23	4Q22	3Q22	2Q22	% Chg. 2Q23 / 1Q23	% Chg. 2Q23 / 2Q22
FTE Net Interest Income	**80%**	**$12.2**	**$12.5**	**$13.5**	**$12.9**	**$11.2**	**-2.0%**	**9.2%**
Net Interest Margin		*3.02%*	*3.19%*	*3.42%*	*3.29%*	*2.93%*	*-17 bps*	*-23 bps*
Deposit service charges	1%	$0.2	$0.2	$0.2	$0.2	$0.3	-5.2%	-16.0%
Mortgage banking	2%	$0.4	$0.2	$0.3	$0.3	$0.5	139.4%	-22.9%
Investment advisory fees and non-deposit commissions	7%	$1.1	$1.1	$1.0	$1.1	$1.2	1.3%	-9.5%
Other Income	9%	$1.4	$1.1	$1.1	$1.1	$1.1	23.0%	24.1%
Noninterest Income	**20%**	**$3.1**	**$2.6**	**$2.6**	**$2.7**	**$3.0**	**18.5%**	**0.1%**
Total Operating Revenue		**$15.3**	**$15.0**	**$16.1**	**$15.6**	**$14.2**	**1.6%**	**7.3%**
Salaries and employee benefits	61%	$6.5	$6.3	$6.7	$6.4	$6.2	2.8%	5.4%
Occupancy	8%	$0.8	$0.8	$0.7	$0.8	$0.8	-2.0%	3.4%
Equipment	4%	$0.4	$0.3	$0.4	$0.3	$0.3	12.2%	14.6%
Marketing and PR	3%	$0.4	$0.3	$0.3	$0.2	$0.4	6.9%	-17.0%
FDIC assessment	2%	$0.2	$0.2	$0.1	$0.1	$0.1	21.4%	110.5%
OREO	0%	($0.0)	($0.1)	$0.2	$0.0	$0.0	NM	NM
Amortization of intangibles	0%	$0.0	$0.0	$0.0	$0.0	$0.0	2.6%	0.0%
Other Expenses	23%	$2.5	$2.5	$2.3	$2.6	$2.3	-2.0%	7.8%
Noninterest Expenses		**$10.8**	**$10.4**	**$10.7**	**$10.4**	**$10.2**	**3.1%**	**5.6%**
Efficiency ratio		*70.5%*	*69.4%*	*66.5%*	*66.8%*	*71.6%*	*103 bps*	*290 bps*
Pretax Pre-Provision Income		**$4.5**	**$4.6**	**$5.3**	**$5.2**	**$4.0**	**-1.9%**	**12.7%**

Source: Company reports, Raymond James research

Five-Quarter Snapshot: Credit Quality ($ millions)

	2Q23	1Q23	4Q22	3Q22	2Q22	% Chg. 2Q23 / 1Q23	% Chg. 2Q23 / 2Q22
Loan loss provision	$0.2	$0.1	$0.0	$0.0	($0.1)	165.7%	NM
Net Charge-Offs	$0.0	($0.0)	$0.0	($0.1)	($0.2)	NM	NM
Provisions - NCOs	$0.2	$0.1	$0.0	$0.1	$0.2	109.5%	12.1%
Allowance for Loan Losses	$12	$11	$11	$11	$11	1.1%	2.9%
Nonperforming loans	$0	$4	$5	$5	$4	-98.0%	-98.1%
Other real estate owned	($0)	($0)	$0	$0	$0	NM	NM
Total nonperforming assets	$1	$5	$6	$6	$5	-80.0%	-81.1%
NPAs / Loans + OREO	0.1%	0.5%	0.6%	0.6%	0.6%	-41 bps	-8 bps
Net charge-offs / Avg. loans	0.0%	0.0%	0.0%	0.0%	-0.1%	1 bps	-1 bps
Provision / Avg. loans	0.1%	0.0%	0.0%	0.0%	0.0%	4 bps	2 bps
LLR / Total loans	1.1%	1.2%	1.2%	1.2%	1.2%	-3 bps	-1 bps
LLR / Nonperforming loans	13742.9%	276.8%	231.4%	229.3%	257.9%	1346608 bps	4539 bps

Source: Company reports, Raymond James research

First Community Corp 7/19/2023 ($ in thousands, except as noted)								Raymond James & Associates Steve Moss (202) 872-5931 steve.moss@raymondjames.com
	2021	% Chg	2022	% Chg	2023E	% Chg	2024E	% Chg
Income Statement Summary:								
Net Interest Income (FTE)	45,777	13%	48,455	6%	48,309	0%	46,113	-5%
Core Non-interest Income:								
Deposit service charges	977	-13%	960	-2%	912	-5%	960	5%
Mortgage banking	4,319	-22%	1,900	-56%	926	-51%	1,000	8%
Invstmnt. advis. fees/non-deposit comms.	3,995	47%	4,479	12%	4,448	-1%	4,800	8%
Other income	4,249	11%	4,342	2%	4,800	11%	4,800	0%
Subtotal Core	13,540	2%	11,681	-14%	11,086	-5%	11,560	4%
Market Sensitive Non-interest Income:								
Nonrecurring Income	364	-35%	-112	-131%	0	-100%	0	NM
Total Non-interest Income	13,904	1%	11,569	-17%	11,086	-4%	11,560	4%
Operating Revenue (FTE)	59,183	10%	59,512	1%	58,985	-1%	57,212	-3%
Non-interest Expense:								
Salaries and employee benefits	24,494	2%	25,357	4%	26,039	3%	26,820	3%
Occupancy	2,947	9%	3,002	2%	3,343	11%	3,400	2%
Equipment	1,296	5%	1,343	4%	1,413	5%	1,400	-1%
Marketing and PR	1,173	12%	1,259	7%	1,316	5%	1,200	-9%
FDIC assessment	618	53%	468	-24%	763	63%	800	5%
OREO	105	-48%	308	193%	-63	-120%	200	-417%
Amortization of intangibles	201	-45%	158	-21%	158	0%	156	-1%
Other expenses	8,367	11%	9,358	12%	9,761	4%	9,900	1%
Core Expenses	39,201	4%	41,253	5%	42,730	4%	43,876	3%
Nonrecurring Expense	0	NM	0	NM	0	NM	0	NM
Total Non-interest Expense	39,201	4%	41,253	5%	42,730	4%	43,876	3%
Pre-tax Pre-Provision Earnings	20,480	23%	18,771	-8%	16,665	-11%	13,797	-17%
Subtract Loan Loss Provision	335	-91%	-152	-145%	887	-684%	1,753	98%
Add Net Nonrecurring Gains(Charges)	-364	-35%	112	-131%	0	-100%	0	NM
Reported Pretax FTE Income	19,647	56%	18,411	-6%	15,368	-17%	11,583	-25%
FTE Tax Rate (reported)	21%		21%		22%		22%	
Reported Net Income	15,465	53%	14,613	-6%	12,046	-18%	9,092	-25%
Normalized Net Income	15,177	57%	14,701	-3%	12,046	-18%	9,092	-25%
Per Share Data:								
Diluted EPS - Reported	**2.05**	**52%**	**1.92**	**-7%**	**1.58**	**-18%**	**1.20**	**-24%**
Diluted EPS - Core	**2.02**	**52%**	**1.93**	**-7%**	**1.58**	**-18%**	**1.20**	**-24%**
Dividends	0.49	2%	0.52	6%	0.56	8%	0.56	0%
Payout ratio	24%		27%		35%		47%	
Book Value	18.68	3%	15.62	-16%	16.76	7%	17.40	4%
Tangible Book Value	16.62	3%	13.59	-18%	14.76	9%	15.42	4%
Avg. F.D. Shares Outstanding (000s)	7,527	1%	7,607	1%	7,627	0%	7,604	0%
Profitability Measures:								
Return on Assets (Reported)	1.02%		0.88%		0.70%		0.52%	
Return on Assets (Normalized)	1.02%		0.88%		0.70%		0.52%	
Return on Common Equity (Norm.)	11.28%		12.01%		9.71%		7.01%	
Net Interest Margin	3.23%		3.14%		3.00%		2.83%	
Efficiency Ratio	66%		69%		72%		76%	
Fee Income % Revenues	23%		19%		19%		20%	
Balance Sheet								
EOP Loans	863,702	2%	980,857	14%	1,063,353	8%	1,106,529	4%
Average Loans	888,976	6%	920,075	3%	1,024,006	11%	1,084,807	6%
Average Earning Assets	1,418,689	18%	1,541,209	9%	1,612,870	5%	1,627,307	1%
Average Total Assets	1,519,861	0%	1,652,755	0%	1,731,107	0%	1,749,792	0%
Asset Quality Measures:								
Provision % Avg. Loans	0.04%		-0.02%		0.09%		0.16%	
Net Charge-offs % Avg. Loans	-0.05%		-0.03%		0.00%		0.08%	
Loss Reserve % Loans	1.29%		1.16%		1.14%		1.18%	
Loss Reserve % Noncurrent Lns	4472%		231%		485%		261%	
Nonperforming Asset Ratio (%)	0.16%		0.59%		0.24%		0.45%	
Noncurrent Asset Ratio (%)	0.16%		0.59%		0.24%		0.45%	
Capital & Leverage Measures:								
Total Equity % Assets	8.9%		7.1%		7.3%		7.5%	
Tangible Common Equity % Assets	8.0%		6.2%		6.5%		6.7%	
Earnings Retention Ratio (%)	9%		9%		6%		4%	
Avg. Loans % Avg. Erng Assets	63%		60%		63%		67%	

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	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Income Statement Summary:												
Net Interest Income (FTE)	10,864	11,180	12,924	13,486	12,455	12,213	11,896	11,746	11,269	11,337	11,690	11,818
Core Non-interest Income:												
Deposit service charges	265	262	243	190	232	220	230	230	240	240	240	240
Mortgage banking	839	481	290	290	155	371	200	200	250	250	250	250
Invstmnt. advis. fees/non-deposit comms.	1,198	1,195	1,053	1,033	1,067	1,081	1,150	1,150	1,200	1,200	1,200	1,200
Other income	1,068	1,111	1,087	1,076	1,121	1,379	1,150	1,150	1,200	1,200	1,200	1,200
Subtotal Core	3,370	3,049	2,673	2,589	2,575	3,051	2,730	2,730	2,890	2,890	2,890	2,890
Market Sensitive Non-interest Income:												
Nonrecurring Income	4	-40	0	-76	0	0	0	0	0	0	0	0
Total Non-interest Income	3,374	3,009	2,673	2,513	2,575	3,051	2,730	2,730	2,890	2,890	2,890	2,890
Operating Revenue (FTE)	14,107	14,060	15,467	15,878	14,932	15,188	14,507	14,358	14,046	14,114	14,463	14,590
Non-interest Expense:												
Salaries and employee benefits	6,119	6,175	6,373	6,690	6,331	6,508	6,600	6,600	6,521	6,703	6,798	6,798
Occupancy	705	786	786	725	830	813	850	850	850	850	850	850
Equipment	332	329	331	351	336	377	350	350	350	350	350	350
Marketing and PR	361	446	163	289	346	370	200	400	300	300	300	300
FDIC assessment	130	105	121	112	182	221	180	180	200	200	200	200
OREO	47	29	19	213	-133	-30	50	50	50	50	50	50
Amortization of intangibles	39	40	39	40	39	40	39	40	39	39	39	39
Other expenses	2,221	2,278	2,585	2,274	2,505	2,456	2,400	2,400	2,600	2,400	2,500	2,400
Core Expenses	9,954	10,188	10,417	10,694	10,436	10,755	10,669	10,870	10,910	10,892	11,087	10,987
Nonrecurring Expense	0	0	0	0	0	0	0	0	0	0	0	0
Total Non-interest Expense	9,954	10,188	10,417	10,694	10,436	10,755	10,669	10,870	10,910	10,892	11,087	10,987
Pre-tax Pre-Provision Earnings	4,284	4,001	5,180	5,305	4,594	4,509	3,957	3,606	3,249	3,335	3,493	3,721
Subtract Loan Loss Provision	-125	-70	18	25	70	186	286	345	360	367	510	516
Add Net Nonrecurring Gains(Charges)	-4	40	0	76	0	0	0	0	0	0	0	0
Reported Pretax FTE Income	4,278	3,942	5,032	5,159	4,426	4,247	3,552	3,143	2,776	2,855	2,866	3,086
FTE Tax Rate (reported)	18%	21%	21%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Reported Net Income	3,489	3,130	3,951	4,043	3,463	3,327	2,789	2,467	2,179	2,241	2,250	2,423
Normalized Net Income	3,486	3,162	3,951	4,103	3,463	3,327	2,789	2,467	2,179	2,241	2,250	2,423
Per Share Data:												
Diluted EPS - Reported	**0.46**	**0.41**	**0.52**	**0.53**	**0.45**	**0.43**	**0.37**	**0.32**	**0.29**	**0.29**	**0.30**	**0.32**
Diluted EPS - Core	**0.46**	**0.42**	**0.52**	**0.54**	**0.45**	**0.43**	**0.37**	**0.32**	**0.29**	**0.29**	**0.30**	**0.32**
Dividends	0.13	0.13	0.13	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Payout ratio	28%	32%	25%	25%	31%	32%	38%	43%	49%	47%	47%	44%
Book Value	16.59	15.54	15.07	15.62	16.29	16.35	16.58	16.76	16.91	17.07	17.22	17.40
Tangible Book Value	14.53	13.50	13.03	13.59	14.26	14.33	14.56	14.76	14.91	15.07	15.23	15.42
Avg. F.D. Shares Outstanding (000s)	7,595	7,607	7,608	7,620	7,644	7,655	7,604	7,604	7,604	7,604	7,604	7,604
Profitability Measures:												
Return on Assets (Reported)	0.87%	0.76%	0.94%	0.96%	0.83%	0.77%	0.63%	0.56%	0.51%	0.52%	0.51%	0.54%
Return on Assets (Normalized)	0.87%	0.76%	0.94%	0.96%	0.83%	0.77%	0.63%	0.56%	0.51%	0.52%	0.51%	0.54%
Return on Common Equity (Norm.)	10.62%	10.33%	13.53%	13.80%	11.61%	10.77%	8.85%	7.73%	6.91%	6.97%	6.86%	7.31%
Net Interest Margin	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	2.91%	2.87%	2.82%	2.81%	2.84%	2.86%
Efficiency Ratio	70%	72%	67%	67%	69%	70%	73%	75%	77%	77%	76%	75%
Fee Income % Revenues	24%	21%	17%	16%	17%	20%	19%	19%	20%	20%	20%	20%
Balance Sheet												
EOP Loans	875,797	916,332	950,210	980,857	992,720	1,032,165	1,044,551	1,063,353	1,073,986	1,084,726	1,095,574	1,106,529
Average Loans	876,349	896,619	938,318	969,015	986,500	1,017,215	1,038,358	1,053,952	1,068,670	1,079,356	1,090,150	1,101,051
Average Earning Assets	1,515,374	1,529,852	1,556,891	1,562,717	1,581,752	1,622,420	1,623,358	1,623,952	1,618,670	1,619,356	1,630,150	1,641,051
Average Total Assets	1,622,265	1,643,908	1,667,737	1,677,109	1,695,654	1,737,044	1,745,546	1,746,185	1,740,505	1,741,243	1,752,849	1,764,571
Asset Quality Measures:												
Provision % Avg. Loans	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.07%	0.11%	0.13%	0.14%	0.14%	0.19%	0.19%
Net Charge-offs % Avg. Loans	0.00%	-0.10%	-0.03%	0.00%	-0.01%	0.00%	0.01%	0.01%	0.05%	0.05%	0.10%	0.10%
Loss Reserve % Loans	1.26%	1.22%	1.19%	1.16%	1.15%	1.12%	1.13%	1.14%	1.15%	1.16%	1.17%	1.18%
Loss Reserve % Noncurrent Lns	2230%	258%	229%	231%	277%	13743%	590%	485%	412%	252%	256%	261%
Nonperforming Asset Ratio (%)	0.17%	0.58%	0.62%	0.59%	0.51%	0.10%	0.19%	0.24%	0.28%	0.46%	0.46%	0.45%
Noncurrent Asset Ratio (%)	0.19%	0.58%	0.62%	0.59%	0.51%	0.10%	0.19%	0.24%	0.28%	0.46%	0.46%	0.45%
Capital & Leverage Measures:												
Total Equity % Assets	7.6%	7.0%	6.9%	7.1%	7.1%	7.1%	7.2%	7.3%	7.4%	7.4%	7.5%	7.5%
Tangible Common Equity % Assets	6.7%	6.1%	6.0%	6.2%	6.3%	6.3%	6.4%	6.5%	6.6%	6.6%	6.7%	6.7%
Earnings Retention Ratio (%)	8%	7%	10%	10%	8%	7%	5%	4%	4%	4%	4%	4%
Avg. Loans % Avg. Erng Assets	58%	59%	60%	62%	62%	63%	64%	65%	66%	67%	67%	67%

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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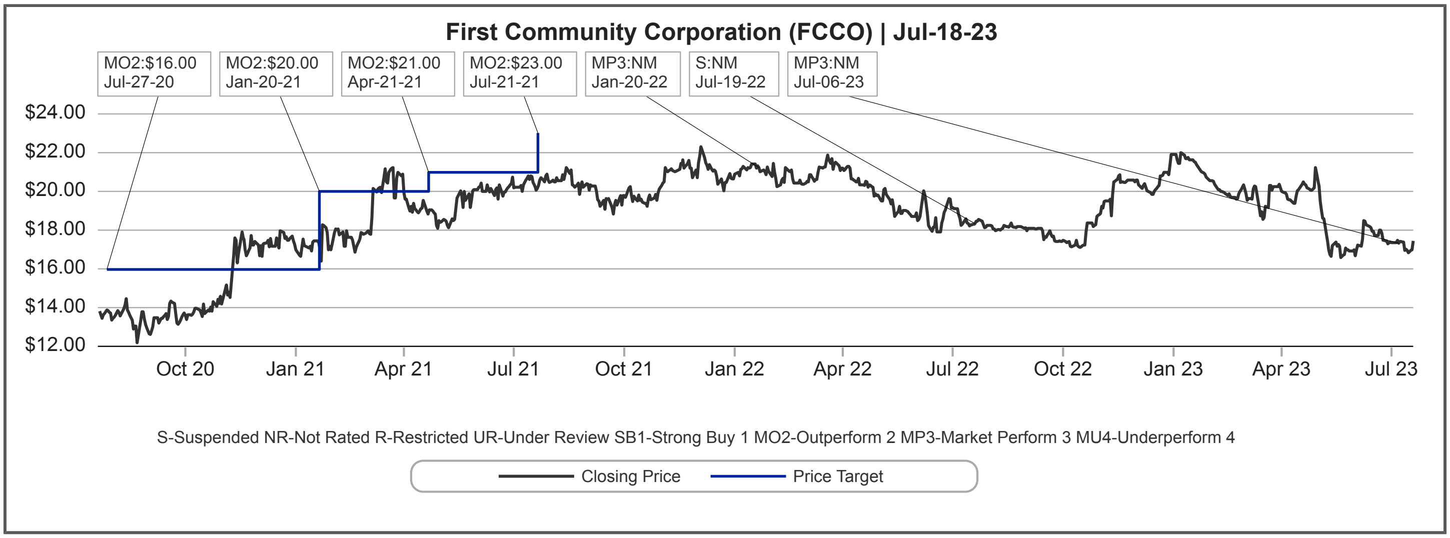

Valuation Methodology

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.
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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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	RJA		RJL		RJA		RJL	
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Underperform (Sell)	21	2%	2	1%	0	0%	0	0%
Total Number of Companies	962	100%	250	100%	111		46	

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

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