RESEARCH BRIEF

Stephens

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Brody Preston, CFA, Analyst
207-808-5900, brody.preston@stephens.com

Matt Breese, Analyst

Changes	**Previous**	**Current**
Rating	--	Equal-Weight
Target Price	--	$19.00

Price:	$17.01
Fully Diluted Shares Out (mil.):	7.49
52-Week High:	$21.27
52-Week Low:	$12.13
Market Cap (mil.):	$127.5
Fiscal Year End:	Dec
Average Daily Volume:	10,906
Float:	94.7%
Tangible Book Value/Share:	$16.16
Dividend/Yield:	$0.48/2.8%
Book Value/Shr:	$18.18

EPS	2020	2021E	2022E
Mar	$0.24A	$0.39	$0.28
Prev.	--	*$0.35*	--
Jun	$0.30A	$0.34	$0.33
Prev.	--	*$0.32*	*$0.32*
Sep	$0.35A	$0.32	$0.39
Prev.	--	*$0.30*	*$0.34*
Dec	$0.46A	$0.33	$0.40
Prev.	*$0.40*	*$0.29*	*$0.36*
FY	$1.35A	$1.38	$1.40
Prev.	*$1.29*	*$1.26*	*$1.30*
P/E	12.6x	12.3x	12.2x

Oper. EPS	2020	2021E	2022E
Mar	$0.24A	$0.33	$0.28
Prev.	--	*$0.28*	--
Jun	$0.27A	$0.30	$0.33
Prev.	--	*$0.28*	*$0.32*
Sep	$0.28A	$0.32	$0.39
Prev.	--	*$0.29*	*$0.34*
Dec	$0.41A	$0.33	$0.40
Prev.	*$0.36*	*$0.29*	*$0.36*
FY	$1.20A	$1.28	$1.40
Prev.	*$1.15*	*$1.14*	*$1.30*
P/E	14.2x	13.3x	12.2x

First Community Corporation is the holding company for First Community Bank, a full-service community bank based in Lexington, SC that offers deposit and loan products and services, residential mortgage lending and financial planning/investment advisory services for its business and consumer customers, predominantly in the South Carolina market.

First Community Corp.

FCCO – NASDAQ

Equal-Weight
Reason for Report: Estimate Changes, Analysis of Sales/Earnings

Increasing Estimates Following Positive 4Q Results; Maintain EW Rating

INVESTMENT CONCLUSION:
FCCO posted solid 4Q earnings, reporting GAAP EPS of $0.46 and operating EPS of $0.41 excluding PPP, which compares to our estimate of $0.36 and consensus of $0.34. Highlights for the quarter included better-than-anticipated top-line results, with both core NII and fee income beating our estimates. Fee income was bolstered by $1.6 mil. of mortgage banking revenue and continued growth in FCCO's wealth business (AUM +15% Q/Q to ~$500 mil.). Partially offsetting this was elevated expenses of $9.7 mil. (vs. our $9.4 mil. estimate), due to increased salaries and benefits. Looking ahead, given 4Q results we increased our 2021/2022 EPS estimates for FCCO by 8%-12%. That said, we maintained our PT of $19, equaling ~120% of TBVPS, relatively in-line with the implied valuation for our 2022E ROTCE of ~8.0%, and a slight premium to more profitable peers. We remain Equal-Weight.

KEY POINTS:
Increasing Estimates. Following 4Q results, we increased our 2021 and 2022 Op. EPS estimates to $1.28 and $1.40 (from $1.14 and $1.30), respectively. See table at left for GAAP EPS. That said, despite increased estimates, we maintained our PT of $19, equaling ~120% of TBVPS, relatively in-line with the implied valuation for our 2022E ROTCE of ~8.0%, and a slight premium to more profitable peers.

Thesis From Here. FCCO has displayed relative strength in 2020, with high-single-digit core loan growth and solid fee income gains (25% of revenue in 4Q), with 4Q results representing the second quarter in a row that FCCO has beaten our estimates. Additionally, the deposit base remains very strong, with total transaction deposits making up 56% of average deposits and a MRQ cost of deposits of 0.20%. That said, we remain on the sidelines from a rating perspective, as FCCO's efficiency ratio (70% in 2020) remains elevated, and we model ~500bps of deterioration through 2022. As a result, we remain Equal-Weight rated, and would likely need to see something more material on either the expense or revenue side to drive the efficiency ratio lower before we get more positive on the stock.

Key Changes to Model
- **Balance Sheet Growth.** Core loan growth of 0.9% Q/Q during 4Q was slightly lower than our expectations, driving lower gross loan estimates through 2022. That said, securities balances increased by ~$65 mil. in 4Q, as FCCO deployed excess liquidity. As a result, our avg. earning asset outlook increased slightly for 2021, up 1% from our previous estimate.

- **Margin.** The core margin (ex. PPP) equaled 3.28% in 4Q, above our 3.22% estimate, as the company was more proactive in deploying liquidity than we expected. Moving forward, we expect continued declines in earning asset yields, as new origination yields are ~4% (vs. 4.37% in 4Q) and new securities yields are 1.25%-1.50% (vs. 1.98% in 4Q). We expect lower asset yields to only be partially offset by reduced funding costs given FCCO's already low 0.20% cost of deposits (down 3bps Q/Q in 4Q). As a result, we expect the core margin to incrementally compress through 2021 before stabilizing in 2022. Our core margin estimates are 3.25% and 3.22% for 2021 and 2022, respectively.
- **Fee Income.** Fee income of $3.6 mil. was better than our $3.1 mil. estimate due to $1.6 mil. of mortgage banking revenue and continued growth in FCCO's wealth business (AUM +15% Q/Q to ~$500 mil.). Looking ahead, we expect near-term strength in mortgage banking during 1H21 before tapering off through 2022. In addition, we increased our AUM growth estimate for 2021 to ~12%. As a result we increased our fee income estimates by 5%-7% for 2021/2022, and are looking for $13.0 mil. to $13.5 mil. in fee income for both years.
- **Expenses.** Core operating expenses of $9.7 mil. were above our $9.4 mil. estimate driven by increased salaries and benefits expense, which was due to the strong mortgage production. Looking ahead, while there will likely be some puts and takes on various expense line items we generally expect low-single-digit growth in the run rate from here, and are forecasting $40.0 mil. to $41.0 mil. in expenses for 2021 and 2022.
- **Credit.** The LLP came in at $0.3 mil. in 4Q, in-line with our estimate. Additionally, NCOs/Avg. Loans came in at 0.02% vs. our 0.06% estimate. Overall, we tweaked our NCO estimates lower by ~5bps in 2021 and 2022, and as a result decreased our 2021 LLP estimate by 14% to $2.1 mil. In addition, our 2022 LLP was reduced to $0 from $0.4 mil. previously.

Variance Table

First Community Corporation (FCCO)							
$ mil.		2020Q4	4Q20 Estimates			Actual vs.	
		Actual	Stephens	Consensus	Difference	Stephens	Consensus
Per Share	**EPS (Op)**	**$0.41**	**$0.36**	**$0.34**	**7%**	**14%**	**22%**
	REAL EPS	**$0.43**	**$0.38**	**-**	**-**	**13%**	**-**
	TBV Per Share	$16.16	$15.94	$15.89	0%	1%	2%
Income Statement	Net Interest Income	10.7	10.4	10.5	-1%	3%	2%
	Core Net Interest Income	10.7	10.4	-		3%	
	Fee Income (Op)	3.6	3.1	3.3	-5%	15%	10%
	Revenues (Op)	14.3	13.5	13.7	-2%	6%	4%
	Expenses (Op)	9.7	9.4	9.5	-1%	3%	2%
	PPNR	4.6	4.1	4.3	-4%	13%	9%
	Provision	0.3	0.3	1.0	-68%	-15%	-73%
	Net Charge-Offs	0.0	0.1	0.4	-69%	-69%	-91%
	Net Income (Op)	3.0	2.7	2.5	7%	14%	22%
	REAL Earnings	3.2	2.8	-	-	14%	-
Profitability	ROA (Op.)	0.88%	0.77%	0.74%	0.03%	0.11%	0.14%
	ROTCE (Op.)	10.2%	9.0%	-		1.2%	
	NIM	3.31%	3.24%	3.30%	-0.06%	0.07%	0.01%
	Core NIM	3.28%	3.22%	-		0.06%	
	Efficiency Ratio	67.0%	69.1%	68.9%	0.2%	-2.0%	-1.9%
	Tax Rate	21.3%	20.0%	19.9%	0.1%	1.3%	1.3%
Balance Sheet	Avg Earning Assets	1,297	1,289	1,267	2%	1%	2%
	EOP Loans	844	855	855	0%	-1%	-1%
	EOP Deposits	1,189	1,188	1,162	2%	0%	2%
	TCE/TA	8.7%	8.7%	-		0%	
Credit	NPAs/Assets	0.50%	0.26%	-		0.24%	
	NCO/Avg loans	0.02%	0.06%	0.31%	-0.25%	-0.04%	-0.29%
	LLR/Loans	1.30%	1.27%	-		0.02%	

Source: Company data, FactSet Research Systems, S&P Global Market Intelligence, and Stephens Inc.

Estimate Changes

Estimate Changes figures in mil. unless otherwise noted	2021E			2022E		
Category	Previous	Current	Change	Previous	Current	Change
Avg. earning assets	$1,265	$1,283	1%	$1,282	$1,288	0%
Margin	3.24%	3.29%	0.05%	3.15%	3.22%	0.07%
Core Margin	3.19%	3.25%	0.06%	3.14%	3.22%	0.07%
Net interest income	$40.5	$41.9	3%	$39.9	$41.1	3%
Core net interest income	$40.5	$41.9	3%	$39.9	$41.1	3%
Provision	$2.4	$2.1	-14%	$0.4	$0.0	-104%
Net Charge-Offs	$2.7	$2.2	-17%	$0.8	$0.3	-58%
Net Charge-Offs (%)	0.32%	0.27%	-0.05%	0.09%	0.04%	-0.05%
Op. non-interest income	$12.5	$13.4	7%	$12.5	$13.1	5%
Op. non-interest expenses	$39.0	$40.1	3%	$39.8	$41.0	3%
Pre-tax earnings	$11.7	$13.0	11%	$12.1	$13.2	8%
Tax rate	20.0%	20.0%	0.0%	20.0%	20.0%	0.0%
Tax expense	$2.3	$2.6	11%	$2.4	$2.6	8%
Operating net income	$8.5	$9.6	13%	$9.7	$10.5	8%
REAL Earnings	$8.3	$9.5	14%	$9.5	$10.3	9%
Operating EPS	**$1.14**	**$1.28**	**12%**	**$1.30**	**$1.40**	**8%**
REAL EPS	**$1.11**	**$1.27**	**14%**	**$1.27**	**$1.36**	**7%**
EOP loan balances	$856	$847	-1%	$902	$893	-1%
Y/Y loan growth	0.1%	0.3%	0.3%	5.4%	5.4%	0.0%
EOP deposit balances	$1,179	$1,157	-2%	$1,220	$1,184	-3%
Y/Y deposit growth	-0.8%	-2.7%	-2.0%	3.4%	2.3%	-1.1%
EOP tangible book value	$16.74	$17.14	2%	$17.49	$18.00	3%
Y/Y TBV growth	5.0%	6.1%	1.1%	4.5%	5.0%	0.5%
EOP TCE/TA	9.3%	9.4%	0.1%	9.4%	9.7%	0.3%
ROA	0.63%	0.70%	0.07%	0.70%	0.76%	0.06%
ROTCE	7.0%	7.7%	0.8%	7.6%	8.0%	0.5%

Source: Company data and Stephens Inc.

Peer Table

Company Name	Ticker	1/20/21 Price	Market Cap ($M)	Total Assets ($M)	Avg. Daily Volume (000s)	P/E Ratio (1) 2021E	P/E Ratio (1) 2022E	Price/ TBV (%)	Price/1yr Fwd TBV (%)	1yr TBV Growth	Dividend Yield (%)	Dividend Payout (%)	ROA 2021Y	ROA 2022Y	ROE 2021Y	ROE 2022Y
Reliant Bancorp, Inc.	RBNC	$19.91	331	3,045	35	10.6x	9.4x	136	123	10%	2.0	14	1.04	1.10	9.6	10.3
SmartFinancial, Inc.	SMBK	$20.11	304	3,305	34	12.5x	13.0x	112	106	6%	1.0	11	0.68	0.70	5.9	6.0
Colony Bankcorp, Inc.	CBAN	$14.26	135	1,759	10	12.1x	9.2x	111	104	7%	2.8	30	0.66	0.83	7.6	9.4
Southern National Bancorp of Virginia, Inc.	SONA	$12.74	310	3,155	87	12.7x	11.1x	111	105	5%	3.1	26	0.90	0.97	6.7	6.9
National Bankshares, Inc.	NKSH	$32.27	209	1,435	12	15.0x	15.7x	108	104	4%	4.5	0	1.03	0.97	6.8	6.4
First National Corporation	FXNC	$17.56	85	943	4	-	-	104	-	-	2.5	31	-	-	-	-
Select Bancorp, Inc.	SLCT	$9.90	176	1,772	28	19.2x	19.4x	104	97	7%	0.0	0	0.51	0.47	4.1	3.9
Peoples Bancorp of North Carolina, Inc.	PEBK	$23.17	134	1,459	6	-	-	96	-	-	2.6	19	-	-	-	-
Old Point Financial Corporation	OPOF	$19.09	100	1,256	3	-	-	87	-	-	2.5	57	-	-	-	-
Bank of the James Financial Group, Inc.	BOTJ	$12.81	56	849	4	-	-	85	-	-	2.2	21	-	-	-	-
MEAN			**184**	**1,898**	**22**	**13.7x**	**13.0x**	**105**	**106**	**7%**	**2.3**	**21**	**0.80**	**0.84**	**6.8**	**7.1**
MEDIAN			**156**	**1,609**	**11**	**12.6x**	**12.1x**	**106**	**105**	**7%**	**2.5**	**20**	**0.79**	**0.90**	**6.8**	**6.6**
First Community Corporation	**FCCO**	**$17.01**	**127**	**1,395**	**18**	**13.3x**	**12.2x**	**105**	**99**	**6%**	**2.8**	**40**	**0.70**	**0.76**	**6.9**	**7.2**
First Community Corporation - At PT	**FCCO**	**$19.00**	**142**	**1,395**	**18**	**14.8x**	**13.6x**	**118**	**111**	**6%**	**2.5**	**40**	**0.70**	**0.76**	**6.9**	**7.2**

1) Based on FactSet consensus data
2) Excludes jumbo CDs
3) Excludes all CDs

S&P Global Market Intelligence, FactSet Research Systems and Stephens Inc.

Companies Mentioned

Companies Mentioned		
Company Name	Ticker	1/20/2021
Bank of the James Financial Group, Inc.	BOTJ	$12.81
Colony Bankcorp, Inc.	CBAN	$14.26
First Community Corporation	FCCO	$17.01
First National Corporation	FXNC	$17.56
National Bankshares, Inc.	NKSH	$32.27
Old Point Financial Corporation	OPOF	$19.09
Peoples Bancorp of North Carolina, Inc.	PEBK	$23.17
Reliant Bancorp, Inc.	RBNC	$19.91
Select Bancorp, Inc.	SLCT	$9.90
SmartFinancial, Inc.	SMBK	$20.11
Southern National Bancorp of Virginia, Inc.	SONA	$12.74

Source: S&P Global Market Intelligence

First Community Corporation (FCCO) | **Brody Preston; 207.808.5900**

Summary Model

($M)	1Q20A	2Q20A	3Q20A	4Q20A	1Q21E	2Q21E	3Q21E	4Q21E	1Q22E	2Q22E	3Q22E	4Q22E	2019A	2020A	2021E	2022E	YoY Growth / Difference 2020A	2021E	2022E
Income Statement																			
Interest Income	10.7	10.7	11.0	11.4	11.3	11.2	10.9	10.9	10.6	10.7	10.9	10.9	42.6	43.8	44.2	43.2	2.7%	1.1%	-2.5%
Interest Expense	1.3	0.9	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	5.8	3.8	2.4	2.1	-35.0%	-36.4%	-12.4%
Net Interest Income	9.4	9.7	10.2	10.7	10.6	10.6	10.3	10.3	10.1	10.2	10.4	10.4	36.8	40.0	41.9	41.1	8.7%	4.6%	-1.9%
Core Noninterest Income	2.9	3.4	3.3	3.6	3.5	3.4	3.3	3.2	3.1	3.4	3.4	3.2	11.9	13.2	13.4	13.1	11.2%	1.1%	-2.2%
Total Operating Revenue	12.3	13.1	13.5	14.3	14.2	14.0	13.6	13.5	13.2	13.5	13.7	13.7	48.7	53.2	55.2	54.1	9.3%	3.7%	-2.0%
Core Noninterest Expense	9.0	9.1	9.7	9.7	10.0	10.2	10.1	9.9	10.3	10.4	10.2	10.0	34.6	37.5	40.1	41.0	8.3%	7.1%	2.0%
Pretax, Pre-LLP Income (PTPP)	**3.3**	**4.0**	**3.8**	**4.6**	**4.1**	**3.8**	**3.5**	**3.6**	**2.9**	**3.1**	**3.5**	**3.6**	**14.1**	**15.8**	**15.1**	**13.2**	**11.8%**	**-4.3%**	**-12.7%**
Loan Loss Provision	1.1	1.3	1.1	0.3	0.5	0.6	0.6	0.5	0.2	0.0	-0.1	-0.1	0.1	3.7	2.1	0.0	2535.3%	-43.4%	-100.8%
Net Charge-Offs	0.0	0.0	0.0	0.0	0.2	0.5	0.9	0.6	0.3	0.1	0.0	0.0	0.0	0.1	2.2	0.3	-	1523.6%	-85.8%
Taxes	0.4	0.5	0.6	0.9	0.7	0.6	0.6	0.6	0.5	0.6	0.7	0.8	2.9	2.5	2.6	2.6	-12.7%	4.2%	1.4%
Effective Tax Rate (%)	19.6%	19.4%	18.4%	21.3%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.7%	19.7%	20.0%	20.0%	-1.0%	0.3%	0.0%
Net Inc. Avail. to Common	**1.8**	**2.2**	**2.7**	**3.4**	**2.9**	**2.6**	**2.4**	**2.5**	**2.1**	**2.5**	**2.9**	**3.0**	**11.0**	**10.1**	**10.4**	**10.5**	**-7.8%**	**3.0%**	**1.4%**
Core Net Inc. Avail. to Common	**1.8**	**2.0**	**2.1**	**3.0**	**2.5**	**2.3**	**2.4**	**2.5**	**2.1**	**2.5**	**2.9**	**3.0**	**11.1**	**9.0**	**9.6**	**10.5**	**-19.0%**	**7.1%**	**9.7%**
REAL Earnings	**2.6**	**3.0**	**2.5**	**3.2**	**2.7**	**2.3**	**2.1**	**2.4**	**2.1**	**2.4**	**2.8**	**2.9**	**11.2**	**11.4**	**9.5**	**10.3**	**2.0%**	**-17.0%**	**8.4%**
Reported (GAAP) EPS	**$0.24**	**$0.30**	**$0.35**	**$0.46**	**$0.39**	**$0.34**	**$0.32**	**$0.33**	**$0.28**	**$0.33**	**$0.39**	**$0.40**	**$1.44**	**$1.35**	**$1.38**	**$1.40**	**-6.2%**	**2.2%**	**1.4%**
Core / Operating EPS	**$0.24**	**$0.27**	**$0.28**	**$0.41**	**$0.33**	**$0.30**	**$0.32**	**$0.33**	**$0.28**	**$0.33**	**$0.39**	**$0.40**	**$1.47**	**$1.20**	**$1.28**	**$1.40**	**-18.4%**	**6.7%**	**9.4%**
REAL EPS	**$0.35**	**$0.40**	**$0.34**	**$0.43**	**$0.36**	**$0.31**	**$0.28**	**$0.32**	**$0.28**	**$0.32**	**$0.37**	**$0.39**	**$1.48**	**$1.52**	**$1.27**	**$1.36**	**2.7%**	**-16.4%**	**7.1%**
Average Diluted Shares	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.6	7.5	7.5	7.5	-1.5%	0.3%	0.0%
Period-End Shares	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.4	7.5	7.5	7.5	0.3%	0.0%	0.0%
Book Value Per Share	$16.70	$17.47	$17.78	$18.27	$18.57	$18.80	$19.00	$19.21	$19.35	$19.53	$19.77	$20.03	$16.16	$18.27	$19.21	$20.03	$0.13	$0.05	$0.04
Tangible Book Value Per Share	$14.55	$15.35	$15.67	$16.16	$16.48	$16.71	$16.92	$17.14	$17.29	$17.49	$17.74	$18.00	$13.99	$16.16	$17.14	$18.00	$0.15	$0.06	$0.05
Dividend Per Share	$0.12	$0.12	$0.12	$0.12	$0.13	$0.13	$0.13	$0.13	$0.14	$0.14	$0.14	$0.14	$0.44	$0.48	$0.52	$0.56	$0.09	$0.08	$0.08
Performance Ratios (Operating Basis)																			
ROA	0.61%	0.65%	0.62%	0.88%	0.72%	0.66%	0.69%	0.71%	0.62%	0.72%	0.83%	0.87%	0.99%	0.69%	0.70%	0.76%	-0.30%	0.01%	0.06%
ROTCE	6.7%	7.3%	7.2%	10.2%	8.2%	7.3%	7.5%	7.8%	6.7%	7.7%	8.8%	9.1%	11.0%	7.9%	7.7%	8.0%	-3.1%	-0.2%	0.3%
Pretax, Pre-LLP ROA	1.12%	1.27%	1.13%	1.34%	1.19%	1.09%	1.03%	1.05%	0.84%	0.91%	1.01%	1.04%	1.26%	1.22%	1.09%	0.95%	-0.04%	-0.12%	-0.14%
Loan Yield	4.71%	4.40%	4.31%	4.36%	4.42%	4.40%	4.27%	4.26%	4.25%	4.24%	4.22%	4.20%	4.82%	4.45%	4.34%	4.23%	-0.38%	-0.11%	-0.11%
Earning Asset Yield	4.00%	3.66%	3.50%	3.50%	3.54%	3.50%	3.39%	3.37%	3.36%	3.35%	3.35%	3.35%	4.19%	3.67%	3.45%	3.35%	-0.52%	-0.22%	-0.10%
Securities Yield	2.42%	2.20%	2.02%	1.98%	1.84%	1.77%	1.70%	1.65%	1.61%	1.59%	1.56%	1.54%	2.58%	2.16%	1.74%	1.57%	-0.42%	-0.42%	-0.16%
Cost of Interest Bearing Deposits	0.60%	0.42%	0.34%	0.30%	0.26%	0.23%	0.22%	0.21%	0.20%	0.19%	0.18%	0.18%	0.68%	0.42%	0.23%	0.19%	-0.26%	-0.19%	-0.04%
Cost of Total Deposits	0.43%	0.28%	0.23%	0.20%	0.18%	0.16%	0.16%	0.15%	0.14%	0.14%	0.13%	0.13%	0.49%	0.29%	0.16%	0.14%	-0.20%	-0.12%	-0.03%
Cost of Interest Bearing Liabilities	0.69%	0.48%	0.38%	0.34%	0.29%	0.27%	0.26%	0.25%	0.24%	0.24%	0.23%	0.22%	0.80%	0.47%	0.27%	0.23%	-0.33%	-0.21%	-0.04%
Cost of Funds	0.50%	0.33%	0.26%	0.24%	0.21%	0.20%	0.19%	0.18%	0.18%	0.18%	0.17%	0.16%	0.59%	0.33%	0.19%	0.17%	-0.25%	-0.14%	-0.02%
Net Interest Margin	3.55%	3.38%	3.28%	3.31%	3.37%	3.34%	3.24%	3.22%	3.22%	3.22%	3.22%	3.22%	3.65%	3.38%	3.29%	3.22%	-0.27%	-0.09%	-0.07%
Core Net Interest Margin	3.55%	3.40%	3.29%	3.28%	3.28%	3.26%	3.24%	3.22%	3.22%	3.22%	3.22%	3.22%	3.65%	3.38%	3.25%	3.22%	-0.27%	-0.13%	-0.03%
Efficiency Ratio	72.8%	69.0%	71.1%	67.0%	70.4%	72.5%	73.4%	72.6%	77.6%	76.3%	74.0%	72.9%	70.6%	70.0%	72.2%	75.2%	-0.6%	2.2%	3.0%
Fee Income / Operating Revenue	23.53%	25.60%	24.29%	25.04%	24.70%	24.06%	23.89%	23.44%	23.57%	24.62%	24.33%	23.35%	24.22%	24.64%	24.03%	23.97%	0.42%	-0.61%	-0.06%
Operating Expenses / Avg. Assets	3.07%	2.91%	2.85%	2.78%	2.89%	2.96%	2.92%	2.86%	2.99%	3.01%	2.95%	2.87%	3.09%	2.90%	2.91%	2.96%	-0.19%	0.00%	0.05%
Dividend Payout Ratio	50%	44%	43%	29%	39%	43%	41%	39%	50%	42%	36%	35%	30%	40%	41%	40%	10%	1%	-1%
Average Balance Sheet																			
Loans	754	825	868	893	882	867	862	866	868	873	885	898	735	835	870	881	13.5%	4.2%	1.3%
Securities / Other Earning Assets	324	346	381	404	410	413	415	416	414	409	404	400	283	364	414	407	28.5%	13.8%	-1.7%
Earning Assets	1,077	1,171	1,249	1,297	1,293	1,281	1,277	1,282	1,282	1,282	1,289	1,298	1,018	1,198	1,283	1,288	17.7%	7.1%	0.3%
Assets	1,176	1,269	1,345	1,392	1,391	1,379	1,375	1,380	1,380	1,380	1,387	1,396	1,116	1,296	1,381	1,386	16.1%	6.6%	0.3%
Deposits	969	1,060	1,137	1,182	1,183	1,170	1,161	1,159	1,156	1,159	1,167	1,178	935	1,087	1,168	1,165	16.3%	7.5%	-0.3%
Interest Bearing Liabilities	758	780	833	869	885	888	894	899	901	901	904	908	723	810	892	903	12.0%	10.1%	1.3%
Equity	123	127	132	133	137	139	141	143	144	145	147	149	117	129	140	146	10.2%	8.8%	4.2%
Loans / Earning Assets	70%	70%	70%	69%	68%	68%	67%	68%	68%	68%	69%	69%	72%	70%	68%	68%	-2.5%	-1.9%	0.7%
Loans / Deposits	78%	78%	76%	76%	75%	74%	74%	75%	75%	75%	76%	76%	79%	77%	74%	76%	-1.9%	-2.4%	1.2%
Capital Ratios																			
TCE / TA	9.3%	8.8%	8.6%	8.7%	9.0%	9.2%	9.3%	9.4%	9.5%	9.5%	9.6%	9.7%	9.0%	8.7%	9.4%	9.7%	-0.3%	0.6%	0.3%
Tier 1 Common (CET1) Ratio	13.3%	13.0%	13.0%	13.1%	13.2%	13.2%	13.3%	13.3%	13.3%	13.3%	13.3%	13.4%	13.4%	13.1%	13.3%	13.4%	-0.3%	0.2%	0.1%
Total Risk-Based Capital Ratio	14.3%	14.0%	14.1%	14.2%	14.3%	14.3%	14.3%	14.3%	14.3%	14.3%	14.4%	14.4%	14.2%	14.2%	14.3%	14.4%	0.0%	0.1%	0.1%
Credit Quality Ratios																			
Reserve / Loans	1.03%	1.16%	1.27%	1.30%	1.31%	1.30%	1.24%	1.21%	1.19%	1.16%	1.13%	1.11%	0.90%	1.23%	1.21%	1.11%	0.33%	-0.02%	-0.10%
Reserve / NPAs	227%	275%	337%	148%	239%	163%	124%	143%	159%	179%	206%	246%	183%	148%	143%	246%	-35%	-5%	103%
NPAs / Loans & OREO	0.45%	0.40%	0.35%	0.83%	0.53%	0.79%	0.99%	0.84%	0.75%	0.65%	0.55%	0.45%	0.49%	0.83%	0.84%	0.45%	0.34%	0.01%	-0.40%
NPLs / EOP Loans	0.23%	0.22%	0.20%	0.54%	0.40%	0.65%	0.85%	0.70%	0.60%	0.50%	0.40%	0.30%	0.32%	0.54%	0.70%	0.30%	0.22%	0.16%	-0.40%
NCOs / Avg. Loans	0.00%	0.02%	0.02%	0.02%	0.10%	0.24%	0.44%	0.29%	0.12%	0.06%	-0.01%	-0.02%	0.00%	0.02%	0.27%	0.04%	0.02%	0.25%	-0.23%
LLP / Avg. Loans	0.58%	0.64%	0.51%	0.13%	0.22%	0.27%	0.27%	0.24%	0.10%	0.01%	-0.05%	-0.07%	0.02%	0.46%	0.25%	0.00%	0.44%	-0.22%	-0.25%

Sources: Company filings and Stephens Inc.

Model updated as of 01/21/2021

APPENDIX A

ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of First Community Corp. as of the date of this report and may act as principal in these transactions.

First Community Corp. is or has been a client of Stephens Inc. for investment banking services within the past 12 months.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from First Community Corp. in the next three months.

Valuation Methodology for First Community Corp.

We applied a multiple to TBV.

Risks to Achievement of Target Price for First Community Corp.

Company Specific Risks:

- **Interest Rate Risk –** FCCO is in a mildly asset sensitive position, a risk factor to forward earnings is the shape of the yield curve and Fed policy in regard to rate hikes/cuts. If rates were to fall, FCCO's earnings power may be negatively impacted due to a faster repricing of assets vs. liabilities.
- **Policy/Regulatory Risk** - The policies and regulations of banks are always evolving. FCCO's ability to control costs associated with such changes could impact earnings and the overall stock price performance.
- **Deal Risk** – We view the pricing, execution and reception of bank M&A as a key risk factor to both the fundamentals of the bank and the value of the overall company. Poor integration, pricing, and/or execution can lead to increased earnings, credit and stock price volatility. Given the company's history, we believe M&A remains a potential priority for the bank.
- **Diversified Revenues** - FCCO derives an above average portion of revenues from fee income sources including wealth management, mortgage banking, and consumer and commercial banking fees. Interruption to these fee income channels due to interest rate volatility (would impact mortgage banking), market performance (would impact wealth management fees), or increased regulation on consumer/commercial banking fees could be negative for FCCO's stock price.

Industry Risks:

- **Policy Risks/Political Risks** – The banking industry is one of the most heavily regulated segments of the market. Policy changes (i.e. Dodd Frank Act) can result in increased earnings, credit and stock price volatility. In addition, local and national elections can impact bank fundamentals with recent examples including tax reform and de-regulation.
- **Economic and Credit Risk** – Economic factors, both national and local, including GDP, unemployment, productivity, and real estate values can meaningfully impact a bank's ability to grow and perform with low levels of credit losses. Disruption to the aforementioned metrics along with many others could result in increased earnings and credit volatility.
- **Cybersecurity** – In an ever-evolving technological landscape we note that breaches to customers or important bank-level data and the costs associated with their remediation and protection significantly impact consumer sentiment towards the industry.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

			IB Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [OW]	252	55.38	53	21.03
HOLD [EW]	197	43.30	46	23.35
SELL [UW]	6	1.32	0	0.00

OTHER DISCLOSURES

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