First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

January 21, 2022

4Q21 Review: A Likely Rising Value for Low-Cost Deposits; BUY

*On the heels of FCCO's 4Q21 earnings report, we're nudging our EPS estimates higher, leaving our PT unchanged, and reiterating our **BUY**. While core 4Q21 results were a slight core beat, we came away with an improved outlook for 2022 and 2023, particularly given healthy loan originations and a likely steeper NIM ramp in 2H22 and 2023. While expenses will be up, some of these investments should ultimately lead to higher revenues, and we get the sense a new growth market entry may be on management's radar. With a reasonable valuation and implied scarcity value in an attractive footprint, we remain constructive.*

Slight core beat on provision and expenses: FCCO reported 4Q21 EPS of $0.52. We estimate core EPS of $0.50, which beat consensus by a penny and our estimate by 2 cents. The main driver of the core beat was a lower than expected provision for loan losses, partially offset by slightly lower than expected core PPNR. The latter reflected slightly lower than expected core fee revs, partially offset by slightly better than modeled core expenses, while NII was in line with our forecast. For more details on FCCO's core 4Q21 results, please see our earlier First Look note.

Nudging our EPS estimates higher: After inputting FCCO's core 4Q21 results into our model and fine-tuning our assumptions, we're increasing our 2022E EPS by 7 cents (to $1.91) and our 2023E EPS by a penny (to $2.05). The main adjustments were a lower assumed pace of provisioning (particularly in 2022), a steeper assumed ramp in the NIM in 2H22 and 2023, and a larger balance sheet, partially offset by a lower assumed starting base NIM and a slightly higher assumed pace of growth in expenses.

Reiterate BUY: We're making no change to our $24.00 PT, which assumes that the shares will trade at ~123% of our YE23E TBV/sh and 11.7x our 2023E EPS. On the one hand, 4Q21 core PPNR contracted LQ given the headwinds of elevated payoffs/pay-downs (causing core loans to be down LQ), steep NIM compression (given less PPP fees, the ongoing drag of excess liquidity, and core yield pressure), and lower mortgage revs. Yet, tailwinds included a small negative provision and cost control.

Our outlook for 2022 and 2023 seems incrementally positive for NII. Specifically, on loan growth, we expect abatement of payoffs should unmask healthy origination activity – and yield FCCO's more typical 7%-8% loan growth with healthy pipelines evident going into 2022. We suspect the bank will continue to see steady activity across the footprint, including metro Augusta (GA/SC), Upstate SC, and Midlands SC.

On the NIM, we view it as at or close to bottom and likely remaining stable in 1H22, yet then set up for steeper expansion given a favorable AEA mix shift and rising rates (especially with the bank's likely ability to lag on deposit pricing – with non-IB deposits at 33% of total).

We continue to view FCCO as benefiting from an attractive geographic footprint (with implied scarcity value) and a very low-cost deposit franchise (that theoretically should be more highly valued in a time of higher interest rates).

On credit, we expect very little in credit related expenses during 2022, as the bank's incurred loss ALLL model, coupled with a likely improving COVID outlook, likely makes it difficult to keep the ALLL/loans ratio this high (1.30% ex-PPP at YE21).

FY (Dec)		2021A	2022E	Previous	*Cons.*	2023E	Previous	*Cons.*
EPS	Q1 (Mar)	$0.43	**$0.45E**	$0.47	*$0.44*	**$0.50E**	$0.48	*$0.48*
	Q2 (Jun)	$0.47	**$0.47E**	$0.46	*$0.48*	**$0.50E**	NC	*$0.51*
	Q3 (Sep)	$0.62	**$0.49E**	$0.46	*$0.50*	**$0.52E**	$0.53	*$0.54*
	Q4 (Dec)	$0.50	**$0.50E**	$0.45	*$0.50*	**$0.54E**	$0.53	*$0.56*
		$2.03	**$1.91E**	$1.84	*$1.92*	**$2.05E**	$2.04	*$2.01*
Price/EPS		*10.2x*	*10.9x*			*10.1x*		
Revenue ($M)	Q1 (Mar)	$13.9	**$14.6E**	$14.8	*$14.2*	**$15.8E**	$15.5	*$15.6*
	Q2 (Jun)	$14.5	**$14.9E**	NC	*$14.6*	**$16.1E**	$15.9	*$16.1*
	Q3 (Sep)	$16.0	**$15.3E**	$15.1	*$14.8*	**$16.6E**	$16.4	*$16.5*
	Q4 (Dec)	$14.7	**$15.5E**	$15.2	*$15.1*	**$16.9E**	$16.6	*$16.8*
		$59.0	**$60.3E**	$59.9	*$58.7*	**$65.3E**	$64.4	*$65.0*

Buy

Price Target	**$24.00**
Price (1/21/22)	$20.77
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	0.96%
ROTCE (MRQ)	12.3%
Net Interest Margin (MRQ)	3.01%
Efficiency Ratio (MRQ)	67.6%
TBV per Share (1/21/22)	$16.62
TCE/TA (1/21/22)	8.0%
Dividend	$0.52 (2.5%)

Trading Data

Shares Outstanding (M)	7.6
Market Capitalization ($M)	$157.1
52-week range	$16.18 - $23.42
Avg. Volume (3-mth.) (K)	9.0

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Company Description

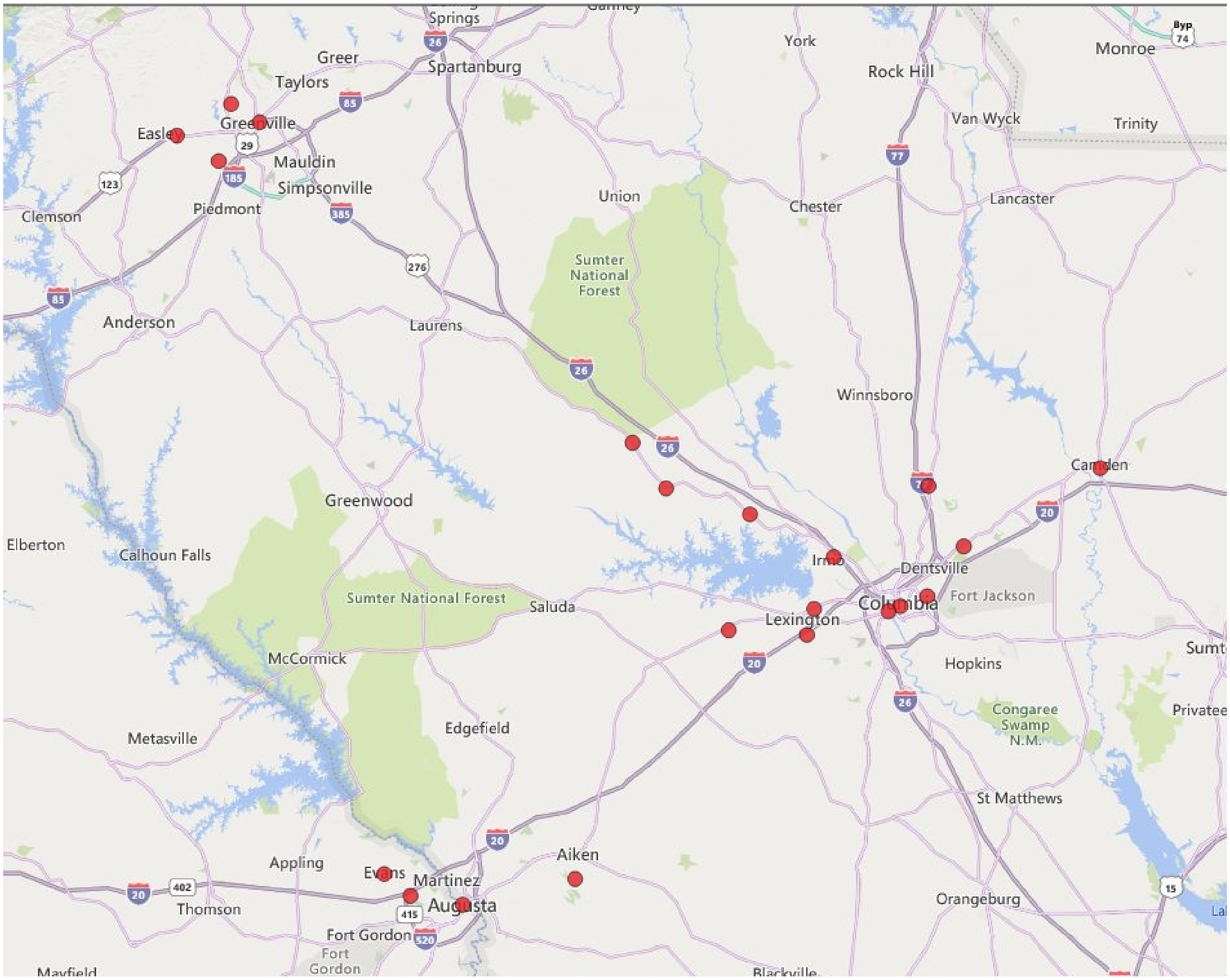
Lexington, SC - First Community Corporation is the parent company of First Community Bank a +$1.1B asset community bank base in the midlands of South Carolina. First Community Bank offers a full suite of banking and financial planning/ investment advisory services to both retail and commercial clients.

Price Performance

NASDAQ: FCCO

We suspect expenses will be higher in 2022 given wage inflation and planned investments in technology/equipment, yet we also expect some investments will be in talent (loan officers, mortgage originators, investment advisors), yet these should ultimately lead to higher revenues. We also get the sense that FCCO is eying a potential entry into a new growth market, likely via hiring a team and opening an LPO (as opposed to M&A), which may initially add to expenses, but should provide a new growth frontier for loan growth and revenues.

Figure 1: Branch Map



Source: S&P Capital IQ

First Community Corp. (FCCO)
($M, except Per Share Data)

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Income Statement	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
NET INTEREST INCOME (FTE)	36.848	40.023	45.387	45.834	50.190	9.353	9.359	9.417	9.743	10.176	10.687	10.675	11.092	12.456	11.164	11.124	11.277	11.574	11.858	12.124	12.339	12.713	13.013
PROVISION FOR LOAN LOSSES	0.139	3.663	0.335	0.632	2.242	0.025	-	1.075	1.250	1.062	0.276	0.177	0.168	0.049	(0.059)	0.177	0.100	0.138	0.217	0.266	0.568	0.711	0.696
Non-Interest Income																							
Deposit service charges	1.649	1.121	0.977	1.108	1.195	0.421	0.437	0.399	0.210	0.242	0.270	0.246	0.212	0.257	0.262	0.266	0.275	0.281	0.286	0.291	0.298	0.301	0.305
Mortgage banking income	4.555	5.557	4.319	3.997	3.897	1.251	1.222	0.982	1.572	1.403	1.600	0.990	1.143	1.147	1.039	0.945	1.021	1.052	0.978	0.919	0.993	1.023	0.961
Invest. Advisory fees & commissions	2.021	2.720	3.995	4.812	5.292	0.509	0.585	0.634	0.671	0.672	0.743	0.877	0.957	1.040	1.121	1.155	1.189	1.219	1.249	1.274	1.313	1.339	1.366
Gain (loss) on sale of other assets	(0.003)	0.147	0.077	-	-	-	-	0.006	-	0.141	-	0.077	-	-	-	-	-	-	-	-	-	-	-
Other	3.661	3.814	4.349	4.506	4.757	0.932	0.966	0.907	0.934	0.982	0.991	1.106	1.106	1.060	1.077	1.093	1.115	1.137	1.160	1.172	1.183	1.195	1.207
TOTAL NON-INTEREST INCOME (core)	11.883	13.359	13.717	14.423	15.141	3.113	3.210	2.928	3.387	3.440	3.604	3.296	3.418	3.504	3.499	3.459	3.601	3.689	3.674	3.656	3.787	3.858	3.840
OPERATING REVENUE	48.731	53.382	58.996	60.257	65.331	12.466	12.569	12.345	13.130	13.616	14.291	13.863	14.510	15.960	14.663	14.584	14.878	15.263	15.532	15.780	16.126	16.571	16.853
Noninterest Expense																							
Salaries & employee benefits	21.261	24.026	24.494	25.884	27.234	5.465	5.416	5.653	5.840	6.087	6.446	5.964	5.948	6.394	6.188	6.312	6.438	6.518	6.616	6.715	6.766	6.834	6.919
Occupancy	2.696	2.709	2.947	3.039	3.193	0.703	0.691	0.643	0.679	0.736	0.651	0.730	0.734	0.743	0.740	0.746	0.757	0.764	0.772	0.784	0.793	0.803	0.813
Equipment	1.493	1.237	1.296	1.430	1.492	0.365	0.353	0.318	0.298	0.318	0.303	0.275	0.338	0.336	0.347	0.351	0.357	0.359	0.363	0.367	0.371	0.375	0.379
Marketing & public relations	1.115	1.043	1.173	1.361	1.470	0.159	0.351	0.354	0.247	0.342	0.100	0.396	0.313	0.140	0.324	0.337	0.344	0.333	0.347	0.364	0.371	0.360	0.375
FDIC assessment	0.067	0.404	0.618	0.456	0.456	-	(0.078)	0.042	0.088	0.137	0.137	0.169	0.146	0.189	0.114	0.114	0.114	0.114	0.114	0.114	0.114	0.114	0.114
Amortization of intangibles	0.523	0.363	0.201	0.156	0.150	0.133	0.126	0.105	0.095	0.095	0.068	0.057	0.052	0.052	0.040	0.040	0.039	0.039	0.038	0.038	0.038	0.037	0.037
Other operating expenses	7.380	7.551	8.367	8.894	9.469	1.934	2.001	1.888	1.844	1.920	1.899	1.920	2.292	1.993	2.162	2.184	2.211	2.233	2.267	2.312	2.347	2.382	2.429
Noninterest Expense, Ex-Credit	34.535	37.333	39.096	41.220	43.465	8.759	8.860	9.003	9.091	9.635	9.604	9.511	9.823	9.847	9.915	10.083	10.259	10.361	10.517	10.694	10.800	10.905	11.066
OREO expense	0.081	0.201	0.105	-	-	0.031	0.003	0.035	0.040	0.079	0.047	0.029	0.055	0.058	(0.037)	-	-	-	-	-	-	-	-
Write-down of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss (gain) on sale of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NONINTEREST EXPENSE (core)	34.616	37.534	39.201	41.220	43.465	8.790	8.863	9.038	9.131	9.714	9.651	9.540	9.878	9.905	9.878	10.083	10.259	10.361	10.517	10.694	10.800	10.905	11.066
Pre-Tax Operating Income	13.976	12.185	19.460	18.405	19.624	3.651	3.706	2.232	2.749	2.840	4.364	4.146	4.464	6.006	4.844	4.324	4.519	4.763	4.799	4.820	4.758	4.955	5.091
Pre-Tax, Pre-Provision Operating Income	14.115	15.848	19.795	19.037	21.866	3.676	3.706	3.307	3.999	3.902	4.640	4.323	4.632	6.055	4.785	4.501	4.619	4.902	5.016	5.086	5.326	5.666	5.787
Pre-Tax, Pre-Credit Costs Operating Income	14.196	16.049	19.900	19.037	21.866	3.707	3.709	3.342	4.039	3.981	4.687	4.352	4.687	6.113	4.748	4.501	4.619	4.902	5.016	5.086	5.326	5.666	5.787
Gain (Loss) on sale of securities	0.136	0.099	-	-	-	-	0.001	-	-	0.099	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Operating Revenues	-	0.311	0.187	-	-	-	-	-	-	0.311	-	-	-	0.060	0.127	-	-	-	-	-	-	-	-
Non-Operating Expenses	(0.282)	-	-	-	-	-	(0.282)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Income	13.830	12.595	19.647	18.405	19.624	3.651	3.425	2.232	2.749	3.250	4.364	4.146	4.464	6.066	4.971	4.324	4.519	4.763	4.799	4.820	4.758	4.955	5.091
Income Taxes	2.858	2.496	4.182	3.957	4.219	0.753	0.727	0.438	0.532	0.598	0.928	0.891	0.921	1.318	1.052	0.930	0.972	1.024	1.032	1.036	1.023	1.065	1.095
Tax Rate	20.67%	19.82%	21.29%	21.50%	21.50%	20.6%	21.2%	19.6%	19.4%	18.4%	21.3%	21.5%	20.6%	21.7%	21.2%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
Core Tax Rate	20.63%	19.66%	21.25%	21.50%	21.50%	20.6%	21.2%	19.6%	19.4%	18.4%	21.3%	21.5%	20.6%	21.7%	21.2%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%	21.5%
Net Income from Continuing Operations	10.972	10.099	15.465	14.448	15.405	2.898	2.698	1.794	2.217	2.652	3.436	3.255	3.543	4.748	3.919	3.394	3.547	3.739	3.767	3.784	3.735	3.890	3.996
Net Income from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	10.972	10.099	15.465	14.448	15.405	2.898	2.698	1.794	2.217	2.652	3.436	3.255	3.543	4.748	3.919	3.394	3.547	3.739	3.767	3.784	3.735	3.890	3.996
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) Attributable to Noncontrolling Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME AVAILABLE TO COMMON	10.972	10.099	15.465	14.448	15.405	2.898	2.698	1.794	2.217	2.652	3.436	3.255	3.543	4.748	3.919	3.394	3.547	3.739	3.767	3.784	3.735	3.890	3.996
Shares / Per Share Metrics	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Earnings Per Share (EPS) - Reported	1.44	1.35	2.05	1.91	2.05	0.39	0.36	0.24	0.30	0.35	0.46	0.43	0.47	0.63	0.52	0.45	0.47	0.49	0.50	0.50	0.50	0.52	0.54
Core EPS	**1.46**	**1.30**	**2.03**	**1.91**	**2.05**	**0.39**	**0.39**	**0.24**	**0.30**	**0.31**	**0.46**	**0.43**	**0.47**	**0.62**	**0.50**	**0.45**	**0.47**	**0.49**	**0.50**	**0.50**	**0.50**	**0.52**	**0.54**
Core EPS Growth (Annualized)	-1.8%	-10.8%	55.5%	-5.9%	7.5%	34.9%	2.6%	-154.2%	94.5%	17.2%	191.4%	-22.0%	34.5%	129.1%	-75.3%	-44.5%	18.0%	21.7%	3.0%	3.1%	-3.8%	18.0%	12.3%
PTPP/Avg. Shares	1.86	2.12	2.62	2.52	2.92	0.49	0.50	0.44	0.54	0.52	0.62	0.57	0.61	0.80	0.63	0.59	0.61	0.65	0.66	0.67	0.71	0.76	0.78
Avg. Diluted Shares o/s	7.590	7.480	7.546	7.565	7.502	7.463	7.469	7.468	7.465	7.482	7.503	7.523	7.537	7.560	7.565	7.565	7.565	7.565	7.565	7.540	7.515	7.490	7.465
EOP Shares	7.440	7.500	7.549	7.549	7.449	7.409	7.440	7.462	7.486	7.493	7.500	7.525	7.540	7.544	7.549	7.549	7.549	7.549	7.549	7.524	7.499	7.474	7.449
Dividend per Share	0.45	0.48	0.49	0.52	0.52	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Dividend Payout Ratio	31.3%	35.6%	23.9%	27.2%	25.3%	28.2%	33.3%	50.0%	40.0%	34.3%	26.1%	27.9%	25.5%	19.0%	25.0%	29.0%	27.7%	26.3%	26.1%	25.9%	26.2%	25.0%	24.3%
TBV / Share	13.99	16.08	16.62	18.01	19.50	13.84	13.99	14.55	15.35	15.67	16.08	15.55	16.22	16.37	16.62	16.94	17.28	17.64	18.01	18.37	18.72	19.10	19.50
Profitability Metrics	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
NIM	3.62%	3.34%	3.20%	2.98%	3.16%	3.65%	3.56%	3.55%	3.38%	3.28%	3.31%	3.23%	3.20%	3.47%	3.01%	2.93%	2.94%	3.00%	3.06%	3.10%	3.13%	3.18%	3.22%
Core NIM	3.64%	3.38%	3.08%	2.98%	3.16%	3.60%	3.56%	3.55%	3.38%	3.29%	3.28%	3.16%	3.11%	3.08%	2.95%	2.93%	2.94%	3.00%	3.06%	3.10%	3.13%	3.18%	3.22%
Core ROAA	0.99%	0.76%	1.01%	0.88%	0.91%	1.03%	1.01%	0.61%	0.70%	0.69%	0.99%	0.91%	0.94%	1.22%	0.96%	0.84%	0.87%	0.91%	0.91%	0.91%	0.89%	0.91%	0.93%
Core PTPP ROAA	1.26%	1.22%	1.30%	1.16%	1.29%	1.31%	1.29%	1.12%	1.26%	1.16%	1.33%	1.20%	1.23%	1.57%	1.20%	1.11%	1.13%	1.19%	1.21%	1.22%	1.27%	1.33%	1.35%
Core ROAE	9.48%	7.60%	11.12%	9.89%	9.87%	9.89%	9.76%	5.81%	6.99%	7.04%	10.31%	9.60%	10.48%	13.39%	10.90%	9.55%	9.81%	10.15%	10.04%	9.91%	9.65%	9.90%	10.02%
Core ROTCE	10.99%	8.64%	12.62%	11.07%	10.96%	11.38%	11.30%	6.75%	7.94%	7.98%	11.55%	10.96%	11.85%	15.30%	12.27%	10.72%	10.99%	11.35%	11.20%	11.04%	10.72%	10.99%	11.10%
Core ROTCE (ex-Reserve Release)	10.69%	5.83%	12.09%	10.58%	10.85%	10.77%	11.10%	3.52%	4.35%	4.67%	10.76%	10.50%	11.65%	14.31%	11.88%	10.51%	10.44%	10.75%	10.61%	10.60%	10.72%	10.99%	11.10%
Core Efficiency	71.0%	70.3%	66.4%	68.4%	66.5%	70.3%	70.5%	72.9%	69.2%	70.8%	67.2%	68.6%	67.7%	61.7%	67.6%	69.1%	69.0%	67.9%	67.7%	67.8%	67.0%	65.8%	65.7%
Core Fee Income / Operating Revs	24.4%	25.0%	23.3%	23.9%	23.2%	25.0%	25.5%	23.7%	25.8%	25.3%	25.2%	23.8%	23.6%	22.0%	23.9%	23.7%	24.2%	24.2%	23.7%	23.2%	23.5%	23.3%	22.8%

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($M, except Per Share Data)

Income Statement	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Average Balance Sheet	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Avg. PPP	$ -	$ 35.7	$ 35.0	$ 0.2	$ -	$ -	$ -	$ -	$ 47.9	$ 48.8	$ 46.0	$ 52.0	$ 54.5	$ 28.2	$ 5.3	$ 0.7	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Avg. Loans (ex-PPP)	$ 735.3	$ 799.2	$ 854.0	$ 893.8	$ 969.6	$ 740.2	$ 748.1	$ 753.7	$ 777.0	$ 819.3	$ 846.8	$ 834.3	$ 841.1	$ 865.7	$ 874.7	$ 869.3	$ 884.6	$ 901.6	$ 919.6	$ 936.9	$ 955.6	$ 980.7	$ 1,005.2
Avg. Total Loans	$ 735.3	$ 834.8	$ 889.0	$ 894.0	$ 969.6	$ 740.2	$ 748.1	$ 753.7	$ 824.8	$ 868.1	$ 892.8	$ 886.4	$ 895.6	$ 893.9	$ 880.0	$ 870.1	$ 884.6	$ 901.6	$ 919.6	$ 936.9	$ 955.6	$ 980.7	$ 1,005.2
Avg. Securities	$ 257.5	$ 300.8	$ 456.3	$ 595.4	$ 610.1	$ 254.8	$ 273.1	$ 286.3	$ 294.9	$ 299.9	$ 322.2	$ 373.3	$ 430.9	$ 488.5	$ 532.4	$ 575.0	$ 592.2	$ 604.1	$ 610.1	$ 610.1	$ 610.1	$ 610.1	$ 610.1
Avg. Other Earning Assets	$ 25.5	$ 62.8	$ 73.4	$ 47.7	$ 9.7	$ 27.3	$ 31.0	$ 37.3	$ 51.4	$ 80.7	$ 81.9	$ 79.3	$ 77.8	$ 58.5	$ 78.1	$ 75.0	$ 57.2	$ 37.7	$ 20.8	$ 15.1	$ 11.5	$ 8.9	$ 3.2
Avg. Earning Assets	$ 1,018.3	$ 1,198.5	$ 1,418.7	$ 1,537.0	$ 1,589.4	$ 1,022.2	$ 1,052.3	$ 1,077.2	$ 1,171.2	$ 1,248.6	$ 1,296.9	$ 1,339.1	$ 1,404.2	$ 1,441.0	$ 1,490.5	$ 1,520.1	$ 1,534.0	$ 1,543.4	$ 1,550.6	$ 1,562.1	$ 1,577.3	$ 1,599.8	$ 1,618.5
Avg. Total Assets	$ 1,116.0	$ 1,295.7	$ 1,519.9	$ 1,640.1	$ 1,692.2	$ 1,120.0	$ 1,151.5	$ 1,176.4	$ 1,269.2	$ 1,345.1	$ 1,392.0	$ 1,435.3	$ 1,507.7	$ 1,542.8	$ 1,593.7	$ 1,623.1	$ 1,637.1	$ 1,646.5	$ 1,653.8	$ 1,665.3	$ 1,680.2	$ 1,702.4	$ 1,720.9
Avg. Deposits	$ 934.8	$ 1,087.1	$ 1,292.2	$ 1,406.8	$ 1,430.6	$ 938.6	$ 967.5	$ 969.4	$ 1,060.1	$ 1,137.0	$ 1,181.8	$ 1,208.1	$ 1,285.1	$ 1,312.6	$ 1,363.2	$ 1,392.8	$ 1,406.7	$ 1,412.3	$ 1,415.4	$ 1,418.4	$ 1,424.3	$ 1,433.4	$ 1,446.3
Avg. Total Borrowings	$ 52.7	$ 66.8	$ 77.2	$ 80.0	$ 108.7	$ 52.0	$ 51.1	$ 70.3	$ 69.9	$ 63.3	$ 63.6	$ 78.3	$ 75.4	$ 77.8	$ 77.1	$ 77.1	$ 77.1	$ 81.0	$ 85.0	$ 93.5	$ 102.9	$ 116.2	$ 122.0
Avg. IB-Liabilities	$ 723.5	$ 810.0	$ 946.5	$ 1,019.0	$ 1,066.2	$ 724.1	$ 737.2	$ 758.0	$ 780.8	$ 832.7	$ 868.6	$ 896.5	$ 940.2	$ 959.9	$ 989.6	$ 1,007.9	$ 1,016.1	$ 1,023.1	$ 1,029.1	$ 1,040.6	$ 1,054.6	$ 1,075.9	$ 1,093.5
Avg. Total Liabilities	$ 999.1	$ 1,166.8	$ 1,382.0	$ 1,500.0	$ 1,552.4	$ 1,002.8	$ 1,031.9	$ 1,052.9	$ 1,142.3	$ 1,213.4	$ 1,258.8	$ 1,299.7	$ 1,372.5	$ 1,402.4	$ 1,453.5	$ 1,483.0	$ 1,497.0	$ 1,506.4	$ 1,513.6	$ 1,525.1	$ 1,540.2	$ 1,562.8	$ 1,581.4
Avg. Shareholders Equity	$ 117.0	$ 128.8	$ 137.8	$ 146.1	$ 156.0	$ 117.2	$ 119.6	$ 123.5	$ 126.9	$ 131.7	$ 133.3	$ 135.6	$ 135.2	$ 140.4	$ 140.2	$ 142.2	$ 144.7	$ 147.4	$ 150.1	$ 152.6	$ 154.9	$ 157.1	$ 159.5
Avg. Tangible Common Equity	$ 101.0	$ 113.3	$ 121.4	$ 130.5	$ 140.5	$ 101.8	$ 103.3	$ 106.3	$ 111.7	$ 116.2	$ 119.0	$ 118.8	$ 119.6	$ 122.9	$ 124.5	$ 126.6	$ 129.1	$ 131.8	$ 134.6	$ 137.1	$ 139.3	$ 141.6	$ 144.0
EOP Balance Sheet	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
PPP	$ -	$ 42.2	$ 1.5	$ -	$ -	$ -	$ -	$ -	$ 47.9	$ 49.8	$ 42.2	$ 61.8	$ 47.2	$ 9.1	$ 1.5	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans (ex-PPP)	$ 737.0	$ 801.9	$ 862.2	$ 928.7	$ 1,015.1	$ 735.1	$ 737.0	$ 749.5	$ 769.6	$ 794.7	$ 801.9	$ 807.2	$ 831.1	$ 872.4	$ 862.2	$ 876.5	$ 892.7	$ 910.5	$ 928.7	$ 945.0	$ 966.3	$ 995.2	$ 1,015.1
Total Loans	$ 737.0	$ 844.2	$ 863.7	$ 928.7	$ 1,015.1	$ 735.1	$ 737.0	$ 749.5	$ 817.4	$ 844.5	$ 844.2	$ 869.1	$ 878.3	$ 881.5	$ 863.7	$ 876.5	$ 892.7	$ 910.5	$ 928.7	$ 945.0	$ 966.3	$ 995.2	$ 1,015.1
Total Assets	$ 1,170.3	$ 1,395.4	$ 1,584.5	$ 1,655.8	$ 1,809.9	$ 1,130.0	$ 1,170.3	$ 1,185.3	$ 1,324.8	$ 1,381.8	$ 1,395.4	$ 1,492.5	$ 1,515.0	$ 1,560.3	$ 1,584.5	$ 1,566.6	$ 1,592.7	$ 1,623.4	$ 1,655.8	$ 1,686.9	$ 1,720.6	$ 1,765.9	$ 1,809.9
Non-IB Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Deposits	$ 988.2	$ 1,189.4	$ 1,361.3	$ 1,413.4	$ 1,444.2	$ 948.8	$ 988.2	$ 986.6	$ 1,118.9	$ 1,173.6	$ 1,189.4	$ 1,271.4	$ 1,289.9	$ 1,333.6	$ 1,361.3	$ 1,390.8	$ 1,404.7	$ 1,410.2	$ 1,413.4	$ 1,416.4	$ 1,422.2	$ 1,431.3	$ 1,444.2
Total Liabilities	$ 1,036.7	$ 1,245.3	$ 1,430.5	$ 1,489.6	$ 1,556.4	$ 998.3	$ 1,036.7	$ 1,047.6	$ 1,179.5	$ 1,235.7	$ 1,245.3	$ 1,346.7	$ 1,365.3	$ 1,408.4	$ 1,430.5	$ 1,459.6	$ 1,473.3	$ 1,482.5	$ 1,489.6	$ 1,500.9	$ 1,515.9	$ 1,538.0	$ 1,556.4
Liquidity Ratios																							
Loans / Deposits	74.6%	71.0%	63.4%	65.7%	70.3%	77.5%	74.6%	76.0%	73.1%	72.0%	71.0%	68.4%	68.1%	66.1%	63.4%	63.0%	63.5%	64.6%	65.7%	66.7%	67.9%	69.5%	70.3%
Avg. Earning Assets / Avg. Assets	91.2%	92.5%	93.3%	93.7%	93.9%	91.3%	91.4%	91.6%	92.3%	92.8%	93.2%	93.3%	93.1%	93.4%	93.5%	93.7%	93.7%	93.7%	93.8%	93.8%	93.9%	94.0%	94.0%
Avg. Borrowings / Avg. Liabilities	5.3%	5.7%	5.6%	5.3%	7.0%	5.2%	5.0%	6.7%	6.1%	5.2%	5.1%	6.0%	5.5%	5.6%	5.3%	5.2%	5.2%	5.4%	5.6%	6.1%	6.7%	7.4%	7.7%
Capital Analysis	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Beginning Total Equity																$ 141.0	$ 143.4	$ 146.0	$ 148.7	$ 151.5	$ 153.8	$ 156.0	$ 158.3
+ Net Income																$ 3.4	$ 3.5	$ 3.7	$ 3.8	$ 3.8	$ 3.7	$ 3.9	$ 4.0
- Dividends																$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0
- Cost of Share Repurchases																$ -	$ -	$ -	$ -	$ 0.56	$ 0.56	$ 0.57	$ 0.58
+ Shares Issued (M&A less cash paid; raises)																$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
+ Net Other																							
Ending Shareholders Equity	$ 120.2	$ 136.3	$ 141.0	$ 151.5	$ 160.8	$ 118.8	$ 120.2	$ 124.6	$ 130.8	$ 133.2	$ 136.3	$ 132.7	$ 137.9	$ 139.1	$ 141.0	$ 143.4	$ 146.0	$ 148.7	$ 151.5	$ 153.8	$ 156.0	$ 158.3	$ 160.8
Less: Intangible Assets	$ 16.1	$ 15.8	$ 15.6	$ 15.6	$ 15.6	$ 16.2	$ 16.1	$ 16.0	$ 15.9	$ 15.8	$ 15.8	$ 15.7	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6	$ 15.6
Less: Preferred Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tangible Common Equity	$ 104.1	$ 120.6	$ 125.4	$ 136.0	$ 145.2	$ 102.5	$ 104.1	$ 108.6	$ 114.9	$ 117.4	$ 120.6	$ 117.0	$ 122.3	$ 123.5	$ 125.4	$ 127.9	$ 130.4	$ 133.2	$ 136.0	$ 138.2	$ 140.4	$ 142.8	$ 145.2
Tangible Assets	$ 1,154.2	$ 1,379.6	$ 1,569.0	$ 1,640.3	$ 1,794.3	$ 1,113.7	$ 1,154.2	$ 1,169.3	$ 1,308.9	$ 1,366.0	$ 1,379.6	$ 1,476.8	$ 1,499.3	$ 1,544.7	$ 1,569.0	$ 1,551.0	$ 1,577.1	$ 1,607.8	$ 1,640.3	$ 1,671.3	$ 1,705.1	$ 1,750.3	$ 1,794.3
Tier 1 Capital						$ 111.3	$ 112.8	$ 114.3	$ 115.8	$ 117.7	$ 120.4	$ 120.4	$ 120.4	$ 120.4	$ 120.4	$ 122.8	$ 125.4	$ 128.1	$ 130.91	$ 133.2	$ 135.4	$ 137.7	$ 140.16
Total Capital						$ 117.9	$ 119.4	$ 122.0	$ 124.7	$ 127.8	$ 130.8	$ 130.8	$ 130.8	$ 130.8	$ 130.8	$ 133.2	$ 135.8	$ 138.5	$ 141.30	$ 143.5	$ 145.7	$ 148.1	$ 150.55
CET-1						$ 111.3	$ 112.8	$ 114.3	$ 115.8	$ 117.7	$ 120.4	$ 120.4	$ 120.4	$ 120.4	$ 120.4	$ 122.8	$ 125.4	$ 128.1	$ 130.91	$ 133.2	$ 135.4	$ 137.7	$ 140.16
Risk Weighted Assets						$ 843.6	$ 873.6	$ 884.9	$ 989.0	$ 1,031.5	$ 1,041.7	$ 1,114.2	$ 1,131.0	$ 1,164.8	$ 1,182.9	$ 1,169.5	$ 1,189.0	$ 1,211.9	$ 1,236.11	$ 1,259.3	$ 1,284.5	$ 1,318.3	$ 1,351.12
TBV / Share (calc)	$ 13.99	$ 16.08	$ 16.62	$ 18.01	$ 19.50	$ 13.84	$ 13.99	$ 14.55	$ 15.35	$ 15.67	$ 16.08	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 16.94	$ 17.28	$ 17.64	$ 18.01	$ 18.37	$ 18.72	$ 19.10	$ 19.50
Shares Repurchased	-	-	-	-	0.100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03	0.03	0.03	0.03
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg. Share Effect of Shares Issued																							
Capital Ratios																							
Total Capital / Risk Weighted Assets	14.26%	13.94%	11.06%	11.43%	11.14%	14.18%	14.26%	14.25%	14.03%	14.08%	13.94%	11.74%	11.56%	11.23%	11.06%	11.39%	11.42%	11.43%	11.43%	11.40%	11.35%	11.23%	11.14%
Tier-1 / Risk Weighted Assets	13.47%	12.83%	10.18%	10.59%	10.37%	13.39%	13.47%	13.35%	13.02%	12.97%	12.83%	10.80%	10.64%	10.34%	10.18%	10.50%	10.54%	10.57%	10.59%	10.57%	10.54%	10.45%	10.37%
Leverage Ratio	9.97%	8.80%	7.63%	7.99%	8.22%	10.12%	9.97%	9.91%	9.31%	8.95%	8.80%	8.49%	8.07%	7.89%	7.63%	7.64%	7.73%	7.86%	7.99%	8.07%	8.13%	8.16%	8.22%
CET-1 / Risk Weighted Assets	13.47%	12.83%	10.18%	10.59%	10.37%	13.39%	13.47%	13.35%	13.02%	12.97%	12.83%	10.80%	10.64%	10.34%	10.18%	10.50%	10.54%	10.57%	10.59%	10.57%	10.54%	10.45%	10.37%
TCE/TA	9.02%	8.74%	8.00%	8.29%	8.09%	9.21%	9.02%	9.29%	8.78%	8.60%	8.74%	7.92%	8.16%	8.00%	8.00%	8.24%	8.27%	8.28%	8.29%	8.27%	8.23%	8.16%	8.09%
Asset Quality	2019A	2020A	2021A	2022E	2023E	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	3Q21A	4Q21A	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Provision / Avg. Loans (ann'l)	0.02%	0.44%	0.04%	0.07%	0.23%	0.01%	0.00%	0.57%	0.61%	0.49%	0.12%	0.08%	0.08%	0.02%	-0.03%	0.08%	0.05%	0.06%	0.09%	0.11%	0.24%	0.29%	0.28%
NCOs / Avg. Loans (ann'l %)	-0.03%	-0.01%	-0.05%	0.08%	0.15%	-0.09%	-0.04%	0.00%	0.00%	-0.05%	-0.01%	0.00%	0.04%	-0.15%	-0.10%	0.05%	0.07%	0.09%	0.12%	0.12%	0.14%	0.16%	0.19%
Assumed ALLL for New Loans																1.07%	1.05%	1.05%	1.05%	1.10%	1.10%	1.10%	1.10%
Assumed Add/Release from ALLL																-0.75%	-2.00%	-2.25%	-2.25%	-1.75%	0.00%	0.00%	0.00%
Projected NCOs ($)																$ 0.109	$ 0.155	$ 0.203	$ 0.276	$ 0.281	$ 0.334	$ 0.392	$ 0.477
Provision for New Loans																$ 0.152	$ 0.170	$ 0.187	$ 0.191	$ 0.179	$ 0.234	$ 0.319	$ 0.219
Add/Release from ALLL																$ (0.08)	$ (0.22)	$ (0.25)	$ (0.25)	$ (0.19)	$ -	$ -	$ -
Required Provision																$ 0.177	$ 0.100	$ 0.138	$ 0.217	$ 0.266	$ 0.568	$ 0.711	$ 0.696
Beginning ALLL																$ 11.179	$ 11.247	$ 11.193	$ 11.128	$ 11.069	$ 11.054	$ 11.288	$ 11.607
- NCOs																$ 0.109	$ 0.155	$ 0.203	$ 0.276	$ 0.281	$ 0.334	$ 0.392	$ 0.477
+ Provision																$ 0.177	$ 0.100	$ 0.138	$ 0.217	$ 0.266	$ 0.568	$ 0.711	$ 0.696
Ending ALLL	$ 6.627	$ 10.389	$ 11.179	$ 11.069	$ 11.826	$ 6.560	$ 6.627	$ 7.694	$ 8.936	$ 10.113	$ 10.389	$ 10.563	$ 10.638	$ 11.025	$ 11.179	$ 11.247	$ 11.193	$ 11.128	$ 11.069	$ 11.054	$ 11.288	$ 11.607	$ 11.826
ALLL / Loans	0.90%	1.23%	1.29%	1.19%	1.16%	0.89%	0.90%	1.03%	1.09%	1.20%	1.23%	1.22%	1.21%	1.25%	1.29%	1.28%	1.25%	1.22%	1.19%	1.17%	1.17%	1.17%	1.16%
ALLL / Loans (ex-PPP)	0.90%	1.30%	1.30%	1.19%	1.16%	0.89%	0.90%	1.03%	1.16%	1.27%	1.30%	1.31%	1.28%	1.26%	1.30%	1.28%	1.25%	1.22%	1.19%	1.17%	1.17%	1.17%	1.16%
Provision for Loan Losses	$ 0.139	$ 3.663	$ 0.335	$ 0.632	$ 2.242	$ 0.025	$ -	$ 1.075	$ 1.250	$ 1.062	$ 0.276	$ 0.177	$ 0.168	$ 0.049	$ (0.059)	$ 0.177	$ 0.100	$ 0.138	$ 0.217	$ 0.266	$ 0.568	$ 0.711	$ 0.696
Net Charge-Offs	$ (0.225)	$ (0.120)	$ (0.456)	$ 0.742	$ 1.485	$ (0.173)	$ (0.067)	$ 0.008	$ 0.008	$ (0.115)	$ (0.021)	$ 0.002	$ 0.093	$ (0.338)	$ (0.213)	$ 0.109	$ 0.155	$ 0.203	$ 0.276	$ 0.281	$ 0.334	$ 0.392	$ 0.477
Excess Provision (LLP less NCOs)	$ 0.364	$ 3.783	$ 0.791	$ (0.110)	$ 0.757	$ 0.198	$ 0.067	$ 1.067	$ 1.242	$ 1.177	$ 0.297	$ 0.175	$ 0.075	$ 0.387	$ 0.154	$ 0.068	$ (0.055)	$ (0.064)	$ (0.059)	$ (0.015)	$ 0.234	$ 0.319	$ 0.219

Potential Risks

- Significant economic deterioration in the bank's core markets
- Unanticipated deterioration in credit quality
- Increasing competitive pressure on loan pricing - implying headwinds for balance sheet growth and NIM
- NIM compression stemming from a flat or inverted yield curve and/or the Fed adopting a less favorable stance on short-term rates
- M&A related risks, including execution or elevated pricing, resulting in a drag on profitability metrics

Required Disclosures

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Rating Information
D.A. Davidson & Co.'s Institutional Research Rating Scale Definitions (maintained since October 10, 2017); information regarding our previous definitions is available upon request:
BUY: Expected to produce a total return of over 15% on a risk adjusted basis over the next 12-18 months
NEUTRAL: Expected to produce a total return of -15% to +15% on a risk adjusted basis over the next 12-18 months
UNDERPERFORM: Expected to lose value of over 15% on a risk adjusted basis over the next 12-18 months

Rating Distribution (as of 12/31/21)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	67%	92%	70%	19%	0%	18%
NEUTRAL (Hold)	33%	8%	30%	8%	0%	8%
UNDERPERFORM (Sell)	0%	0%	0%	0%	0%	0%

IR denotes Institutional Research; WMR denotes Wealth Management Research whose rating scale is Buy/Add, Neutral, Sell/Reduce. Investment Banking Distribution denotes companies from whom D.A. Davidson & Co. has received compensation in the last 12 months.

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Other Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
First Community Corporation	FCCO	BUY	$20.77