First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

October 19, 2022

The Deposit Beta Can't Get Much Better than Zero; BUY

On the heels of FCCO's 3Q22 earnings report, we're increasing our EPS estimates, nudging our PT higher, and reiterating ***BUY****. Even though the bank doesn't rank high in terms of % of variable rate loans, it demonstrated impressive NIM expansion via a higher securities yield and a very impressive ability to lag on deposit pricing (with a zero deposit beta in 3Q22). We suspect the funding advantage will be clearly evident throughout this rate cycle, as attractive, low-cost deposit franchises clearly matter again (as opposed to recent years amid historically low rates), and in turn, should imply greater value for these banks.*

Core EPS beats on NIM and provision: FCCO reported 3Q22 EPS of $0.52, which we consider as core. This came in 6 cents above both consensus and our estimate. The core beat reflects higher than expected core PPNR and a lower than modeled provision for loan losses. The core PPNR beat stemmed from higher than expected NII, partially offset by less favorable than modeled core fee revs and core expenses. For more details on FCCO's 3Q22 results, please see our earlier First Look note.

Increasing our EPS estimates: After inputting FCCO's core 3Q22 results into our model and fine-tuning our assumptions, we're increasing our 2022E EPS by 11 cents (to $1.92), our 2023E EPS by 16 cents (to $2.23), and our 2024E EPS by 12 cents (to $2.29). Main adjustments, besides the flow-through of the core 3Q22 beat, was a higher base NIM (and additional expansion ahead), and to a lesser extent, a slightly lower assumed pace of provisioning, partially offset by less favorable run-rates for core fee revs and core expenses.

Nudging PT higher; reiterate BUY: We're increasing our PT by $0.50 (to $21.00) given our increased EPS estimates. Our PT assumes the shares will trade at 138% of our YE23E TBV/sh and 9.4x our 2023E EPS.

FCCO demonstrated the value of a high-quality, low-cost deposit franchise in a rising rate environment, as the bank recorded a zero deposit beta in 3Q22 (as the cost of deposits remained unchanged LQ at 0.09%). This ability to lag on funding costs is helped by an extremely liquid balance sheet – as the loans-to-deposits ratio is only 66%. While deposit beta likely won't be zero going forward, as FCCO has begun to raise rates, we expect the bank to have a cycle-long advantage on funding costs.

Interestingly, on the asset yield side, the near-term driver is the ramp in securities yield, while the loan yield will have more of a delayed, yet longer-tail impact further out as loans reprice and/or new loans come on the balance sheet. This reflects the bank's relatively high proportion of variable-rate securities to AEAs, as well as the relatively small % of loans that are variable. Net-net, we suspect that 3Q22 will prove the widest LQ NIM expansion (+36bp), as there should be a diminishing pace of additional expansion in 4Q22 and 1Q23, but also likely over the balance of 2023.

Loan growth has been solid in recent quarters, and pipelines still look healthy, although we get the sense that growth will slow in 4Q22 and 2023 given the uncertain economic environment (including the likelihood of some CRE projects falling out of the pipeline given the difficulty of higher rates) and a likely more selective approach on credit by the bank.

FY (Dec)		2021A	2022E	Previous	Cons.	2023E	Previous	Cons.
EPS	Q1 (Mar)	$0.43	**$0.44A**	-	*n.a.*	**$0.54E**	$0.51	*$0.50*
	Q2 (Jun)	$0.47	**$0.42A**	-	*n.a.*	**$0.55E**	$0.51	*$0.51*
	Q3 (Sep)	$0.62	**$0.52A**	$0.46	*n.a.*	**$0.57E**	$0.53	*$0.53*
	Q4 (Dec)	$0.50	**$0.55E**	$0.49	*$0.49*	**$0.57E**	$0.53	*$0.53*
		$2.03	**$1.92E**	$1.81	*$1.88*	**$2.23E**	$2.07	*$2.05*
Price/EPS		*8.8x*	*9.3x*			*8.0x*		
Revenue ($M)	Q1 (Mar)	$13.9	**$14.1A**	-	*n.a.*	**$16.3E**	$15.8	*$15.7*
	Q2 (Jun)	$14.5	**$14.1A**	-	*n.a.*	**$16.6E**	$16.1	*$16.1*
	Q3 (Sep)	$16.0	**$15.5A**	$15.0	*n.a.*	**$17.0E**	$16.4	*$16.5*
	Q4 (Dec)	$14.7	**$15.9E**	$15.5	*$15.5*	**$17.3E**	$16.7	*$16.8*
		$59.0	**$59.6E**	$58.7	*$59.0*	**$67.1E**	$64.9	*$65.2*

Buy

Price Target	**↑$21.00**
Price (10/19/22)	$17.91
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	0.95%
ROTCE (MRQ)	15.7%
Net Interest Margin (MRQ)	3.29%
Efficiency Ratio (MRQ)	67.2%
TBV per Share (9/30/22)	$13.03
TCE/TA (9/30/22)	6.0%
Dividend	$0.52 (2.9%)

Trading Data

Shares Outstanding (M)	7.6
Market Capitalization ($M)	$135.5
52-week range	$16.97 - $23.42
Avg. Volume (3-mth.) (K)	6.8

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Company Description

Lexington, SC - First Community Corporation is the parent company of First Community Bank a +$1.6B 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

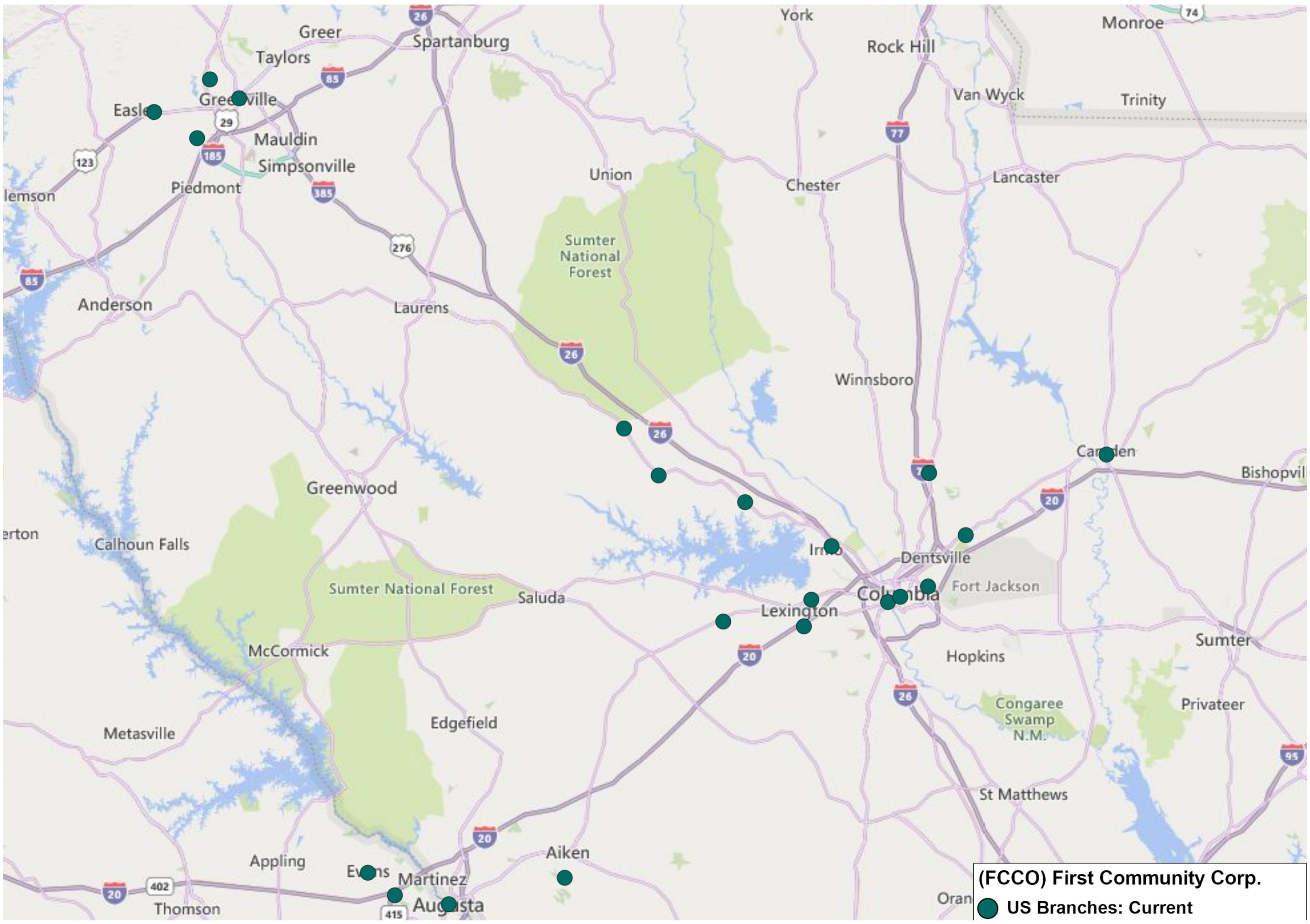
NASDAQ: FCCO

Please refer to pages 5 - 6 of this report for detailed disclosure and certification information.

In terms of deposit balances, FCCO only experienced a slight decline in 3Q22, and management expects to see only a slight decline to stable balances going forward. While certain customers may migrate to higher-rate products outside the bank, FCCO points to likely greater retention (given the bank has commenced raising deposit rates) and offsetting balances from new customers. On the latter, the CEO expects an influx of deposits from the opening of a new full-service branch in Rock Hill, SC.

Credit quality remains strong, with continued net recoveries and a nominal past due ratio. That said, given the uncertainty of the economic environment, we get the sense that FCCO is being a bit more cautious with residential A&D and out-of-market purchasers of properties. The bank maintains a very granular loan book and has a conservative track record on credit. We expect the bank to adopt CECL as of January 1st, 2023 (from its prior long-time framework of the incurred loss model), although we believe that the bank has been modeling in parallel in recent quarters.

Figure 1: FCCO Branch Map



Source: S&P Capital IQ

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($M, except Per Share Data)

Income Statement	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NET INTEREST INCOME (FTE)	40.023	45.387	47.859	55.831	59.697	10.675	11.092	12.456	11.164	10.733	11.051	12.794	13.281	13.564	13.833	14.093	14.341	14.535	14.752	15.038	15.372
PROVISION FOR LOAN LOSSES	3.663	0.335	0.005	2.134	3.650	0.177	0.168	0.049	(0.059)	(0.125)	(0.070)	0.018	0.182	0.425	0.500	0.547	0.661	0.748	0.843	0.975	1.085
Non-Interest Income					-																
Deposit service charges	1.121	0.977	1.018	1.034	1.103	0.246	0.212	0.257	0.262	0.265	0.262	0.243	0.248	0.252	0.258	0.260	0.264	0.268	0.275	0.278	0.282
Mortgage banking income	5.557	4.319	1.891	1.190	1.247	0.990	1.143	1.147	1.039	0.839	0.481	0.290	0.281	0.276	0.302	0.312	0.300	0.288	0.317	0.329	0.313
Invest. Advisory fees & commissions	2.720	3.995	4.467	4.539	5.134	0.877	0.957	1.040	1.121	1.198	1.195	1.053	1.021	1.057	1.110	1.166	1.206	1.236	1.274	1.299	1.325
Gain (loss) on sale of other assets	0.147	0.077	-	-	-	0.077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	3.814	4.349	4.375	4.547	4.732	1.106	1.106	1.060	1.077	1.068	1.111	1.087	1.109	1.120	1.131	1.142	1.154	1.165	1.177	1.189	1.201
TOTAL NON-INTEREST INCOME (core)	13.359	13.717	11.751	11.310	12.216	3.296	3.418	3.504	3.499	3.370	3.049	2.673	2.659	2.704	2.801	2.881	2.924	2.958	3.042	3.095	3.120
OPERATING REVENUE	53.382	58.996	59.610	67.141	71.913	13.863	14.510	15.960	14.663	14.103	14.100	15.467	15.940	16.268	16.634	16.974	17.265	17.493	17.794	18.133	18.492
Noninterest Expense																					
Salaries & employee benefits	24.026	24.494	25.199	27.240	29.045	5.964	5.948	6.394	6.188	6.119	6.175	6.373	6.532	6.630	6.796	6.864	6.950	7.044	7.255	7.328	7.419
Occupancy	2.709	2.947	3.075	3.300	3.458	0.730	0.734	0.743	0.740	0.705	0.786	0.786	0.798	0.810	0.820	0.830	0.841	0.851	0.860	0.868	0.879
Equipment	1.237	1.296	1.325	1.368	1.427	0.275	0.338	0.336	0.347	0.332	0.329	0.331	0.333	0.337	0.340	0.344	0.347	0.351	0.355	0.358	0.362
Marketing & public relations	1.043	1.173	1.141	0.726	0.784	0.396	0.313	0.140	0.324	0.361	0.446	0.163	0.171	0.180	0.183	0.178	0.185	0.194	0.198	0.192	0.200
FDIC assessment	0.404	0.618	0.477	0.484	0.484	0.169	0.146	0.189	0.114	0.130	0.105	0.121	0.121	0.121	0.121	0.121	0.121	0.121	0.121	0.121	0.121
Amortization of intangibles	0.363	0.201	0.157	0.151	0.145	0.057	0.052	0.052	0.040	0.039	0.040	0.039	0.039	0.038	0.038	0.037	0.037	0.037	0.036	0.036	0.036
Other operating expenses	7.551	8.367	9.556	10.231	10.805	1.920	2.292	1.993	2.162	2.221	2.278	2.585	2.472	2.509	2.540	2.572	2.610	2.649	2.683	2.716	2.757
Noninterest Expense, Ex-Credit	37.333	39.096	40.929	43.499	46.147	9.511	9.823	9.847	9.915	9.907	10.159	10.398	10.465	10.624	10.838	10.946	11.091	11.247	11.507	11.619	11.773
OREO expense	0.201	0.105	0.113	0.074	0.074	0.029	0.055	0.058	(0.037)	0.047	0.029	0.019	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018
Write-down of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss (gain) on sale of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NONINTEREST EXPENSE (core)	37.534	39.201	41.042	43.573	46.221	9.540	9.878	9.905	9.878	9.954	10.188	10.417	10.483	10.643	10.857	10.964	11.109	11.266	11.526	11.638	11.792
Pre-Tax Operating Income	12.185	19.460	18.562	21.435	22.041	4.146	4.464	6.006	4.844	4.274	3.982	5.032	5.274	5.200	5.277	5.463	5.496	5.480	5.426	5.520	5.616
Pre-Tax, Pre-Provision Operating Income	15.848	19.795	18.568	23.568	25.692	4.323	4.632	6.055	4.785	4.149	3.912	5.050	5.457	5.625	5.777	6.010	6.156	6.228	6.268	6.495	6.700
Pre-Tax, Pre-Credit Costs Operating Income	16.049	19.900	18.681	23.642	25.765	4.352	4.687	6.113	4.748	4.196	3.941	5.069	5.475	5.643	5.796	6.028	6.175	6.246	6.287	6.514	6.719
Gain (Loss) on sale of securities	0.099	-	(0.045)	-	-	-	-	-	-	-	(0.045)	-	-	-	-	-	-	-	-	-	-
Non-Operating Revenues	0.311	0.187	0.009	-	-	-	-	0.060	0.127	0.004	0.005	-	-	-	-	-	-	-	-	-	-
Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Income	12.595	19.647	18.526	21.435	22.041	4.146	4.464	6.066	4.971	4.278	3.942	5.032	5.274	5.200	5.277	5.463	5.496	5.480	5.426	5.520	5.616
Income Taxes	2.496	4.182	3.790	4.501	4.629	0.891	0.921	1.318	1.052	0.789	0.812	1.081	1.108	1.092	1.108	1.147	1.154	1.151	1.139	1.159	1.179
Tax Rate	19.82%	21.29%	20.46%	21.00%	21.00%	21.5%	20.6%	21.7%	21.2%	18.4%	20.6%	21.5%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Core Tax Rate	19.66%	21.25%	21.15%	21.00%	21.00%	21.5%	20.6%	21.7%	21.2%	21.5%	20.6%	21.5%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income from Continuing Operations	10.099	15.465	14.737	16.933	17.413	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.167	4.108	4.169	4.315	4.341	4.329	4.286	4.361	4.436
Net Income from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	10.099	15.465	14.737	16.933	17.413	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.167	4.108	4.169	4.315	4.341	4.329	4.286	4.361	4.436
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) Attributable to Noncontrolling Interes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME AVAILABLE TO COMMON	10.099	15.465	14.737	16.933	17.413	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.167	4.108	4.169	4.315	4.341	4.329	4.286	4.361	4.436
Shares / Per Share Metrics	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Earnings Per Share (EPS) - Reported	1.35	2.05	1.94	2.23	2.29	0.43	0.47	0.63	0.52	0.46	0.41	0.52	0.55	0.54	0.55	0.57	0.57	0.57	0.56	0.57	0.58
Core EPS	**1.30**	**2.03**	**1.92**	**2.23**	**2.29**	**0.43**	**0.47**	**0.62**	**0.50**	**0.44**	**0.42**	**0.52**	**0.55**	**0.54**	**0.55**	**0.57**	**0.57**	**0.57**	**0.56**	**0.57**	**0.58**
Core EPS Growth (Annualized)	-10.8%	55.5%	-5.2%	15.7%	2.8%	-22.0%	34.5%	129.1%	-75.3%	-50.0%	-23.7%	99.8%	21.9%	-5.7%	5.9%	14.1%	2.4%	-1.1%	-4.0%	7.0%	6.9%
PTPP/Avg. Shares	2.12	2.62	2.44	3.10	3.38	0.57	0.61	0.80	0.63	0.55	0.51	0.66	0.72	0.74	0.76	0.79	0.81	0.82	0.82	0.85	0.88
Avg. Diluted Shares o/s	7.480	7.546	7.605	7.608	7.608	7.523	7.537	7.560	7.565	7.595	7.607	7.608	7.608	7.608	7.608	7.608	7.608	7.608	7.608	7.608	7.608
EOP Shares	7.500	7.549	7.573	7.573	7.573	7.525	7.540	7.544	7.549	7.560	7.567	7.573	7.573	7.573	7.573	7.573	7.573	7.573	7.573	7.573	7.573
Dividend per Share	0.48	0.49	0.52	0.52	0.52	0.12	0.12	0.12	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Dividend Payout Ratio	35.6%	23.9%	26.8%	23.4%	22.7%	27.9%	25.5%	19.0%	25.0%	28.3%	31.7%	25.0%	23.7%	24.1%	23.7%	22.9%	22.8%	22.8%	23.1%	22.7%	22.3%
TBV / Share	16.08	16.62	13.46	15.17	16.95	15.55	16.22	16.37	16.62	14.53	13.50	13.03	13.46	13.87	14.29	14.73	15.17	15.61	16.05	16.49	16.95
Profitability Metrics	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NIM	3.34%	3.20%	3.11%	3.51%	3.58%	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.47%	3.50%	3.52%	3.53%	3.55%	3.57%	3.59%	3.61%
Core NIM	3.35%	3.08%	3.13%	3.51%	3.58%	3.16%	3.11%	3.08%	2.95%	2.90%	2.93%	3.29%	3.42%	3.47%	3.50%	3.52%	3.53%	3.55%	3.57%	3.59%	3.61%
Core ROAA	0.76%	1.01%	0.89%	0.99%	0.98%	0.91%	0.94%	1.22%	0.96%	0.83%	0.77%	0.95%	1.00%	0.98%	0.99%	1.01%	1.00%	0.99%	0.97%	0.98%	0.98%
Core PTPP ROAA	1.22%	1.30%	1.13%	1.38%	1.45%	1.20%	1.23%	1.57%	1.20%	1.02%	0.95%	1.21%	1.31%	1.34%	1.37%	1.40%	1.42%	1.43%	1.42%	1.46%	1.48%
Core ROAE	7.60%	11.12%	12.00%	13.69%	12.71%	9.60%	10.48%	13.39%	10.90%	9.78%	10.90%	13.28%	14.40%	13.82%	13.66%	13.78%	13.50%	13.12%	12.67%	12.58%	12.49%
Core ROTCE	8.64%	12.62%	13.80%	15.64%	14.32%	10.96%	11.85%	15.30%	12.27%	11.41%	11.93%	15.74%	16.62%	15.88%	15.64%	15.71%	15.34%	14.86%	14.30%	14.16%	14.01%
Core ROTCE (ex-Reserve Release)	5.83%	12.09%	13.67%	15.54%	14.33%	10.50%	11.65%	14.31%	11.88%	11.09%	11.86%	15.44%	16.26%	15.62%	15.47%	15.71%	15.34%	14.86%	14.30%	14.16%	14.01%
Core Efficiency	70.3%	66.4%	68.9%	64.9%	64.3%	68.6%	67.7%	61.7%	67.6%	70.2%	72.0%	67.2%	65.8%	65.4%	65.3%	64.6%	64.3%	64.4%	64.8%	64.2%	63.8%
Core Fee Income / Operating Revs	25.0%	23.3%	19.7%	16.8%	17.0%	23.8%	23.6%	22.0%	23.9%	23.9%	21.6%	17.3%	16.7%	16.6%	16.8%	17.0%	16.9%	16.9%	17.1%	17.1%	16.9%

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($M, except Per Share Data)

Kevin P. Fitzsimmons 856-994-6062

Average Balance Sheet	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Avg. PPP	$ 35.7	$ 35.0	$ 0.4	$ -	$ -	$ 52.0	$ 54.5	$ 28.2	$ 5.3	$ 0.9	$ 0.3	$ 0.2	$ 0.1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Avg. Loans (ex-PPP)	$ 799.2	$ 854.0	$ 917.0	$ 991.3	$ 1,055.3	$ 834.3	$ 841.1	$ 865.7	$ 874.7	$ 875.5	$ 896.4	$ 938.1	$ 958.3	$ 972.6	$ 984.8	$ 997.1	$ 1,010.8	$ 1,026.0	$ 1,042.7	$ 1,063.5	$ 1,088.8
Avg. Total Loans	$ 834.8	$ 889.0	$ 917.4	$ 991.3	$ 1,055.3	$ 886.4	$ 895.6	$ 893.9	$ 880.0	$ 876.3	$ 896.6	$ 938.3	$ 958.4	$ 972.6	$ 984.8	$ 997.1	$ 1,010.8	$ 1,026.0	$ 1,042.7	$ 1,063.5	$ 1,088.8
Avg. Securities	$ 300.8	$ 456.3	$ 574.3	$ 580.3	$ 578.1	$ 373.3	$ 430.9	$ 488.5	$ 532.4	$ 571.8	$ 560.4	$ 581.0	$ 583.9	$ 582.5	$ 581.0	$ 579.6	$ 578.1	$ 578.1	$ 578.1	$ 578.1	$ 578.1
Avg. Other Earning Assets	$ 62.8	$ 73.4	$ 47.3	$ 20.8	$ 32.9	$ 79.3	$ 77.8	$ 58.5	$ 78.1	$ 67.2	$ 72.8	$ 37.5	$ 11.7	$ 9.0	$ 15.2	$ 25.0	$ 34.1	$ 32.1	$ 30.5	$ 32.1	$ 37.0
Avg. Earning Assets	$ 1,198.5	$ 1,418.7	$ 1,539.0	$ 1,592.5	$ 1,666.3	$ 1,339.1	$ 1,404.2	$ 1,441.0	$ 1,490.5	$ 1,515.4	$ 1,529.8	$ 1,556.9	$ 1,554.0	$ 1,564.1	$ 1,581.1	$ 1,601.7	$ 1,623.1	$ 1,636.2	$ 1,651.3	$ 1,673.7	$ 1,704.0
Avg. Total Assets	$ 1,295.7	$ 1,519.9	$ 1,649.7	$ 1,702.7	$ 1,775.7	$ 1,435.3	$ 1,507.7	$ 1,542.8	$ 1,593.7	$ 1,622.3	$ 1,643.9	$ 1,667.7	$ 1,664.7	$ 1,674.6	$ 1,691.3	$ 1,711.8	$ 1,733.0	$ 1,745.9	$ 1,760.8	$ 1,783.0	$ 1,812.9
Avg. Deposits	$ 1,087.1	$ 1,292.2	$ 1,424.3	$ 1,476.1	$ 1,537.8	$ 1,208.1	$ 1,285.1	$ 1,312.6	$ 1,363.2	$ 1,374.8	$ 1,428.0	$ 1,450.0	$ 1,444.5	$ 1,451.9	$ 1,466.1	$ 1,483.9	$ 1,502.3	$ 1,512.5	$ 1,524.5	$ 1,543.7	$ 1,570.7
Avg. Total Borrowings	$ 66.8	$ 77.2	$ 90.1	$ 96.1	$ 108.2	$ 78.3	$ 75.4	$ 77.8	$ 77.1	$ 97.5	$ 87.1	$ 86.6	$ 89.2	$ 91.9	$ 94.6	$ 97.5	$ 100.4	$ 103.4	$ 106.5	$ 109.7	$ 113.0
Avg. IB-Liabilities	$ 810.0	$ 946.5	$ 1,044.3	$ 1,086.4	$ 1,150.1	$ 896.5	$ 940.2	$ 959.9	$ 989.6	$ 1,023.0	$ 1,048.8	$ 1,054.1	$ 1,051.2	$ 1,060.1	$ 1,075.9	$ 1,095.3	$ 1,114.2	$ 1,124.9	$ 1,137.6	$ 1,156.3	$ 1,181.6
Avg. Total Liabilities	$ 1,166.8	$ 1,382.0	$ 1,526.9	$ 1,584.3	$ 1,658.2	$ 1,299.7	$ 1,372.5	$ 1,402.4	$ 1,453.5	$ 1,485.0	$ 1,527.8	$ 1,548.7	$ 1,545.9	$ 1,556.0	$ 1,572.9	$ 1,593.6	$ 1,614.9	$ 1,628.0	$ 1,643.2	$ 1,665.6	$ 1,695.8
Avg. Shareholders Equity	$ 128.8	$ 137.8	$ 122.0	$ 123.7	$ 137.0	$ 135.6	$ 135.2	$ 140.4	$ 140.2	$ 137.2	$ 116.1	$ 119.0	$ 115.7	$ 118.9	$ 122.0	$ 125.3	$ 128.6	$ 132.0	$ 135.3	$ 138.7	$ 142.1
Avg. Tangible Common Equity	$ 113.3	$ 121.4	$ 106.1	$ 108.3	$ 121.6	$ 118.8	$ 119.6	$ 122.9	$ 124.5	$ 117.7	$ 106.0	$ 100.4	$ 100.3	$ 103.5	$ 106.6	$ 109.9	$ 113.2	$ 116.6	$ 119.9	$ 123.2	$ 126.6

EOP Balance Sheet	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
PPP	$ 42.2	$ 1.5	$ -	$ -	$ -	$ 61.8	$ 47.2	$ 9.1	$ 1.5	$ 0.3	$ 0.3	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans (ex-PPP)	$ 801.9	$ 862.2	$ 966.6	$ 1,018.3	$ 1,102.3	$ 807.2	$ 831.1	$ 872.4	$ 862.2	$ 875.5	$ 916.1	$ 950.0	$ 966.6	$ 978.7	$ 990.9	$ 1,003.3	$ 1,018.3	$ 1,033.6	$ 1,051.7	$ 1,075.4	$ 1,102.3
Total Loans	$ 844.2	$ 863.7	$ 966.6	$ 1,018.3	$ 1,102.3	$ 869.1	$ 878.3	$ 881.5	$ 863.7	$ 875.8	$ 916.3	$ 950.2	$ 966.6	$ 978.7	$ 990.9	$ 1,003.3	$ 1,018.3	$ 1,033.6	$ 1,051.7	$ 1,075.4	$ 1,102.3
Total Assets	$ 1,395.4	$ 1,584.5	$ 1,687.2	$ 1,779.5	$ 1,916.8	$ 1,492.5	$ 1,515.0	$ 1,560.3	$ 1,584.5	$ 1,652.3	$ 1,684.8	$ 1,651.8	$ 1,687.2	$ 1,712.2	$ 1,733.6	$ 1,755.3	$ 1,779.5	$ 1,806.2	$ 1,835.5	$ 1,872.3	$ 1,916.8
Non-IB Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Deposits	$ 1,189.4	$ 1,361.3	$ 1,430.9	$ 1,488.1	$ 1,555.8	$ 1,271.4	$ 1,289.9	$ 1,333.6	$ 1,361.3	$ 1,430.7	$ 1,469.0	$ 1,436.3	$ 1,430.9	$ 1,438.2	$ 1,452.3	$ 1,469.9	$ 1,488.1	$ 1,498.2	$ 1,510.1	$ 1,529.1	$ 1,555.8
Total Liabilities	$ 1,245.3	$ 1,430.5	$ 1,522.1	$ 1,590.0	$ 1,669.7	$ 1,346.7	$ 1,365.3	$ 1,408.4	$ 1,430.5	$ 1,513.8	$ 1,555.7	$ 1,524.9	$ 1,522.1	$ 1,532.0	$ 1,548.7	$ 1,569.0	$ 1,590.0	$ 1,603.0	$ 1,617.8	$ 1,639.9	$ 1,669.7

Liquidity Ratios																					
Loans / Deposits	71.0%	63.4%	67.6%	68.4%	70.8%	68.4%	68.1%	66.1%	63.4%	61.2%	62.4%	66.2%	67.6%	68.0%	68.2%	68.3%	68.4%	69.0%	69.6%	70.3%	70.8%
Avg. Earning Assets / Avg. Assets	92.5%	93.3%	93.3%	93.5%	93.8%	93.3%	93.1%	93.4%	93.5%	93.4%	93.1%	93.4%	93.4%	93.4%	93.5%	93.6%	93.7%	93.7%	93.8%	93.9%	94.0%
Avg. Borrowings / Avg. Liabilities	5.7%	5.6%	5.9%	6.1%	6.5%	6.0%	5.5%	5.6%	5.3%	6.6%	5.7%	5.6%	5.8%	5.9%	6.0%	6.1%	6.2%	6.4%	6.5%	6.6%	6.7%

Capital Analysis	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Beginning Total Equity													$ 114.1	$ 117.3	$ 120.5	$ 123.6	$ 127.0	$ 130.3	$ 133.7	$ 137.0	$ 140.3
+ Net Income													$ 4.2	$ 4.1	$ 4.2	$ 4.3	$ 4.3	$ 4.3	$ 4.3	$ 4.4	$ 4.4
- Dividends													$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0
- Cost of Share Repurchases													$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
+ Shares Issued (M&A less cash paid; raises)													$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
+ Net Other																					
Ending Shareholders Equity	$ 136.3	$ 141.0	$ 117.3	$ 130.3	$ 143.8	$ 132.7	$ 137.9	$ 139.1	$ 141.0	$ 125.4	$ 117.6	$ 114.1	$ 117.3	$ 120.5	$ 123.6	$ 127.0	$ 130.3	$ 133.7	$ 137.0	$ 140.3	$ 143.8
Less: Intangible Assets	$ 15.8	$ 15.6	$ 15.4	$ 15.4	$ 15.4	$ 15.7	$ 15.6	$ 15.6	$ 15.6	$ 15.5	$ 15.5	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4	$ 15.4
Less: Preferred Equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Tangible Common Equity	$ 120.6	$ 125.4	$ 101.9	$ 114.9	$ 128.4	$ 117.0	$ 122.3	$ 123.5	$ 125.4	$ 109.9	$ 102.1	$ 98.7	$ 101.9	$ 105.0	$ 108.2	$ 111.5	$ 114.9	$ 118.2	$ 121.5	$ 124.9	$ 128.4
Tangible Assets	$ 1,379.6	$ 1,569.0	$ 1,671.7	$ 1,764.0	$ 1,901.3	$ 1,476.8	$ 1,499.3	$ 1,544.7	$ 1,569.0	$ 1,636.8	$ 1,669.3	$ 1,636.4	$ 1,671.7	$ 1,696.8	$ 1,718.2	$ 1,739.9	$ 1,764.0	$ 1,790.7	$ 1,820.1	$ 1,856.8	$ 1,901.3
Tier 1 Capital						$ 122.9	$ 125.7	$ 129.7	$ 129.7	$ 135.6	$ 137.9	$ 137.9	$ 141.09	$ 144.2	$ 147.4	$ 150.7	$ 154.09	$ 157.4	$ 160.7	$ 164.1	$ 167.56
Total Capital						$ 133.4	$ 136.4	$ 140.8	$ 140.8	$ 146.6	$ 149.1	$ 149.1	$ 152.31	$ 155.4	$ 158.6	$ 162.0	$ 165.31	$ 168.7	$ 172.0	$ 175.3	$ 178.78
CET-1						$ 122.9	$ 125.7	$ 129.7	$ 129.7	$ 135.6	$ 137.9	$ 137.9	$ 141.09	$ 144.2	$ 147.4	$ 150.7	$ 154.09	$ 157.4	$ 160.7	$ 164.1	$ 167.56
Risk Weighted Assets						$ 1,114.2	$ 1,131.0	$ 1,164.8	$ 1,182.9	$ 975.9	$ 1,023.8	$ 1,003.8	$ 1,025.27	$ 1,040.5	$ 1,053.5	$ 1,066.7	$ 1,081.34	$ 1,097.6	$ 1,115.4	$ 1,137.7	$ 1,164.78
TBV / Share (calc)	$ 16.08	$ 16.62	$ 13.46	$ 15.17	$ 16.95	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 14.53	$ 13.50	$ 13.03	$ 13.46	$ 13.87	$ 14.29	$ 14.73	$ 15.17	$ 15.61	$ 16.05	$ 16.49	$ 16.95
Shares Repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg. Share Effect of Shares Issued																					

Capital Ratios																					
Total Capital / Risk Weighted Assets	13.94%	11.90%	14.86%	15.29%	15.35%	14.26%	12.06%	12.08%	11.90%	15.02%	14.57%	14.86%	14.86%	14.94%	15.06%	15.18%	15.29%	15.37%	15.42%	15.41%	15.35%
Tier-1 / Risk Weighted Assets	12.83%	10.97%	13.76%	14.25%	14.39%	13.13%	11.12%	11.14%	10.97%	13.89%	13.47%	13.74%	13.76%	13.86%	13.99%	14.13%	14.25%	14.34%	14.41%	14.42%	14.39%
Leverage Ratio	8.80%	8.22%	8.55%	8.97%	9.32%	8.70%	8.43%	8.51%	8.22%	8.46%	8.34%	8.36%	8.55%	8.69%	8.80%	8.89%	8.97%	9.10%	9.21%	9.28%	9.32%
CET-1 / Risk Weighted Assets	12.83%	10.97%	13.76%	14.25%	14.39%	13.13%	11.12%	11.14%	10.97%	13.89%	13.47%	13.74%	13.76%	13.86%	13.99%	14.13%	14.25%	14.34%	14.41%	14.42%	14.39%
TCE/TA	8.74%	8.00%	6.09%	6.51%	6.75%	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.09%	6.19%	6.30%	6.41%	6.51%	6.60%	6.68%	6.73%	6.75%

Asset Quality	2020A	2021A	2022E	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Provision / Avg. Loans (ann'l)	0.44%	0.04%	0.00%	0.22%	0.35%	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.08%	0.17%	0.20%	0.22%	0.26%	0.29%	0.32%	0.37%	0.40%
NCOs / Avg. Loans (ann'l %)	-0.01%	-0.05%	-0.01%	0.14%	0.25%	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.04%	-0.03%	0.04%	0.08%	0.12%	0.16%	0.19%	0.22%	0.24%	0.26%	0.28%
Assumed ALLL for New Loans													1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%	1.20%
Assumed Add/Release from ALLL													-1.00%	0.75%	0.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Projected NCOs ($)													$ 0.096	$ 0.195	$ 0.295	$ 0.399	$ 0.480	$ 0.564	$ 0.626	$ 0.691	$ 0.762
Provision for New Loans													$ 0.199	$ 0.145	$ 0.147	$ 0.149	$ 0.181	$ 0.183	$ 0.217	$ 0.284	$ 0.323
Add/Release from ALLL													$ (0.11)	$ 0.09	$ 0.06	$ -	$ -	$ -	$ -	$ -	$ -
Required Provision													$ 0.182	$ 0.425	$ 0.500	$ 0.547	$ 0.661	$ 0.748	$ 0.843	$ 0.975	$ 1.085
Beginning ALLL													$ 11.315	$ 11.401	$ 11.632	$ 11.837	$ 11.985	$ 12.166	$ 12.349	$ 12.566	$ 12.850
- NCOs													$ 0.096	$ 0.195	$ 0.295	$ 0.399	$ 0.480	$ 0.564	$ 0.626	$ 0.691	$ 0.762
+ Provision													$ 0.182	$ 0.425	$ 0.500	$ 0.547	$ 0.661	$ 0.748	$ 0.843	$ 0.975	$ 1.085
Ending ALLL	$ 10.389	$ 11.179	$ 11.401	$ 12.166	$ 13.173	$ 10.563	$ 10.638	$ 11.025	$ 11.179	$ 11.063	$ 11.220	$ 11.315	$ 11.401	$ 11.632	$ 11.837	$ 11.985	$ 12.166	$ 12.349	$ 12.566	$ 12.850	$ 13.173
ALLL / Loans	1.23%	1.29%	1.18%	1.19%	1.20%	1.22%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.18%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.20%
ALLL / Loans (ex-PPP)	1.30%	1.30%	1.18%	1.19%	1.20%	1.31%	1.28%	1.26%	1.30%	1.26%	1.22%	1.19%	1.18%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.19%	1.20%
Provision for Loan Losses	$ 3.663	$ 0.335	$ 0.005	$ 2.134	$ 3.650	$ 0.177	$ 0.168	$ 0.049	$ (0.059)	$ (0.125)	$ (0.070)	$ 0.018	$ 0.182	$ 0.425	$ 0.500	$ 0.547	$ 0.661	$ 0.748	$ 0.843	$ 0.975	$ 1.085
Net Charge-Offs	$ (0.120)	$ (0.456)	$ (0.082)	$ 1.369	$ 2.643	$ 0.002	$ 0.093	$ (0.338)	$ (0.213)	$ (0.008)	$ (0.093)	$ (0.077)	$ 0.096	$ 0.195	$ 0.295	$ 0.399	$ 0.480	$ 0.564	$ 0.626	$ 0.691	$ 0.762
Excess Provision (LLP less NCOs)	$ 3.783	$ 0.791	$ 0.087	$ 0.765	$ 1.007	$ 0.175	$ 0.075	$ 0.387	$ 0.154	$ (0.117)	$ 0.023	$ 0.095	$ 0.086	$ 0.230	$ 0.205	$ 0.149	$ 0.181	$ 0.183	$ 0.217	$ 0.284	$ 0.323

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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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 9/30/22)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	64%	85%	67%	14%	0%	13%
NEUTRAL (Hold)	35%	15%	33%	4%	0%	3%
UNDERPERFORM (Sell)	1%	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.

Target prices are our Institutional Research Department's evaluation of price potential over the next 12 months, based upon our assessment of future earnings and cash flow, comparable company valuations, growth prospects and other financial criteria. Certain risks may impede achievement of these price targets including, but not limited to, broader market and macroeconomic fluctuations and unforeseen changes in the subject company's fundamentals or business trends.

Other Disclosures

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Other Companies Mentioned in this Report

Company Name	Ticker	Rating	Price
First Community Corporation	FCCO	BUY	$17.91