



First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

January 27, 2020

Keeping an Eye on SC's Low-Cost Deposit Franchise; NEUTRAL

On the heels of FCCO's 4Q19 earnings report, we are nudging our 2020 EPS est. lower (to \$1.44) and establishing a 2021 EPS estimate (of \$1.50). No changes to our PT or **NEUTRAL** rating at this point, although we'll be looking for an opportunity to get more constructive on this name.

- **Core EPS beat:** FCCO reported 4Q19 EPS of \$0.36. We estimate core EPS of \$0.39, which came in 4 cents ahead of both our and the consensus estimate. Core results reflected higher core fee revenues (mainly mortgage) and the absence of a provision for loan losses, and decent balance sheet growth, partially offset by NIM compression and higher core expenses. Please see our earlier [First Look](#) note for further details on 4Q19 core LQ results.
- **Nudging our 2020 EPS estimate lower:** After inputting FCCO's core 4Q19 results into our model, and fine-tuning our assumptions, we are nudging our 2020 EPS estimate lower by 3 cents (to \$1.44), mainly given a higher base of core expenses and a slightly lower base NIM. At the same time, we are establishing a 2021 EPS estimate of \$1.50.
- **Sticking at NEUTRAL for now:** We are leaving our PT unchanged at \$22.00, which assumes the shares will trade at 14.7x our 2021 EPS estimate one year out. We're sticking with our **NEUTRAL** rating for now given the lack of more substantial EPS growth or apparent needle-moving catalysts, and valuation multiples already modestly above peer median levels. That said, we will be watching closely for an opportunity to get more constructive given FCCO's attractive geographic footprint (with considerable scarcity value), a likely inflection point on the NIM, a highly attractive cost-of-funds, and very liquid balance sheet. We also note that FCCO shares could benefit by increasingly being viewed by the Street as a potential add to the Russell Index later this year (although with the caveat that FCCO has been on this ride before – having been added to the Russell in 2018, and then subsequently being removed in 2019).

Main takeaways from the LQ results and our discussion with management included:

- **NIM outlook:** On the NIM, we get the sense that modest compression is likely in 1Q20, but thereafter FCCO should be able to stabilize – and later in 2020 even expand – the NIM.
- **On loan growth,** management points out that production has been strong, but that net growth has been dampened by elevated payoffs. FCCO seems confident that it can deliver mid-single digit annualized loan growth in 2020.
- **Fee revenues:** While it has been a record year for mortgage (given the rate environment) and we suspect this could soften in 2020, FCCO seems confident in the run-rate of core fee revs given a higher run-rate in investment advisory.
- **Cost control:** FCCO expects 2020 to feature a decelerating pace of growth for core noninterest expenses (likely to more of a low single-digit annualized pace), as the bank has made deliberate investments (e.g., new offices; digital/mobile platform) in the franchise over the past few years. Marketing spend will likely be stable Y/Y, but very front-end loaded in early 2020.

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FY (Dec)		2019A	2020E	Previous	Cons.	2021E	Previous	Cons.
EPS	Q1 (Mar)	\$0.33	\$0.34E	\$0.35	\$0.33	\$0.35E	n.a.	\$0.38
	Q2 (Jun)	\$0.36	\$0.35E	\$0.37	\$0.35	\$0.37E	n.a.	\$0.39
	Q3 (Sep)	\$0.39	\$0.37E	\$0.38	\$0.38	\$0.38E	n.a.	\$0.40
	Q4 (Dec)	\$0.39	\$0.38E	\$0.37	\$0.37	\$0.40E	n.a.	\$0.41
		\$1.46	\$1.44E	\$1.47	\$1.43	\$1.50E	n.a.	\$1.49
Price/EPS		14.1x	14.4x			13.7x		
Revenue (\$M)	Q1 (Mar)	\$11.6	\$12.4E	\$12.1	\$12.2	\$12.8E	n.a.	n.a.
	Q2 (Jun)	\$12.1	\$12.6E	\$12.5	\$12.5	\$13.1E	n.a.	n.a.
	Q3 (Sep)	\$12.5	\$12.8E	\$12.7	\$12.7	\$13.3E	n.a.	n.a.
	Q4 (Dec)	\$12.6	\$12.9E	\$12.5	\$12.7	\$13.4E	n.a.	n.a.
		\$48.7	\$50.7E	\$49.9	\$50.4	\$52.6E	n.a.	\$0.0

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

Neutral

Price Target	\$22.00
Price (1/24/20)	\$20.62
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	1.01%
ROTC (MRQ)	11.3%
Net Interest Margin (MRQ)	3.56%
Efficiency Ratio (MRQ)	70.5%
TBV per Share (12/31/19)	\$13.99
TCE/TA (12/31/19)	9.0%
Dividend	\$0.48 (2.3%)

Trading Data

Shares Outstanding (M)	7.5
Market Capitalization (\$M)	\$154.0
52-week range	\$17.08 - \$22.79
Avg. Volume (3-mth.) (K)	7.5

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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



Credit outlook: While we don't view the zero provision for loan losses in 4Q19 is sustainable going forward, management noted that it doesn't see much in terms of concerning indicators on credit over the intermediate term.

Buybacks: While the prior buyback authorization was utilized quickly (likely to combat pressure when FCCO was exiting the Russell Index), the current buyback of 200K shares seems less likely to be utilized unless the shares face incremental pressure.

M&A outlook: While FCCO seems ready and willing to partake in accretive M&A, it remains very selective in terms of the markets it has interest (which we suspect is mainly the Upstate South Carolina region), and given the consolidation that has occurred in the state in recent years, there is likely a very limited number of potential targets in the market.

First Community Corp. (FCCO) (\$M, except Per Share Data)																				
Income Statement	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
NET INTEREST INCOME (FTE)	\$ 35.748	\$ 36.848	\$ 38.006	\$ 39.730	\$ 8.534	\$ 8.939	\$ 8.883	\$ 9.392	\$ 9.020	\$ 9.116	\$ 9.353	\$ 9.359	\$ 9.339	\$ 9.443	\$ 9.537	\$ 9.687	\$ 9.732	\$ 9.862	\$ 9.987	\$ 10.150
PROVISION FOR LOAN LOSSES	\$ 0.346	\$ 0.139	\$ 0.558	\$ 0.834	\$ 0.202	\$ 0.029	\$ 0.021	\$ 0.094	\$ 0.105	\$ 0.009	\$ 0.025	\$ -	\$ 0.101	\$ 0.135	\$ 0.147	\$ 0.176	\$ 0.147	\$ 0.205	\$ 0.222	\$ 0.259
Non-Interest Income																				
Deposit service charges	\$ 1.769	\$ 1.649	\$ 1.801	\$ 1.889	\$ 0.463	\$ 0.423	\$ 0.434	\$ 0.449	\$ 0.411	\$ 0.380	\$ 0.421	\$ 0.437	\$ 0.439	\$ 0.448	\$ 0.455	\$ 0.459	\$ 0.462	\$ 0.470	\$ 0.477	\$ 0.481
Mortgage banking income	\$ 3.895	\$ 4.555	\$ 4.354	\$ 3.984	\$ 0.951	\$ 1.016	\$ 1.159	\$ 0.769	\$ 0.844	\$ 1.238	\$ 1.251	\$ 1.222	\$ 1.039	\$ 1.132	\$ 1.149	\$ 1.034	\$ 0.931	\$ 1.043	\$ 1.058	\$ 0.952
Invest. Advisory fees & commissions	\$ 1.683	\$ 2.021	\$ 2.468	\$ 2.678	\$ 0.383	\$ 0.401	\$ 0.423	\$ 0.476	\$ 0.438	\$ 0.489	\$ 0.509	\$ 0.585	\$ 0.597	\$ 0.612	\$ 0.624	\$ 0.636	\$ 0.649	\$ 0.665	\$ 0.675	\$ 0.689
Gain (loss) on sale of other assets	\$ 0.024	\$ (0.003)	\$ -	\$ -	\$ 0.015	\$ 0.022	\$ (0.029)	\$ 0.016	\$ -	\$ (0.003)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 3.615	\$ 3.661	\$ 4.021	\$ 4.353	\$ 0.923	\$ 0.955	\$ 0.855	\$ 0.882	\$ 0.845	\$ 0.918	\$ 0.932	\$ 0.966	\$ 0.976	\$ 0.995	\$ 1.015	\$ 1.035	\$ 1.056	\$ 1.077	\$ 1.099	\$ 1.121
TOTAL NON-INTEREST INCOME (core)	\$ 10.986	\$ 11.883	\$ 12.645	\$ 12.904	\$ 2.735	\$ 2.817	\$ 2.842	\$ 2.592	\$ 2.538	\$ 3.022	\$ 3.113	\$ 3.210	\$ 3.050	\$ 3.187	\$ 3.243	\$ 3.165	\$ 3.097	\$ 3.255	\$ 3.309	\$ 3.243
OPERATING REVENUE	\$ 46.734	\$ 48.731	\$ 50.651	\$ 52.634	\$ 11.269	\$ 11.756	\$ 11.725	\$ 11.984	\$ 11.558	\$ 12.138	\$ 12.466	\$ 12.569	\$ 12.390	\$ 12.630	\$ 12.780	\$ 12.852	\$ 12.829	\$ 13.116	\$ 13.296	\$ 13.393
Noninterest Expense																				
Salaries & employee benefits	\$ 19.515	\$ 21.261	\$ 22.236	\$ 22.819	\$ 4.577	\$ 4.881	\$ 5.079	\$ 4.978	\$ 5.170	\$ 5.210	\$ 5.465	\$ 5.416	\$ 5.511	\$ 5.552	\$ 5.622	\$ 5.551	\$ 5.648	\$ 5.691	\$ 5.776	\$ 5.704
Occupancy	\$ 2.380	\$ 2.696	\$ 2.771	\$ 2.848	\$ 0.614	\$ 0.583	\$ 0.611	\$ 0.572	\$ 0.655	\$ 0.647	\$ 0.703	\$ 0.691	\$ 0.694	\$ 0.688	\$ 0.694	\$ 0.694	\$ 0.701	\$ 0.708	\$ 0.715	\$ 0.723
Equipment	\$ 1.513	\$ 1.493	\$ 1.444	\$ 1.503	\$ 0.381	\$ 0.398	\$ 0.388	\$ 0.346	\$ 0.386	\$ 0.389	\$ 0.365	\$ 0.353	\$ 0.356	\$ 0.359	\$ 0.363	\$ 0.366	\$ 0.370	\$ 0.374	\$ 0.378	\$ 0.381
Marketing & public relations	\$ 0.919	\$ 1.115	\$ 1.112	\$ 1.113	\$ 0.089	\$ 0.194	\$ 0.177	\$ 0.459	\$ 0.175	\$ 0.430	\$ 0.159	\$ 0.351	\$ 0.379	\$ 0.389	\$ 0.175	\$ 0.170	\$ 0.310	\$ 0.341	\$ 0.239	\$ 0.222
FDIC assessment	\$ 0.375	\$ 0.067	\$ 0.244	\$ 0.292	\$ 0.081	\$ 0.083	\$ 0.094	\$ 0.117	\$ 0.074	\$ 0.071	\$ -	\$ (0.078)	\$ 0.025	\$ 0.073	\$ 0.073	\$ 0.073	\$ 0.073	\$ 0.073	\$ 0.073	\$ 0.073
Amortization of intangibles	\$ 0.563	\$ 0.523	\$ 0.492	\$ 0.496	\$ 0.142	\$ 0.143	\$ 0.142	\$ 0.136	\$ 0.132	\$ 0.132	\$ 0.133	\$ 0.126	\$ 0.125	\$ 0.123	\$ 0.122	\$ 0.121	\$ 0.122	\$ 0.123	\$ 0.125	\$ 0.126
Other operating expenses	\$ 6.760	\$ 7.380	\$ 8.165	\$ 8.497	\$ 1.692	\$ 1.912	\$ 1.606	\$ 1.550	\$ 1.702	\$ 1.743	\$ 1.934	\$ 2.001	\$ 2.011	\$ 2.031	\$ 2.051	\$ 2.072	\$ 2.093	\$ 2.114	\$ 2.135	\$ 2.156
Noninterest Expense, Ex-Credit	\$ 32.025	\$ 34.535	\$ 36.464	\$ 37.568	\$ 7.576	\$ 8.194	\$ 8.097	\$ 8.158	\$ 8.294	\$ 8.622	\$ 8.759	\$ 8.860	\$ 9.101	\$ 9.215	\$ 9.100	\$ 9.048	\$ 9.318	\$ 9.424	\$ 9.440	\$ 9.385
OREO expense	\$ 0.098	\$ 0.081	\$ 0.011	\$ 0.011	\$ 0.018	\$ 0.031	\$ 0.037	\$ 0.012	\$ 0.029	\$ 0.018	\$ 0.031	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003	\$ 0.003
Write-down of OREO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss (gain) on sale of OREO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NONINTEREST EXPENSE (core)	\$ 32.123	\$ 34.616	\$ 36.475	\$ 37.579	\$ 7.594	\$ 8.225	\$ 8.134	\$ 8.170	\$ 8.323	\$ 8.640	\$ 8.790	\$ 8.863	\$ 9.104	\$ 9.218	\$ 9.103	\$ 9.050	\$ 9.321	\$ 9.427	\$ 9.443	\$ 9.388
Pre-Tax Operating Income	\$ 14.265	\$ 13.976	\$ 13.618	\$ 14.221	\$ 3.473	\$ 3.502	\$ 3.570	\$ 3.720	\$ 3.130	\$ 3.489	\$ 3.651	\$ 3.706	\$ 3.185	\$ 3.277	\$ 3.530	\$ 3.626	\$ 3.361	\$ 3.484	\$ 3.630	\$ 3.746
Pre-Tax, Pre-Provision Operating Income	\$ 14.611	\$ 14.115	\$ 14.176	\$ 15.055	\$ 3.675	\$ 3.531	\$ 3.591	\$ 3.814	\$ 3.235	\$ 3.498	\$ 3.676	\$ 3.706	\$ 3.286	\$ 3.412	\$ 3.677	\$ 3.801	\$ 3.508	\$ 3.689	\$ 3.852	\$ 4.005
Pre-Tax, Pre-Credit Costs Operating Income	\$ 14.709	\$ 14.196	\$ 14.188	\$ 15.066	\$ 3.693	\$ 3.562	\$ 3.628	\$ 3.826	\$ 3.264	\$ 3.516	\$ 3.707	\$ 3.709	\$ 3.289	\$ 3.415	\$ 3.680	\$ 3.804	\$ 3.511	\$ 3.692	\$ 3.855	\$ 4.008
Gain (Loss) on sale of securities	\$ (0.342)	\$ 0.136	\$ -	\$ -	\$ (0.104)	\$ 0.094	\$ -	\$ (0.332)	\$ (0.029)	\$ 0.164	\$ -	\$ 0.001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Net One-Time Items	\$ -	\$ (0.282)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.282)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pre-Tax Income	\$ 13.923	\$ 13.830	\$ 13.618	\$ 14.221	\$ 3.369	\$ 3.596	\$ 3.570	\$ 3.388	\$ 3.101	\$ 3.653	\$ 3.651	\$ 3.425	\$ 3.185	\$ 3.277	\$ 3.530	\$ 3.626	\$ 3.361	\$ 3.484	\$ 3.630	\$ 3.746
Income Taxes	\$ 2.694	\$ 2.858	\$ 2.887	\$ 3.015	\$ 0.660	\$ 0.595	\$ 0.737	\$ 0.702	\$ 0.606	\$ 0.772	\$ 0.753	\$ 0.727	\$ 0.675	\$ 0.695	\$ 0.748	\$ 0.769	\$ 0.712	\$ 0.739	\$ 0.770	\$ 0.794
Tax Rate	19.35%	20.67%	21.20%	21.20%	19.59%	16.55%	20.64%	20.72%	19.54%	21.1%	20.6%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%
Core Tax Rate	19.38%	20.63%	21.20%	21.20%	19.59%	16.55%	20.64%	20.72%	19.54%	21.1%	20.6%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%	21.2%
Extraordinary Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Income	\$ 11.229	\$ 10.972	\$ 10.731	\$ 11.206	\$ 2.709	\$ 3.001	\$ 2.833	\$ 2.686	\$ 2.495	\$ 2.881	\$ 2.898	\$ 2.698	\$ 2.510	\$ 2.583	\$ 2.782	\$ 2.857	\$ 2.648	\$ 2.745	\$ 2.860	\$ 2.952
Preferred Dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET INCOME AVAILABLE TO COMMON	\$ 11.229	\$ 10.972	\$ 10.731	\$ 11.206	\$ 2.709	\$ 3.001	\$ 2.833	\$ 2.686	\$ 2.495	\$ 2.881	\$ 2.898	\$ 2.698	\$ 2.510	\$ 2.583	\$ 2.782	\$ 2.857	\$ 2.648	\$ 2.745	\$ 2.860	\$ 2.952
Shares / Per Share Metrics	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Earnings Per Share (EPS) - Reported	\$ 1.46	\$ 1.44	\$ 1.44	\$ 1.50	\$ 0.35	\$ 0.39	\$ 0.37	\$ 0.35	\$ 0.32	\$ 0.37	\$ 0.39	\$ 0.36	\$ 0.34	\$ 0.35	\$ 0.37	\$ 0.38	\$ 0.35	\$ 0.37	\$ 0.38	\$ 0.40
Core EPS	\$ 1.49	\$ 1.46	\$ 1.44	\$ 1.50	\$ 0.36	\$ 0.38	\$ 0.37	\$ 0.38	\$ 0.33	\$ 0.36	\$ 0.39	\$ 0.39	\$ 0.34	\$ 0.35	\$ 0.37	\$ 0.38	\$ 0.35	\$ 0.37	\$ 0.38	\$ 0.40
Avg. Diluted Shares o/s	7.724	7.590	7.469	7.469	7.713	7.726	7.724	7.732	7.725	7.704	7.463	7.469	7.469	7.469	7.469	7.469	7.469	7.469	7.469	7.469
EOP Shares	7.634	7.440	7.440	7.440	7.601	7.605	7.630	7.634	7.665	7.511	7.409	7.440	7.440	7.440	7.440	7.440	7.440	7.440	7.440	7.440
Dividend per Share	\$ 0.40	\$ 0.45	\$ 0.48	\$ 0.48	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Dividend Payout Ratio	27.4%	31.3%	33.4%	32.0%	28.6%	25.6%	27.0%	28.6%	34.4%	29.7%	28.2%	33.3%	35.7%	34.7%	32.2%	31.4%	33.8%	32.6%	31.3%	30.4%
TBV / Share	\$ 12.56	\$ 13.99	\$ 14.95	\$ 15.98	\$ 11.64	\$ 11.85	\$ 11.98	\$ 12.56	\$ 13.04	\$ 13.46	\$ 13.84	\$ 13.99	\$ 14.21	\$ 14.43	\$ 14.69	\$ 14.95	\$ 15.19	\$ 15.44	\$ 15.70	\$ 15.98
Profitability Metrics	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
NIM	3.64%	3.62%	3.53%	3.54%	3.66%	3.71%	3.60%	3.79%	3.73%	3.67%	3.65%	3.56%	3.53%	3.53%	3.53%	3.53%	3.53%	3.54%	3.55%	3.55%
Core NIM	3.69%	3.64%	3.53%	3.54%	3.66%	3.71%	3.60%	3.79%	3.73%	3.67%	3.60%	3.56%	3.53%	3.53%	3.53%	3.53%	3.53%	3.54%	3.55%	3.55%
Core ROAA	1.07%	0.99%	0.91%	0.91%	1.06%	1.09%	1.04%	1.08%	0.92%	1.00%	1.03%	1.01%	0.87%	0.88%	0.94%	0.95%	0.88%	0.90%	0.93%	0.94%
Core PTPP ROAA	1.36%	1.26%	1.20%	1.23%	1.39%	1.32%	1.32%	1.40%	1.19%	1.27%	1.31%	1.29%	1.14%	1.17%	1.24%	1.27%	1.16%	1.21%	1.25%	1.28%
Core ROAE	10.73%	9.48%	8.68%	8.55%	10.58%	11.03%	10.50%	10.81%	8.85%	9.39%	9.89%	9.76%	8.30%	8.42%	8.94%	9.04%	8.26%	8.44%	8.67%	8.82%
Core ROTCE	12.70%	10.99%	9.98%	9.75%	12.62%	13.09%	12.48%	12.60%	10.28%	10.94%	11.38%	11.30%	9.57%	9.70%	10.27%	10.37%	9.45%	9.64%	9.88%	10.02%
Core Efficiency	68.7%	71.0%	72.0%	71.4%	67.2%	69.7%	69.1%	68.1%	71.76%	71.0%	70.3%	70.5%	73.5%	73.0%	70.4%	70.4%	72.7%	71.9%	71.0%	70.1%
Core Fee Income / Operating Revs	23.5%	24.4%	25.0%	24.5%	24.3%	24.0%	24.2%	21.6%	21.96%	24.9%	25.0%	25.5%	24.6%	25.2%	25.4%	24.6%	24.1%	24.8%	24.9%	24.2%

First Community Corp. (FCCO)																				
(\$M, except Per Share Data)																				
Average Balance Sheet	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Avg. Loans	\$ 686.3	\$ 735.3	\$ 773.4	\$ 816.5	\$ 658.2	\$ 677.5	\$ 696.2	\$ 713.1	\$ 724.1	\$ 728.7	\$ 740.2	\$ 748.1	\$ 757.5	\$ 768.5	\$ 778.5	\$ 789.4	\$ 799.2	\$ 810.8	\$ 821.8	\$ 834.1
Avg. Securities	\$ 271.7	\$ 257.5	\$ 272.1	\$ 273.7	\$ 278.7	\$ 275.7	\$ 271.3	\$ 261.0	\$ 251.9	\$ 250.3	\$ 254.8	\$ 273.1	\$ 270.4	\$ 270.4	\$ 271.1	\$ 276.5	\$ 272.3	\$ 272.3	\$ 272.3	\$ 277.8
Avg. Other Earning Assets	\$ 23.1	\$ 25.5	\$ 31.2	\$ 31.3	\$ 21.0	\$ 24.8	\$ 25.1	\$ 21.6	\$ 17.5	\$ 26.4	\$ 27.2	\$ 31.0	\$ 30.4	\$ 31.2	\$ 31.2	\$ 31.8	\$ 31.2	\$ 31.2	\$ 31.2	\$ 31.8
Avg. Earning Assets	\$ 981.1	\$ 1,018.3	\$ 1,076.7	\$ 1,121.5	\$ 957.9	\$ 978.0	\$ 992.6	\$ 995.7	\$ 993.5	\$ 1,005.4	\$ 1,022.2	\$ 1,052.3	\$ 1,058.3	\$ 1,070.0	\$ 1,080.7	\$ 1,097.6	\$ 1,102.7	\$ 1,114.3	\$ 1,125.3	\$ 1,143.7
Avg. Total Assets	\$ 1,076.5	\$ 1,116.0	\$ 1,178.1	\$ 1,227.2	\$ 1,054.5	\$ 1,073.3	\$ 1,087.2	\$ 1,091.2	\$ 1,089.3	\$ 1,103.3	\$ 1,120.0	\$ 1,151.5	\$ 1,158.0	\$ 1,170.9	\$ 1,182.5	\$ 1,201.1	\$ 1,206.6	\$ 1,219.3	\$ 1,231.3	\$ 1,251.4
Avg. Shareholders Equity	\$ 107.2	\$ 117.0	\$ 123.6	\$ 131.0	\$ 105.6	\$ 106.0	\$ 107.9	\$ 109.1	\$ 113.8	\$ 117.3	\$ 117.2	\$ 119.6	\$ 121.0	\$ 122.7	\$ 124.4	\$ 126.4	\$ 128.2	\$ 130.0	\$ 131.9	\$ 134.0
Avg. Tangible Common Equity	\$ 90.6	\$ 101.0	\$ 107.5	\$ 114.9	\$ 88.5	\$ 89.3	\$ 90.8	\$ 93.6	\$ 98.0	\$ 100.7	\$ 101.8	\$ 103.3	\$ 104.9	\$ 106.5	\$ 108.3	\$ 110.3	\$ 112.1	\$ 113.9	\$ 115.8	\$ 117.8
EOP Balance Sheet	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Loans	\$ 718.5	\$ 737.0	\$ 777.6	\$ 821.7	\$ 668.6	\$ 684.3	\$ 696.5	\$ 718.5	\$ 718.4	\$ 726.7	\$ 735.1	\$ 737.0	\$ 746.2	\$ 757.1	\$ 766.9	\$ 777.6	\$ 787.4	\$ 798.8	\$ 809.6	\$ 821.7
Total Assets	\$ 1,091.6	\$ 1,170.3	\$ 1,234.8	\$ 1,304.7	\$ 1,070.5	\$ 1,092.1	\$ 1,091.1	\$ 1,091.6	\$ 1,097.4	\$ 1,116.0	\$ 1,130.0	\$ 1,170.3	\$ 1,184.9	\$ 1,202.1	\$ 1,217.7	\$ 1,234.8	\$ 1,250.2	\$ 1,268.3	\$ 1,285.4	\$ 1,304.7
Total Deposits	\$ 925.5	\$ 988.2	\$ 1,042.7	\$ 1,101.7	\$ 919.9	\$ 933.4	\$ 921.7	\$ 925.5	\$ 919.8	\$ 937.9	\$ 948.8	\$ 988.2	\$ 1,000.6	\$ 1,015.1	\$ 1,028.3	\$ 1,042.7	\$ 1,055.7	\$ 1,071.0	\$ 1,085.5	\$ 1,101.7
Loans / Deposits	77.6%	74.6%	74.6%	74.6%	72.7%	73.3%	75.6%	77.6%	78.1%	77.5%	77.5%	74.6%	74.6%	74.6%	74.6%	74.6%	74.6%	74.6%	74.6%	74.6%
Capital Analysis	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Beginning Total Equity													\$ 120.2	\$ 121.8	\$ 123.5	\$ 125.4	\$ 127.4	\$ 129.1	\$ 131.0	\$ 132.9
+ Net Income													\$ 2.5	\$ 2.6	\$ 2.8	\$ 2.9	\$ 2.6	\$ 2.7	\$ 2.9	\$ 3.0
- Dividends													\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9	\$ 0.9
- Cost of Share Repurchases													\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
+ Shares Issued (M&A less cash paid; raises)													\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Shareholders Equity	\$ 112.5	\$ 120.2	\$ 127.4	\$ 135.0	\$ 105.5	\$ 107.0	\$ 108.2	\$ 112.5	\$ 116.4	\$ 117.5	\$ 118.8	\$ 120.2	\$ 121.8	\$ 123.5	\$ 125.4	\$ 127.4	\$ 129.1	\$ 131.0	\$ 132.9	\$ 135.0
Less: Intangible Assets	\$ 16.6	\$ 16.1	\$ 16.1	\$ 16.1	\$ 17.0	\$ 16.8	\$ 16.8	\$ 16.6	\$ 16.2	\$ 16.4	\$ 16.2	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1	\$ 16.1
Less: Preferred Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tangible Common Equity	\$ 95.9	\$ 104.1	\$ 111.2	\$ 118.9	\$ 88.5	\$ 90.2	\$ 91.4	\$ 95.9	\$ 100.2	\$ 101.1	\$ 102.5	\$ 104.1	\$ 105.7	\$ 107.4	\$ 109.3	\$ 111.2	\$ 113.0	\$ 114.8	\$ 116.8	\$ 118.9
Tangible Assets	\$ 1,075.0	\$ 1,154.2	\$ 1,218.6	\$ 1,288.6	\$ 1,053.5	\$ 1,075.3	\$ 1,074.4	\$ 1,075.0	\$ 1,081.2	\$ 1,099.6	\$ 1,113.7	\$ 1,154.2	\$ 1,168.8	\$ 1,186.0	\$ 1,201.6	\$ 1,218.6	\$ 1,234.1	\$ 1,252.2	\$ 1,269.3	\$ 1,288.6
TCE/TA	8.92%	9.02%	9.13%	9.22%	8.40%	8.38%	8.51%	8.92%	9.27%	9.20%	9.21%	9.02%	9.04%	9.05%	9.09%	9.13%	9.16%	9.17%	9.20%	9.22%
TBV / Share (calc)	\$ 12.56	\$ 13.99	\$ 14.95	\$ 15.98	\$ 11.64	\$ 11.85	\$ 11.98	\$ 12.56	\$ 13.07	\$ 13.46	\$ 13.84	\$ 13.99	\$ 14.21	\$ 14.43	\$ 14.69	\$ 14.95	\$ 15.19	\$ 15.44	\$ 15.70	\$ 15.98
Shares Repurchased	-	-	-	-	0.000	0.000	0.000	0.000	0.000	-	-	-	-	-	-	-	-	-	-	-
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asset Quality	2018A	2019A	2020E	2021E	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Provision / Avg. Loans (ann'l)	0.05%	0.02%	0.07%	0.10%	0.12%	0.02%	0.01%	0.05%	0.06%	0.00%	0.01%	0.00%	0.05%	0.07%	0.08%	0.09%	0.07%	0.10%	0.11%	0.12%
NCOs / Avg. Loans (ann'l %)	-0.02%	-0.03%	0.03%	0.05%	0.01%	-0.04%	-0.06%	0.02%	0.01%	0.00%	-0.09%	-0.04%	0.01%	0.02%	0.03%	0.04%	0.03%	0.05%	0.06%	0.07%
Assumed ALLL for New Loans													0.89%	0.89%	0.90%	0.90%	0.90%	0.91%	0.92%	0.93%
Assumed Add/Release from ALLL													0%	0%	0%	0%	0%	0%	0%	0%
Projected NCOs (\$)													\$ 0.019	\$ 0.038	\$ 0.058	\$ 0.079	\$ 0.060	\$ 0.101	\$ 0.123	\$ 0.146
Provision for New Loans													\$ 0.082	\$ 0.096	\$ 0.089	\$ 0.097	\$ 0.087	\$ 0.104	\$ 0.099	\$ 0.113
Add/Release from ALLL													\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Required Provision													\$ 0.101	\$ 0.135	\$ 0.147	\$ 0.176	\$ 0.147	\$ 0.205	\$ 0.222	\$ 0.259
Beginning ALLL													\$ 6.627	\$ 6.709	\$ 6.805	\$ 6.894	\$ 6.991	\$ 7.078	\$ 7.182	\$ 7.281
- NCOs													\$ 0.019	\$ 0.038	\$ 0.058	\$ 0.079	\$ 0.060	\$ 0.101	\$ 0.123	\$ 0.146
+ Provision													\$ 0.101	\$ 0.135	\$ 0.147	\$ 0.176	\$ 0.147	\$ 0.205	\$ 0.222	\$ 0.259
Ending ALLL	\$ 6.263	\$ 6.627	\$ 6.991	\$ 7.394	\$ 5.986	\$ 6.087	\$ 6.212	\$ 6.263	\$ 6.354	\$ 6.362	\$ 6.560	\$ 6.627	\$ 6.709	\$ 6.805	\$ 6.894	\$ 6.991	\$ 7.078	\$ 7.182	\$ 7.281	\$ 7.394
ALLL / Loans	0.87%	0.90%	0.90%	0.90%	0.90%	0.89%	0.89%	0.87%	0.88%	0.88%	0.89%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%
Provision for Loan Losses	\$ 0.346	\$ 0.139	\$ 0.558	\$ 0.834	\$ 0.202	\$ 0.029	\$ 0.021	\$ 0.094	\$ 0.105	\$ 0.009	\$ 0.025	\$ -	\$ 0.101	\$ 0.135	\$ 0.147	\$ 0.176	\$ 0.147	\$ 0.205	\$ 0.222	\$ 0.259
Net Charge-Offs	\$ (0.121)	\$ (0.225)	\$ 0.195	\$ 0.431	\$ 0.013	\$ (0.072)	\$ (0.105)	\$ 0.043	\$ 0.014	\$ 0.001	\$ (0.173)	\$ (0.067)	\$ 0.019	\$ 0.038	\$ 0.058	\$ 0.079	\$ 0.060	\$ 0.101	\$ 0.123	\$ 0.146
Excess Provision (LLP less NCOs)	\$ 0.467	\$ 0.364	\$ 0.364	\$ 0.404	\$ 0.189	\$ 0.101	\$ 0.126	\$ 0.051	\$ 0.091	\$ 0.008	\$ 0.198	\$ 0.067	\$ 0.082	\$ 0.096	\$ 0.089	\$ 0.097	\$ 0.087	\$ 0.104	\$ 0.099	\$ 0.113

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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

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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 12/31/19)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	57%	87%	58%	11%	0%	10%
NEUTRAL (Hold)	41%	13%	40%	10%	0%	10%
UNDERPERFORM (Sell)	2%	0%	2%	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	NEUTRAL	\$20.62