First Community Corporation

FCCO - NASDAQ

Institutional Equity Research

April 20, 2023

A Catch-Up Quarter on Cost of Deposits; BUY

*On the heels of FCCO's 1Q23 earnings report, we're reducing our EPS estimates, mainly owing to the lower base NIM and pace of NII. While FCCO has impressively lagged on increasing deposit pricing through YE22, it seems that 1Q23 was the catch-up quarter. Yet, we believe the bank will continue to compare favorably on cost of funding through and after this cycle. The stock continues to benefit from a valuable low-cost, and sticky deposit franchise, a healthy capital cushion, a solid track record on credit, and perceived scarcity value of the South Carolina banking footprint. No change to PT; reiterate **BUY**.*

Core EPS miss on lower NII: FCCO reported 1Q23 EPS of $0.45, which we estimate as core. This missed consensus of $0.49 and our estimate of $0.50. The core miss vs. our forecast reflected lower than expected core PPNR, partially offset by lower than modeled provision for loan losses. The core PPNR miss (vs. our forecast) reflected lower than expected NII and core fee revs, partially offset by better than expected core expenses. For more details on FCCO's 1Q23 results, please see our earlier First Look note.

Reducing our EPS estimates: After inputting FCCO's core 1Q23 results into our model and fine-tuning our assumptions, we're lowering our 2023E EPS by 27 cents (to $1.65) and our 2024E EPS by 23 cents (to $1.64). Main adjustments, besides the flow-through of the 1Q23 core miss, included a lower base NIM and pace of NII (with further pressure in 2Q23), partially offset by a slightly lower run-rate of core expenses and a modestly lower assumed pace of provisioning.

Reiterate BUY: We're leaving our PT unchanged at $23.00, given a higher assumed multiple and higher TBV/sh, albeit offset by our reduced EPS estimates. Our PT assumes the shares will trade at 13.9x our 2023E EPS and ~153% of our YE23 TBV/sh, with our 2023E ROTCE of 11.5%.

On balance, while we were disappointed by the lowering of EPS estimates, and recognize FCCO's sub-peer level of core profitability, we believe the shares' healthy multiple on TBV/sh is a well-deserved byproduct of the bank's very high-quality, low-cost and sticky deposit franchise (which is particularly of value today), strong capital cushion, solid long-term track record on credit, and perceived scarcity value of the South Carolina banking footprint.

The main positive takeaway from the quarter was demonstrated balance sheet stability, and actually, deposits were not only stable, but experienced healthy growth during a disruptive period for bank deposits. And, while most banks are seeing an unfavorable mix shift within deposits, FCCO's DDA actually remained fairly stable LQ. We also note that FCCO saw LQ increases to liquidity (loans-to-deposits slightly <70%) and capital (CET1 of 13.55%).

The primary challenge was heightened NIM compression (down 23bp to 3.19%), as while FCCO had previously demonstrated an impressive ability to lag on deposit pricing through YE22, this window has now clearly closed. The CEO characterized the spike in 1Q23 cost of deposits as representing the impact of some catching up, with the cost of total deposits increasing from 0.25% in 4Q22 to 0.58% in 1Q23.

Yet, it's worth noting that this higher cost of deposits still compares very favorably vs. peers, and when the cycle settles, we expect FCCO will continue to compare favorably.

Continued on next page.

FY (Dec)		2022A	2023E	Previous	*Cons.*	2024E	Previous	*Cons.*
EPS	Q1 (Mar)	$0.44	**$0.45A**	$0.50	*n.a.*	**$0.40E**	$0.46	*$0.42*
	Q2 (Jun)	$0.42	**$0.41E**	$0.48	*$0.41*	**$0.40E**	$0.46	*$0.46*
	Q3 (Sep)	$0.52	**$0.40E**	$0.48	*$0.42*	**$0.42E**	$0.47	*$0.48*
	Q4 (Dec)	$0.54	**$0.40E**	$0.47	*$0.43*	**$0.43E**	$0.48	*$0.50*
		$1.92	**$1.65E**	$1.92	*$1.71*	**$1.64E**	$1.87	*$1.91*
Price/EPS		*10.6x*	*12.3x*			*12.4x*		
Revenue ($M)	Q1 (Mar)	$14.1	**$14.9A**	$15.9	*n.a.*	**$15.3E**	$16.4	*$16.3*
	Q2 (Jun)	$14.1	**$14.8E**	$15.9	*$16.0*	**$15.6E**	$16.6	*$16.7*
	Q3 (Sep)	$15.5	**$14.9E**	$16.1	*$16.2*	**$16.0E**	$17.0	*$17.0*
	Q4 (Dec)	$16.0	**$15.1E**	$16.2	*$16.3*	**$16.3E**	$17.3	*$17.2*
		$59.6	**$59.7E**	$64.1	*$64.4*	**$63.2E**	$67.3	*$67.2*

Buy

Price Target	**$23.00**
Price (4/20/23)	$20.35
Industry	FINANCIAL INSTITUTIONS

Valuation & Performance

Return on Assets (MRQ)	0.82%
ROTCE (MRQ)	13.1%
Net Interest Margin (MRQ)	3.19%
Efficiency Ratio (MRQ)	70.8%
TBV per Share (3/31/23)	$14.26
TCE/TA (3/31/23)	6.3%
Dividend	$0.56 (2.8%)

Trading Data

Shares Outstanding (M)	7.6
Market Capitalization ($M)	$154.4
52-week range	$16.97 - $22.25
Avg. Volume (3-mth.) (K)	10.3

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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 6 - 7 of this report for detailed disclosure and certification information.

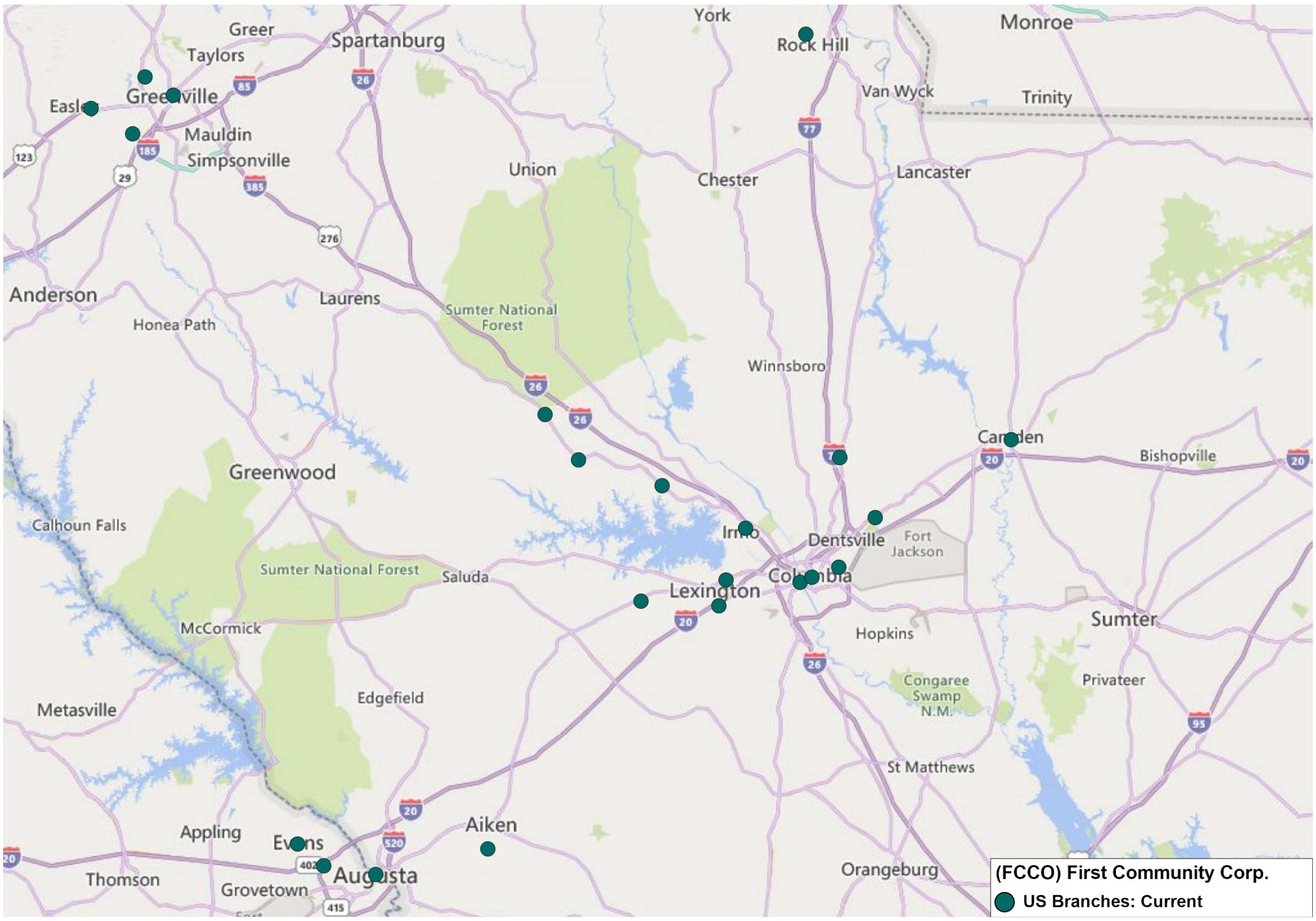
Management described the 1Q23 hiking of deposit rates as more of a proactive process, yet also including some responding to customers' requests, and noted that the hikes occurred fairly early in the quarter (i.e., it wasn't a knee-jerk reaction to the bank failures in March).

We do expect further NIM pressure in 2Q23 and 3Q23 – albeit at a diminishing pace – and then for NIM to stabilize in 4Q23, and thereafter, to begin expanding given a long tail of fixed loan repricing, and eventually a positive tailwind from a Fed pivot to cutting rates.

Loan growth is a mixed bag. On one hand, FCCO is seeing a smaller pipeline given reduced demand associated with higher rates. We also get the sense the bank is a bit more scrutinizing on certain loan segments at this point in the cycle (e.g., new residential developers). All that said, management expects to see another quarter of mid-single digit growth given certain tailwinds, including the retention of residential ARMs (on balance sheet), momentum in the bank's new Rock Hill market, and funding of C&D commitments, as well as a reduced drag from payoffs.

Credit metrics remain very clean, with net recoveries and NPAs/assets down to 0.29%. Yet, we can't ignore that FCCO screens relatively high in office exposure (~19% of loans), a loan segment that investors have heightened interest in given the slowing economy and work-from-home headwinds. That said, management points out that over half of its office exposure is owner-occupied, the book is very granular, and there is very little of big offices located in metro areas.

Figure 1: FCCO Branch Map



Source: S&P Capital IQ

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

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Income Statement	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NET INTEREST INCOME (FTE)	45.387	47.943	48.905	51.484	10.675	11.092	12.456	11.164	10.733	11.051	12.794	13.365	12.357	12.158	12.125	12.265	12.462	12.685	13.012	13.325
PROVISION FOR LOAN LOSSES	0.335	(0.152)	0.847	2.358	0.177	0.168	0.049	(0.059)	(0.125)	(0.070)	0.018	0.025	0.070	0.187	0.265	0.325	0.411	0.526	0.647	0.774
Non-Interest Income				-																
Deposit service charges	0.977	0.960	0.954	1.020	0.246	0.212	0.257	0.262	0.265	0.262	0.243	0.190	0.232	0.238	0.240	0.244	0.247	0.254	0.257	0.261
Mortgage banking income	4.319	1.900	0.681	0.729	0.990	1.143	1.147	1.039	0.839	0.481	0.290	0.290	0.155	0.174	0.180	0.172	0.166	0.185	0.193	0.185
Invest. Advisory fees & commissions	3.995	4.479	4.581	5.182	0.877	0.957	1.040	1.121	1.198	1.195	1.053	1.033	1.067	1.120	1.176	1.218	1.248	1.285	1.311	1.337
Gain (loss) on sale of other assets	0.077	-	-	-	0.077	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	4.349	4.342	4.552	4.802	1.106	1.106	1.060	1.077	1.068	1.111	1.087	1.076	1.121	1.132	1.144	1.155	1.172	1.190	1.208	1.232
TOTAL NON-INTEREST INCOME (core)	13.717	11.681	10.767	11.733	3.296	3.418	3.504	3.499	3.370	3.049	2.673	2.589	2.575	2.664	2.740	2.789	2.833	2.914	2.969	3.016
OPERATING REVENUE	58.996	59.624	59.672	63.217	13.863	14.510	15.960	14.663	14.103	14.100	15.467	15.954	14.932	14.822	14.865	15.054	15.296	15.599	15.981	16.341
Noninterest Expense																				
Salaries & employee benefits	24.494	25.357	25.915	27.361	5.964	5.948	6.394	6.188	6.119	6.175	6.373	6.690	6.331	6.458	6.522	6.604	6.693	6.827	6.878	6.964
Occupancy	2.947	3.002	3.305	3.406	0.730	0.734	0.743	0.740	0.705	0.786	0.786	0.725	0.830	0.822	0.826	0.828	0.838	0.847	0.855	0.866
Equipment	1.296	1.343	1.364	1.423	0.275	0.338	0.336	0.347	0.332	0.329	0.331	0.351	0.336	0.339	0.343	0.346	0.351	0.354	0.358	0.361
Marketing & public relations	1.173	1.259	1.368	1.418	0.396	0.313	0.140	0.324	0.361	0.446	0.163	0.289	0.346	0.353	0.328	0.341	0.358	0.366	0.340	0.354
FDIC assessment	0.618	0.468	0.728	0.728	0.169	0.146	0.189	0.114	0.130	0.105	0.121	0.112	0.182	0.182	0.182	0.182	0.182	0.182	0.182	0.182
Amortization of intangibles	0.201	0.158	0.153	0.144	0.057	0.052	0.052	0.040	0.039	0.040	0.039	0.040	0.039	0.038	0.038	0.037	0.037	0.036	0.036	0.035
Other operating expenses	8.367	9.358	9.931	10.289	1.920	2.292	1.993	2.162	2.221	2.278	2.585	2.274	2.505	2.455	2.486	2.486	2.523	2.554	2.586	2.625
Noninterest Expense, Ex-Credit	39.096	40.945	42.764	44.768	9.511	9.823	9.847	9.915	9.907	10.159	10.398	10.481	10.569	10.647	10.724	10.824	10.982	11.165	11.234	11.387
OREO expense	0.105	0.308	0.017	0.200	0.029	0.055	0.058	(0.037)	0.047	0.029	0.019	0.213	(0.133)	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Write-down of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net loss (gain) on sale of OREO	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NONINTEREST EXPENSE (core)	39.201	41.253	42.781	44.968	9.540	9.878	9.905	9.878	9.954	10.188	10.417	10.694	10.436	10.697	10.774	10.874	11.032	11.215	11.284	11.437
Pre-Tax Operating Income	19.460	18.523	16.044	15.890	4.146	4.464	6.006	4.844	4.274	3.982	5.032	5.235	4.426	3.938	3.825	3.855	3.853	3.857	4.049	4.130
Pre-Tax, Pre-Provision Operating Income	19.795	18.371	16.891	18.248	4.323	4.632	6.055	4.785	4.149	3.912	5.050	5.260	4.496	4.125	4.090	4.180	4.264	4.384	4.696	4.904
Pre-Tax, Pre-Credit Costs Operating Income	19.900	18.679	16.908	18.448	4.352	4.687	6.113	4.748	4.196	3.941	5.069	5.473	4.363	4.175	4.140	4.230	4.314	4.434	4.746	4.954
Gain (Loss) on sale of securities	-	(0.045)	-	-	-	-	-	-	-	(0.045)	-	-	-	-	-	-	-	-	-	-
Non-Operating Revenues	0.187	(0.067)	-	-	-	-	0.060	0.127	0.004	0.005	-	(0.076)	-	-	-	-	-	-	-	-
Non-Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Income	19.647	18.411	16.044	15.890	4.146	4.464	6.066	4.971	4.278	3.942	5.032	5.159	4.426	3.938	3.825	3.855	3.853	3.857	4.049	4.130
Income Taxes	4.182	3.798	3.403	3.337	0.891	0.921	1.318	1.052	0.789	0.812	1.081	1.116	0.963	0.827	0.803	0.809	0.809	0.810	0.850	0.867
Tax Rate	21.29%	20.63%	21.21%	21.00%	21.5%	20.6%	21.7%	21.2%	18.4%	20.6%	21.5%	21.6%	21.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Core Tax Rate	21.25%	21.30%	21.19%	21.00%	21.5%	20.6%	21.7%	21.2%	21.5%	20.6%	21.5%	21.6%	21.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Income from Continuing Operations	15.465	14.613	12.641	12.553	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.043	3.463	3.111	3.022	3.045	3.044	3.047	3.199	3.263
Net Income from Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	15.465	14.613	12.641	12.553	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.043	3.463	3.111	3.022	3.045	3.044	3.047	3.199	3.263
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain (Loss) Attributable to Noncontrolling Interes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME AVAILABLE TO COMMON	15.465	14.613	12.641	12.553	3.255	3.543	4.748	3.919	3.489	3.130	3.951	4.043	3.463	3.111	3.022	3.045	3.044	3.047	3.199	3.263

Shares / Per Share Metrics	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Earnings Per Share (EPS) - Reported	2.05	1.92	1.65	1.64	0.43	0.47	0.63	0.52	0.46	0.41	0.52	0.53	0.45	0.41	0.40	0.40	0.40	0.40	0.42	0.43
Core EPS	**2.03**	**1.92**	**1.65**	**1.64**	**0.43**	**0.47**	**0.62**	**0.50**	**0.44**	**0.42**	**0.52**	**0.54**	**0.45**	**0.41**	**0.40**	**0.40**	**0.40**	**0.40**	**0.42**	**0.43**
Core EPS Growth (Annualized)	55.5%	-5.6%	-13.7%	-0.7%	-22.0%	34.5%	129.1%	-75.3%	-50.0%	-23.7%	99.8%	14.7%	-63.5%	-40.7%	-11.4%	3.1%	-0.1%	0.4%	19.9%	8.0%
PTPP/Avg. Shares	2.62	2.41	2.21	2.39	0.57	0.61	0.80	0.63	0.55	0.51	0.66	0.69	0.59	0.54	0.54	0.55	0.56	0.57	0.61	0.64
Avg. Diluted Shares o/s	7.546	7.607	7.644	7.644	7.523	7.537	7.560	7.565	7.595	7.607	7.608	7.620	7.644	7.644	7.644	7.644	7.644	7.644	7.644	7.644
EOP Shares	7.549	7.578	7.588	7.588	7.525	7.540	7.544	7.549	7.560	7.567	7.573	7.578	7.588	7.588	7.588	7.588	7.588	7.588	7.588	7.588
Dividend per Share	0.49	0.53	0.56	0.56	0.12	0.12	0.12	0.13	0.13	0.13	0.13	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Dividend Payout Ratio	23.9%	27.6%	33.9%	34.1%	27.9%	25.5%	19.0%	25.0%	28.3%	31.7%	25.0%	26.4%	31.1%	34.4%	35.4%	35.1%	35.2%	35.1%	33.5%	32.8%
TBV / Share	16.62	13.59	15.05	16.15	15.55	16.22	16.37	16.62	14.53	13.50	13.03	13.59	14.26	14.53	14.79	15.05	15.31	15.58	15.86	16.15

Profitability Metrics	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
NIM	3.20%	3.11%	3.02%	3.05%	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	3.00%	2.97%	2.98%	3.00%	3.02%	3.06%	3.09%
Core NIM	3.08%	3.14%	3.04%	3.05%	3.16%	3.11%	3.08%	2.95%	2.90%	2.93%	3.29%	3.42%	3.19%	3.00%	2.97%	2.98%	3.00%	3.02%	3.06%	3.09%
Core ROAA	1.01%	0.88%	0.73%	0.70%	0.91%	0.94%	1.22%	0.96%	0.83%	0.77%	0.95%	0.98%	0.82%	0.72%	0.69%	0.69%	0.69%	0.68%	0.71%	0.71%
Core PTPP ROAA	1.30%	1.11%	0.97%	1.01%	1.20%	1.23%	1.57%	1.20%	1.02%	0.95%	1.21%	1.25%	1.06%	0.95%	0.94%	0.95%	0.96%	0.98%	1.04%	1.07%
Core ROAE	11.12%	11.95%	10.12%	9.39%	9.60%	10.48%	13.39%	10.90%	9.78%	10.90%	13.28%	14.21%	11.54%	9.99%	9.55%	9.47%	9.33%	9.20%	9.51%	9.54%
Core ROTCE	12.62%	13.72%	11.51%	10.61%	10.96%	11.85%	15.30%	12.27%	11.41%	11.93%	15.74%	16.27%	13.12%	11.39%	10.87%	10.76%	10.57%	10.40%	10.73%	10.75%
Core ROTCE (ex-Reserve Release)	12.09%	13.65%	11.47%	10.61%	10.50%	11.65%	14.31%	11.88%	11.09%	11.86%	15.44%	16.21%	12.87%	11.39%	10.87%	10.76%	10.57%	10.40%	10.73%	10.75%
Core Efficiency	66.4%	69.2%	71.7%	71.1%	68.6%	67.7%	61.7%	67.6%	70.2%	72.0%	67.2%	65.7%	70.8%	72.2%	72.5%	72.2%	72.1%	71.9%	70.6%	70.0%
Core Fee Income / Operating Revs	23.3%	19.6%	18.0%	18.6%	23.8%	23.6%	22.0%	23.9%	23.9%	21.6%	17.3%	16.2%	17.2%	18.0%	18.4%	18.5%	18.5%	18.7%	18.6%	18.5%

First Community Corp. (FCCO)

($M, except Per Share Data)

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	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Average Balance Sheet	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Avg. PPP	$ 35.0	$ 0.4	$ 0.1	$ -	$ 52.0	$ 54.5	$ 28.2	$ 5.3	$ 0.9	$ 0.3	$ 0.2	$ 0.2	$ 0.2	$ 0.1	$ -	$ -	$ -	$ -	$ -	$ -
Avg. Loans (ex-PPP)	$ 854.0	$ 919.7	$ 1,004.5	$ 1,065.1	$ 834.3	$ 841.1	$ 865.7	$ 874.7	$ 875.5	$ 896.4	$ 938.1	$ 968.8	$ 986.3	$ 998.5	$ 1,010.5	$ 1,022.8	$ 1,036.9	$ 1,053.8	$ 1,073.5	$ 1,096.4
Avg. Total Loans	$ 889.0	$ 920.1	$ 1,004.6	$ 1,065.1	$ 886.4	$ 895.6	$ 893.9	$ 880.0	$ 876.3	$ 896.6	$ 938.3	$ 969.0	$ 986.5	$ 998.6	$ 1,010.5	$ 1,022.8	$ 1,036.9	$ 1,053.8	$ 1,073.5	$ 1,096.4
Avg. Securities	$ 456.3	$ 570.5	$ 561.9	$ 563.7	$ 373.3	$ 430.9	$ 488.5	$ 532.4	$ 571.8	$ 560.4	$ 581.0	$ 568.8	$ 565.1	$ 562.3	$ 560.9	$ 559.5	$ 559.5	$ 562.3	$ 565.1	$ 567.9
Avg. Other Earning Assets	$ 73.4	$ 50.6	$ 53.9	$ 61.6	$ 79.3	$ 77.8	$ 58.5	$ 78.1	$ 67.2	$ 72.8	$ 37.5	$ 24.9	$ 30.1	$ 58.8	$ 61.2	$ 65.6	$ 65.5	$ 62.5	$ 60.5	$ 58.0
Avg. Earning Assets	$ 1,418.7	$ 1,541.2	$ 1,620.5	$ 1,690.5	$ 1,339.1	$ 1,404.2	$ 1,441.0	$ 1,490.5	$ 1,515.4	$ 1,529.8	$ 1,556.9	$ 1,562.7	$ 1,581.8	$ 1,619.6	$ 1,632.6	$ 1,647.9	$ 1,661.9	$ 1,678.6	$ 1,699.2	$ 1,722.3
Avg. Total Assets	$ 1,519.9	$ 1,652.8	$ 1,734.2	$ 1,803.4	$ 1,435.3	$ 1,507.7	$ 1,542.8	$ 1,593.7	$ 1,622.3	$ 1,643.9	$ 1,667.7	$ 1,677.1	$ 1,695.7	$ 1,733.4	$ 1,746.2	$ 1,761.4	$ 1,775.2	$ 1,791.7	$ 1,812.0	$ 1,834.8
Avg. Deposits	$ 1,292.2	$ 1,417.4	$ 1,423.2	$ 1,503.3	$ 1,208.1	$ 1,285.1	$ 1,312.6	$ 1,363.2	$ 1,374.8	$ 1,428.0	$ 1,450.0	$ 1,416.9	$ 1,381.7	$ 1,422.1	$ 1,436.0	$ 1,453.1	$ 1,470.4	$ 1,490.0	$ 1,513.5	$ 1,539.2
Avg. Total Borrowings	$ 77.2	$ 100.7	$ 176.7	$ 166.7	$ 78.3	$ 75.4	$ 77.8	$ 77.1	$ 97.5	$ 87.1	$ 86.6	$ 131.5	$ 179.5	$ 177.0	$ 176.0	$ 174.3	$ 171.1	$ 168.0	$ 165.2	$ 162.5
Avg. IB-Liabilities	$ 946.5	$ 1,048.9	$ 1,150.5	$ 1,216.9	$ 896.5	$ 940.2	$ 959.9	$ 989.6	$ 1,023.0	$ 1,048.8	$ 1,054.1	$ 1,069.7	$ 1,102.6	$ 1,149.7	$ 1,167.1	$ 1,182.5	$ 1,195.4	$ 1,208.6	$ 1,223.6	$ 1,239.9
Avg. Total Liabilities	$ 1,382.0	$ 1,530.8	$ 1,614.3	$ 1,684.3	$ 1,299.7	$ 1,372.5	$ 1,402.4	$ 1,453.5	$ 1,485.0	$ 1,527.8	$ 1,548.7	$ 1,561.6	$ 1,575.6	$ 1,613.5	$ 1,626.4	$ 1,641.8	$ 1,655.8	$ 1,672.4	$ 1,693.0	$ 1,716.1
Avg. Shareholders Equity	$ 137.8	$ 121.9	$ 125.0	$ 133.6	$ 135.6	$ 135.2	$ 140.4	$ 140.2	$ 137.2	$ 116.1	$ 119.0	$ 115.5	$ 120.1	$ 124.6	$ 126.6	$ 128.6	$ 130.6	$ 132.5	$ 134.6	$ 136.8
Avg. Tangible Common Equity	$ 121.4	$ 106.2	$ 109.8	$ 118.3	$ 118.8	$ 119.6	$ 122.9	$ 124.5	$ 117.7	$ 106.0	$ 100.4	$ 100.8	$ 105.6	$ 109.2	$ 111.3	$ 113.2	$ 115.2	$ 117.2	$ 119.2	$ 121.4
EOP Balance Sheet	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
PPP	$ 1.5	$ 0.2	$ -	$ -	$ 61.8	$ 47.2	$ 9.1	$ 1.5	$ 0.3	$ 0.3	$ 0.2	$ 0.2	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loans (ex-PPP)	$ 862.2	$ 980.6	$ 1,029.2	$ 1,108.6	$ 807.2	$ 831.1	$ 872.4	$ 862.2	$ 875.5	$ 916.1	$ 950.0	$ 980.6	$ 992.5	$ 1,004.4	$ 1,016.5	$ 1,029.2	$ 1,044.6	$ 1,062.9	$ 1,084.2	$ 1,108.6
Total Loans	$ 863.7	$ 980.9	$ 1,029.2	$ 1,108.6	$ 869.1	$ 878.3	$ 881.5	$ 863.7	$ 875.8	$ 916.3	$ 950.2	$ 980.9	$ 992.7	$ 1,004.4	$ 1,016.5	$ 1,029.2	$ 1,044.6	$ 1,062.9	$ 1,084.2	$ 1,108.6
Total Assets	$ 1,584.5	$ 1,672.9	$ 1,799.3	$ 1,928.7	$ 1,492.5	$ 1,515.0	$ 1,560.3	$ 1,584.5	$ 1,652.3	$ 1,684.8	$ 1,651.8	$ 1,672.9	$ 1,735.4	$ 1,756.6	$ 1,777.5	$ 1,799.3	$ 1,824.1	$ 1,853.7	$ 1,888.5	$ 1,928.7
Non-IB Deposits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Deposits	$ 1,361.3	$ 1,385.4	$ 1,472.8	$ 1,560.1	$ 1,271.4	$ 1,289.9	$ 1,333.6	$ 1,361.3	$ 1,430.7	$ 1,469.0	$ 1,436.3	$ 1,385.4	$ 1,420.2	$ 1,441.5	$ 1,455.5	$ 1,472.8	$ 1,490.3	$ 1,510.3	$ 1,534.0	$ 1,560.1
Total Liabilities	$ 1,430.5	$ 1,519.1	$ 1,664.2	$ 1,739.5	$ 1,346.7	$ 1,365.3	$ 1,408.4	$ 1,430.5	$ 1,513.8	$ 1,555.7	$ 1,524.9	$ 1,519.1	$ 1,597.1	$ 1,635.5	$ 1,648.6	$ 1,664.2	$ 1,678.4	$ 1,695.2	$ 1,716.1	$ 1,739.5
Liquidity Ratios																				
Loans / Deposits	63.4%	70.8%	69.9%	71.1%	68.4%	68.1%	66.1%	63.4%	61.2%	62.4%	66.2%	70.8%	69.9%	69.7%	69.8%	69.9%	70.1%	70.4%	70.7%	71.1%
Avg. Earning Assets / Avg. Assets	93.3%	93.3%	93.4%	93.7%	93.3%	93.1%	93.4%	93.5%	93.4%	93.1%	93.4%	93.2%	93.3%	93.4%	93.5%	93.6%	93.6%	93.7%	93.8%	93.9%
Avg. Borrowings / Avg. Liabilities	5.6%	6.6%	10.9%	9.9%	6.0%	5.5%	5.6%	5.3%	6.6%	5.7%	5.6%	8.4%	11.4%	11.0%	10.8%	10.6%	10.3%	10.0%	9.8%	9.5%
Capital Analysis	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Beginning Total Equity														$ 123.6	$ 125.6	$ 127.6	$ 129.6	$ 131.6	$ 133.5	$ 135.7
+ Net Income														$ 3.1	$ 3.0	$ 3.0	$ 3.0	$ 3.0	$ 3.2	$ 3.3
- Dividends														$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1	$ 1.1
- Cost of Share Repurchases														$ -	$ -	$ -	$ -	$ -	$ -	$ -
+ Shares Issued (M&A less cash paid; raises)														$ -	$ -	$ -	$ -	$ -	$ -	$ -
+ Net Other																				
Ending Shareholders Equity	$ 141.0	$ 118.4	$ 129.6	$ 137.9	$ 132.7	$ 137.9	$ 139.1	$ 141.0	$ 125.4	$ 117.6	$ 114.1	$ 118.4	$ 123.6	$ 125.6	$ 127.6	$ 129.6	$ 131.6	$ 133.5	$ 135.7	$ 137.9
Less: Intangible Assets	$ 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	$ 125.4	$ 103.0	$ 114.2	$ 122.5	$ 117.0	$ 122.3	$ 123.5	$ 125.4	$ 109.9	$ 102.1	$ 98.7	$ 103.0	$ 108.2	$ 110.3	$ 112.2	$ 114.2	$ 116.2	$ 118.2	$ 120.3	$ 122.5
Tangible Assets	$ 1,569.0	$ 1,657.5	$ 1,784.0	$ 1,913.3	$ 1,476.8	$ 1,499.3	$ 1,544.7	$ 1,569.0	$ 1,636.8	$ 1,669.3	$ 1,636.4	$ 1,657.5	$ 1,720.0	$ 1,741.3	$ 1,762.2	$ 1,784.0	$ 1,808.7	$ 1,838.4	$ 1,873.2	$ 1,913.3
Tier 1 Capital					$ 122.9	$ 125.7	$ 129.7	$ 132.9	$ 135.6	$ 137.9	$ 137.9	$ 145.6	$ 147.9	$ 149.9	$ 151.9	$ 153.87	$ 155.9	$ 157.8	$ 160.0	$ 162.17
Total Capital					$ 133.4	$ 136.4	$ 140.8	$ 144.1	$ 146.6	$ 149.1	$ 149.1	$ 156.9	$ 159.7	$ 161.8	$ 163.7	$ 165.71	$ 167.7	$ 169.7	$ 171.8	$ 174.02
CET-1					$ 122.9	$ 125.7	$ 129.7	$ 132.9	$ 135.6	$ 137.9	$ 137.9	$ 145.6	$ 147.9	$ 149.9	$ 151.9	$ 153.87	$ 155.9	$ 157.8	$ 160.0	$ 162.17
Risk Weighted Assets					$ 1,114.2	$ 1,131.0	$ 1,164.8	$ 1,182.9	$ 1,233.5	$ 1,257.8	$ 1,233.1	$ 1,248.9	$ 1,295.5	$ 1,311.4	$ 1,327.0	$ 1,343.23	$ 1,361.7	$ 1,383.9	$ 1,409.8	$ 1,439.79
TBV / Share (calc)	$ 16.62	$ 13.59	$ 15.05	$ 16.15	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 14.26	$ 14.53	$ 14.79	$ 15.05	$ 15.31	$ 15.58	$ 15.86	$ 16.15
Shares Repurchased	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares Issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Avg. Share Effect of Shares Issued																				
Capital Ratios																				
Total Capital / Risk Weighted Assets	12.18%	12.56%	12.34%	12.09%	14.26%	12.06%	12.08%	12.18%	11.89%	14.57%	12.09%	12.56%	12.33%	12.34%	12.34%	12.34%	12.31%	12.26%	12.19%	12.09%
Tier-1 / Risk Weighted Assets	11.24%	11.66%	11.46%	11.26%	13.13%	11.12%	11.14%	11.24%	10.99%	13.47%	11.18%	11.66%	11.41%	11.43%	11.45%	11.46%	11.45%	11.41%	11.35%	11.26%
Leverage Ratio	8.42%	8.76%	8.81%	8.91%	8.70%	8.43%	8.51%	8.42%	8.46%	8.34%	8.36%	8.76%	8.80%	8.73%	8.78%	8.81%	8.86%	8.89%	8.90%	8.91%
CET-1 / Risk Weighted Assets	11.24%	11.66%	11.46%	11.26%	13.13%	11.12%	11.14%	11.24%	10.99%	13.47%	11.18%	11.66%	11.41%	11.43%	11.45%	11.46%	11.45%	11.41%	11.35%	11.26%
TCE/TA	8.00%	6.21%	6.40%	6.40%	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.29%	6.33%	6.37%	6.40%	6.42%	6.43%	6.42%	6.40%
Asset Quality	2021A	2022A	2023E	2024E	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Provision / Avg. Loans (ann'l)	0.04%	-0.02%	0.08%	0.22%	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.07%	0.10%	0.13%	0.16%	0.20%	0.24%	0.28%
NCOs / Avg. Loans (ann'l %)	-0.05%	-0.02%	0.03%	0.14%	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.04%	-0.03%	0.00%	-0.01%	0.02%	0.05%	0.07%	0.09%	0.12%	0.15%	0.18%
Assumed ALLL for New Loans														1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
Assumed Add/Release from ALLL														0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Projected NCOs ($)														$ 0.050	$ 0.126	$ 0.179	$ 0.233	$ 0.316	$ 0.403	$ 0.493
Provision for New Loans														$ 0.137	$ 0.139	$ 0.146	$ 0.178	$ 0.210	$ 0.244	$ 0.281
Add/Release from ALLL														$ -	$ -	$ -	$ -	$ -	$ -	$ -
Required Provision														$ 0.187	$ 0.265	$ 0.325	$ 0.411	$ 0.526	$ 0.647	$ 0.774
Beginning ALLL														$ 11.420	$ 11.557	$ 11.696	$ 11.842	$ 12.019	$ 12.229	$ 12.474
- NCOs														$ 0.050	$ 0.126	$ 0.179	$ 0.233	$ 0.316	$ 0.403	$ 0.493
+ Provision														$ 0.187	$ 0.265	$ 0.325	$ 0.411	$ 0.526	$ 0.647	$ 0.774
Ending ALLL	$ 11.179	$ 11.336	$ 11.842	$ 12.754	$ 10.563	$ 10.638	$ 11.025	$ 11.179	$ 11.063	$ 11.220	$ 11.315	$ 11.336	$ 11.420	$ 11.557	$ 11.696	$ 11.842	$ 12.019	$ 12.229	$ 12.474	$ 12.754
ALLL / Loans	1.29%	1.16%	1.15%	1.15%	1.22%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.16%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
ALLL / Loans (ex-PPP)	1.30%	1.16%	1.15%	1.15%	1.31%	1.28%	1.26%	1.30%	1.26%	1.22%	1.19%	1.16%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
Provision for Loan Losses	$ 0.335	$ (0.152)	$ 0.847	$ 2.358	$ 0.177	$ 0.168	$ 0.049	$ (0.059)	$ (0.125)	$ (0.070)	$ 0.018	$ 0.025	$ 0.070	$ 0.187	$ 0.265	$ 0.325	$ 0.411	$ 0.526	$ 0.647	$ 0.774
Net Charge-Offs	$ (0.456)	$ (0.174)	$ 0.340	$ 1.445	$ 0.002	$ 0.093	$ (0.338)	$ (0.213)	$ (0.008)	$ (0.093)	$ (0.077)	$ 0.004	$ (0.015)	$ 0.050	$ 0.126	$ 0.179	$ 0.233	$ 0.316	$ 0.403	$ 0.493
Excess Provision (LLP less NCOs)	$ 0.791	$ 0.022	$ 0.507	$ 0.913	$ 0.175	$ 0.075	$ 0.387	$ 0.154	$ (0.117)	$ 0.023	$ 0.095	$ 0.021	$ 0.085	$ 0.137	$ 0.139	$ 0.146	$ 0.178	$ 0.210	$ 0.244	$ 0.281

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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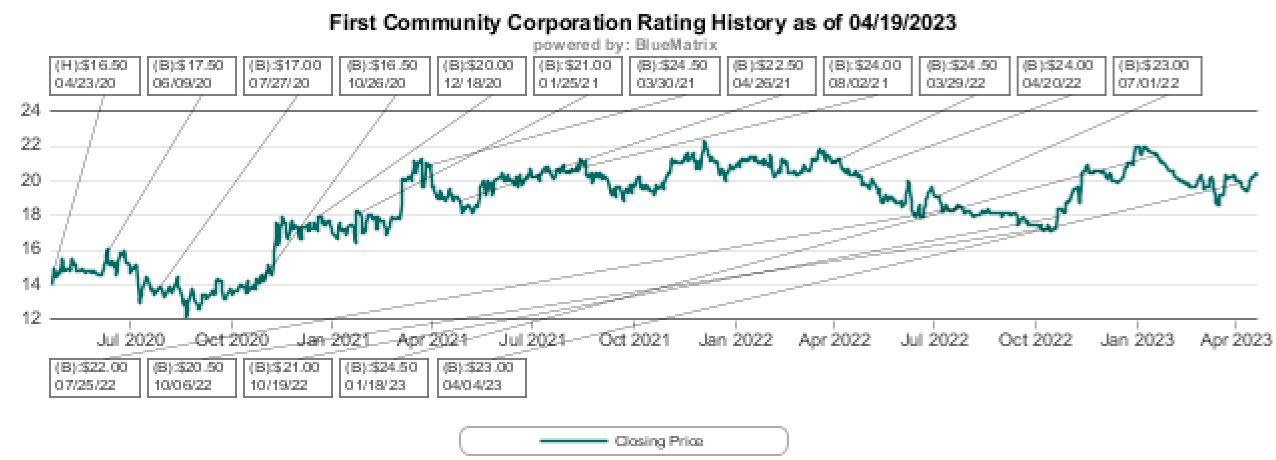
I, Kevin P. Fitzsimmons, attest that (i) all the views expressed in this research report accurately reflect my personal views about the common stock of the subject company, and (ii) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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 3/31/23)	Coverage Universe Distribution			Investment Banking Distribution		
	IR	WMR	Combined	IR	WMR	Combined
BUY (Buy)	61%	83%	64%	12%	0%	11%
NEUTRAL (Hold)	39%	15%	35%	7%	0%	6%
UNDERPERFORM (Sell)	0%	2%	1%	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	$20.35