HOVDE GROUP

July 26, 2021

# First Community Corp.

**Outperform**

**FCCO** (NASDAQ)

**Price $20.70**

Price Target $25.00


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### Market Data

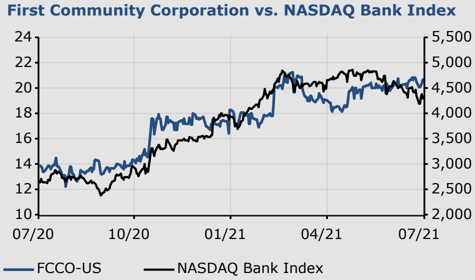
| | |
|---|---|
| Market Cap ($M) | $156.1 |
| Price / Tang. Book | 1.28x |
| 52-Week Range | $12.23 - $22.00 |
| 3-Mo. Avg. Daily Volume | 37,331 |
| Dividends | $0.48 |
| Dividend Yield | 2.32% |
| Shares Outstanding (M) | 7.5 |
| Institutional Ownership | 52.2% |
| Insider Ownership | 5.7% |

### Financial Summary

*As of June 30, 2021*

| | |
|---|---|
| Assets ($M) | $1,515.0 |
| Tangible Book Value | $16.22 |
| Tang. Common Eq. / Tang. Assets | 8.2% |
| ROA | 0.98% |
| ROE | 10.9% |
| Net Interest Margin | 3.20% |

### Price Performance




### Company Description

First Community Corporation is the holding company for First Community Bank, a community bank based headquartered in Lexington, SC and operates in the Midlands, Aiken, and Greenville, South Carolina markets as well as Augusta, Georgia.

## Fine-tuning EPS Ests Post 2Q but Revenue Outlook Improved; Reiterate Outperform Rating

**EPS ESTIMATES**

| | Mar | Jun | Sep | Dec | Year | Growth | Est. Change | P/E |
|---|---|---|---|---|---|---|---|---|
| **2021E** | $0.41A | $0.49A | $0.48 | $0.45 | **$1.84** | 42.6% | $-0.03 | 11.2x |
| **2022E** | $0.39 | $0.44 | $0.48 | $0.50 | **$1.82** | (1.4%) | -- | 11.4x |
| **2023E** | $0.43 | $0.48 | $0.52 | $0.55 | **$1.98** | 9.2% | -- | 10.4x |

### Conclusion

We are adjusting our 2021 EPS estimate to $1.84 (-$0.03), maintaining our 2022 estimate of $1.82, and establishing our 2023 EPS of $1.98. Core results this quarter were generally in-line with expectations as a stronger top-line helped mitigate softer-than-expected mortgage banking. Looking ahead, we think the outlook remains sturdy and feel good about FCCO's growth prospects heading into 2H21. We continue to like the name given the overall quality of the franchise, solid growth prospects, and attractive valuation (especially with the Russell rebalance in the rearview mirror) of 11.5x our 2022 EPS and 1.3x TBV. **Reiterate OP-rating and raise our price target to $25 which is now based on 13.5x our 2022 EPS estimate (vs. 13x previously) given a slight improvement to our revenue outlook.**

- **Loan growth comes in ahead of expectations.** EOP core loan growth of +12% LQA was notably above expectations (+8% projected) and was a key highlight from this quarter's results. Commercial loan production was +52% LQ although payoffs remained elevated this quarter (and consistent with recent levels). Going forward, we have increased confidence in its ability to produce solid growth over the next several quarters (with possible upside to growth expectations) and continue to model core growth of ~8% (annual) over the next two years.

- **Core NIM likely to trend lower in the near-term.** Core NIM compression of 5 bps was largely in-line with our forecast and conversations indicate the core NIM may continue to trend lower over the next couple of quarters (due to pressure on asset yields). That said, our adjustments were relatively modest as we had previously been modeling core contraction to occur through the end of 2021 (-8 bps). With respect to PPP, there are a total of $1.9M of PPP fees yet to be earned which we assume will be realized by the end of 2022 (i.e. we do not include any impact of PPP in our 2023 estimate).

- **Mortgage banking bounces back but a little light of expectations.** Mortgage banking revenue was +16% LQ but was approx. $0.04 p/s below our forecast. While production was down 20% in 2Q (lack of inventory was cited as a key driver), the GOS margin rebounded as expected to ~3.4% vs. ~2.3% in the prior quarter and more in-line with normal levels (~3.25%). Recall, the GOS margin in 1Q was negatively impacted by processing/delivery issues.


*Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 6 of this report. Past performance is no guarantee of future results.*

- **Review of the quarter.** FCCO posted 2Q21 operating EPS of $0.49 was largely in-line with our estimate of $0.50 but above the consensus estimate of $0.47 (reported EPS was $0.47). Relative to our forecast, higher NII (EPS: +$0.03) was offset by lower fee income (-$0.02) and a slightly larger expense base (-$0.01). EOP core loan growth was +12% LQA as compared to our projected +8% while the reported NIM of 3.20% (-3 bps LQ) was in-line. NPAs (incl. 90 days) increased to 0.62% of assets from 0.37% in 1Q due to one large relationship that has been brought current since quarter-end. Excluding this relationship, NPAs would have been 0.34%.

**Exhibit 1: FCCO 2Q21 Variance Table**

Actuals vs. Hovde and Consensus

| ($M) FCCO | Estimates | | Actual | Actuals vs: Hovde | | | Consensus | | |
|---|---|---|---|---|---|---|---|---|---|
| | Hovde | Cons. | 2Q21 | $ Diff. | | P/S | $ Diff. | | P/S |
| **Net Interest Income** | **10.9** | **10.8** | **11.2** | **0.3** | ▲ | **$0.03** | **0.4** | ▲ | **$0.05** |
| NIM | 3.20% | 3.21% | 3.20% | 0 bps | ▼ | | -1 bps | ▼ | |
| Fee Income | 3.6 | 3.5 | 3.4 | (0.2) | ▼ | ($0.02) | (0.1) | ▼ | ($0.01) |
| Revenue | 14.5 | 14.4 | 14.6 | 0.1 | ▲ | $0.01 | 0.2 | ▲ | $0.02 |
| Expenses | 9.6 | 9.5 | 9.7 | (0.1) | ▲ | ($0.01) | (0.1) | ▲ | ($0.02) |
| **Core PPNR** | **4.9** | **-** | **4.9** | **0.0** | ▲ | **$0.00** | **-** | | **-** |
| **PPNR** | **4.9** | **4.9** | **4.8** | **(0.2)** | ▼ | **($0.02)** | **(0.1)** | ▼ | **($0.01)** |
| Provision | 0.2 | 0.3 | 0.2 | (0.0) | ▲ | ($0.00) | 0.1 | ▼ | $0.01 |
| Tax Rate | 19% | 21% | 21% | | ▲ | | | ▼ | |
| **EPS** | **$0.50** | **-** | **$0.47** | | ▼ | **($0.03)** | | | |
| **Core EPS** | **$0.50** | **$0.47** | **$0.49** | | ▼ | **($0.01)** | | ▲ | **$0.02** |
| TBVPS | $15.88 | $15.88 | $16.22 | | ▲ | $0.33 | | ▲ | $0.33 |
| Diluted Shares | 7.5 | 7.5 | 7.5 | | | | | | |
| **Profitability** | | | | | | | | | |
| ROA | 1.03% | 0.96% | 0.98% | -5 bps | ▼ | | 2 bps | ▲ | |
| ROTCE | 12.8% | - | 12.5% | -37 bps | ▼ | | | | |
| Efficiency Ratio | 66% | 67% | 66% | 14 bps | ▲ | | -76 bps | ▼ | |
| **Balance Sheet** | | | | | | | | | |
| Avg Earning Assets | 1,366 | 1,353 | 1,404 | 39 | ▲ | | 51 | ▲ | |
| EOP Loans | 870 | 879 | 878 | 9 | ▲ | | (1) | ▼ | |
| Loans/Deposits | 68% | 69% | 68% | | | | | | |
| TCE Ratio | 8.07% | - | 8.16% | 9 bps | ▲ | | | | |
| **Credit** | | | | | | | | | |
| NCOs | 0.1 | 0.3 | 0.1 | (0.0) | ▼ | | (0.2) | ▼ | |
| Net Charge-Off Ratio | 0.05% | 0.11% | 0.04% | -1 bps | ▼ | | -7 bps | ▼ | |
| LLP/Loans | 0.08% | 0.13% | 0.08% | | | | | | |
| LLR/Loans | 1.22% | | 1.21% | | | | | | |

Source: Company Filings, S&P Global Market Intelligence, and FactSet

**Exhibit 2: FCCO Estimate Change Summary**

Current Estimates vs. Prior

| ($M) | 2021E | | | | | 2022E | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **FCCO** | **Estimates** | | **Change** | | | **Estimates** | | **Change** | | |
| | **Prior** | **Current** | **$ Diff.** | **▲/▼** | **P/S** | **Prior** | **Current** | **$ Diff.** | **▲/▼** | **P/S** |
| **Net Interest Income** | **44.0** | **44.6** | **0.6** | ▲ | **$0.07** | **44.6** | **45.0** | **0.4** | ▲ | **$0.04** |
| NIM | 3.24% | 3.21% | -3 bps | ▼ | | 3.22% | 3.15% | -7 bps | ▼ | |
| Fee Income | 13.3 | 13.0 | (0.3) | ▼ | ($0.03) | 13.6 | 13.6 | 0.1 | ▲ | $0.01 |
| Revenue | 57.3 | 57.6 | 0.3 | ▲ | $0.03 | 58.2 | 58.7 | 0.5 | ▲ | $0.05 |
| Expenses | 38.3 | 38.7 | (0.4) | ▲ | ($0.04) | 39.9 | 40.2 | (0.2) | ▲ | ($0.02) |
| **Core PPNR** | **19.0** | **18.9** | **(0.0)** | ▼ | **($0.00)** | **18.3** | **18.5** | **0.2** | ▲ | **$0.03** |
| **PPNR** | **19.2** | **18.9** | **(0.2)** | ▼ | **($0.02)** | **18.3** | **18.5** | **0.2** | ▲ | **$0.03** |
| Provision | 1.0 | 0.9 | 0.1 | ▼ | $0.01 | 0.8 | 0.7 | 0.1 | ▼ | $0.01 |
| Tax Rate | 20% | 21% | | ▲ | | 19% | 21% | | ▲ | |
| **EPS** | **$1.89** | **$1.84** | | ▼ | **($0.05)** | **$1.82** | **$1.82** | | ▼ | **$0.00** |
| **Core EPS** | **$1.87** | **$1.84** | | ▼ | **($0.03)** | **$1.82** | **$1.82** | | ▼ | **$0.00** |
| TBVPS | $16.58 | $16.90 | | ▲ | $0.32 | $17.80 | $18.13 | | ▲ | $0.33 |
| Diluted Shares | 7.5 | 7.5 | | | | 7.6 | 7.6 | | | |
| **Profitability** | | | | | | | | | | |
| ROA | 0.97% | 0.93% | -4 bps | ▼ | | 0.93% | 0.90% | -3 bps | ▼ | |
| ROTCE | 11.8% | 11.5% | -32 bps | ▼ | | 10.7% | 10.5% | -23 bps | ▼ | |
| Efficiency Ratio | 67% | 67% | 27 bps | ▲ | | 68% | 68% | -13 bps | ▼ | |
| **Balance Sheet** | | | | | | | | | | |
| Avg Earning Assets | 1,358 | 1,390 | 32 | ▲ | | 1,384 | 1,427 | 43 | ▲ | |
| EOP Loans | 871 | 887 | 15 | ▲ | | 930 | 938 | 9 | ▲ | |
| Loans/Deposits | 67% | 68% | | | | 72% | 73% | | | |
| TCE Ratio | 8.35% | 8.40% | 5 bps | ▲ | | 8.63% | 8.74% | 11 bps | ▲ | |
| **Credit** | | | | | | | | | | |
| NCOs | 0.7 | 0.6 | (0.1) | ▼ | | 0.8 | 0.7 | (0.1) | ▼ | |
| Net Charge-Off Ratio | 0.08% | 0.07% | -1 bps | ▼ | | 0.09% | 0.08% | -1 bps | ▼ | |
| LLP/Loans | 0.12% | 0.11% | | | | 0.09% | 0.08% | | | |
| LLR/Loans | 1.23% | 1.21% | | | | 1.15% | 1.14% | | | |

Source: Company Filings

## Exhibit 3: FCCO Comparable Group

| | | | | | Valuation | | | | | | Profitability (LTM; %) | | | | Balance Sheet (MRQ; %) | | | | Credit (MRQ; %) | | | CAGRs | | | | Price Perf. (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Price/Earnings[1] | | | Price/ | Dvd | Dep. | | | | Eff. | LTD | Core | | TCE | NCOs | NPAs/ | LLR/ | EPS | | TBVPS | | | | |
| Ticker | Company Name | 7/23 Price | Mkt Cap ($M) | Assets ($M) | LTM | '21E | '22E | TBV | Yield | Prem. | ROA | ROTCE | NIM | Ratio | Ratio | Dep.[2] | COFs | Ratio | (LTM) | Assets | Loans | '15-'20 | '20-'22E | '15-'20 | '20-'22E | 1M | 3M | YTD |
| ACBI | Atlantic Cap Bcshs | $24.16 | $491 | $3,780 | 11.4x | 11.2x | 12.1x | 1.48x | - | 4.9% | 1.28 | 13.7 | 2.93 | 53.3 | 68.5 | 97.6 | 0.23 | 8.80 | 0.07 | NA | 1.15 | -263% | 38% | - | 10% | (7.4) | (7.9) | 51.8 |
| AMNB | Amer Natl Bkshs | $29.41 | $322 | $3,202 | 8.2x | 9.5x | 11.1x | 1.24x | 3.7% | 2.3% | 1.27 | 15.9 | 3.17 | 51.8 | 69.1 | 93.2 | 0.20 | 8.27 | 0.01 | NA | 1.04 | 10% | -2% | 5% | 7% | (9.2) | (11.5) | 12.2 |
| CARE | Carter Bkshs | $10.24 | $271 | $4,142 | - | 9.1x | 7.7x | 0.70x | 0.0% | -3.2% | -0.99 | 1.9 | 2.70 | 73.9 | 80.5 | 94.5 | NA | 9.36 | 0.09 | 3.68 | 3.88 | -203% | - | 4% | 0% | (23.0) | (23.7) | (4.5) |
| CBAN | Colony Bkcp Inc | $17.96 | $174 | $1,756 | 9.4x | 9.5x | 8.7x | 1.33x | 2.3% | 3.0% | 0.95 | 14.3 | 3.52 | 70.0 | 66.3 | 93.8 | 0.24 | 7.38 | 0.02 | NA | 1.22 | 12% | 24% | 8% | 3% | 1.1 | 20.9 | 22.6 |
| CSTR | CapStar Finl Hlgs | $20.80 | $461 | $3,212 | 10.1x | 10.3x | 11.1x | 1.48x | 1.2% | 5.4% | 1.32 | 14.2 | 3.04 | 55.4 | 68.6 | 94.1 | 0.15 | 9.83 | 0.01 | 0.19 | 1.11 | 11% | 24% | 6% | 9% | (0.2) | 15.7 | 41.0 |
| ESXB | Cmty Bnk Trst Corp | $10.55 | $237 | $1,699 | 11.6x | 11.0x | 14.0x | 1.36x | 2.3% | 4.5% | 1.28 | 12.5 | 3.51 | 56.8 | 85.1 | 87.5 | 0.48 | 10.15 | 0.04 | 0.71 | 0.90 | -244% | 5% | 10% | 6% | (9.5) | 26.0 | 56.3 |
| FBK | FB Finl Corp | $37.93 | $1,796 | $11,918 | 10.7x | 10.8x | 12.5x | 1.62x | 1.2% | 6.7% | 1.25 | 14.3 | 3.23 | 60.5 | 70.6 | 94.0 | 0.38 | 9.52 | 0.15 | NA | 1.80 | -10% | 33% | 15% | 12% | (1.0) | (11.9) | 9.2 |
| FBMS | First Bancshares | $36.95 | $777 | $5,443 | 13.3x | 12.5x | 13.2x | 1.70x | 1.5% | 6.9% | 1.19 | 14.5 | 3.51 | 52.2 | 66.1 | 94.0 | 0.51 | 8.70 | 0.21 | 0.76 | 1.06 | 10% | 5% | 11% | 9% | (1.4) | (3.4) | 19.7 |
| FBNC | First Bancorp | $38.29 | $1,091 | $7,736 | 12.4x | 11.5x | 11.9x | 1.73x | 2.1% | 6.9% | 1.29 | 14.8 | 3.40 | 52.2 | 68.7 | 93.7 | 0.17 | 8.40 | 0.06 | 0.65 | 1.41 | 17% | 8% | 11% | 7% | (11.1) | (10.9) | 13.2 |
| FCBC | First Comm Bkshs | $28.44 | $499 | $3,140 | 11.5x | 10.7x | 12.3x | 1.73x | 3.5% | 7.8% | 1.44 | 15.4 | 4.10 | 54.7 | 80.3 | 98.6 | 0.13 | 9.65 | 0.23 | 1.16 | 1.61 | 9% | 7% | 5% | 5% | (6.5) | (2.0) | 31.8 |
| FRST | Primis Financial C | $15.29 | $375 | $3,330 | 15.6x | 13.5x | 13.8x | 1.29x | 2.6% | 3.1% | 1.05 | 12.0 | 3.37 | 56.1 | 89.0 | 87.0 | 0.77 | 9.01 | 0.03 | 0.49 | 1.46 | 5% | 7% | 6% | 6% | (1.0) | 5.4 | 26.3 |
| HTBI | HomeTrust Bcshs | $27.87 | $459 | $3,649 | 15.1x | 15.9x | 15.0x | 1.22x | 1.1% | 2.7% | 0.72 | 7.2 | 3.00 | 73.3 | 92.5 | 88.6 | 0.44 | 10.50 | 0.07 | 0.69 | 1.30 | 25% | 16% | 5% | 3% | (1.9) | 6.6 | 44.3 |
| RBNC | Reliant Bncp | $28.21 | $470 | $3,098 | 9.9x | 10.3x | 10.6x | 1.67x | 1.7% | 7.2% | 1.62 | NA | 4.41 | 55.3 | 88.3 | 90.5 | 0.96 | 9.28 | -0.01 | NA | 0.82 | 19% | 14% | 6% | 14% | 1.7 | 1.8 | 51.5 |
| SFST | Southern First | $50.02 | $392 | $2,580 | - | 10.9x | 11.5x | 1.64x | - | 6.8% | 1.05 | 11.7 | 3.52 | 49.0 | 96.7 | 93.7 | 0.28 | 9.28 | 0.10 | 0.47 | 1.94 | 9% | 36% | 14% | 14% | (3.2) | 0.3 | 41.5 |
| SLCT | Select Bancorp | $15.10 | $260 | $1,832 | 16.6x | 12.0x | 13.0x | 1.55x | - | 5.8% | 0.79 | 8.1 | 3.83 | 61.4 | 84.8 | 90.8 | 0.54 | 9.41 | 0.05 | 0.56 | 0.98 | -4% | 61% | 5% | 9% | (10.4) | 27.4 | 59.5 |
| SMBK | SmartFinancial Inc | $24.35 | $368 | $3,654 | 10.2x | 11.0x | 10.9x | 1.30x | 1.0% | 2.7% | 1.01 | 13.1 | 3.42 | 60.5 | 78.6 | 92.7 | 0.37 | 7.93 | 0.03 | 0.18 | 0.74 | 38% | 17% | 5% | 8% | 1.0 | 3.5 | 34.2 |
| **Peer Median** | | | **$426** | **$3,271** | **11.5x** | **11.0x** | **12.0x** | **1.48x** | **1.7%** | **5.1%** | **1.22** | **13.7** | **3.41** | **55.7** | **79.5** | **93.7** | **0.37** | **9.28** | **0.05** | **0.65** | **1.19** | **9%** | **16%** | **6%** | **8%** | **(2.5)** | **1.1** | **33.0** |
| **FCCO** | **First Cmnty Corp** | **$20.70** | **$156** | **$1,515** | **-** | **11.4x** | **11.8x** | **1.28x** | **2.3%** | **2.6%** | **0.91** | **11.1** | **3.25** | **67.6** | **68.1** | **92.6** | **0.17** | **8.16** | **0.00** | **0.44** | **1.20** | **8%** | **15%** | **8%** | **5%** | **3.7** | **8.7** | **21.8** |

[1]Based on consensus EPS estimates
[2]Core deposits as % of total non-equity funding
Source: S&P Global Market Intelligence and FactSet

## First Community Corporation

Will Curtiss; 615-783-1638

Summary Model

| ($M) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | 3Q21E | 4Q21E | 1Q22E | 2Q22E | 3Q22E | 4Q22E | 2020 | 2021E | 2022E | 2023E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement** | | | | | | | | | | | | | | | | | | | | |
| Net Interest Income | 9.1 | 9.2 | 9.4 | 9.4 | 9.5 | 9.8 | 10.3 | 10.8 | 10.7 | 11.2 | 11.3 | 11.4 | 10.9 | 11.2 | 11.4 | 11.5 | 40.4 | 44.6 | 45.0 | 48.2 |
| Noninterest Income | 2.5 | 3.2 | 3.1 | 2.9 | 2.9 | 3.4 | 3.9 | 3.6 | 3.3 | 3.4 | 3.3 | 3.2 | 3.2 | 3.4 | 3.5 | 3.5 | 13.8 | 13.2 | 13.6 | 14.5 |
| **Total Revenue** | **11.6** | **12.4** | **12.5** | **12.4** | **12.4** | **13.2** | **14.1** | **14.4** | **14.0** | **14.6** | **14.6** | **14.6** | **14.1** | **14.6** | **14.9** | **15.0** | **54.2** | **57.8** | **58.7** | **62.7** |
| Noninterest Expense | 8.3 | 8.6 | 8.8 | 8.9 | 9.0 | 9.1 | 9.7 | 9.7 | 9.5 | 9.9 | 9.6 | 9.8 | 10.0 | 10.1 | 10.1 | 10.0 | 37.5 | 38.9 | 40.2 | 41.7 |
| **Pre-tax, Pre-provision Income** | **3.3** | **3.8** | **3.8** | **3.5** | **3.4** | **4.1** | **4.4** | **4.7** | **4.4** | **4.8** | **5.0** | **4.7** | **4.1** | **4.6** | **4.8** | **5.0** | **16.6** | **18.9** | **18.5** | **21.0** |
| Loan Loss Provision | 0.1 | 0.0 | 0.0 | - | 1.1 | 1.3 | 1.1 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 | 0.1 | 0.1 | 3.7 | 0.9 | 0.7 | 1.5 |
| Pre-tax Earnings | 3.1 | 3.7 | 3.7 | 3.4 | 2.2 | 2.7 | 3.3 | 4.4 | 4.1 | 4.5 | 4.6 | 4.3 | 3.7 | 4.2 | 4.6 | 4.8 | 12.6 | 17.5 | 17.3 | 18.9 |
| Taxes | 0.6 | 0.8 | 0.8 | 0.7 | 0.4 | 0.5 | 0.6 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.8 | 0.9 | 0.9 | 1.0 | 2.5 | 3.6 | 3.5 | 3.9 |
| Tax Rate (%) | 20% | 21% | 21% | 21% | 20% | 19% | 18% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 21% | 20% | 21% | 21% | 21% |
| **Net Income Avail. to Common** | **2.5** | **2.9** | **2.9** | **2.7** | **1.8** | **2.2** | **2.7** | **3.4** | **3.3** | **3.5** | **3.7** | **3.4** | **3.0** | **3.3** | **3.6** | **3.8** | **10.1** | **13.9** | **13.7** | **15.1** |
| Core Net Income Avail. to Common | 2.5 | 2.8 | 2.9 | 2.9 | 1.8 | 2.2 | 2.2 | 3.4 | 3.1 | 3.7 | 3.7 | 3.4 | 3.0 | 3.3 | 3.6 | 3.8 | 9.7 | 13.9 | 13.7 | 15.1 |
| **Reported EPS** | $ 0.32 | $ 0.37 | $ 0.39 | $ 0.36 | $ 0.24 | $ 0.30 | $ 0.35 | $ 0.46 | $ 0.43 | $ 0.47 | $ 0.48 | $ 0.45 | $ 0.39 | $ 0.44 | $ 0.48 | $ 0.50 | $ 1.35 | $ 1.84 | $ 1.82 | $ 1.98 |
| **Core EPS** | $ 0.33 | $ 0.36 | $ 0.39 | $ 0.39 | $ 0.24 | $ 0.30 | $ 0.30 | $ 0.46 | $ 0.41 | $ 0.49 | $ 0.48 | $ 0.45 | $ 0.39 | $ 0.44 | $ 0.48 | $ 0.50 | $ 1.29 | $ 1.84 | $ 1.82 | $ 1.98 |
| Average Diluted Shares | 7.7 | 7.7 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.6 | 7.6 | 7.6 | 7.6 | 7.5 | 7.5 | 7.6 | 7.6 |
| Period-end Shares | 7.7 | 7.5 | 7.4 | 7.4 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 7.5 | 7.6 | 7.6 | 7.7 |
| Book Value Per Share | $ 15.19 | $ 15.64 | $ 16.03 | $ 16.16 | $ 16.70 | $ 17.47 | $ 17.78 | $ 18.18 | $ 17.63 | $ 18.29 | $ 18.64 | $ 18.96 | $ 19.17 | $ 19.45 | $ 19.79 | $ 20.15 | $ 18.18 | $ 18.96 | $ 20.15 | $ 21.50 |
| Tangible Book Value Per Share | $ 13.04 | $ 13.46 | $ 13.84 | $ 13.99 | $ 14.55 | $ 15.35 | $ 15.67 | $ 16.08 | $ 15.55 | $ 16.22 | $ 16.57 | $ 16.90 | $ 17.12 | $ 17.42 | $ 17.77 | $ 18.13 | $ 16.08 | $ 16.90 | $ 18.13 | $ 19.52 |
| Dividend Per Share | $ 0.11 | $ 0.11 | $ 0.11 | $ 0.11 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.48 | $ 0.48 | $ 0.48 | $ 0.48 |
| **Performance Ratios** | | | | | | | | | | | | | | | | | | | | |
| ROA | 0.92% | 1.04% | 1.03% | 0.94% | 0.61% | 0.70% | 0.79% | 0.99% | 0.91% | 0.94% | 0.97% | 0.90% | 0.79% | 0.88% | 0.95% | 0.98% | 0.78% | 0.93% | 0.90% | 0.94% |
| ROCE | 8.8% | 9.8% | 9.9% | 9.0% | 5.8% | 7.0% | 8.1% | 10.3% | 9.6% | 10.5% | 10.8% | 10.1% | 8.8% | 9.9% | 10.7% | 11.2% | 7.8% | 10.3% | 10.2% | 11.1% |
| ROTCE | 10.6% | 11.8% | 11.8% | 10.8% | 6.9% | 8.2% | 9.4% | 11.9% | 11.0% | 12.0% | 11.9% | 10.9% | 9.3% | 10.3% | 11.0% | 11.2% | 9.2% | 11.4% | 10.5% | 10.6% |
| Pretax Preprovision ROAA | 1.22% | 1.36% | 1.34% | 1.22% | 1.15% | 1.29% | 1.31% | 1.36% | 1.23% | 1.26% | 1.32% | 1.26% | 1.09% | 1.20% | 1.26% | 1.29% | 1.28% | 1.27% | 1.21% | 1.31% |
| Net Interest Margin | 3.73% | 3.67% | 3.65% | 3.56% | 3.55% | 3.38% | 3.28% | 3.31% | 3.23% | 3.20% | 3.19% | 3.21% | 3.13% | 3.16% | 3.16% | 3.16% | 3.37% | 3.21% | 3.15% | 3.23% |
| Efficiency Ratio | 71% | 70% | 70% | 72% | 73% | 69% | 69% | 67% | 68% | 68% | 66% | 67% | 71% | 69% | 68% | 67% | 69% | 67% | 68% | 67% |
| Fee Income/Operating Revenue | 22% | 26% | 25% | 24% | 24% | 26% | 27% | 25% | 24% | 23% | 23% | 22% | 23% | 23% | 24% | 23% | 25% | 23% | 23% | 23% |
| Dividend Payout Ratio | 34% | 29% | 28% | 30% | 50% | 40% | 34% | 26% | 28% | 26% | 25% | 26% | 30% | 27% | 25% | 24% | 36% | 26% | 26% | 24% |
| Total Payout Ratio | 34% | 148% | 105% | 30% | 50% | 40% | 34% | 26% | 28% | 26% | 25% | 26% | 30% | 27% | 25% | 24% | 36% | 26% | 26% | 24% |
| **Average Balance Sheet** | | | | | | | | | | | | | | | | | | | | |
| Loans | 724 | 729 | 740 | 748 | 754 | 825 | 868 | 893 | 886 | 896 | 899 | 903 | 908 | 919 | 932 | 948 | 835 | 896 | 927 | 997 |
| Securities | 252 | 250 | 255 | 273 | 286 | 295 | 300 | 322 | 373 | 431 | 439 | 444 | 446 | 448 | 451 | 453 | 301 | 422 | 449 | 459 |
| Earning Assets | 993 | 1,005 | 1,022 | 1,052 | 1,077 | 1,171 | 1,249 | 1,297 | 1,339 | 1,404 | 1,409 | 1,409 | 1,411 | 1,418 | 1,431 | 1,449 | 1,198 | 1,390 | 1,427 | 1,494 |
| Assets | 1,089 | 1,103 | 1,120 | 1,151 | 1,176 | 1,269 | 1,345 | 1,392 | 1,435 | 1,508 | 1,512 | 1,512 | 1,513 | 1,520 | 1,532 | 1,550 | 1,296 | 1,492 | 1,529 | 1,595 |
| Deposits | 909 | 924 | 939 | 968 | 969 | 1,060 | 1,137 | 1,182 | 1,208 | 1,285 | 1,296 | 1,308 | 1,256 | 1,266 | 1,277 | 1,288 | 1,087 | 1,274 | 1,272 | 1,253 |
| Interest Bearing Liabilities | 718 | 714 | 724 | 737 | 758 | 780 | 833 | 869 | 896 | 940 | 937 | 931 | 952 | 952 | 958 | 969 | 810 | 926 | 958 | 1,022 |
| Equity | 114 | 117 | 117 | 120 | 123 | 127 | 132 | 133 | 136 | 135 | 138 | 140 | 143 | 145 | 148 | 151 | 129 | 137 | 146 | 157 |
| **Capital Ratios** | | | | | | | | | | | | | | | | | | | | |
| TCE Ratio | 9.24% | 9.20% | 9.21% | 9.02% | 9.29% | 8.78% | 8.60% | 8.74% | 7.92% | 8.16% | 8.27% | 8.40% | 8.49% | 8.57% | 8.67% | 8.74% | 8.74% | 8.40% | 8.74% | 8.97% |
| Tier 1 Common Ratio | 13.4% | 13.5% | 13.4% | 13.5% | 13.4% | 13.0% | 13.0% | 12.8% | 13.2% | 13.5% | 13.7% | 13.9% | 14.1% | 14.2% | 14.3% | 14.4% | 12.8% | 13.9% | 14.4% | 14.8% |
| Leverage Ratio | 10.2% | 10.2% | 10.1% | 10.0% | 9.9% | 9.3% | 9.0% | 8.8% | 8.7% | 8.5% | 8.6% | 8.7% | 8.8% | 8.9% | 9.0% | 9.0% | 8.8% | 8.7% | 9.0% | 9.3% |
| **Credit Quality Ratios** | | | | | | | | | | | | | | | | | | | | |
| Reserve/Loans | 0.88% | 0.88% | 0.89% | 0.90% | 1.03% | 1.09% | 1.20% | 1.23% | 1.22% | 1.21% | 1.21% | 1.21% | 1.20% | 1.18% | 1.17% | 1.14% | 1.23% | 1.21% | 1.14% | 1.16% |
| Reserve/NPAs | 155% | 155% | 178% | 177% | 239% | 275% | 341% | 180% | 189% | 206% | - | - | - | - | - | - | 180% | - | - | - |
| NPAs/Loans+OREO | 0.57% | 0.56% | 0.50% | 0.51% | 0.43% | 0.40% | 0.35% | 0.68% | 0.64% | 0.59% | - | - | - | - | - | - | 0.68% | - | - | - |
| Net Charge-Off Ratio | 0.01% | 0.00% | -0.09% | -0.04% | 0.00% | 0.00% | -0.06% | 0.00% | 0.00% | 0.04% | 0.10% | 0.12% | 0.12% | 0.10% | 0.05% | 0.05% | -0.01% | 0.07% | 0.08% | 0.05% |
| Provision/Average Loans | 0.06% | 0.00% | 0.01% | 0.00% | 0.57% | 0.63% | 0.52% | 0.13% | 0.09% | 0.08% | 0.13% | 0.15% | 0.12% | 0.10% | 0.05% | 0.05% | 0.46% | 0.11% | 0.08% | 0.15% |
| Provision/NCOs | 750% | 900% | -14% | 0% | NA | NA | -923% | NA | 2213% | 181% | 122% | 118% | 100% | 100% | 100% | 100% | NA | 157% | 100% | 301% |

Sources: Company Filings, Hovde Group

Model updated as of: 7/23/21

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I, Will Curtiss, hereby certify the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s). I further certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this report.

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**Company Specific Risks:**

Risks to the price target, rating, and EPS estimates include: (a) the announcing of a large acquisition that is dilutive to TBV/sh and/or implies considerable integration risk, (b) the announcing of a large, dilutive capital raise, (c) the emergence of unanticipated credit deterioration, (d) NIM compression stemming from heightened deposit pricing competition amid rising ST rates and/or a flattening/inverted yield curve, (e) an economic downturn specific to the company's South Carolina footprint (likely slowing loan growth and pressuring credit quality), and (f) worsening economic conditions and credit losses related to COVID-19 beyond what we are currently expecting.

**Valuation Methodology:**

Methodology for ratings and target prices includes both qualitative and quantitative factors including an assessment of industry size, structure, trends and overall sector attractiveness; management; competition; financial condition; and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry or company-specific occurrences. Hovde Group, LLC analysts base valuations on a combination of forward looking earnings multiples and price-to-tangible book multiples. Hovde Group, LLC, believes this accurately reflects the strong absolute value of earnings, the strong earnings growth rate, the inherent profitability, and adjusted balance sheet factors. Additional company-specific valuation methodology is available through Hovde Group, LLC.

**Company Specific Valuation:**

Our price target of $25.00 is based on 13.5x our 2022 EPS estimate.

**Definition of Investment Ratings:**

**Outperform (OP):** Anticipated to outperform relative to the sector indices over the next 12 months.

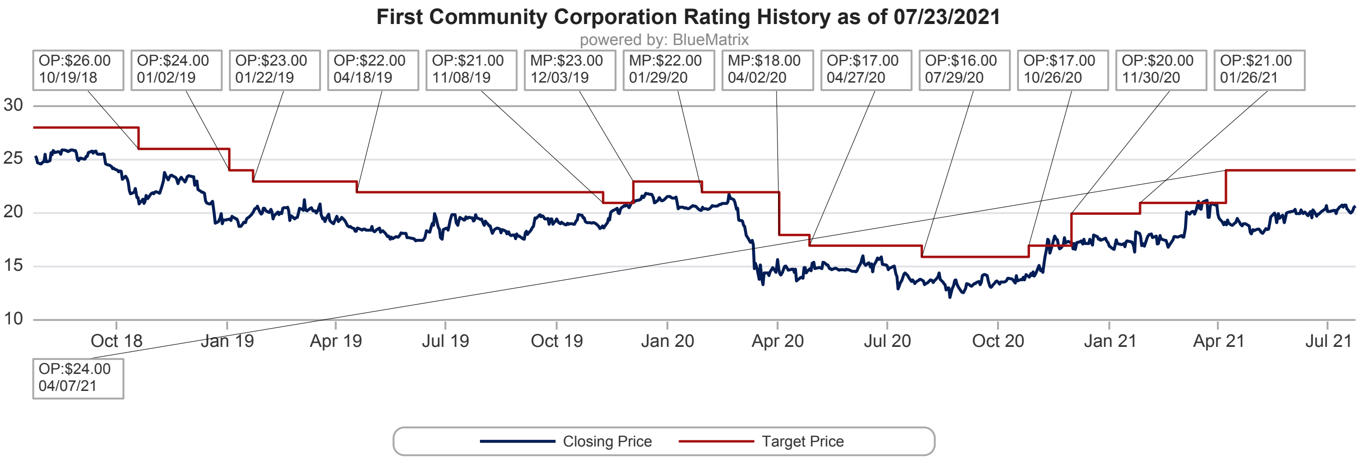
**Market Perform (MP):** Anticipated to perform in line relative to the sector indices over the next 12 months.

**Underperform (UP):** Anticipated to underperform relative to the sector indices over the next 12 months.

**Ratings Distribution:**

| | | | IB Serv./Past 12Mos. | |
|---|---|---|---|---|
| Rating Category | Count | Percent | Count | Percent |
| Outperform | 50 | 59.52% | 5 | 10.00% |
| Market Perform | 34 | 40.48% | 4 | 11.76% |
| Underperform | 0 | 0.00% | 0 | 0% |

For purposes only of FINRA ratings distribution rules, our Outperform rating falls into a buy rating category; our Market Perform rating falls into a hold rating category; and our Underperform rating falls into a sell rating category.

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