

First Community Corp.

FCCO (NASDAQ)

Outperform
Price \$21.02
Price Target \$24.00

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Market Data

Market Cap (\$M)	\$158.7
Price / Tang. Book	1.26x
52-Week Range	\$16.35 - \$23.42
3-Mo. Avg. Daily Volume	9,047
Dividends	\$0.52
Dividend Yield	2.47%
Shares Outstanding (M)	7.5
Institutional Ownership	49.5%
Insider Ownership	4.7%

Financial Summary

As of December 31, 2021

Assets (\$M)	\$1,584.5
Tangible Book Value	\$16.62
Tang. Common Eq. / Tang. Assets	8.0%
ROA	0.96%
ROE	10.9%
Net Interest Margin	3.01%

Price Performance

First Community Corporation vs. NASDAQ Bank Index



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 as Better Revenue Outlook Mitigates Higher Expenses; Reiterate Outperform Rating

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2021A	\$0.41	\$0.49	\$0.61	\$0.50	\$2.02	56.1%	--	10.4x
2022E	\$0.41	\$0.43	\$0.46	\$0.51	\$1.82	(9.9%)	\$0.02	11.6x
2023E	\$0.45	\$0.50	\$0.53	\$0.55	\$2.02	11.5%	\$0.02	10.4x

Conclusion

We are updating our 2022-23 estimates to \$1.82 (+\$0.02) and \$2.02 (+\$0.02), respectively, mostly to reflect an improved revenue forecast. Core results this quarter were ahead of expectations from a combination of better revenue and a negative LLP. Despite a decline in loan balances in 4Q, we remain confident in its ability to deliver solid growth going forward. We continue to like the name given the overall quality of the franchise, steady performance, and attractive valuation of ~10.5x our 2023 EPS and 1.3x TBV as compared to peers at ~12x and ~1.55x. **Reiterate OP-rating and adjust our price target to \$24 or 12x our 2023 EPS.**

- **Changes to our model.** The primary adjustments include: (1) higher NII due to a larger projected B/S which more than offsets a lower NIM forecast; (2) better fee income driven by continued growth in wealth management; (3) a larger expense base which assumes ~5% annual growth in 2022; and (4) a slightly lower LLP this year.
- **Payoffs weigh on loan balances, but we still expect solid growth going forward.** After a couple of quarters of exceptionally strong growth trends, EOP loan balances declined ~1% LQ (vs. our forecast of +8% LQA) as elevated payoffs negated relatively good production (albeit below the outsized 3Q level). To be fair, management did mention last quarter that payoffs may be higher in 4Q, and growth trends, in general, will always be somewhat lumpy given the nature of its CRE lending focus. Looking ahead, we project growth to be somewhat similar with last year's pace of ~8% going forward which we think could prove to be a little conservative over time.
- **FCCO may be better positioned for rate hikes contrary to public disclosure.** The reported NIM fell 46 bps LQ to 3.01% largely due to lower PPP revenue while core NIM compression of 13 bps was more than we had modeled (core NII however was a penny better due to the larger B/S). Looking ahead, we are modeling some additional core NIM decline next quarter, but we believe steady improvement is possible throughout the remainder of the year. Additionally, public IR disclosure would suggest it is in a liability sensitive position (NII would be -1.7% in a +100 bp scenario as of 3Q21), but we think FCCO is more likely to see the positive benefits from initial rate hikes as some of the underlying assumptions (in the 10-Q/K) may be overly conservative. We revised our reported NIM forecast to 2.95% and 3.06% for 2022-23 (vs. 3.06% and 3.15% previously) due to this quarter's lower base, and we assume three rate hikes this year (full-quarter impact of the third hike in 1Q23).

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.

- **Expense growth rate ticks up reflecting common industry pressures.** Core expenses declined ~2% LQ and were essentially in-line with our forecast as a handful of items were slightly better-than-expected which helped offset higher marketing expenses. Like many, FCCO will likely face upward pressure on its expense base from higher salaries and increased technology spend, and we are now modeling expense growth of ~5% for this year (vs. ~3.5% previously).
- **Review of the quarter.** FCCO posted 4Q21 operating EPS of \$0.50 vs. our estimate of \$0.47 and consensus of \$0.49 (reported EPS was \$0.52). Relative to our forecast, the upside was driven by a negative LLP (EPS: +\$0.02), higher NII (+\$0.01), and better fee income (+\$0.01). EOP core loan balances declined ~1% LQ as compared to our projected growth of +8% LQA due to heavier payoffs. Reported NIM compression of -46 bps LQ was a little more than we had anticipated (est. -38 bps) while we estimate the core NIM was -13 bps LQ. NPAs (incl. 90 days) improved modestly to 0.09% of assets and classified loans fell 12% LQ to 1.1% of loans.

Exhibit 1: FCCO 4Q21 Variance Table

Actuals vs. Hovde and Consensus

(\$M) FCCO	Estimates		Actual 4Q21	Actuals vs:			
	Hovde	Cons.		Hovde		Consensus	
				\$ Diff.	P/S	\$ Diff.	P/S
Net Interest Income	11.2	11.2	11.3	0.1	▲	\$0.01	0.1 ▲
NIM	3.09%	3.08%	3.01%	-8 bps	▼		-7 bps ▼
Fee Income	3.4	3.5	3.5	0.1	▲	\$0.01	0.0 ▲
Revenue	14.6	14.7	14.8	0.2	▲	\$0.02	0.1 ▲
Expenses	9.9	9.9	9.9	0.0	▼	\$0.00	(0.0) ▲
Core PPNR	4.7	-	4.9	0.2	▲	\$0.02	-
PPNR	4.7	4.9	5.0	0.3	▲	\$0.03	0.2 ▲
Provision	0.1	0.1	(0.1)	0.2	▼	\$0.02	0.1 ▼
Tax Rate	21%	21%	21%		▲		▼
EPS	\$0.47	-	\$0.52	▲	\$0.05		
Core EPS	\$0.47	\$0.49	\$0.50	▲	\$0.03	▲	\$0.01
TBVPS	\$16.71	\$16.73	\$16.62		▼ (\$0.10)		▼ (\$0.12)
Diluted Shares	7.6	7.6	7.6				
<u>Profitability</u>							
ROA	0.92%	0.94%	0.96%	3 bps	▲		2 bps ▲
ROTCE	11.5%	-	12.3%	85 bps	▲		
Efficiency Ratio	67%	67%	66%	-92 bps	▼		-69 bps ▼
<u>Balance Sheet</u>							
Avg Earning Assets	1,437	1,455	1,491	53	▲		36 ▲
EOP Loans	895	895	864	(32)	▼		(31) ▼
Loans/Deposits	67%	66%	63%				
TCE Ratio	8.05%	-	8.00%	-6 bps	▼		
<u>Credit</u>							
NCOs	0.1	0.1	(0.2)	(0.3)	▼		(0.3) ▼
Net Charge-Off Ratio	0.04%	0.04%	-0.10%	-14 bps	▼		-14 bps ▼
LLP/Loans	0.06%	0.04%	-0.03%				
LLR/Loans	1.24%		1.29%				

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

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

(\$M) FCCO	2022E						2023E				
	Actual	Estimates		Change			Estimates		Change		
	2021	Prior	Current	\$ Diff.	▲/▼	P/S	Prior	Current	\$ Diff.	▲/▼	P/S
Net Interest Income	45.8	44.9	45.0	0.1	▲	\$0.01	48.4	48.7	0.3	▲	\$0.03
NIM	3.23%	3.06%	2.95%	-11 bps	▼		3.15%	3.06%	-9 bps	▼	
Fee Income	13.5	14.0	14.4	0.4	▲	\$0.04	14.7	15.5	0.8	▲	\$0.08
Revenue	59.3	58.9	59.4	0.5	▲	\$0.05	63.1	64.2	1.1	▲	\$0.11
Expenses	39.2	40.6	41.2	(0.6)	▲	(\$0.06)	42.0	42.8	(0.8)	▲	(\$0.08)
Core PPNR	20.1	18.3	18.2	(0.1)	▼	(\$0.01)	21.1	21.5	0.3	▲	\$0.03
PPNR	20.5	18.3	18.2	(0.1)	▼	(\$0.01)	21.1	21.5	0.3	▲	\$0.03
Provision	0.3	0.7	0.3	0.4	▼	\$0.04	1.5	1.5	0.0	▼	\$0.00
Tax Rate	21%	21%	21%	—			21%	21%	—		
EPS	\$2.05	\$1.80	\$1.82		▲	\$0.02	\$2.00	\$2.02		▲	\$0.02
Core EPS	\$2.02	\$1.80	\$1.82		▲	\$0.02	\$2.00	\$2.02		▲	\$0.02
TBVPS	\$16.62	\$17.94	\$17.83		▼	(\$0.12)	\$19.36	\$19.23		▼	(\$0.13)
Diluted Shares	7.5	7.6	7.6				7.6	7.6			
<u>Profitability</u>											
ROA	1.00%	0.87%	0.84%	-2 bps	▼		0.93%	0.91%	-2 bps	▼	
ROTCE	12.5%	10.5%	10.7%	15 bps	▲		10.8%	11.0%	19 bps	▲	
Efficiency Ratio	66%	69%	69%	55 bps	▲		66%	66%	15 bps	▲	
<u>Balance Sheet</u>											
Avg Earning Assets	1,419	1,469	1,528	59	▲		1,538	1,594	56	▲	
EOP Loans	864	958	929	(30)	▼		1,037	1,005	(32)	▼	
Loans/Deposits	63%	72%	69%				79%	76%			
TCE Ratio	8.00%	8.31%	8.16%	-15 bps	▼		8.61%	8.50%	-10 bps	▼	
<u>Credit</u>											
NCOs	(0.5)	0.5	0.5	(0.1)	▼		0.5	0.5	(0.0)	▼	
Net Charge-Off Ratio	-0.05%	0.06%	0.05%	-1 bps	▼		0.05%	0.05%	0 bps	—	
LLP/Loans	0.04%	0.08%	0.04%				0.15%	0.15%			
LLR/Loans	1.29%	1.18%	1.19%				1.18%	1.20%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

					Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)		
		1/21 Price	Mkt Cap (\$M)	Assets (\$M)	Price/Earnings ¹		Price/ TBV	Dvd Yield	Dep. Prem.			Eff. Ratio	LTD Ratio	Core Dep. ²	COFs	TCE Ratio	NCOs (LTM)	NPAs/ Assets	LLR/ Loans	EPS		TBVPS						
Ticker	Company Name				LTM	'22E	'23E				ROA	ROTCE	NIM	Ratio						'15-'20	'20-'22E	'15-'20	'20-'22E	1M	3M	YTD		
ACBI	Atlantic Cap Bcshts	\$29.53	\$600	\$4,210	12.5x	15.5x	13.1x	1.76x	-	6.9%	1.33	15.0	2.82	52.1	61.0	97.6	0.22	8.15	0.05	0.40	1.05	-263%	36%	-	11%	6.0	5.4	2.6
AMNB	Amer Natl Bkshs	\$37.42	\$403	\$3,335	9.0x	12.5x	11.9x	1.52x	3.0%	4.8%	1.37	17.3	3.05	51.2	67.3	92.1	0.14	8.17	-0.01	NA	0.96	10%	2%	5%	8%	(1.2)	7.2	(0.7)
CARE	Carter Bkshs	\$15.31	\$405	\$4,134	15.7x	11.2x	10.1x	1.00x	0.0%	0.0%	0.70	7.1	2.75	72.3	78.7	95.1	NA	9.82	0.64	4.79	3.44	-203%	-	4%	1%	3.9	3.5	(0.5)
CBAN	Colony Bkcp Inc	\$17.64	\$241	\$2,692	8.8x	8.3x	7.5x	1.55x	2.3%	3.6%	0.89	NA	3.39	71.7	56.3	93.6	0.20	5.93	-0.01	NA	0.94	12%	31%	8%	1%	8.1	(3.8)	3.3
CSTR	CapStar Finl Hldgs	\$21.41	\$475	\$3,112	9.6x	11.5x	10.4x	1.47x	1.1%	5.7%	1.49	15.5	3.14	53.8	70.8	93.8	0.25	10.51	0.02	0.18	1.09	11%	24%	6%	10%	6.9	(1.7)	1.8
FBK	FB Finl Corp	\$42.67	\$2,029	\$12,598	10.5x	13.4x	12.0x	1.73x	1.0%	7.9%	1.61	17.7	3.19	63.3	70.2	95.1	0.28	9.51	0.07	NA	1.50	-10%	38%	15%	12%	(0.3)	(7.3)	(2.6)
FBMS	First Bancshares	\$37.29	\$784	\$5,512	12.2x	12.3x	11.6x	1.62x	1.7%	6.4%	1.19	14.5	3.31	54.5	63.4	94.4	0.37	9.09	0.19	0.69	1.09	10%	9%	11%	9%	(2.7)	(5.3)	(3.4)
FBNC	First Bancorp	\$44.86	\$1,597	\$8,489	11.5x	13.4x	11.3x	1.84x	1.8%	12.2%	1.40	17.0	3.22	51.8	65.5	94.8	0.11	8.40	0.06	0.48	1.30	17%	13%	11%	8%	2.1	(5.4)	(1.9)
FCBC	First Comm Bkshs	\$32.59	\$555	\$3,140	10.8x	12.9x	12.3x	1.91x	3.3%	9.8%	1.69	18.4	3.83	54.6	80.5	98.8	0.10	9.71	0.16	1.00	1.39	9%	12%	5%	5%	(0.8)	0.4	(2.5)
FRST	Primis Financial C	\$15.09	\$371	\$3,452	11.8x	14.1x	11.6x	1.23x	2.7%	2.5%	0.99	11.5	3.15	61.9	82.5	88.5	0.61	9.02	0.10	0.58	1.31	5%	5%	6%	6%	3.0	(0.1)	0.3
HTBI	HomeTrust Bcshts	\$31.50	\$510	\$3,481	12.8x	13.9x	14.8x	1.39x	1.1%	4.7%	0.56	5.5	3.15	71.4	91.0	96.0	0.21	10.73	-0.03	0.52	1.22	25%	32%	5%	3%	4.7	7.7	1.7
SFST	Southern First	\$58.51	\$463	\$2,784	10.7x	12.6x	11.9x	1.74x	-	8.1%	1.68	18.2	3.51	51.9	98.2	94.4	NA	9.54	0.01	0.64	1.49	9%	41%	14%	16%	(4.8)	8.0	(6.4)
SSBK	Sthrn States Bcshts	\$19.99	\$180	\$1,559	10.2x	10.7x	8.9x	1.16x	1.8%	1.8%	1.25	13.9	3.72	60.6	85.7	94.9	0.32	10.11	0.08	0.93	1.23	-	12%	-	-	(0.1)	4.2	2.1
SMBK	SmartFinancial Inc	\$26.26	\$441	\$4,384	10.1x	11.9x	9.9x	1.38x	0.9%	3.2%	1.05	13.9	3.41	60.3	69.8	92.9	0.33	7.47	0.03	0.14	0.73	38%	17%	5%	10%	(1.2)	1.4	(4.0)
Peer Median			\$469	\$3,467	10.8x	12.5x	11.6x	1.53x	1.7%	5.2%	1.29	15.0	3.20	57.5	70.5	94.6	0.23	9.30	0.05	0.58	1.22	10%	17%	6%	8%	1.0	0.9	(0.6)
FCCO	First Cmnty Corp	\$21.02	\$159	\$1,585	-	11.4x	10.5x	1.26x	2.3%	2.4%	1.02	12.8	3.23	65.4	63.4	93.3	0.14	8.00	-0.05	0.18	1.28	8%	17%	8%	6%	3.3	6.1	0.7

¹Based on consensus EPS estimates

²Core 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)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	2Q22E	3Q22E	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E	2020	2021	2022E	2023E
Income Statement																				
Net Interest Income	9.5	9.8	10.3	10.8	10.7	11.2	12.6	11.3	10.8	11.1	11.4	11.7	11.7	12.0	12.4	12.6	40.4	45.8	45.0	48.7
Noninterest Income	2.9	3.4	3.9	3.6	3.3	3.4	3.6	3.6	3.5	3.6	3.6	3.7	3.7	3.9	4.0	3.9	13.8	13.9	14.4	15.5
Total Revenue	12.4	13.2	14.1	14.4	14.0	14.6	16.1	14.9	14.3	14.7	15.1	15.4	15.4	16.0	16.4	16.5	54.2	59.7	59.4	64.2
Noninterest Expense	9.0	9.1	9.7	9.7	9.5	9.9	9.9	9.9	10.1	10.3	10.4	10.3	10.6	10.7	10.8	10.7	37.5	39.2	41.2	42.8
Pre-tax, Pre-provision Income	3.4	4.1	4.4	4.7	4.4	4.8	6.2	5.0	4.1	4.4	4.6	5.1	4.8	5.3	5.6	5.8	16.6	20.5	18.2	21.5
Loan Loss Provision	1.1	1.3	1.1	0.3	0.2	0.2	0.0	(0.1)	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	3.7	0.3	0.3	1.5
Pre-tax Earnings	2.2	2.7	3.3	4.4	4.1	4.5	6.1	5.0	3.9	4.1	4.4	4.9	4.3	4.7	5.1	5.3	12.6	19.6	17.3	19.4
Taxes	0.4	0.5	0.6	0.9	0.9	0.9	1.3	1.1	0.8	0.8	0.9	1.0	0.9	1.0	1.0	1.1	2.5	4.2	3.6	4.0
Tax Rate (%)	20%	19%	18%	21%	21%	21%	22%	21%	21%	21%	21%	21%	21%	21%	21%	21%	20%	21%	21%	21%
Net Income Avail. to Common	1.8	2.2	2.7	3.4	3.3	3.5	4.7	3.9	3.1	3.3	3.5	3.9	3.4	3.8	4.0	4.2	10.1	15.5	13.8	15.4
Core Net Income Avail. to Common	1.8	2.2	2.2	3.4	3.1	3.7	4.6	3.8	3.1	3.3	3.5	3.9	3.4	3.8	4.0	4.2	9.7	15.2	13.8	15.4
Reported EPS	\$ 0.24	\$ 0.30	\$ 0.35	\$ 0.46	\$ 0.43	\$ 0.47	\$ 0.63	\$ 0.52	\$ 0.41	\$ 0.43	\$ 0.46	\$ 0.51	\$ 0.45	\$ 0.50	\$ 0.53	\$ 0.55	\$ 1.35	\$ 2.05	\$ 1.82	\$ 2.02
Core EPS	\$ 0.24	\$ 0.30	\$ 0.30	\$ 0.46	\$ 0.41	\$ 0.49	\$ 0.61	\$ 0.50	\$ 0.41	\$ 0.43	\$ 0.46	\$ 0.51	\$ 0.45	\$ 0.50	\$ 0.53	\$ 0.55	\$ 1.29	\$ 2.02	\$ 1.82	\$ 2.02
Average Diluted Shares	7.5	7.5	7.5	7.5	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6
Period-end Shares	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6
Book Value Per Share	\$ 16.70	\$ 17.47	\$ 17.78	\$ 18.18	\$ 17.63	\$ 18.29	\$ 18.44	\$ 18.68	\$ 18.90	\$ 19.16	\$ 19.49	\$ 19.85	\$ 20.10	\$ 20.43	\$ 20.81	\$ 21.22	\$ 18.18	\$ 18.68	\$ 19.85	\$ 21.22
Tangible Book Value Per Share	\$ 14.55	\$ 15.35	\$ 15.67	\$ 16.08	\$ 15.55	\$ 16.22	\$ 16.37	\$ 16.62	\$ 16.85	\$ 17.12	\$ 17.45	\$ 17.83	\$ 18.09	\$ 18.42	\$ 18.81	\$ 19.23	\$ 16.08	\$ 16.62	\$ 17.83	\$ 19.23
Dividend Per Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.48	\$ 0.49	\$ 0.52	\$ 0.52
Performance Ratios																				
ROA	0.61%	0.70%	0.79%	0.99%	0.91%	0.94%	1.23%	0.98%	0.77%	0.81%	0.86%	0.93%	0.81%	0.89%	0.95%	0.98%	0.78%	1.02%	0.84%	0.91%
ROCE	5.8%	7.0%	8.1%	10.3%	9.6%	10.5%	13.5%	11.2%	8.8%	9.4%	10.0%	11.0%	9.7%	10.8%	11.5%	12.0%	7.8%	11.2%	9.8%	11.0%
ROTCE	6.9%	8.2%	9.4%	11.9%	11.0%	12.0%	15.3%	12.7%	9.9%	10.3%	10.8%	11.6%	10.0%	10.9%	11.4%	11.7%	9.2%	12.8%	10.7%	11.0%
Pretax Preprovision ROAA	1.15%	1.29%	1.31%	1.36%	1.23%	1.26%	1.62%	1.27%	1.03%	1.08%	1.13%	1.23%	1.14%	1.25%	1.31%	1.36%	1.28%	1.35%	1.12%	1.27%
Net Interest Margin	3.55%	3.38%	3.28%	3.31%	3.23%	3.20%	3.47%	3.01%	2.93%	2.93%	2.95%	2.98%	3.01%	3.04%	3.07%	3.10%	3.37%	3.23%	2.95%	3.06%
Efficiency Ratio	73%	69%	69%	67%	68%	68%	61%	66%	71%	70%	69%	67%	69%	67%	66%	65%	69%	66%	69%	67%
Fee Income/Operating Revenue	24%	26%	27%	25%	24%	23%	22%	24%	24%	25%	24%	24%	24%	25%	24%	24%	25%	23%	24%	24%
Dividend Payout Ratio	50%	40%	34%	26%	28%	26%	19%	25%	32%	30%	28%	26%	29%	26%	25%	23%	36%	24%	29%	26%
Total Payout Ratio	50%	40%	34%	26%	28%	26%	19%	25%	32%	30%	28%	26%	29%	26%	25%	23%	36%	24%	29%	26%
Average Balance Sheet																				
Loans	754	825	868	893	886	896	894	880	885	904	924	943	961	981	1,000	1,020	835	889	914	991
Securities	286	295	300	322	373	431	489	532	543	548	554	558	561	558	554	551	301	456	551	556
Earning Assets	1,077	1,171	1,249	1,297	1,339	1,404	1,441	1,491	1,498	1,516	1,538	1,560	1,575	1,586	1,600	1,616	1,198	1,419	1,528	1,594
Assets	1,176	1,269	1,345	1,392	1,435	1,508	1,543	1,594	1,601	1,618	1,640	1,662	1,677	1,688	1,701	1,718	1,296	1,520	1,630	1,696
Deposits	969	1,060	1,137	1,182	1,208	1,285	1,313	1,363	1,309	1,319	1,331	1,343	1,289	1,300	1,311	1,323	1,087	1,292	1,325	1,306
Interest Bearing Liabilities	758	780	833	869	896	940	960	990	1,018	1,028	1,044	1,058	1,094	1,098	1,104	1,113	810	947	1,037	1,102
Equity	123	127	132	133	136	135	140	140	142	145	147	150	152	155	158	161	129	138	146	157
Capital Ratios																				
TCE Ratio	9.29%	8.78%	8.60%	8.74%	7.92%	8.16%	8.00%	8.00%	8.04%	8.07%	8.10%	8.16%	8.20%	8.29%	8.40%	8.50%	8.74%	8.00%	8.16%	8.50%
Tier 1 Common Ratio	13.4%	13.0%	13.0%	12.8%	13.2%	13.5%	13.6%	14.0%	14.1%	14.1%	14.1%	14.2%	14.3%	14.4%	14.6%	14.8%	12.8%	14.0%	14.2%	14.8%
Leverage Ratio	9.9%	9.3%	9.0%	8.8%	8.7%	8.5%	8.6%	8.5%	8.5%	8.5%	8.5%	8.6%	8.6%	8.7%	8.8%	8.9%	8.8%	8.5%	8.6%	8.9%
Credit Quality Ratios																				
Reserve/Loans	1.03%	1.09%	1.20%	1.23%	1.22%	1.21%	1.25%	1.29%	1.28%	1.25%	1.22%	1.19%	1.19%	1.20%	1.20%	1.20%	1.23%	1.29%	1.19%	1.20%
Reserve/NPAs	239%	275%	341%	180%	189%	206%	723%	790%	-	-	-	-	-	-	-	-	180%	790%	-	-
NPAs/Loans+OREO	0.43%	0.40%	0.35%	0.68%	0.64%	0.59%	0.17%	0.16%	-	-	-	-	-	-	-	-	0.68%	0.16%	-	-
Net Charge-Off Ratio	0.00%	0.00%	-0.06%	0.00%	0.00%	0.04%	-0.16%	-0.10%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	-0.01%	-0.05%	0.05%	0.05%
Provision/Average Loans	0.57%	0.63%	0.52%	0.13%	0.09%	0.08%	0.02%	-0.03%	0.04%	0.04%	0.04%	0.04%	0.16%	0.15%	0.15%	0.15%	0.46%	0.04%	0.04%	0.15%
Provision/NCOs	NA	NA	-923%	NA	2213%	181%	-14%	28%	82%	73%	74%	75%	311%	305%	298%	294%	NA	-74%	76%	302%

Sources: Company Filings, Hovde Group

Model updated as of: 1/21/22

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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 \$24.00 is based on 12x our 2023 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:

Rating Category	Count	Percent	IB Serv./Past 12Mos.	
			Count	Percent
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Market Perform	30	33.71%	1	3.33%
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.



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST: Contact the Hovde Research Department at 1-855-559-6831, or write to 1629 Colonial Parkway Inverness, IL 60067.

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