October 16, 2024

First Community Corp.

Outperform

FCCO (NASDAQ)

Price $21.82
Price Target $26.00

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Financial Summary

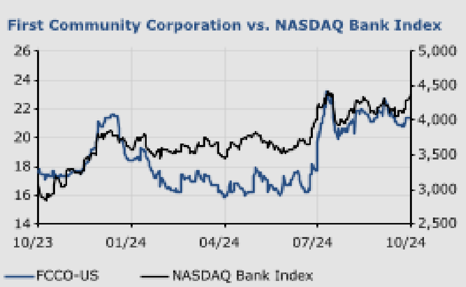
As of September 30, 2024

Assets ($M)	$1,944
Tangible Book Value	$16.78
Tang. Common Eq. / Tang. Assets	6.6%
ROA	0.81%
ROE	11.0%
Net Interest Margin	2.96%

Market Data

Market Cap ($M)	$167
Price / Tang. Book	1.30x
52-Week Range	$15.40 - $23.30
3-Mo. Avg. Daily Volume	20,337
Dividends	$0.60
Dividend Yield	2.75%
Shares Outstanding (M)	7.6

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.

Outlook Remains Positive; Reiterating Outperform Rating Following Solid Third Quarter

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2023A	$0.45	$0.41	$0.35	$0.43	**$1.65**	(14.5%)	--	13.3x
2024E	$0.34A	$0.41A	$0.50A	$0.46	**$1.72**	4.4%	$0.07	12.7x
2025E	$0.43	$0.51	$0.53	$0.53	**$1.99**	16.1%	$0.07	10.9x
2026E	$0.50	$0.54	$0.57	$0.53	**$2.15**	8.0%	--	10.1x

Conclusion

Following 3Q24 earnings (see link for First Look thoughts), we are adjusting our 2024/25 EPS estimates to $1.72 (+$0.07) and $1.99 (+$0.07), respectively, while establishing a 2026 EPS estimate of $2.15. **While the shares handily outperformed the KRE yesterday (up 8.4% vs KRE 1.4%), we reiterate our Outperform rating while raising our Price Target to $26 (+$2) - equating to 13x our revised 2025 EPS estimate - approximating the current earnings multiple.** Our positive EPS adjustments next year reflects a more favorable forecast for Spread Income driven by the outlook for a higher level of Average Earning Assets following third quarter results. While profitability does remain below peers, we believe the NIM should continue to benefit from lagged repricing of the CRE centric-portfolio and our revised NIM forecast could prove conservative depending on the direction/pace of funding costs and ability to reduce funding costs.

- **NIM Grinds Higher with More Likely on the Way.** The 3Q24 NIM of 2.96% was 3bps below our expectations on 3bps linked-quarter expansion as Average Deposit costs rose only 6bps to 2.04% while Average Loan yields improved by a larger 13bps sequentially. However, given weaker Loan growth relative to expectations (and 2Q24) short-term liquidity built to the detriment of the NIM. Given expectations of continued modest repricing benefits on the Loan portfolio given its mostly lagging, fixed-rate nature (~85% with 15% hedged) and resumption of higher loan growth rates in the near future we do forecast margin improvement moving forward. Management notes new loan pricing remains healthy in the mid-7% range though is seeing competition ebb away at larger CRE credits in the mid-6% range. Nevertheless, with the WAVG yield of 5.73% during 3Q24, even pricing falling to this range would be additive to overall AEA yields and the NIM. The swap program was again additive to the NIM but the benefit will begin to decline with Fed Funds cuts.

- **Deposit Growth Continues with Brokered Run-off Continuing**. Total Deposits rose $60M, or 15.3% LQA, during 3Q24 (excludes Brokered Deposit pay-downs of $$20.5M) though DDA balances did decline to a more normalized level per commentary from management. Assisting the forecast for additional NIM expansion is the expected pay-off of $12M of brokered deposits that has already occurred at a WAVG cost of 5.15% while another $15M of FHLB advances will be paid-off in early December at a WAVG cost of 5.06%. Management notes they have already begun lowering rates on CDs (30-35bps) and MMDAs (25-30bps) both into and after the recent Fed Rate cut implying a Deposit beta of 50%-60%. We have revised our 2024 NIM forecast by 2bps to 2.92% given the 3Q24 shortfall and maintain our 2025 NIM outlook at 3.12%.

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 7 of this report. Past performance is no guarantee of future results.

- **Loan Growth Moderates As Forecasted.** EOP loan growth was ~2.5% LQA (-$12M to our modeling) with Commercial loan production of $35M and compared to $43M during the second quarter and EOP balances impacted by larger pay-downs (up 67% LQ). Pay-offs were inclusive of a larger hotel CRE credit with the owner selling the underlying property, and we understand that 4Q24 loan growth will likely be burdened with higher pay-down volume on selected larger credits (though overall growth should approximate if not better the 3Q24 rate). We forecast overall loan growth of 8% during 2025 (down 1%) as management guides to a high single digit growth rate and notes some modest rebuild in the overall Loan pipeline with quality credits over the recent weeks. Expectations for lower growth also include the expectation more Mortgage production to be sold into the secondary market augmenting GOS fees (fee income forecast rises $0.03 in 2025).

- **Restrained Operating Expense Growth Continues with Fees Matching our Estimate**. Fee income growth of 0.5% LQ was In Line with our estimate as the company continued to grow Assets Under Management within the Wealth segment (now at a record level of $902M - up from $755M at year-end 2023) as these fees rose ~15.8% LQ/34.4% YOY. Mortgage banking did see a sequential decline of 12.7% as production of $38M declined from $49M last quarter with management noting the disruption from Hurricane activity impacting closing volume. Operating expenses of $12.0M were up only 1.2% sequentially and a penny below our expectations. Seasonal marketing campaigns (which may have augmented Deposit growth in our view) renewed during the quarter and drove an 85% sequential increase in these costs but should back off during the final quarter of the year.

- **Asset Quality Remains Pristine**. Driving the EPS beat this quarter of $0.06 was a negative Loan Loss Provision of $16K (drove $0.04/share of the beat) as Asset quality remains pristine with NPAs of only 4bps of EOP Assets and very benign Criticized/Classified Loan levels (0.18% of Loans). FCCO again provided deeper disclosures regarding the CRE portfolio focusing on the Non-Owner Occupied segment. The largest segment is within the Retail segment ($98M or 8.2% of loans) with an average loan size of only $1.028M and WAVG LTV of 55% for the top 10 loans. The Office segment totals $67M with an average loan size of $794K and comprises 5.6% of EOP loans.

Exhibit 1: FCCO 3Q24 Variance Table

Actuals vs. Hovde and Consensus

($M)				Actuals vs:					
FCCO	**Estimates**		**Actual**	**Hovde**			**Consensus**		
	Hovde	**Cons.**	**3Q24**	**$ Diff.**		**P/S**	**$ Diff.**		**P/S**
Net Interest Income	**13.4**	**13.2**	**13.4**	**0.1**	▲	**$0.01**	**0.2**	▲	**$0.02**
NIM	2.99%	2.98%	2.96%	-3 bps	▼		-2 bps	▼	
Fee Income	3.5	3.5	3.6	0.0	▲	$0.00	0.0	▲	$0.00
Revenue	16.9	16.7	17.0	0.1	▲	$0.01	0.3	▲	$0.03
Expenses	12.1	12.0	12.0	0.1	▼	$0.01	0.0	▼	$0.00
Core PPNR	**4.8**	**-**	**5.0**	**0.2**	▲	**$0.02**	**-**		**-**
PPNR	**4.8**	**4.7**	**5.0**	**0.2**	▲	**$0.02**	**0.4**	▲	**$0.04**
Provision	0.4	0.3	(0.0)	0.4	▼	$0.04	0.3	▼	$0.04
Tax Rate	23%	22%	23%		▲			▲	
EPS	**$0.44**	**-**	**$0.50**		▲	**$0.06**			
Core EPS	**$0.44**	**$0.44**	**$0.50**		▲	**$0.06**		▲	**$0.06**
TBVPS	$16.28	$16.19	$16.78		▲	$0.50		▲	$0.59
Diluted Shares	7.6	7.7	7.7						
Profitability									
ROA	0.72%	0.72%	0.81%	9 bps	▲		9 bps	▲	
ROTCE	11.0%	-	12.4%	138 bps	▲				
Efficiency Ratio	72%	72%	70%	-121 bps	▼		-149 bps	▼	
Balance Sheet									
Avg Earning Assets	1,781	1,773	1,806	25	▲		33	▲	
EOP Loans	1,209	1,203	1,197	(12)	▼		(6)	▼	
Loans/Deposits	74%	75%	73%						
TCE Ratio	6.58%	-	6.65%	7 bps	▲				
Credit									
Net Charge-Off Ratio	0.03%	0.02%	0.02%	-1 bps	▼		1 bps	▲	
LLP/Loans	0.13%	0.11%	0.02%						

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

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

($M)	2024E					2025E				
FCCO	Estimates		Change			Estimates		Change		
	Prior	Current	$ Diff.	▲/▼	P/S	Prior	Current	$ Diff.	▲/▼	P/S
Net Interest Income	**52.1**	**52.1**	**0.1**	▲	**$0.01**	**57.7**	**58.4**	**0.7**	▲	**$0.07**
NIM	2.94%	2.92%	-2 bps	▼		3.12%	3.12%	0 bps	▲	
Fee Income	13.6	13.8	0.2	▲	$0.02	14.7	15.0	0.3	▲	$0.03
Revenue	65.7	66.0	0.3	▲	$0.03	72.4	73.4	1.0	▲	$0.10
Expenses	48.1	48.1	(0.0)	▲	($0.00)	51.2	51.5	(0.3)	▲	($0.03)
Core PPNR	**17.6**	**17.9**	**0.3**	▲	**$0.03**	**21.2**	**21.9**	**0.7**	▲	**$0.07**
PPNR	**17.6**	**17.9**	**0.3**	▲	**$0.03**	**21.2**	**21.9**	**0.7**	▲	**$0.07**
Provision	1.5	1.0	0.5	▼	$0.05	2.2	1.9	0.3	▼	$0.03
Tax Rate	22%	22%		▲		23%	23%		▲	
EPS	**$1.66**	**$1.73**		▲	**$0.07**	**$1.92**	**$1.99**		▲	**$0.07**
Core EPS	**$1.65**	**$1.72**		▲	**$0.07**	**$1.92**	**$1.99**		▲	**$0.07**
TBVPS	$16.71	$17.23		▲	$0.52	$18.53	$19.15		▲	$0.61
Diluted Shares	7.6	7.7				7.6	7.7			
Profitability										
ROA	0.66%	0.69%	2 bps	▲		0.75%	0.77%	3 bps	▲	
ROTCE	10.4%	10.7%	32 bps	▲		10.9%	11.1%	17 bps	▲	
Efficiency Ratio	73%	73%	-32 bps	▼		71%	70%	-56 bps	▼	
Balance Sheet										
Avg Earning Assets	1,768	1,783	15	▲		1,853	1,874	22	▲	
EOP Loans	1,232	1,207	(24)	▼		1,337	1,302	(36)	▼	
Loans/Deposits	74%	72%				75%	73%			
TCE Ratio	6.69%	6.81%	12 bps	▲		7.02%	7.21%	19 bps	▲	
Credit										
Net Charge-Off Ratio	0.02%	0.01%	-1 bps	▼		0.06%	0.05%	-1 bps	▼	
LLP/Loans	0.13%	0.09%				0.17%	0.15%			
LLR/Loans	1.10%	1.09%				1.12%	1.11%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

					Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)			
					Price/Earnings[1]																	EPS		TBVPS					
Ticker	Company Name	10/16 Price	Mkt Cap ($M)	Assets ($M)	LTM	'24E	'25E	Price/ TBV	Dvd Yield	Dep. Prem.	ROA	ROTCE	NIM	Eff. Ratio	LTD Ratio	Core Dep.[2]	COFs	TCE Ratio	NCOs (LTM)	NPAs/ Assets	LLR/ Loans	'16-'21	'21-'24E	'16-'21	'21-'24E	1M	3M	YTD	1YR
COSO	CoastalSouth Bcshs	$20.23	$204	$2,116	8.7x	-	-	1.19x	-	1.6%	1.01	13.4	3.37	58.5	79.9	86.9	3.11	8.29	0.02	0.41	1.00	-271%	-	-5%	-	1.7	15.2	34.8	36.3
CARE	Carter Bkshs	$18.48	$419	$4,533	30.7x	21.3x	9.2x	1.17x	0.0%	1.4%	0.28	3.5	2.55	82.6	91.5	87.4	NA	8.04	0.06	6.68	2.72	14%	-15%	2%	3%	4.7	10.7	23.4	69.9
CBAN	Colony Bkcp Inc	$15.79	$274	$3,008	11.7x	11.9x	10.5x	1.30x	2.8%	2.5%	0.73	11.9	2.72	69.4	75.8	84.0	2.18	7.18	0.14	0.24	0.99	15%	-10%	3%	4%	1.8	15.7	18.7	60.3
FVCB	FVCBankcorp Inc	$13.52	$242	$2,299	17.0x	14.7x	12.8x	1.12x	-	1.2%	0.20	2.2	2.46	63.2	95.8	88.8	2.98	9.56	0.00	0.14	1.02	19%	-12%	13%	3%	8.9	10.5	(4.8)	16.1
FBK	FB Finl Corp	$50.61	$2,235	$12,920	15.4x	15.1x	14.6x	1.80x	1.3%	8.4%	0.86	9.1	3.50	59.9	86.4	92.6	2.90	10.36	0.01	0.55	1.63	14%	-9%	16%	8%	7.7	9.5	27.0	82.8
FBMS	First Bancshares	$33.92	$1,035	$7,966	11.7x	13.4x	12.5x	1.67x	2.9%	6.0%	0.95	14.1	3.36	57.0	79.2	91.4	1.92	8.33	0.03	0.25	1.05	14%	-8%	9%	-5%	4.5	15.5	15.6	28.0
FBNC	First Bancorp	$44.41	$1,809	$12,061	15.2x	16.2x	14.6x	2.03x	2.0%	8.7%	0.94	14.3	2.88	58.9	76.9	95.3	1.80	7.78	0.09	0.28	1.36	19%	-7%	12%	-2%	4.0	17.2	20.0	62.7
FCBC	First Comm Bkshs	$45.16	$804	$3,233	14.3x	15.8x	17.2x	2.35x	2.7%	16.9%	1.59	15.6	4.49	54.2	92.4	99.2	0.73	11.41	0.20	0.62	1.41	15%	-1%	5%	9%	4.1	7.0	21.7	48.8
FRST	Primis Financial C	$12.29	$298	$3,998	-	7.4x	6.6x	-	3.3%	-	0.33	NA	3.16	68.5	99.0	-	NA	NA	NA	NA	NA	9%	14%	6%	8%	5.1	(0.1)	(2.9)	55.2
HTBI	HomeTrust Bcshs	$34.92	$602	$4,671	10.8x	11.2x	11.8x	1.26x	1.3%	3.2%	1.26	12.6	4.07	58.6	99.8	87.0	2.42	10.41	0.27	0.54	1.25	8%	82%	3%	14%	(1.6)	(0.6)	29.7	70.8
SFST	Southern First	$37.67	$300	$4,110	22.2x	-	-	0.96x	-	-0.6%	0.34	4.4	1.96	80.9	104.7	86.5	NA	7.76	0.03	0.27	1.10	25%	-40%	16%	6%	10.8	13.0	1.5	40.0
SSBK	Sthrn States Bcshs	$31.98	$279	$2,572	8.6x	9.1x	8.1x	1.34x	1.1%	3.0%	1.33	16.3	3.67	46.0	92.6	89.4	3.39	8.34	0.06	0.15	1.28	6%	30%	5%	16%	6.3	7.3	9.2	41.5
SMBK	SmartFinancial Inc	$30.98	$514	$4,891	16.2x	16.2x	13.7x	1.43x	1.0%	3.4%	0.53	7.9	2.87	71.7	82.8	93.6	2.61	7.66	0.05	0.20	0.97	23%	-7%	6%	8%	6.2	12.9	26.5	49.3
Peer Median			**$419**	**$4,110**	**14.7x**	**14.7x**	**12.5x**	**1.32x**	**1.7%**	**3.1%**	**0.86**	**12.2**	**3.16**	**59.9**	**91.5**	**89.1**	**2.51**	**8.31**	**0.05**	**0.28**	**1.18**	**14%**	**-8%**	**6%**	**7%**	**4.7**	**10.7**	**20.0**	**49.3**
FCCO	**First Cmnty Corp**	**$23.16**	**$163**	**$1,944**	**-**	**13.8x**	**11.5x**	**1.38x**	**2.6%**	**2.1%**	**0.70**	**NA**	**2.90**	**72.0**	**NA**	**-**	**NA**	**6.65**	**0.01**	**0.03**	**1.08**	**16%**	**-10%**	**8%**	**0%**	**6.7**	**18.1**	**7.6**	**33.5**

[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 (FCCO)

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Summary Model

($M)	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24A	3Q24A	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E	2021A	2022A	2023A	2024E	2025E	2026E
Income Statement																										
Net Interest Income	10.9	11.2	12.9	13.5	12.5	12.2	12.2	12.3	12.1	12.7	13.4	13.9	13.9	14.4	15.0	15.1	14.9	15.1	15.4	15.4	45.8	48.5	49.2	52.1	58.4	60.8
Noninterest Income	3.4	3.0	2.7	2.5	2.6	2.8	3.1	2.9	3.2	3.5	3.6	3.5	3.4	3.8	3.9	3.9	3.7	4.1	4.3	4.1	13.5	11.6	11.4	13.8	15.0	16.3
Total Revenue	**14.2**	**14.2**	**15.6**	**16.0**	**15.0**	**15.0**	**15.2**	**15.3**	**15.3**	**16.3**	**17.0**	**17.4**	**17.3**	**18.2**	**18.9**	**19.0**	**18.7**	**19.2**	**19.7**	**19.6**	**59.3**	**60.1**	**60.6**	**66.0**	**73.4**	**77.1**
Noninterest Expense	10.0	10.2	10.4	10.7	10.4	10.8	11.3	10.7	11.8	11.8	12.0	12.4	12.6	12.7	13.0	13.2	13.3	13.3	13.7	13.9	39.2	41.3	43.1	48.1	51.5	54.2
Pre-tax, Pre-provision Income	**4.3**	**4.0**	**5.2**	**5.3**	**4.6**	**4.3**	**4.0**	**4.6**	**3.5**	**4.4**	**5.0**	**4.9**	**4.7**	**5.5**	**5.9**	**5.8**	**5.4**	**5.9**	**6.0**	**5.7**	**20.1**	**18.8**	**17.4**	**17.9**	**21.9**	**23.0**
Loan Loss Provision	(0.1)	(0.1)	0.0	0.0	0.1	0.2	0.5	0.4	0.1	0.5	(0.0)	0.3	0.4	0.4	0.6	0.5	0.4	0.5	0.3	0.4	0.3	(0.2)	0.9	1.0	1.9	1.7
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	-	-	-	-	-	-	-	-	-	0.5	0.5	0.3	0.1	-	-
Pre-tax Earnings	4.4	4.1	5.2	5.3	4.5	4.3	2.3	4.2	3.4	4.1	5.0	4.7	4.3	5.1	5.3	5.3	5.0	5.4	5.7	5.3	20.1	18.9	15.5	16.9	20.0	21.3
Taxes	0.9	0.9	1.2	1.2	1.1	1.0	0.5	0.9	0.8	0.8	1.2	1.1	1.0	1.2	1.2	1.2	1.1	1.2	1.3	1.2	4.7	4.3	3.5	3.8	4.6	4.9
Tax Rate (%)	18%	21%	21%	22%	22%	22%	21%	20%	22%	19%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	21%	21%	21%	22%	23%	23%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	**3.5**	**3.1**	**4.0**	**4.0**	**3.5**	**3.3**	**1.8**	**3.3**	**2.6**	**3.3**	**3.9**	**3.6**	**3.3**	**3.9**	**4.1**	**4.1**	**3.9**	**4.1**	**4.4**	**4.1**	**15.5**	**14.6**	**12.0**	**13.1**	**15.4**	**16.5**
Reported EPS	**$ 0.46**	**$ 0.41**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.43**	**$ 0.23**	**$ 0.43**	**$ 0.34**	**$ 0.42**	**$ 0.50**	**$ 0.46**	**$ 0.43**	**$ 0.51**	**$ 0.53**	**$ 0.53**	**$ 0.50**	**$ 0.54**	**$ 0.57**	**$ 0.53**	**$ 2.05**	**$ 1.92**	**$ 1.55**	**$ 1.73**	**$ 1.99**	**$ 2.15**
Core EPS	**$ 0.46**	**$ 0.42**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.41**	**$ 0.35**	**$ 0.43**	**$ 0.34**	**$ 0.41**	**$ 0.50**	**$ 0.46**	**$ 0.43**	**$ 0.51**	**$ 0.53**	**$ 0.53**	**$ 0.50**	**$ 0.54**	**$ 0.57**	**$ 0.53**	**$ 2.02**	**$ 1.92**	**$ 1.65**	**$ 1.72**	**$ 1.99**	**$ 2.15**
Average Diluted Shares	7.6	7.6	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.7	7.7	7.7	7.7	7.7	7.6	7.6	7.6	7.6	7.5	7.6	7.7	7.7	7.7	7.6
Period-end Shares	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.6	7.6	7.6	7.6
Book Value Per Share	$ 16.59	$ 15.54	$ 15.07	$ 15.62	$ 16.29	$ 16.35	$ 16.26	$ 17.23	$ 17.55	$ 17.84	$ 18.76	$ 19.07	$ 19.36	$ 19.72	$ 20.09	$ 20.47	$ 20.81	$ 21.20	$ 21.61	$ 21.98	$ 18.68	$ 15.62	$ 17.23	$ 19.07	$ 20.47	$ 21.98
Tangible Book Value Per Share	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 14.26	$ 14.33	$ 14.25	$ 15.23	$ 15.55	$ 15.85	$ 16.78	$ 17.23	$ 17.64	$ 18.13	$ 18.64	$ 19.15	$ 19.62	$ 20.13	$ 20.68	$ 21.18	$ 16.62	$ 13.59	$ 15.23	$ 17.23	$ 19.15	$ 21.18
Dividend Per Share	$ 0.13	$ 0.13	$ 0.13	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.15	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.49	$ 0.53	$ 0.56	$ 0.59	$ 0.62	$ 0.64
Performance Ratios																										
ROA	0.86%	0.77%	0.95%	0.96%	0.82%	0.73%	0.61%	0.73%	0.56%	0.69%	0.81%	0.74%	0.68%	0.79%	0.81%	0.81%	0.75%	0.80%	0.83%	0.76%	1.00%	0.89%	0.73%	0.69%	0.77%	0.79%
ROCE	10.3%	10.8%	13.2%	13.9%	11.7%	10.7%	5.6%	10.5%	7.9%	9.8%	11.0%	9.9%	9.2%	10.5%	10.6%	10.5%	9.9%	10.3%	10.6%	9.7%	11.2%	12.0%	9.8%	9.5%	10.2%	10.2%
ROTCE	11.6%	12.5%	15.1%	16.0%	13.4%	12.3%	6.3%	11.9%	8.9%	11.1%	12.4%	11.0%	10.1%	11.5%	11.5%	11.3%	10.6%	10.9%	11.2%	10.1%	12.7%	13.7%	11.1%	10.7%	11.1%	10.7%
Pretax Preprovision ROAA	1.06%	0.98%	1.24%	1.27%	1.08%	0.99%	0.91%	1.02%	0.75%	0.95%	1.05%	1.02%	0.96%	1.12%	1.17%	1.14%	1.05%	1.13%	1.14%	1.07%	1.33%	1.14%	1.00%	0.94%	1.10%	1.10%
Net Interest Margin	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	2.96%	2.89%	2.79%	2.93%	2.96%	3.01%	3.06%	3.11%	3.15%	3.14%	3.14%	3.10%	3.08%	3.05%	3.23%	3.14%	3.01%	2.92%	3.12%	3.09%
Efficiency Ratio	70%	72%	67%	67%	69%	72%	74%	70%	77%	73%	70%	72%	73%	70%	69%	69%	71%	70%	69%	71%	66%	69%	71%	73%	70%	70%
Fee Income/Operating Revenue	24%	21%	17%	16%	17%	19%	20%	19%	21%	22%	21%	20%	20%	21%	21%	20%	20%	21%	22%	21%	23%	19%	19%	21%	20%	21%
Dividend Payout Ratio	28%	32%	25%	26%	31%	32%	61%	33%	41%	35%	30%	32%	35%	30%	30%	30%	32%	30%	28%	30%	24%	28%	36%	34%	31%	30%
Average Balance Sheet																										
Loans	876	897	938	969	987	1,017	1,066	1,121	1,149	1,178	1,200	1,202	1,216	1,237	1,264	1,290	1,312	1,337	1,367	1,396	889	920	1,048	1,182	1,252	1,353
Securities	572	560	581	569	565	563	533	504	499	491	488	487	488	490	492	492	494	496	498	498	456	571	541	491	491	496
Earning Assets	1,515	1,530	1,557	1,563	1,582	1,622	1,628	1,695	1,746	1,750	1,806	1,831	1,841	1,861	1,886	1,909	1,929	1,953	1,981	2,007	1,419	1,541	1,632	1,783	1,874	1,968
Assets	1,622	1,644	1,668	1,677	1,696	1,737	1,745	1,810	1,858	1,862	1,916	1,945	1,956	1,978	2,004	2,029	2,050	2,075	2,105	2,133	1,520	1,653	1,747	1,895	1,992	2,091
Deposits	1,375	1,428	1,450	1,417	1,382	1,409	1,433	1,499	1,521	1,570	1,621	1,656	1,676	1,699	1,730	1,763	1,793	1,824	1,859	1,895	1,292	1,417	1,431	1,592	1,717	1,843
Borrowings	98	87	87	131	180	189	171	169	186	139	134	133	142	144	147	150	155	156	160	162	77	101	177	148	146	158
Common Equity	137	116	119	115	120	124	125	125	132	134	139	145	147	149	152	155	158	160	164	167	138	122	124	137	151	162
Balance Sheet Ratios																										
TCE Ratio	6.71%	6.12%	6.03%	6.21%	6.29%	6.31%	6.09%	6.39%	6.32%	6.47%	6.65%	6.81%	6.90%	7.00%	7.09%	7.21%	7.31%	7.39%	7.48%	7.56%	8.00%	6.21%	6.39%	6.81%	7.21%	7.56%
Avg Loans/Avg Earning Assets	58%	59%	60%	62%	62%	63%	65%	66%	66%	67%	66%	66%	66%	66%	67%	68%	68%	68%	69%	70%	63%	60%	64%	66%	67%	69%
Avg Loans/Avg Deposits	64%	63%	65%	68%	71%	72%	74%	75%	76%	75%	74%	73%	73%	73%	73%	73%	73%	73%	74%	74%	69%	65%	73%	74%	73%	73%
Avg Earning Assets/Avg Assets	93%	93%	93%	93%	93%	93%	93%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	94%	93%	93%	93%	94%	94%	94%
Credit Quality Ratios																										
Reserve/Loans	1.26%	1.22%	1.19%	1.16%	1.15%	1.12%	1.08%	1.08%	1.08%	1.09%	1.08%	1.09%	1.10%	1.10%	1.11%	1.11%	1.11%	1.11%	1.10%	1.10%	1.29%	1.16%	1.08%	1.09%	1.11%	1.10%
Reserve/NPLs	645%	251%	226%	227%	271%	6925%	8151%	3821%	5849%	5032%	3919%	-	-	-	-	-	-	-	-	-	660%	227%	3821%	-	-	-
NPAs/Loans+OREO	0.33%	0.60%	0.63%	0.60%	0.52%	0.11%	0.07%	0.08%	0.07%	0.07%	0.07%	-	-	-	-	-	-	-	-	-	0.33%	0.60%	0.08%	-	-	-
Net Charge-Off Ratio	0.00%	-0.10%	-0.03%	0.00%	-0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.02%	0.02%	0.04%	0.05%	0.05%	0.06%	0.05%	0.05%	0.04%	0.04%	-0.05%	-0.03%	0.00%	0.01%	0.05%	0.04%
Provision/Average Loans	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.06%	0.09%	0.16%	0.07%	0.16%	0.02%	0.10%	0.14%	0.14%	0.19%	0.14%	0.12%	0.15%	0.10%	0.13%	0.04%	-0.02%	0.09%	0.09%	0.15%	0.12%
Provision/NCOs	1563%	31%	-23%	625%	-467%	1540%	#DIV/0!	-44700%	973%	9560%	101%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-74%	49%	-15433%	674%	305%	275%

Sources: Company Filings, Hovde Group.

Model updated as of: 10/16/24

IMPORTANT DISCLOSURES:

Regulation Analyst Certification

I, David Bishop, 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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Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Hovde Group, LLC’s earnings and revenue estimates; unforeseen macroeconomic and/or industry events that adversely affect demand for a company's products or services; product obsolescence; changes in investor sentiment regarding the specific company or industry; intense and rapidly changing competitive pressures; the continuing development of industry standards; the company's ability to recruit and retain competent personnel; and adverse market conditions.

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 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 $26.00 is based on 13x our 2025 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	66	55.00%	4	6.06%
Market Perform	54	45.00%	5	9.26%
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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