

First Community Corp.

FCCO (NASDAQ)

Outperform
Price \$20.49
Price Target \$23.00

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Market Data

Market Cap (\$M)	\$155.5
Price / Tang. Book	1.44x
52-Week Range	\$16.97 - \$22.25
3-Mo. Avg. Daily Volume	9,924
Dividends	\$0.56
Dividend Yield	2.73%
Shares Outstanding (M)	7.6

Financial Summary

As of March 31, 2023

Assets (\$M)	\$1,735.4
Tangible Book Value	\$14.26
Tang. Common Eq. / Tang. Assets	6.3%
ROA	0.82%
ROE	11.7%
Net Interest Margin	3.19%

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.

Deposit Franchise Buys Funding Picture; Reiterating OP-Rating on Lowered PT/Ests.

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2022A	\$0.46	\$0.42	\$0.52	\$0.53	\$1.92	(4.5%)	--	10.6x
2023E	\$0.45A	\$0.41	\$0.39	\$0.40	\$1.65	(14.1%)	\$-0.28	12.4x
2024E	\$0.38	\$0.46	\$0.49	\$0.51	\$1.84	11.5%	\$-0.32	11.1x

Conclusion

We are updating our 2023/24 EPS estimates to \$1.65 (-\$0.28) and \$1.84 (-\$0.32), respectively, to reflect expectations for a lower NIM forecast in both years as the rapid rise in funding costs is swamping earning asset yields that are lagging given the lower proportion of variable rate loans at this CRE-driven franchise. That said, NIM pressure should moderate during 2H23 assuming a Fed pause, and we continue to like the longer-term deposit franchise value at FCCO. **We reiterate OP-rating and lower our PT to \$23 - equating to ~1.50x 2023E TBV (slight premium to current valuation).**

- **NIM Takes It on the Chin...**The 1Q23 NIM of 3.19% was 19bps below our expectations and declined 23bps LQ as the company did run certain promotions during the quarter to drive deposit growth and build liquidity (along with tapping FHLB borrowings (+\$35M). The average cost of deposits more than doubled from 0.25% to 0.58% in 1Q23 with the EOP cost at 75bps. Management is expecting further compression into 2Q23 but a slower pace as most of the rate increase occurred in February and the build in short-term liquidity also likely has peaked. Average loan yields are now in the 4.60% range and compare to current origination yields in the mid-6% range. With only 15% of the loan portfolio variable/floating rate it will be some time before AEA yields reflect market pricing, but we do expect a lagging NIM improvement into 2024.
- **...But Core Deposit Trends Solid.** Core Deposits ex-CDs increased \$31M (9.2% LQA) including customer cash management funds. Deposit betas remained relatively low at 14.1%, and we note stability in DDAs at 32% - a rare feat in this market. Management notes aggressive outreach during the SIVB/SBNY turbulence allowed for retention of deposits and the use of FHLB advances was a conservative effort to build liquidity after this event. The company has an aggressive deposit and loan calling effort and believes this has bolstered overall liquidity in the crisis, and we note Uninsured Deposits remain low only 25% of deposits at March 2023 (no brokered or listed deposits).
- **TBV Remains Understated Due to AOCI.** FCCO's TCE ratio improved 10bps to 6.3% during the quarter, but we note that TBV remains understated with the inclusion of AOCI adjustments. Specifically, TBV rose to \$14.26/sh. from \$13.59 last quarter (+5%) and adjusted TBV excluding the AOCI adjusts to \$18.15/sh - implying the shares trade at a modest premium to TBV (~1.12x adjusted).

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.

- **Lower Expense Run Rate Partially Related to OREO Recovery.** Operating expense growth of -2.4% LQ was \$0.03 below our modeling from an EPS perspective (\$270K below) and were up ~5% YOY. First quarter results did include a lower level of incentive accruals that drove compensation costs down 5.4% sequentially given lower growth expectations in 2023 and included in OREO expenses rose were recoveries of \$130K. The bank was able to recover certain expenses recorded during 4Q22 on a loan where the borrower made payment of real estate taxes on the underlying NPA. Core fees rose 2.4% LQ and were \$0.02 below forecast as Wealth Fees and Mortgage Banking were below our modeling. Mortgage Banking has been impacted by a higher percentage of loans either portfolio or related to Construction (about half of the \$23M in volume this quarter), though management is seeing signs of the market turning for the segment based on internal meetings.
- **CRE Exposure Detailed.** FCCO provided deeper disclosures regarding the CRE portfolio which, given its community banking model, is the key driver of loans (over 70% per our estimates). The largest segment is within the Office segment (\$191M or 19.2% of loans) with an average loan size of only \$468K and WAVG LTV of 67% for the top 10 loans (54% owner-occupied overall with largest loan an \$8M building in Columbia, SC) and none are rated lower than pass as of quarter end. Warehouse and Industrial was the next largest CRE segment at 11.1% of loans (\$109M) and Retail next at \$92M, or 9.3% of loans. Overall asset quality remains strong with net Recoveries recorded during the quarter.

Exhibit 1: FCCO 1Q23 Variance Table

Actuals vs. Hovde and Consensus

(\$M) FCCO	Estimates		Actual 1Q23	Actuals vs:			
	Hovde	Cons.		Hovde		Consensus	
				\$ Diff.	P/S	\$ Diff.	P/S
Net Interest Income	13.0	13.1	12.5	(0.6) ▼	(\$0.06)	(0.6) ▼	(\$0.06)
NIM	3.38%	3.38%	3.19%	-19 bps	▼	-19 bps	▼
Fee Income	2.8	2.7	2.6	(0.2)	▼	(0.2)	▼
Revenue	15.8	15.9	15.0	(0.8)	▼	(0.9)	▼
Expenses	10.7	10.7	10.4	0.3	▼	0.3	▼
Core PPNR	5.1	-	4.6	(0.5) ▼	(\$0.05)	-	-
PPNR	5.1	5.2	4.6	(0.5) ▼	(\$0.05)	(0.6) ▼	(\$0.06)
Provision	0.3	0.3	0.1	0.2	▼	0.3	▼
Tax Rate	23%	22%	22%	▼		▼	
EPS	\$0.49	-	\$0.45	▼	(\$0.04)	▼	(\$0.04)
Core EPS	\$0.49	\$0.49	\$0.45	▼	(\$0.04)	▼	(\$0.04)
TBVPS	\$14.07	\$13.98	\$18.10	▲	\$4.03	▲	\$4.12
Diluted Shares	7.6	7.6	7.6				
<u>Profitability</u>							
ROA	0.88%	0.89%	0.82%	-7 bps	▼	-7 bps	▼
ROTCE	14.3%	-	13.4%	-90 bps	▼		
Efficiency Ratio	68%	68%	69%	165 bps	▲	183 bps	▲
<u>Balance Sheet</u>							
Avg Earning Assets	1,563	1,573	1,582	18	▲	9	▲
EOP Loans	995	998	993	(2)	▼	(5)	▼
Loans/Deposits	72%	73%	70%				
TCE Ratio	6.41%	-	7.98%	158 bps	▲		
<u>Credit</u>							
Net Charge-Off Ratio	0.02%	0.04%	-0.01%	-3 bps	▼	-5 bps	▼
LLP/Loans	0.11%	0.14%	0.03%				

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

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

(FCCO)	2023E					2024E				
	Estimates		Change			Estimates		Change		
	Prior	Current	\$ Diff.	▲/▼	P/S	Prior	Current	\$ Diff.	▲/▼	P/S
Net Interest Income	52.4	48.9	(3.5)	▼	(\$0.35)	55.2	52.2	(2.9)	▼	(\$0.30)
NIM	3.33%	3.03%	-31 bps	▼		3.39%	3.11%	-27 bps	▼	
Fee Income	11.3	11.3	(0.0)	▼	(\$0.00)	12.7	12.8	0.2	▲	\$0.02
Revenue	63.7	60.2	(3.5)	▼	(\$0.35)	67.8	65.1	(2.8)	▼	(\$0.28)
Expenses	43.2	43.1	0.1	▼	\$0.01	44.8	45.4	(0.6)	▲	(\$0.06)
Core PPNR	20.5	17.1	(3.5)	▼	(\$0.35)	23.1	19.7	(3.4)	▼	(\$0.34)
PPNR	20.5	17.1	(3.5)	▼	(\$0.35)	23.1	19.7	(3.4)	▼	(\$0.34)
Provision	1.4	0.6	0.7	▼	\$0.07	1.7	1.4	0.3	▼	\$0.03
Tax Rate	23%	23%		▲		23%	23%		—	
EPS	\$1.94	\$1.65		▼	(\$0.29)	\$2.16	\$1.84		▼	(\$0.32)
Core EPS	\$1.94	\$1.65		▼	(\$0.29)	\$2.16	\$1.84		▼	(\$0.32)
TBVPS	\$15.49	\$19.27		▲	\$3.78	\$17.62	\$21.09		▲	\$3.46
Diluted Shares	7.6	7.6				7.6	7.6			
<u>Profitability</u>										
ROA	0.87%	0.73%	-15 bps	▼		0.94%	0.78%	-16 bps	▼	
ROTCE	13.3%	9.5%	-385 bps	▼		13.1%	9.2%	-392 bps	▼	
Efficiency Ratio	68%	72%	385 bps	▲		66%	70%	379 bps	▲	
<u>Balance Sheet</u>										
Avg Earning Assets	1,571	1,614	43	▲		1,629	1,678	49	▲	
EOP Loans	1,049	1,045	(5)	▼		1,133	1,128	(5)	▼	
Loans/Deposits	74%	72%				75%	73%			
TCE Ratio	6.94%	8.39%	145 bps	▲		7.50%	8.74%	124 bps	▲	
<u>Credit</u>										
Net Charge-Off Ratio	0.03%	0.02%	-1 bps	▼		0.05%	0.04%	0 bps	▼	
LLP/Loans	0.13%	0.06%				0.16%	0.13%			
LLR/Loans	1.18%	1.13%				1.20%	1.13%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

					Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)		
Ticker	Company Name	4/19 Price	Mkt Cap (\$M)	Assets (\$M)	Price/Earnings ¹			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	EPS		TBVPS		1M	3M	YTD
					LTM	'23E	'24E															'16-'21	'21-'23E	'16-'21	'21-'23E			
AMNB	Amer Natl Bkshs	\$29.78	\$316	\$3,066	9.0x	9.9x	10.1x	1.36x	4.0%	3.2%	1.07	14.6	2.97	57.5	84.2	91.9	0.38	7.82	0.04	0.17	0.89	16%	-13%	6%	-3%	(4.6)	(15.4)	(19.4)
CARE	Carter Bkshs	\$13.60	\$318	\$4,205	6.9x	5.9x	6.4x	0.99x	0.0%	-0.3%	1.21	14.2	3.43	59.7	86.7	90.5	NA	7.82	0.15	0.37	2.98	14%	39%	2%	2%	(1.5)	(15.4)	(18.0)
CBAN	Colony Bkcp Inc	\$9.81	\$167	\$2,937	8.0x	8.2x	7.4x	0.98x	4.5%	-0.3%	0.71	11.7	3.20	75.4	69.7	88.2	0.76	6.10	0.01	0.47	0.92	15%	-15%	3%	-3%	(7.4)	(23.2)	(22.7)
CSTR	CapStar Finl Hldgs	\$14.53	\$303	\$3,117	7.8x	9.1x	9.2x	1.02x	2.8%	-0.2%	1.24	12.8	3.32	55.3	86.3	81.4	1.29	10.03	0.02	0.35	1.01	22%	-14%	6%	2%	1.0	(17.7)	(17.7)
FBK	FB Finl Corp	\$30.47	\$1,363	\$13,101	10.3x	11.1x	11.6x	1.28x	2.0%	2.2%	1.01	12.0	3.68	61.2	83.8	91.9	1.98	8.68	0.03	NA	1.47	14%	-15%	16%	1%	(3.1)	(15.6)	(15.7)
FBMS	First Bancshares	\$24.54	\$740	\$6,462	7.8x	7.9x	7.3x	1.37x	3.4%	5.6%	1.00	15.5	3.19	55.2	68.7	92.7	0.69	6.91	-0.05	0.50	1.03	14%	2%	9%	-8%	(2.2)	(17.9)	(23.3)
FBNC	First Bancorp	\$33.82	\$1,341	\$10,625	-	9.5x	8.9x	1.83x	2.6%	7.4%	1.39	20.6	3.28	47.2	72.2	93.9	NA	6.42	0.01	0.36	1.36	19%	10%	12%	-6%	(5.1)	(13.8)	(21.1)
FCBC	First Comm Bkshs	\$24.18	\$383	\$3,136	8.6x	9.0x	9.5x	1.36x	4.8%	3.6%	1.45	16.6	3.92	54.2	89.6	99.3	0.05	9.60	0.17	0.73	1.27	15%	-5%	5%	3%	(10.3)	(26.6)	(28.7)
FRST	Primis Financial C	\$9.73	\$238	\$3,572	13.7x	7.4x	6.4x	0.84x	4.1%	-1.8%	0.53	6.3	3.39	72.2	108.3	82.3	1.20	8.27	0.22	0.98	1.16	9%	2%	6%	1%	2.0	(18.4)	(17.9)
HTBI	HomeTrust Bcshs	\$22.39	\$375	\$3,647	9.9x	7.3x	7.1x	0.91x	1.8%	-0.3%	1.04	9.9	3.91	65.0	98.0	92.5	0.50	10.62	0.02	0.43	1.27	8%	79%	3%	4%	(9.9)	(7.3)	(7.4)
SFST	Southern First	\$29.44	\$235	\$3,692	8.1x	10.3x	8.2x	0.80x	-	-1.9%	0.90	10.2	3.19	58.5	104.5	89.1	NA	7.98	-0.05	0.19	1.18	25%	-30%	16%	6%	(7.9)	(30.3)	(35.7)
SSBK	Sthrn States Bcshs	\$23.44	\$204	\$2,045	8.2x	8.7x	9.6x	1.25x	1.5%	2.4%	1.43	17.5	4.01	50.2	92.2	90.0	1.30	8.07	0.02	0.32	1.27	6%	10%	5%	9%	(3.3)	(16.6)	(19.0)
SMBK	SmartFinancial Inc	\$22.43	\$376	\$4,637	8.3x	9.2x	9.3x	1.17x	1.4%	1.3%	0.92	14.3	3.20	62.2	79.8	94.4	0.93	7.13	0.00	0.10	0.72	23%	5%	6%	5%	(0.4)	(16.1)	(18.4)
Peer Median			\$318	\$3,647	8.3x	9.0x	8.9x	1.17x	2.7%	1.3%	1.04	14.2	3.32	58.5	86.3	91.9	0.84	7.98	0.02	0.36	1.18	15%	2%	6%	2%	(3.3)	(16.6)	(19.0)
FCCO	First Cmnty Corp	\$20.37	\$155	\$1,673	10.5x	10.6x	10.2x	1.50x	2.7%	3.8%	0.88	13.9	3.14	67.8	70.8	88.2	0.44	6.21	-0.03	0.35	1.15	16%	-2%	8%	-4%	5.9	(4.7)	(6.9)

¹Based on consensus EPS estimates

²Core 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)	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23E	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	2020A	2021A	2022A	2023E	2024E
Income Statement																					
Net Interest Income	10.7	11.2	12.6	11.3	10.9	11.2	12.9	13.5	12.5	12.1	12.1	12.3	12.4	12.8	13.4	13.7	40.4	45.8	48.5	48.9	52.2
Noninterest Income	3.1	3.4	3.5	3.5	3.4	3.0	2.7	2.5	2.6	2.9	2.9	2.9	2.9	3.2	3.4	3.3	13.2	13.5	11.6	11.3	12.8
Total Revenue	13.8	14.6	16.1	14.8	14.2	14.2	15.6	16.0	15.0	15.0	15.0	15.2	15.2	16.0	16.7	17.0	53.6	59.3	60.1	60.2	65.1
Noninterest Expense	9.5	9.7	10.1	9.9	10.0	10.2	10.4	10.7	10.4	10.9	10.9	10.9	11.1	11.3	11.5	11.6	37.5	39.2	41.3	43.1	45.4
Pre-tax, Pre-provision Income	4.3	4.9	6.0	4.9	4.3	4.0	5.2	5.3	4.6	4.2	4.1	4.3	4.2	4.8	5.3	5.4	16.1	20.1	18.8	17.1	19.7
Loan Loss Provision	0.2	0.2	0.0	(0.1)	(0.1)	(0.1)	0.0	0.0	0.1	0.1	0.2	0.3	0.4	0.2	0.4	0.4	3.7	0.3	(0.2)	0.6	1.4
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	0.4	0.5	-	-	-
Pre-tax Earnings	4.3	4.6	6.2	5.1	4.4	4.1	5.2	5.3	4.5	4.0	3.9	4.0	3.8	4.5	4.9	5.1	13.0	20.1	18.9	16.4	18.2
Taxes	1.0	1.0	1.4	1.2	0.9	0.9	1.2	1.2	1.1	0.9	0.9	0.9	0.9	1.1	1.1	1.2	2.9	4.7	4.3	3.9	4.3
Tax Rate (%)	21%	21%	22%	21%	18%	21%	21%	22%	22%	23%	23%	23%	23%	23%	23%	23%	20%	21%	23%	23%	23%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	3.3	3.5	4.7	3.9	3.5	3.1	4.0	4.0	3.5	3.1	3.0	3.0	2.9	3.5	3.8	3.9	10.1	15.5	14.6	12.6	14.0
Reported EPS	\$ 0.43	\$ 0.47	\$ 0.63	\$ 0.52	\$ 0.46	\$ 0.41	\$ 0.52	\$ 0.53	\$ 0.45	\$ 0.41	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.46	\$ 0.49	\$ 0.51	\$ 1.35	\$ 2.05	\$ 1.92	\$ 1.65	\$ 1.84
Core EPS	\$ 0.41	\$ 0.49	\$ 0.61	\$ 0.51	\$ 0.46	\$ 0.42	\$ 0.52	\$ 0.53	\$ 0.45	\$ 0.41	\$ 0.39	\$ 0.40	\$ 0.38	\$ 0.46	\$ 0.49	\$ 0.51	\$ 1.29	\$ 2.02	\$ 1.92	\$ 1.65	\$ 1.84
Average Diluted Shares	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.5	7.6	7.6	7.6
Period-end Shares	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	7.6	7.6	7.5	7.5	7.6	7.6	7.6
Book Value Per Share	\$ 17.63	\$ 18.29	\$ 18.44	\$ 18.68	\$ 16.59	\$ 15.54	\$ 15.07	\$ 15.62	\$ 16.29	\$ 16.55	\$ 16.81	\$ 17.07	\$ 17.31	\$ 17.63	\$ 17.98	\$ 18.35	\$ 18.18	\$ 18.68	\$ 15.62	\$ 17.07	\$ 18.35
Tangible Book Value Per Share	\$ 15.55	\$ 16.22	\$ 16.37	\$ 16.62	\$ 14.53	\$ 13.50	\$ 13.03	\$ 13.59	\$ 14.26	\$ 14.66	\$ 15.05	\$ 15.44	\$ 15.81	\$ 16.26	\$ 16.75	\$ 17.25	\$ 16.08	\$ 16.62	\$ 13.59	\$ 15.44	\$ 17.25
Dividend Per Share	\$ 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	\$ 0.48	\$ 0.49	\$ 0.53	\$ 0.56	\$ 0.56
Performance Ratios																					
ROA	0.87%	0.98%	1.19%	0.96%	0.86%	0.77%	0.95%	0.96%	0.82%	0.71%	0.69%	0.70%	0.66%	0.78%	0.83%	0.85%	0.75%	1.00%	0.89%	0.73%	0.78%
ROCE	9.7%	10.5%	13.4%	11.1%	10.3%	10.8%	13.2%	13.9%	11.7%	10.0%	9.3%	9.4%	9.0%	10.5%	11.0%	11.2%	7.8%	11.2%	12.0%	10.1%	10.4%
ROTCE	11.0%	11.9%	15.1%	12.5%	11.6%	12.5%	15.1%	16.0%	13.4%	11.3%	10.5%	10.4%	9.9%	11.4%	11.9%	11.9%	8.9%	12.7%	13.7%	11.4%	11.3%
Pretax Preprovision ROAA	1.19%	1.31%	1.56%	1.24%	1.06%	0.98%	1.24%	1.27%	1.08%	0.96%	0.93%	0.98%	0.95%	1.07%	1.17%	1.19%	1.24%	1.33%	1.14%	0.99%	1.09%
Net Interest Margin	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	2.99%	2.95%	2.99%	3.04%	3.08%	3.14%	3.18%	3.37%	3.23%	3.14%	3.03%	3.11%
Efficiency Ratio	69%	66%	63%	67%	70%	72%	67%	67%	69%	72%	73%	72%	72%	70%	68%	68%	70%	66%	69%	72%	70%
Fee Income/Operating Revenue	23%	23%	22%	24%	24%	21%	17%	16%	17%	20%	20%	19%	19%	20%	20%	20%	25%	23%	19%	19%	20%
Dividend Payout Ratio	28%	26%	19%	25%	28%	32%	25%	26%	31%	34%	36%	35%	37%	31%	28%	27%	36%	24%	28%	34%	30%
Average Balance Sheet																					
Loans	886	896	894	880	876	897	938	969	987	1,000	1,016	1,035	1,054	1,074	1,096	1,118	835	889	920	1,009	1,085
Securities	373	431	489	532	572	560	581	569	565	559	546	539	541	543	545	546	301	456	571	552	543
Earning Assets	1,339	1,404	1,441	1,491	1,515	1,530	1,557	1,563	1,582	1,621	1,622	1,631	1,649	1,668	1,688	1,707	1,198	1,419	1,541	1,614	1,678
Assets	1,435	1,508	1,543	1,594	1,622	1,644	1,668	1,677	1,696	1,735	1,736	1,747	1,765	1,786	1,807	1,828	1,296	1,520	1,653	1,728	1,796
Deposits	1,208	1,285	1,313	1,363	1,375	1,428	1,450	1,417	1,382	1,425	1,437	1,453	1,467	1,485	1,506	1,530	1,087	1,292	1,417	1,424	1,497
Borrowings	78	75	78	77	98	87	87	131	180	170	182	187	191	193	196	199	67	77	101	180	195
Common Equity	136	135	140	140	137	116	119	115	120	125	127	129	130	133	135	138	129	138	122	125	134
Balance Sheet Ratios																					
TCE Ratio	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.29%	6.47%	6.62%	6.72%	6.80%	6.91%	7.03%	7.15%	8.74%	8.00%	6.21%	6.72%	7.15%
Avg Loans/Avg Earning Assets	66%	64%	62%	59%	58%	59%	60%	62%	62%	62%	63%	63%	64%	64%	65%	65%	70%	63%	60%	63%	65%
Avg Loans/Avg Deposits	73%	70%	68%	65%	64%	63%	65%	68%	71%	70%	71%	71%	72%	72%	73%	73%	77%	69%	65%	71%	72%
Avg Earning Assets/Avg Assets	93%	93%	93%	94%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	93%	92%	93%	93%	93%	93%
Credit Quality Ratios																					
Reserve/Loans	1.21%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.16%	1.15%	1.14%	1.13%	1.13%	1.14%	1.13%	1.13%	1.13%	0.49%	1.29%	1.16%	1.13%	1.13%
Reserve/NPLs	175%	110%	601%	660%	645%	251%	226%	227%	271%	-	-	-	-	-	-	-	141%	660%	227%	-	-
NPAs/Loans+OREO	0.82%	1.23%	0.34%	0.33%	0.33%	0.60%	0.63%	0.60%	0.52%	-	-	-	-	-	-	-	1.01%	0.33%	0.60%	-	-
Net Charge-Off Ratio	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.10%	-0.03%	0.00%	-0.01%	0.02%	0.02%	0.03%	0.04%	0.04%	0.05%	0.04%	-0.01%	-0.05%	-0.03%	0.02%	0.04%
Provision/Average Loans	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.03%	0.04%	0.06%	0.06%	0.11%	0.16%	0.09%	0.14%	0.13%	0.44%	0.04%	-0.02%	0.06%	0.13%
Provision/NCOs	2213%	181%	-14%	28%	1563%	31%	-23%	625%	-467%	0%	0%	0%	0%	0%	0%	0%	-3700%	-74%	49%	385%	305%

Sources: Company Filings, Hovde Group.

Model updated as of: 4/19/23

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 \$23.00 is based on ~12.5x our 2024 EPS estimate.

Definition of Investment Ratings:

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

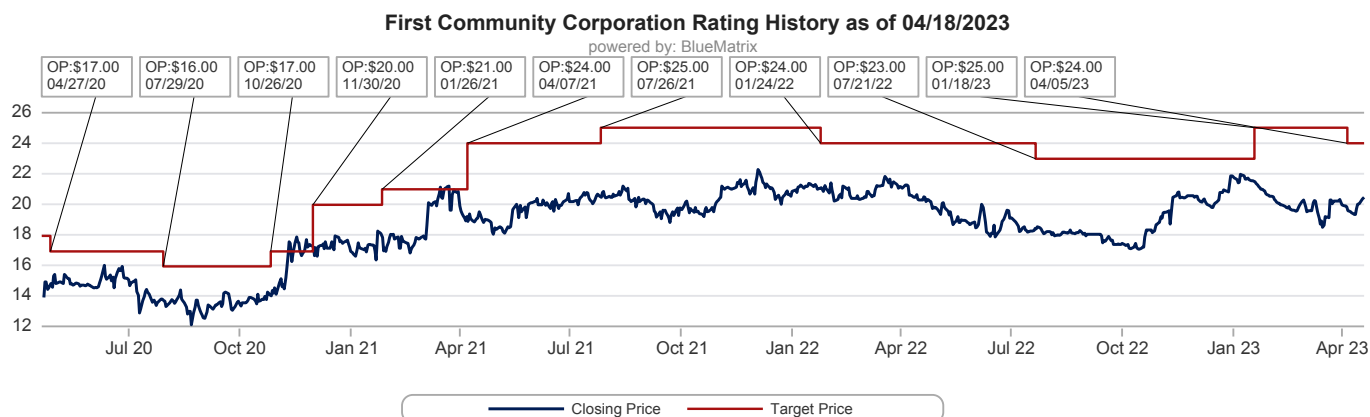
Market Perform (MP): Anticipated to perform in line relative to the sector indices over the next 12 months.

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
Outperform	55	56.12%	10	18.18%
Market Perform	43	43.88%	8	18.60%
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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