July 19, 2023

First Community Corp.

Outperform

FCCO (NASDAQ)

Price $17.47

Price Target $23.00

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Market Data

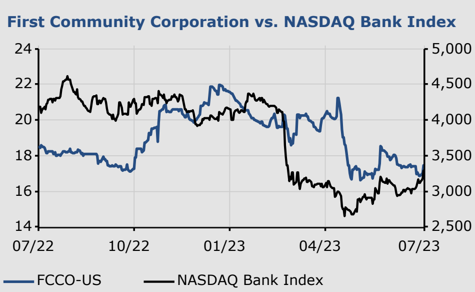
Market Cap ($M)	$132.7
Price / Tang. Book	1.22x
52-Week Range	$16.30 - $22.25
3-Mo. Avg. Daily Volume	37,452
Dividends	$0.56
Dividend Yield	3.21%
Shares Outstanding (M)	7.6

Financial Summary

As of June 30, 2023

Assets ($M)	$1,741.0
Tangible Book Value	$14.33
Tang. Common Eq. / Tang. Assets	6.3%
ROA	0.73%
ROE	10.7%
Net Interest Margin	3.02%

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.

Relatively Minor Tweaks; Reiterating OP Rating and PT

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%)	--	9.1x
2023E	$0.45A	$0.41A	$0.43	$0.43	**$1.72**	(10.4%)	$0.07	10.1x
2024E	$0.40	$0.46	$0.47	$0.50	**$1.83**	6.1%	$-0.01	9.5x

Conclusion

Following solid 2Q23 earnings (see link) we are making relatively modest adjustments to our EPS estimates. We are updating our 2023/24 EPS estimates to $1.72 (+$0.07) and $1.83 (-$0.01), respectively, **and reiterate our Outperform rating and $23 Price target equating to ~1.52x 2023E TBV (modest premium to current valuation). Our 2024 EPS estimate could prove conservative depending on the path of short-term interest rates as the recent** interest rate swap has been accretive to the NIM (see below). That said, with short-term liquidity nearing a floor we believe there will be some additional pressure to fund loan growth and have conservatively left our 2024 NIM estimate flat with prior estimates at 3.11%.

- **Hedging Activity Protects the NIM.** The 2Q23 NIM of 3.02% was 3bps above our expectations and per our conversation with management had expanded to ~3.08% in June following the completion of a $150M pay fixed/receive floating rate swap on fixed rate loans (prior to this 85% of portfolio was fixed rate). The swap agreement matures in May 2026 (entered into May 5, 2023) and FCCO will pay fixed at 3.58% while receiving the overnight SOFR rate (~5.26% currently). This swap benefited spread income by $336K in 2Q23 with loan yields rising 27bps to 4.86% incorporating a 14bps impact. The average cost of deposits rose to 0.97% from 0.58% with the June cost 10bps above the average. Given the impact of rising rates on the Securities portfolio average yields are improving as well, and we have adjusted our 2023 NIM forecast up by 6bps to 3.09%.

- **Core Deposit Trends Remain Solid.** Core Deposits ex-CDs declined only $12.5M LQ with most of the decline related to slight outflows of DDA balances which now equate to 31.5% of deposits - down from 32.3% at March 2023 (was 29.4% pre-pandemic). Deposit betas remained relatively low at 19.8%, and management notes call volume to renegotiate rates or to shift into higher yielding CDs/Money market funds has abated somewhat. Cash flows from securities is projected at $28M over the rest of the year with management noting it could tap FHLB advances or brokered CDs (hasn't to date) to fund loan growth if there is any shortfall in core deposit growth.

- **TBV Remains Understated Due to AOCI**. FCCO's TCE ratio held at 6.3% during the quarter, but we note that TBV remains understated with the inclusion of AOCI adjustments. Specifically, TBV rose to $14.33/sh. (+$0.07) and adjusted TBV excluding the AOCI adjusts to $18.48/sh - implying the shares trade at a modest discount to TBV (~0.97x adjusted).

- **OREO Recovery Drives NPAs to Essentially Zero.** Following the foreclosure and subsequent sales of a larger NonAccrual loan that had plagued the bank over a year (sold during the quarter for a $105K gain), FCCO ended 2Q23 with almost no nonaccrual loans. Total past dues equate to only 0.05% of loans and the ratio of Classified loans plus OREO as a percent of Total Risk-Based capital now stands at only 1.38%. The net recovery allowed for expenses to beat our estimate by a penny and the outlook for Operating expenses remains centered in the mid-$10M range for the remainder of 2023. Core fees rose 9.7% LQ and were $0.01 below forecast as Wealth Fees and Deposit Fees were below our modeling. Mortgage Banking revenues rose 139% LQ as the bank is seeing a rebound in production but is also portfolioing more loans that will lead to future gain on sale when the rate environment turns.

- **CRE Exposure Detailed Again.** Total loans rose ~16% LQA with advances from unfunded commercial Construction loans rising $10M to $30.8M during the quarter and aiding growth. FCCO again provided deeper disclosures regarding the CRE portfolio focusing on the Non-Owner Occupied segment. The largest segment is within the Retail segment ($86M or 8.3% of loans) with an average loan size of only $1.1M and WAVG LTV of 57% for the top 10 loans. The Office segment totals $65M with an average loan size of $695K and comprises 6.3% of EOP loans. We do expect loan growth to moderate during 2H23 but still project healthy overall loan growth of 9% during 2023 as management notes that the local markets it serves in SC and NC remain healthy and benefitting from in migration trends.

Exhibit 1: FCCO 2Q23 Variance Table

Actuals vs. Hovde and Consensus

($M)				Actuals vs:					
FCCO	Estimates		Actual	Hovde			Consensus		
	Hovde	Cons.	2Q23	$ Diff.		P/S	$ Diff.		P/S
Net Interest Income	**12.1**	**12.0**	**12.2**	**0.1**	▲	**$0.01**	**0.2**	▲	**$0.02**
NIM	2.99%	3.00%	3.02%	3 bps	▲		2 bps	▲	
Fee Income	2.9	2.7	2.8	(0.1)	▼	($0.01)	0.1	▲	$0.01
Revenue	15.0	14.7	15.0	0.0	▲	$0.00	0.3	▲	$0.03
Expenses	10.9	10.7	10.8	0.1	▼	$0.01	(0.1)	▲	($0.01)
Core PPNR	**4.2**	**-**	**4.3**	**0.1**	▲	**$0.01**	**-**		**-**
PPNR	**4.2**	**4.0**	**4.3**	**0.1**	▲	**$0.01**	**0.3**	▲	**$0.03**
Provision	0.1	0.2	0.2	(0.1)	▲	($0.01)	0.0	▼	$0.00
Tax Rate	23%	22%	22%		▼			▼	
EPS	**$0.41**	**-**	**$0.43**		▲	**$0.02**			
Core EPS	**$0.41**	**$0.39**	**$0.41**		▲	**$0.00**		▲	**$0.02**
TBVPS	$14.66	$14.56	$14.33		▼	($0.33)		▼	($0.23)
Diluted Shares	7.6	7.6	7.7						
Profitability									
ROA	0.71%	0.71%	0.73%	1 bps	▲		2 bps	▲	
ROTCE	11.3%	-	12.3%	95 bps	▲				
Efficiency Ratio	72%	72%	72%	-81 bps	▼		-79 bps	▼	
Balance Sheet									
Avg Earning Assets	1,621	1,598	1,622	2	▲		24	▲	
EOP Loans	1,007	1,004	1,032	25	▲		28	▲	
Loans/Deposits	70%	70%	73%						
TCE Ratio	6.47%	-	6.31%	-16 bps	▼				
Credit									
Net Charge-Off Ratio	0.02%	0.04%	0.00%	-2 bps	▼		-4 bps	▼	
LLP/Loans	0.04%	0.09%	0.06%						

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

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

($M)	2023E					2024E				
FCCO	Estimates		Change			Estimates		Change		
	Prior	Current	$ Diff.	▲/▼	P/S	Prior	Current	$ Diff.	▲/▼	P/S
Net Interest Income	**48.9**	**49.9**	**1.1**	▲	**$0.11**	**52.2**	**52.5**	**0.3**	▲	**$0.03**
NIM	3.03%	3.09%	6 bps	▲		3.11%	3.11%	0 bps	▼	
Fee Income	11.3	11.2	(0.2)	▼	($0.02)	12.8	12.6	(0.2)	▼	($0.02)
Revenue	60.2	61.1	0.9	▲	$0.09	65.1	65.1	0.0	▲	$0.00
Expenses	43.1	43.1	0.1	▼	$0.01	45.4	45.5	(0.1)	▲	($0.01)
Core PPNR	**17.1**	**18.0**	**1.0**	▲	**$0.10**	**19.7**	**19.6**	**(0.1)**	▼	**($0.01)**
PPNR	**17.1**	**18.0**	**1.0**	▲	**$0.10**	**19.7**	**19.6**	**(0.1)**	▼	**($0.01)**
Provision	0.6	0.9	(0.3)	▲	($0.03)	1.4	1.4	(0.0)	▲	($0.00)
Tax Rate	23%	23%		▼		23%	23%		—	
EPS	**$1.65**	**$1.75**		▲	**$0.10**	**$1.84**	**$1.83**		▼	**($0.01)**
Core EPS	**$1.65**	**$1.72**		▲	**$0.07**	**$1.84**	**$1.83**		▼	**($0.01)**
TBVPS	$15.44	$15.17		▼	($0.26)	$17.25	$16.97		▼	($0.28)
Diluted Shares	7.6	7.6				7.6	7.6			
Profitability										
ROA	0.73%	0.76%	3 bps	▲		0.78%	0.77%	-1 bps	▼	
ROTCE	11.4%	12.2%	84 bps	▲		11.3%	11.4%	9 bps	▲	
Efficiency Ratio	72%	70%	-117 bps	▼		70%	70%	16 bps	▲	
Balance Sheet										
Avg Earning Assets	1,614	1,618	4	▲		1,678	1,687	9	▲	
EOP Loans	1,045	1,071	26	▲		1,128	1,157	28	▲	
Loans/Deposits	72%	74%				73%	75%			
TCE Ratio	6.72%	6.59%	-14 bps	▼		7.15%	7.00%	-15 bps	▼	
Credit										
Net Charge-Off Ratio	0.02%	0.01%	0 bps	▼		0.04%	0.04%	0 bps	—	
LLP/Loans	0.06%	0.09%				0.13%	0.13%			
LLR/Loans	1.13%	1.13%				1.13%	1.13%			

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	7/19 Price	Mkt Cap ($M)	Assets ($M)	LTM	'23E	'24E	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-'23E	'16-'21	'21-'23E	1M	3M	YTD
AMNB	Amer Natl Bkshs	$31.66	$323	$3,076	9.5x	11.1x	12.0x	1.40x	3.8%	3.2%	1.10	15.0	3.12	57.0	84.2	91.6	0.75	8.06	0.05	0.06	1.13	16%	-16%	6%	-1%	3.1	6.3	(14.3)
CARE	Carter Bkshs	$15.92	$375	$4,366	6.9x	6.7x	7.9x	1.07x	0.0%	0.6%	1.36	16.7	3.73	56.6	91.9	83.7	NA	8.13	0.16	0.38	2.91	14%	42%	2%	4%	3.1	17.0	(4.1)
CBAN	Colony Bkcp Inc	$10.23	$178	$2,997	9.3x	8.7x	8.2x	0.97x	4.3%	-0.2%	0.68	NA	3.18	76.3	71.5	86.1	1.15	6.27	0.02	0.26	0.92	15%	-16%	3%	-2%	3.9	4.2	(19.4)
CSTR	CapStar Finl Hldgs	$14.06	$281	$3,233	8.3x	10.3x	9.9x	0.97x	3.1%	-1.0%	1.11	11.6	3.39	56.4	87.5	92.5	1.83	9.67	0.02	0.45	1.03	22%	-20%	6%	1%	0.9	(3.2)	(20.4)
FBK	FB Finl Corp	$33.77	$1,505	$12,887	10.9x	11.7x	13.4x	1.39x	1.8%	3.4%	1.13	13.4	3.65	61.7	85.8	90.9	2.45	8.98	0.02	0.27	1.49	14%	-19%	16%	1%	15.3	10.8	(6.6)
FBMS	First Bancshares	$29.11	$888	$8,017	9.6x	9.5x	9.4x	1.65x	3.0%	5.1%	0.93	14.7	3.43	53.4	74.5	91.5	0.87	7.15	-0.01	1.65	1.05	14%	1%	9%	-10%	5.7	18.6	(9.1)
FBNC	First Bancorp	$34.13	$1,358	$12,363	-	12.3x	10.6x	1.78x	2.6%	5.5%	1.17	18.2	3.30	48.6	75.2	91.2	0.93	6.63	0.03	0.25	1.36	19%	0%	12%	-7%	0.3	0.9	(20.3)
FCBC	First Comm Bkshs	$32.45	$624	$3,052	10.8x	11.6x	13.9x	1.77x	3.6%	12.6%	1.54	17.3	4.12	53.5	92.4	99.4	0.12	10.22	0.20	0.54	1.29	15%	-3%	5%	4%	6.5	34.2	(4.3)
FRST	Primis Financial C	$9.22	$222	$4,205	12.5x	8.6x	7.1x	0.78x	4.3%	-1.9%	0.55	6.7	3.42	70.6	83.0	93.7	2.16	7.14	0.36	0.84	1.16	9%	-8%	6%	0%	1.3	(5.2)	(22.2)
HTBI	HomeTrust Bcshs	$24.10	$400	$4,527	10.3x	7.8x	7.8x	1.01x	1.7%	-0.3%	0.97	9.5	4.21	61.4	99.3	88.7	1.07	9.21	0.04	0.37	1.27	8%	81%	3%	5%	7.8	7.6	(0.3)
SFST	Southern First	$29.00	$223	$3,938	9.7x	21.3x	14.3x	0.78x	-	-2.2%	0.70	8.2	2.92	62.8	99.7	91.0	2.15	7.60	-0.04	0.12	1.18	25%	-52%	16%	4%	9.2	(1.5)	(36.6)
SSBK	Sthrn States Bcshs	$22.19	$191	$2,136	7.1x	8.5x	9.2x	1.13x	1.6%	1.1%	1.54	19.2	4.13	48.5	91.9	89.8	1.99	8.11	0.03	0.27	1.21	6%	8%	5%	-	0.9	(5.3)	(23.4)
SMBK	SmartFinancial Inc	$24.50	$408	$4,770	8.6x	11.1x	11.6x	1.25x	1.3%	1.7%	0.98	15.3	3.30	61.5	77.6	94.4	1.60	7.17	0.00	0.11	0.98	23%	1%	6%	4%	6.1	9.2	(10.9)
Peer Median			**$375**	**$4,205**	**9.5x**	**10.3x**	**9.9x**	**1.13x**	**2.8%**	**1.1%**	**1.10**	**14.8**	**3.42**	**57.0**	**85.8**	**91.2**	**1.37**	**8.06**	**0.03**	**0.27**	**1.18**	**15%**	**-3%**	**6%**	**1%**	**3.9**	**6.3**	**(14.3)**
FCCO	**First Cmnty Corp**	**$17.92**	**$133**	**$1,735**	**9.3x**	**11.4x**	**11.8x**	**1.26x**	**3.1%**	**1.7%**	**0.87**	**14.4**	**3.21**	**68.0**	**69.9**	**87.0**	**0.91**	**6.29**	**-0.03**	**0.30**	**1.15**	**16%**	**-12%**	**8%**	**-5%**	**0.9**	**(12.1)**	**(18.2)**

[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)

David Bishop; 443-610-7379

Summary Model

($M)	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23E	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E	2020A	2021A	2022A	2023E	2024E
Income Statement																					
Net Interest Income	10.7	11.2	12.6	11.3	10.9	11.2	12.9	13.5	12.5	12.2	12.6	12.6	12.6	13.0	13.3	13.6	40.4	45.8	48.5	49.9	52.5
Noninterest Income	3.1	3.4	3.5	3.5	3.4	3.0	2.7	2.5	2.6	2.8	2.9	2.9	2.9	3.2	3.3	3.3	13.2	13.5	11.6	11.2	12.6
Total Revenue	**13.8**	**14.6**	**16.1**	**14.8**	**14.2**	**14.2**	**15.6**	**16.0**	**15.0**	**15.0**	**15.5**	**15.5**	**15.4**	**16.2**	**16.6**	**16.9**	**53.6**	**59.3**	**60.1**	**61.1**	**65.1**
Noninterest Expense	9.5	9.7	10.1	9.9	10.0	10.2	10.4	10.7	10.4	10.8	10.9	11.0	11.0	11.3	11.5	11.7	37.5	39.2	41.3	43.1	45.5
Pre-tax, Pre-provision Income	**4.3**	**4.9**	**6.0**	**4.9**	**4.3**	**4.0**	**5.2**	**5.3**	**4.6**	**4.3**	**4.6**	**4.5**	**4.4**	**4.8**	**5.0**	**5.3**	**16.1**	**20.1**	**18.8**	**18.0**	**19.6**
Loan Loss Provision	0.2	0.2	0.0	(0.1)	(0.1)	(0.1)	0.0	0.0	0.1	0.2	0.4	0.3	0.4	0.2	0.4	0.4	3.7	0.3	(0.2)	0.9	1.4
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-	-	-	-	0.4	0.5	-	-	-
Pre-tax Earnings	4.3	4.6	6.2	5.1	4.4	4.1	5.2	5.3	4.5	4.3	4.3	4.2	4.0	4.6	4.6	4.9	13.0	20.1	18.9	17.4	18.1
Taxes	1.0	1.0	1.4	1.2	0.9	0.9	1.2	1.2	1.1	1.0	1.0	1.0	0.9	1.1	1.1	1.1	2.9	4.7	4.3	4.0	4.2
Tax Rate (%)	21%	21%	22%	21%	18%	21%	21%	22%	22%	22%	23%	23%	23%	23%	23%	23%	20%	21%	23%	23%	23%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	**3.3**	**3.5**	**4.7**	**3.9**	**3.5**	**3.1**	**4.0**	**4.0**	**3.5**	**3.3**	**3.3**	**3.3**	**3.0**	**3.5**	**3.6**	**3.8**	**10.1**	**15.5**	**14.6**	**13.4**	**13.9**
Reported EPS	**$ 0.43**	**$ 0.47**	**$ 0.63**	**$ 0.52**	**$ 0.46**	**$ 0.41**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.43**	**$ 0.43**	**$ 0.43**	**$ 0.40**	**$ 0.46**	**$ 0.47**	**$ 0.50**	**$ 1.35**	**$ 2.05**	**$ 1.92**	**$ 1.75**	**$ 1.83**
Core EPS	**$ 0.41**	**$ 0.49**	**$ 0.61**	**$ 0.51**	**$ 0.46**	**$ 0.42**	**$ 0.52**	**$ 0.53**	**$ 0.45**	**$ 0.41**	**$ 0.43**	**$ 0.43**	**$ 0.40**	**$ 0.46**	**$ 0.47**	**$ 0.50**	**$ 1.29**	**$ 2.02**	**$ 1.92**	**$ 1.72**	**$ 1.83**
Average Diluted Shares	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.7	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	$ 16.35	$ 16.64	$ 16.93	$ 17.19	$ 17.51	$ 17.84	$ 18.20	$ 18.18	$ 18.68	$ 15.62	$ 16.93	$ 18.20
Tangible Book Value Per Share	$ 15.55	$ 16.22	$ 16.37	$ 16.62	$ 14.53	$ 13.50	$ 13.03	$ 13.59	$ 14.26	$ 14.33	$ 14.75	$ 15.17	$ 15.57	$ 16.02	$ 16.48	$ 16.97	$ 16.08	$ 16.62	$ 13.59	$ 15.17	$ 16.97
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%	0.73%	0.75%	0.74%	0.69%	0.79%	0.78%	0.82%	0.75%	1.00%	0.89%	0.76%	0.77%
ROCE	9.7%	10.5%	13.4%	11.1%	10.3%	10.8%	13.2%	13.9%	11.7%	10.7%	10.4%	10.1%	9.5%	10.7%	10.5%	10.9%	7.8%	11.2%	12.0%	10.7%	10.4%
ROTCE	11.0%	11.9%	15.1%	12.5%	11.6%	12.5%	15.1%	16.0%	13.4%	12.3%	11.8%	11.4%	10.6%	11.8%	11.4%	11.7%	8.9%	12.7%	13.7%	12.2%	11.4%
Pretax Preprovision ROAA	1.19%	1.31%	1.56%	1.24%	1.06%	0.98%	1.24%	1.27%	1.08%	0.99%	1.06%	1.03%	0.99%	1.08%	1.11%	1.15%	1.24%	1.33%	1.14%	1.04%	1.08%
Net Interest Margin	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	3.08%	3.06%	3.08%	3.10%	3.11%	3.15%	3.37%	3.23%	3.14%	3.09%	3.11%
Efficiency Ratio	69%	66%	63%	67%	70%	72%	67%	67%	69%	72%	70%	71%	71%	70%	70%	69%	70%	66%	69%	70%	70%
Fee Income/Operating Revenue	23%	23%	22%	24%	24%	21%	17%	16%	17%	19%	19%	18%	19%	20%	20%	19%	25%	23%	19%	18%	19%
Dividend Payout Ratio	28%	26%	19%	25%	28%	32%	25%	26%	31%	32%	32%	33%	35%	30%	30%	28%	36%	24%	28%	32%	31%
Average Balance Sheet																					
Loans	886	896	894	880	876	897	938	969	987	1,017	1,042	1,061	1,080	1,101	1,123	1,145	835	889	920	1,027	1,112
Securities	373	431	489	532	572	560	581	569	565	563	549	542	543	546	548	549	301	456	571	555	546
Earning Assets	1,339	1,404	1,441	1,491	1,515	1,530	1,557	1,563	1,582	1,622	1,628	1,638	1,656	1,676	1,697	1,717	1,198	1,419	1,541	1,618	1,687
Assets	1,435	1,508	1,543	1,594	1,622	1,644	1,668	1,677	1,696	1,737	1,743	1,754	1,773	1,795	1,817	1,839	1,296	1,520	1,653	1,732	1,806
Deposits	1,208	1,285	1,313	1,363	1,375	1,428	1,450	1,417	1,382	1,409	1,429	1,444	1,459	1,476	1,497	1,521	1,087	1,292	1,417	1,416	1,488
Borrowings	78	75	78	77	98	87	87	131	180	189	180	184	189	190	193	196	67	77	101	183	192
Common Equity	136	135	140	140	137	116	119	115	120	124	125	127	130	132	134	137	129	138	122	124	133
Balance Sheet Ratios																					
TCE Ratio	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.29%	6.31%	6.47%	6.59%	6.67%	6.78%	6.89%	7.00%	8.74%	8.00%	6.21%	6.59%	7.00%
Avg Loans/Avg Earning Assets	66%	64%	62%	59%	58%	59%	60%	62%	62%	63%	64%	65%	65%	66%	66%	67%	70%	63%	60%	63%	66%
Avg Loans/Avg Deposits	73%	70%	68%	65%	64%	63%	65%	68%	71%	72%	73%	73%	74%	75%	75%	75%	77%	69%	65%	72%	75%
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%	1.12%	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%	6925%	-	-	-	-	-	-	141%	660%	227%	-	-
NPAs/Loans+OREO	0.82%	1.23%	0.34%	0.33%	0.33%	0.60%	0.63%	0.60%	0.52%	0.11%	-	-	-	-	-	-	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%	0.00%	0.02%	0.03%	0.04%	0.04%	0.05%	0.04%	-0.01%	-0.05%	-0.03%	0.01%	0.04%
Provision/Average Loans	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.06%	0.14%	0.11%	0.16%	0.09%	0.14%	0.13%	0.44%	0.04%	-0.02%	0.09%	0.13%
Provision/NCOs	2213%	181%	-14%	28%	1563%	31%	-23%	625%	-467%	1540%	0%	0%	0%	0%	0%	0%	-3700%	-74%	49%	697%	305%

Sources: Company Filings, Hovde Group.

Model updated as of: 7/19/23

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.

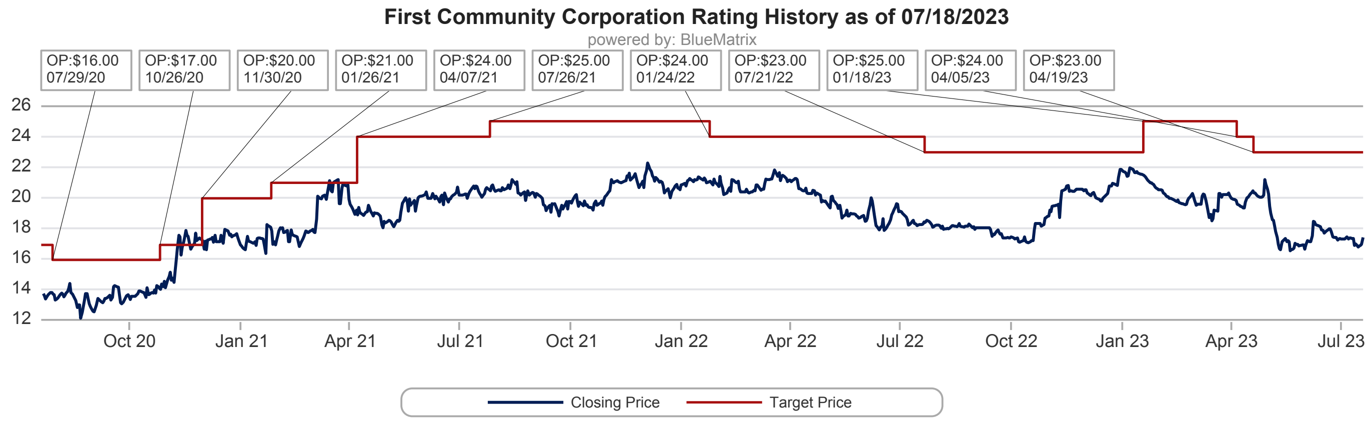
Market Perform (MP): Anticipated to perform in line relative to the sector indices over the next 12 months.

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

Ratings Distribution:

			IB Serv./Past 12Mos.	
Rating Category	Count	Percent	Count	Percent
Outperform	59	56.19%	10	16.95%
Market Perform	46	43.81%	8	17.39%
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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