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# First Community Corporation (FCCO) — Neutral

## Maintain Neutral Rating, Though Outlook Improves After Excellent 3Q Results

### CONCLUSION

**Updating Estimates; Maintain Neutral Rating -** We are increasing our 2021/22E's to $2.03/$1.77 (from $1.87/$1.75) and introducing our '23E of $1.98 on ~10% loan growth, a 3.14% NIM, and minimal NCOs. We are maintaining our $21 PT and Neutral rating. Our PT is still 1.2x year-out TBVPS, which implies ~12x our 2022E. FCCO remains a solid and steady bank in attractive markets, but we simply do not see any sizable catalyst for the bank today. Ultimately, the ability to re-mix the balance sheet into loans remains the key to achieving better profitability, and some sort of acquisition may be necessary to move the needle on that front - thought this may prove difficult given FCCO's valuation.

- **Growth Outlook -** EOP HFI growth of 19.7% LQA easily outpaced our 9% expectations and management's high-single digit growth guidance. FCCO remains hesitant to commit to anything above high-single digits due to expected CRE paydown activity and overall market demand. To be fair, paydowns have been lumpy in the past for FCCO, but clearly growth trends are as strong as ever today. The loan pipeline remains robust, production was up ~$9.4M q/q to $70.5M, and we think FCCO is positioned in business-friendly markets that will continue to benefit from population inflows. We are now modeling for loan growth to approximate a 10% rate in '22 and '23.

- **NIM Outlook Unchanged; New Loans Will Dilute Avg Yield -** The GAAP NIM expanded by 27 bps q/q to 3.47% as PPP income essentially doubled vs 2Q to $1.6M while NII also benefited from ~$140k in interest recoveries. Parsing through the noise, the NIM ex-PPP fell by 3 bps to 3.08% as the AEA mix worsened slightly on the bank's recent securities investments (now 34% of AEAs) and 5 bps of pressure on loan yields, which fell by 5 bps q/q to 4.33%. 3 bps of relief in the cost of IB deposits provided a slight offset, but have little wiggle room remaining at 18 bps. It sounds like the NIM ex-PPP will continue to be pressured lower from here as new loan yields come on at or below ~4%, while the bank plans on to buy some short-term securities if loan demand proves weaker than expected. We are modeling for the NIM to decline to 3.04% in 2022 as PPP fees cease, and then climb back in 2023 to 3.14% for the full-year.

- **FCCO Resolves Problem Loan as Management Predicted** - The LLP was essentially $0 in 3Q as the bank experienced 16 bps of net recoveries ($354k) in the qtr. These came apart from the other positive of the resolution of the $2M+ past due relationship that appeared with 2Q earnings. This kept the LLR relatively stable at 1.26% (down 2 bps q/q) even with this quarter's strong growth. We still expect FCCO to grow into its LLR over time, and we are not expecting a material uptick in the LLR percentage in 2023 even as the bank becomes CECL compliant.

### RISKS TO ACHIEVEMENT OF PT & RECOMMENDATION

Include higher-than-anticipated credit costs, a capital raise, and a longer recession.

### COMPANY DESCRIPTION

First Community is a $1.5B-in-asset bank based in the Columbia, SC. MSA.

| YEAR | EARNINGS PER SHARE (US$) | | | | | |
|---|---|---|---|---|---|---|
| | Mar | Jun | Sep | Dec | FY | FY P/E |
| 2021E | 0.42A | 0.49A | 0.61A | 0.51 | 2.03 | 9.5x |
| 2022E | 0.42 | 0.43 | 0.46 | 0.46 | 1.77 | 10.9x |
| 2023E | — | — | — | — | 1.98 | 9.7x |

**PRICE: US$19.25**
**TARGET: US$21.00**
Our price target assumes the shares will trade at ~1.2x year-out TBVPS and implies ~12x our 2022E.

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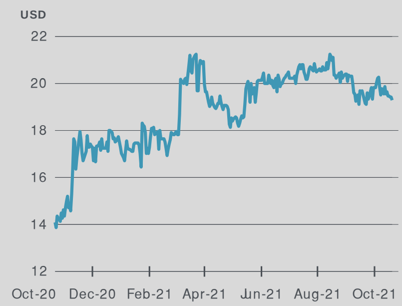
| Changes | Previous | Current |
|---|---|---|
| Rating | — | Neutral |
| Price Tgt | — | US$21.00 |
| FY22E EPS | US$1.75 | US$1.77 |
| FY23E EPS | — | US$1.98 |

| | |
|---|---|
| Market Cap. (mil) | US$143.6 |
| Book Value/Share | US$18.44 |
| Tang. Book/Share | $16.37 |
| Price/Book | 104% |
| Price/Tang.Book | 118% |
| 52-Week High / Low | US$22.00 / US$13.59 |
| Avg Daily Vol (000) | 9 |
| Div Yield | 2.49% |
| Total Assets ($mil) | 1,560 |
| Shares Out (mil) | 7.5 |
| Div (ann) | US$0.48 |
| Fiscal Year End | Dec |

**Price Performance - 1 Year**




*Source: Bloomberg*

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**First Community Corporation**
**($'s in millions, except per share amounts)**

Last Updated: 10/20/2021

| **FCCO** | $ 1.29 | | $ 0.42 | $ 0.49 | | $ 0.61 | | $ 0.51 | $ 2.03 | | $ 0.42 | $ 0.43 | $ 0.46 | $ 0.46 | $ 1.77 | | $ 1.98 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | %Δ | 1Q21 | 2Q21 | Δ | 3Q21A | Δ | 4Q21E | 2021E | %Δ | 1Q22E | 2Q22E | 3Q22E | 4Q22E | 2022E | %Δ | 2023E | %Δ |
| **Income Statement** | | | | | | | | | | | | | | | | | | |
| Net Interest Income | 40.02 | 9% | 10.57 | 11.09 | | 12.46 | | 11.49 | 45.60 | 14% | 11.13 | 11.31 | 11.52 | 11.69 | 45.64 | 0% | 48.99 | 7% |
| FTE adjustment | 0.39 | 8% | 0.11 | 0.12 | | 0.13 | | 0.12 | 0.48 | 23% | 0.12 | 0.12 | 0.12 | 0.12 | 0.48 | 0% | 0.49 | 2% |
| **Net Interest Income (FTE)** | **40.41** | **9%** | **10.68** | **11.22** | | **12.59** | | **11.61** | **46.08** | **14%** | **11.25** | **11.43** | **11.63** | **11.81** | **46.12** | **0%** | **49.48** | **7%** |
| Loan Loss Provision | 3.66 | 2535% | 0.18 | 0.17 | | 0.05 | | -0.14 | 0.25 | -93% | 0.08 | 0.35 | 0.18 | 0.27 | 0.89 | 253% | 1.58 | 77% |
| **Net Income After LLP** | **36.75** | **-1%** | **10.50** | **11.05** | | **12.536** | | **11.75** | **45.83** | **25%** | **11.16** | **11.08** | **11.45** | **11.53** | **45.23** | **-1%** | **47.90** | **6%** |
| **Operating Revenue** | **53.63** | **9%** | **13.89** | **14.63** | | **16.09** | | **15.03** | **59.64** | **11%** | **14.65** | **15.00** | **15.27** | **15.44** | **60.36** | **1%** | **64.64** | **7%** |
| Deposit Service Charges | 1.12 | -32% | 0.25 | 0.21 | 85% | 0.26 | -2.0% | 0.25 | 0.97 | -14% | 0.21 | 0.27 | 0.29 | 0.28 | 1.05 | 9% | 1.14 | 9% |
| Mortgage Banking Income | 5.56 | 22% | 0.99 | 1.14 | 1% | 1.15 | | 1.00 | 4.28 | -23% | 0.95 | 1.15 | 1.12 | 1.05 | 4.27 | 0% | 4.34 | 2% |
| Wealth Management | 2.72 | 35% | 0.88 | 0.96 | 35% | 1.04 | 4.0% | 1.08 | 3.96 | 45% | 1.15 | 1.05 | 1.10 | 1.15 | 4.45 | 13% | 4.93 | 11% |
| Other income | 3.81 | 4% | 1.11 | 1.11 | -17% | 1.06 | 2.5% | 1.09 | 4.36 | 14% | 1.10 | 1.09 | 1.12 | 1.15 | 4.47 | 3% | 4.74 | 6% |
| ***Core Fee Income*** | **13.21** | **11%** | **3.2** | **3.4** | | **3.5** | | **3.4** | **13.56** | **3%** | **3.4** | **3.6** | **3.6** | **3.6** | **14.24** | **5%** | **15.16** | **6%** |
| *Securities gains* | 0.10 | -27% | 0.00 | 0.00 | | 0.00 | | 0.00 | 0.00 | -100% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | NA | 0.00 | NA |
| *Non-recurring income* | 0.46 | -261% | 0.08 | 0.00 | | 0.06 | | 0.00 | 0.14 | -70% | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -100% | 0.00 | NA |
| ***Total Fee Income*** | **13.77** | **17%** | **3.30** | **3.42** | | **3.56** | | **3.42** | **13.70** | **-1%** | **3.41** | **3.57** | **3.63** | **3.64** | **14.24** | **4%** | **15.16** | **6%** |
| Salaries and employee benefits | 24.03 | 13% | 5.96 | 5.95 | 7.5% | 6.39 | -1.0% | 6.33 | 24.64 | 3% | 6.47 | 6.41 | 6.50 | 6.57 | 25.95 | 5% | 27.00 | 4% |
| Occupancy and Equipment | 3.95 | -6% | 1.01 | 1.07 | 0.7% | 1.08 | 0.0% | 1.08 | 4.24 | 7% | 1.10 | 1.13 | 1.15 | 1.16 | 4.53 | 7% | 4.86 | 7% |
| Marketing | 1.04 | -6% | 0.40 | 0.31 | ##### | 0.14 | 45.0% | 0.20 | 1.05 | 1% | 0.30 | 0.26 | 0.28 | 0.27 | 1.12 | 6% | 1.11 | -1% |
| FDIC | 0.40 | 41% | 0.17 | 0.15 | 29.5% | 0.19 | -0.1% | 0.19 | 0.69 | 72% | 0.19 | 0.19 | 0.19 | 0.19 | 0.76 | 10% | 0.77 | 1% |
| CDI Amortization | 0.36 | -31% | 0.06 | 0.05 | 0.0% | 0.05 | 1.0% | 0.05 | 0.21 | -41% | 0.05 | 0.05 | 0.06 | 0.06 | 0.22 | 3% | 0.23 | 7% |
| Other Non-Interest Expense | 7.55 | 2% | 1.92 | 2.11 | 1.9% | 2.15 | 3.0% | 2.21 | 8.38 | 11% | 2.24 | 2.27 | 2.28 | 2.31 | 9.10 | 9% | 9.57 | 5% |
| **Non credit expense** | **37.33** | **7%** | **9.51** | **9.64** | | **10.00** | | **10.06** | **39.21** | **5%** | **10.36** | **10.30** | **10.46** | **10.56** | **41.68** | **6%** | **43.53** | **4%** |
| OREO costs | 0.20 | 148% | 0.03 | 0.06 | | 0.06 | 0.0% | 0.06 | 0.20 | 0% | 0.06 | 0.06 | 0.06 | 0.06 | 0.23 | 16% | 0.23 | 0% |
| **Core Non-interest Expense** | **37.53** | **8%** | **9.54** | **9.69** | | **10.06** | | **10.12** | **39.41** | **5%** | **10.42** | **10.36** | **10.51** | **10.61** | **41.91** | **6%** | **43.76** | **4%** |
| *Non-recurring expense* | 0.00 | -100% | 0.00 | 0.19 | | -0.15 | | 0.00 | 0.03 | NA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -100% | 0.00 | NA |
| **Total Non-interest Expense** | **37.53** | **8%** | **9.54** | **9.88** | | **9.91** | | **10.12** | **39.44** | **5%** | **10.42** | **10.36** | **10.51** | **10.61** | **41.91** | **6%** | **43.76** | **4%** |
| ***Efficiency Ratio*** | **70.0%** | | **68.7%** | **66.2%** | | **62.5%** | | **67.4%** | **66.1%** | | **71.1%** | **69.1%** | **68.9%** | **68.7%** | **69.4%** | | **67.7%** | |
| **Net non-recurring items** | **0.6** | **588%** | **0.1** | **-0.2** | | **0.2** | | **0.0** | **0.1** | **-81%** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **-100%** | **0.0** | **NA** |
| **Pre-tax, pre-provision income** | 16.09 | 13% | 4.35 | 4.94 | | 6.03 | | 4.91 | 20.23 | 26% | 4.23 | 4.63 | 4.75 | 4.83 | 18.44 | -9% | 20.87 | 13% |
| **Pre-tax, pre-credit costs income** | 16.29 | 14% | 4.38 | 5.00 | | 6.09 | | 4.96 | 20.43 | 25% | 4.29 | 4.69 | 4.81 | 4.89 | 18.68 | -9% | 21.11 | 13% |
| **Operating Income** | 12.43 | -12% | 4.18 | 4.77 | | 5.98 | | 5.05 | 19.98 | 61% | 4.15 | 4.28 | 4.57 | 4.56 | 17.56 | -12% | 19.30 | 10% |
| **Pretax Income** | 12.60 | -9% | 4.15 | 4.46 | | 6.07 | | 4.93 | 19.60 | 56% | 4.03 | 4.16 | 4.45 | 4.44 | 17.08 | -13% | 18.81 | 10% |
| **Total Tax Expense** | **2.50** | **-13%** | **0.89** | **0.92** | | **1.32** | | **1.07** | **4.20** | **68%** | **0.88** | **0.90** | **0.97** | **0.96** | **3.71** | **-12%** | **4.09** | **10%** |
| Effective Tax Rate | 19.8% | -4% | 21.5% | 20.6% | | 21.7% | | 21.7% | 21.4% | 8% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 1% | 21.7% | 0% |
| Net Income before Extraordinary | 10.10 | -8% | 3.26 | 3.54 | | 4.75 | | 3.86 | 15.40 | 53% | 3.15 | 3.26 | 3.48 | 3.47 | 13.37 | -13% | 14.72 | 10% |
| **Net Income** | 10.10 | -8% | 3.26 | 3.54 | | 4.75 | | 3.86 | 15.40 | 53% | 3.15 | 3.26 | 3.48 | 3.47 | 13.37 | -13% | 14.72 | 10% |
| Preferred Dividends (& accretion) | 0.0 | NA | 0.0 | 0.0 | | 0.0 | | 0.0 | 0.0 | NA | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | NA | 0.0 | NA |
| **Net Income to Common** | **10.10** | **-8%** | **3.26** | **3.54** | | **4.75** | | **3.86** | **15.40** | **53%** | **3.15** | **3.26** | **3.48** | **3.47** | **13.37** | **-13%** | **14.72** | **10%** |
| **Core Net Income** | **9.65** | **-12%** | **3.19** | **3.69** | | **4.58** | | **3.86** | **15.32** | **59%** | **3.15** | **3.26** | **3.48** | **3.47** | **13.37** | **-13%** | **14.72** | **10%** |
| **Per Share Information** | | | | | | | | | | | | | | | | | | |
| Avg Diluted Shares (mil) | 7.5 | -1% | 7.5 | 7.5 | | 7.6 | | 7.6 | 7.5 | 1% | 7.6 | 7.6 | 7.6 | 7.6 | 7.6 | 0% | 7.4 | -2% |
| EOP Shares | 7.5 | 1% | 7.5 | 7.5 | | 7.5 | | 7.5 | 7.5 | 1% | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 0% | 7.3 | -3% |
| *Est. (buyback) / issuance* | 0.1 | | 0.0 | 0.0 | | 0.0 | | 0.0 | 0.0 | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | -0.2 | |
| *Est. price/share* | 3.6 | | 0.0 | 18.8 | | 17.5 | | 18.5 | 13.7 | | 20.5 | 21.0 | 22.0 | 22.5 | 21.5 | | 23.0 | |
| *Total $'s of Capital* | $0.00 | | $0.00 | -$0.27 | | -$0.08 | | $0.00 | -$0.36 | | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | | -$4.60 | |
| Reported EPS | $ 1.35 | -7% | $ 0.43 | $ 0.47 | | $ 0.63 | | $ 0.51 | $ 2.04 | 51% | $ 0.42 | $ 0.43 | $ 0.46 | $ 0.46 | $ 1.77 | -13% | $ 1.98 | 12% |
| **Core EPS** | $ 1.29 | -10% | $ 0.42 | $ 0.49 | | $ 0.61 | | $ 0.51 | $ 2.03 | 58% | $ 0.42 | $ 0.43 | $ 0.46 | $ 0.46 | $ 1.77 | -13% | $ 1.98 | 12% |
| EPS growth rate (%) | -10.3% | | -29% | 61% | | 95% | | -63% | 57.6% | | -73% | 14% | 27% | -1% | -12.9% | | 12.0% | |
| **P/E Ratio LTM** | 0.0x | NA | 0.0x | 0.0x | | 0.0x | | 0.0x | 0.0x | NA | 0.0x | 0.0x | 0.0x | 0.0x | 0.0x | NA | 0.0x | NA |
| Book Value per share | $ 18.18 | 13% | $ 17.63 | $ 18.29 | | $ 18.44 | | $ 18.83 | $ 18.83 | 4% | $ 19.13 | $ 19.44 | $ 19.78 | $ 20.12 | $ 20.12 | 7% | $ 21.56 | 7% |
| **Tangible Book Value per share** | $ 16.08 | 15% | $ 15.55 | $ 16.22 | | $ 16.37 | | $ 16.76 | $ 16.76 | 4% | $ 17.06 | $ 17.38 | $ 17.72 | $ 18.06 | $ 18.06 | 8% | $ 19.45 | 8% |
| TBV Growth (%) | 14.9% | NA | -13% | 17% | | 4% | | 10% | 4.3% | NA | 7% | 7% | 8% | 8% | 7.7% | NA | 7.7% | NA |
| Dividend | $ 0.48 | 7% | $ 0.12 | $ 0.12 | | $ 0.12 | $ - | $ 0.12 | $ 0.48 | 0% | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 0.48 | 0% | $ 0.48 | 0% |
| Payout Ratio (%) | 37% | 19% | 28% | 25% | | 20% | | 24% | 24% | -37% | 29% | 28% | 26% | 26% | 27% | 15% | 24% | -11% |
| **Performance Ratios** | | | | | | | | | | | | | | | | | | |
| Return on Average Assets | 0.74% | -24% | 0.90% | 0.98% | | 1.18% | | 0.97% | 1.01% | 36% | 0.80% | 0.81% | 0.85% | 0.84% | 0.83% | -18% | 0.88% | 6% |
| Return on Average Common Equity | 7.49% | -20% | 9.56% | 10.95% | | 12.95% | | 10.68% | 11.05% | 48% | 8.78% | 8.84% | 9.18% | 9.00% | 8.95% | -19% | 9.38% | 5% |
| Return on Tangible Common Equity | 8.00% | -24% | 11.07% | 12.11% | | 14.72% | | 12.10% | 12.11% | 51% | 9.93% | 9.97% | 10.33% | 10.11% | 9.81% | -19% | 10.30% | 5% |
| PTPP Income | 16.1 | 13% | 4.4 | 4.9 | | 6.0 | | 4.9 | 20.2 | 26% | 4.2 | 4.6 | 4.8 | 4.8 | 18.4 | -9% | 20.9 | 13% |
| PTPP Income / Shr | 2.15 | 15% | 0.58 | 0.66 | #DIV/0! | 0.80 | #DIV/0! | 0.65 | 2.68 | 25% | 0.56 | 0.61 | 0.63 | 0.64 | 2.44 | -9% | 2.81 | 15% |
| PTPP ROA | 1.24% | -3% | 1.23% | 1.31% | | 1.55% | | 1.24% | 1.34% | 8% | 1.08% | 1.16% | 1.16% | 1.17% | 1.14% | -15% | 1.24% | 9% |
| **Net Interest Margin, FTE** | 3.37% | -8% | 3.23% | 3.20% | 3.47% | 3.47% | 3.13% | 3.13% | 3.26% | -3% | 3.05% | 3.03% | 3.02% | 3.04% | 3.04% | -7% | 3.14% | 3% |
| Avg Earning Asset Yield | 3.72% | -12% | 3.43% | 3.37% | | 3.62% | | 3.28% | 3.42% | -8% | 3.20% | 3.17% | 3.16% | 3.18% | 3.18% | -7% | 3.33% | 5% |
| Cost of Interest Bearing Liabilities | 0.47% | -41% | 0.29% | 0.24% | | 0.22% | | 0.21% | 0.24% | -49% | 0.20% | 0.19% | 0.20% | 0.21% | 0.20% | -16% | 0.29% | 43% |
| Fee Income / Operating Revenue | 24.6% | 2% | 23.2% | 23.4% | | 21.8% | | 22.8% | 22.7% | -8% | 23.2% | 23.8% | 23.8% | 23.5% | 23.6% | 4% | 23.5% | -1% |
| Fee Income / Average Assets | 1.02% | | 0.91% | 0.91% | | 0.90% | | 0.86% | 0.90% | | 0.87% | 0.89% | 0.89% | 0.88% | 0.88% | | 0.90% | |
| Effective Tax Rate (FTE) | 19.8% | -4% | 21.5% | 20.6% | | 21.7% | | 21.7% | 21.4% | 8% | 21.7% | 21.7% | 21.7% | 21.7% | 21.7% | 1% | 21.7% | 0% |
| Statutory Tax Rate | 35.0% | NA | 35.0% | 35.0% | | 35.0% | | 35.0% | 35.0% | NA | 35.0% | 35.0% | 35.0% | 35.0% | 35.0% | NA | 35.0% | NA |
| **Quarterly Growth Rates** | | | | | | | | | | | | | | | | | | |
| Average HFI Loan Growth | 5.4% | | -3.5% | 13.1% | | 14.7% | | 13.5% | 8.2% | | 7.8% | 9.8% | 11.9% | 9.4% | 11.5% | | 10.0% | |
| EOP HFI Loan Growth | 8.1% | | 3.9% | 13.3% | | 19.7% | | 9.0% | 12.0% | | 6.5% | 13.0% | 11.0% | 8.0% | 10.0% | | 10.1% | |
| Average Earning Assets | 17.7% | | 13% | 20% | | 10% | | 8% | 18.0% | | 7% | 5% | 4% | 3% | 7.5% | | 3.7% | |
| Average Total Deposits | 16.3% | | 9.0% | 25.6% | | 8.5% | | 9.4% | 18.4% | | 4.6% | 2.8% | 0.0% | -2.0% | 6.0% | | 1.0% | |
| Total Assets | 19.2% | | 28.2% | 6.0% | | 11.9% | | 5.0% | 13.2% | | 5.5% | 3.8% | 4.9% | 2.1% | 4.1% | | 4.1% | |
| Net Interest Income (FTE) | 8.6% | | -4% | 20% | | 48% | | -31% | 14.0% | | -13% | 6% | 7% | 6% | 0.1% | | 7.3% | |
| Non-interest Income | 11.2% | | -43% | 25% | | 10% | | -10% | 2.6% | | -2% | 19% | 7% | 0% | 5.0% | | 6.4% | |
| Operating Revenues | 9.2% | | -14% | 21% | | 39% | | -26% | 11.2% | | -10% | 9% | 7% | 5% | 1.2% | | 7.1% | |
| Non-interest Expense | 8.4% | | -5% | 14% | | 1% | | 9% | 5.1% | | 12% | -2% | 6% | 4% | 6.3% | | 4.4% | |

**First Community Corporation**
**($'s in millions, except per share amounts)**

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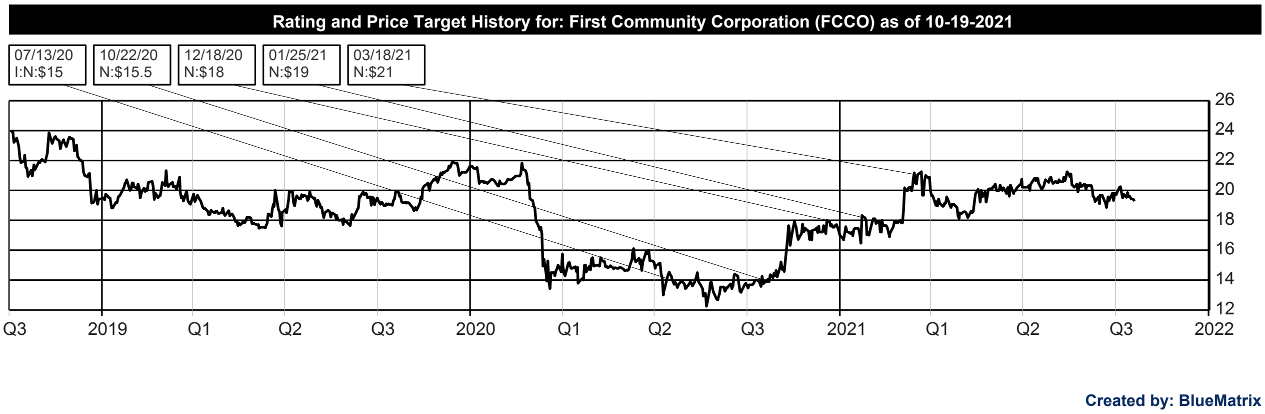
Last Updated: 10/20/2021

| **FCCO** | $ 1.29 | | $ 0.42 | $ 0.49 | | $ 0.61 | | $ 0.51 | $ 2.03 | | $ 0.42 | $ 0.43 | $ 0.46 | $ 0.46 | $ 1.77 | | $ 1.98 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | %Δ | 1Q21 | 2Q21 | Δ | 3Q21A | Δ | 4Q21E | 2021E | %Δ | 1Q22E | 2Q22E | 3Q22E | 4Q22E | 2022E | %Δ | 2023E | %Δ |
| **Balance Sheet Ratios** | | | | | | | | | | | | | | | | | | |
| Loans / Deposits | 71.28% | -9% | 65.94% | 64.01% | | 65.00% | | 65.66% | 65.14% | -9% | 66.19% | 67.34% | 69.36% | 71.36% | 68.57% | 5% | 74.70% | 9% |
| Avg Loans / Avg Earning Assets | 64.65% | -10% | 59.49% | 58.58% | | 59.21% | | 59.96% | 59.31% | -8% | 60.13% | 60.90% | 62.08% | 63.04% | 61.55% | 4% | 65.27% | 6% |
| Avg. Earning Assets / Assets | 92.50% | 1% | 93.30% | 93.14% | | 93.40% | | 93.71% | 93.39% | 1% | 94.02% | 94.03% | 93.97% | 93.89% | 93.98% | 1% | 94.01% | 0% |
| Securities / Avg Earning Assets | 25.10% | -1% | 27.88% | 30.68% | | 33.90% | | 35.46% | 32.08% | 28% | 35.67% | 35.25% | 34.28% | 33.58% | 34.69% | 8% | 31.63% | -9% |
| Avg. Equity / Avg Assets | 9.94% | -5% | 9.45% | 8.97% | | 9.10% | | 9.13% | 9.16% | -8% | 9.15% | 9.20% | 9.25% | 9.33% | 9.23% | 1% | 9.36% | 1% |
| **TCE (%)** | **8.74%** | **-3%** | **7.92%** | **8.16%** | | **8.00%** | | **8.09%** | **8.09%** | **-7%** | **8.12%** | **8.19%** | **8.25%** | **8.36%** | **8.36%** | **3%** | **8.41%** | **1%** |
| *Estimated Excess Capital (7% TCE tgt.)* | $10.21 | -13% | -$1.16 | $2.33 | | -$0.06 | | $1.34 | $1.34 | -87% | $1.87 | $3.04 | $4.01 | $5.88 | $5.88 | 340% | $7.04 | 20% |
| Tier 1 Leverage Ratio | 8.84% | | 8.73% | 8.48% | | 8.56% | | | | | | | | | | | | |
| Tier 1 Risk-Based Capital Ratio | 12.83% | | 13.13% | 13.52% | | 13.58% | | | | | | | | | | | | |
| Total Capital Ratio | 13.94% | | 14.26% | 14.66% | | 14.74% | | | | | | | | | | | | |
| Tier 1 Common Ratio | 12.83% | | 13.13% | 13.52% | | 13.58% | | | | | | | | | | | | |
| **Average Balance Sheet** | | | | | | | | | | | | | | | | | | |
| HFI Loans | $ 775 | 5% | $ 797 | $ 823 | 14.9% | $ 853 | 13.5% | $ 882 | $ 839 | 8% | $ 899 | $ 921 | $ 949 | $ 971 | $ 935 | 12% | $ 1,029 | 10% |
| HFS Loans | $ 27.8 | NA | $ 34 | $ 17 | | $ 9 | | $ 6 | $ 16.7 | -40% | $ 6 | $ 6 | $ 6 | $ 6 | $ 5.8 | -65% | $ 5.5 | -5% |
| PPP Loans | $ 32 | NA | $ 56 | $ 56 | | $ 32 | -297% | $ 8 | $ 38 | 17% | $ 4 | $ 2 | $ 1 | $ - | $ 2 | -96% | $ 0 | -85% |
| Total Loans | $ 835 | 14% | $ 886 | $ 896 | | $ 894 | $ (3) | $ 897 | $ 893 | 7% | $ 909 | $ 929 | $ 955 | $ 977 | $ 943 | 6% | $ 1,035 | 10% |
| Total Loans (ex. PPP) | $ 803 | 9% | $ 831 | $ 840 | 10.4% | $ 862 | | $ 888 | $ 855 | 7% | $ 905 | $ 927 | $ 955 | $ 977 | $ 941 | 10% | $ 1,034 | 10% |
| Securities | $ 301 | 17% | $ 373 | $ 431 | 53.5% | $ 489 | 10.0% | $ 522 | $ 454 | 51% | $ 533 | $ 533 | $ 524 | $ 517 | $ 527 | 16% | $ 499 | -5% |
| Other Earning Assets | $ 63 | 146% | $ 79 | $ 78 | $ (19) | $ 59 | $ (6) | $ 53 | $ 67 | 7% | $ 53 | $ 51 | $ 49 | $ 46 | $ 50 | -26% | $ 43 | -14% |
| Earning Assets | $ 1,198 | 18% | $ 1,339 | $ 1,404 | 10.5% | $ 1,441 | 8.4% | $ 1,471 | $ 1,414 | 18% | $ 1,496 | $ 1,513 | $ 1,528 | $ 1,541 | $ 1,519 | 7% | $ 1,576 | 4% |
| Non-int Assets | $ 97 | -1% | $ 96 | $ 103 | | $ 102 | | $ 99 | $ 100 | 3% | $ 95 | $ 96 | $ 98 | $ 100 | $ 97 | -3% | $ 100 | 3% |
| Assets | $ 1,296 | 16% | $ 1,435 | $ 1,508 | | $ 1,543 | | $ 1,570 | $ 1,514 | 17% | $ 1,591 | $ 1,609 | $ 1,626 | $ 1,641 | $ 1,617 | 7% | $ 1,677 | 4% |
| Non-interest Bearing Deposits | $ 344 | 30% | $ 390 | $ 420 | 9.6% | $ 430 | 4.0% | $ 435 | $ 419 | 22% | $ 424 | $ 435 | $ 456 | $ 461 | $ 444 | 6% | $ 470 | 6% |
| Interest Bearing Deposits | $ 743 | 11% | $ 818 | $ 865 | 8.0% | $ 882 | 12.1% | $ 909 | $ 868 | 17% | $ 935 | $ 933 | $ 912 | $ 900 | $ 920 | 6% | $ 907 | -1% |
| Total Deposits | $ 1,087 | 16% | $ 1,208 | $ 1,285 | 8.5% | $ 1,313 | 9.4% | $ 1,344 | $ 1,287 | 18% | $ 1,359 | $ 1,368 | $ 1,368 | $ 1,361 | $ 1,364 | 6% | $ 1,377 | 1% |
| Other Borrowings | $ 67 | 27% | $ 78 | $ 75 | | $ 78 | | $ 73 | $ 76 | 14% | $ 76 | $ 83 | $ 98 | $ 116 | $ 93 | 22% | $ 132 | 41% |
| Interest Bearing Liabilities | $ 810 | 12% | $ 896 | $ 940 | | $ 960 | | $ 982 | $ 945 | 17% | $ 1,011 | $ 1,016 | $ 1,009 | $ 1,017 | $ 1,013 | 7% | $ 1,039 | 3% |
| Other Liabilities | $ 13 | 12% | $ 13 | $ 12 | | $ 12 | | $ 10 | $ 12 | -11% | $ 10 | $ 10 | $ 10 | $ 10 | $ 10 | -13% | $ 11 | 4% |
| Total Liabilities | $ 1,167 | 17% | $ 1,300 | $ 1,372 | | $ 1,402 | | $ 1,427 | $ 1,375 | 18% | $ 1,445 | $ 1,461 | $ 1,476 | $ 1,488 | $ 1,467 | 7% | $ 1,520 | 4% |
| Average Preferred Equity | $ - | NA | $ - | $ - | | $ - | | $ - | $ - | NA | $ - | $ - | $ - | $ - | $ - | NA | $ - | NA |
| Average Common Equity | $ 129 | 10% | $ 136 | $ 135 | | $ 140 | | $ 143 | $ 139 | 8% | $ 146 | $ 148 | $ 151 | $ 153 | $ 149 | 8% | $ 157 | 5% |
| Average Total Equity | $ 129 | 10% | $ 136 | $ 135 | | $ 140 | | $ 143 | $ 139 | 8% | $ 146 | $ 148 | $ 151 | $ 153 | $ 149 | 8% | $ 157 | 5% |
| **EOP Balance Sheet** | | | | | | | | | | | | | | | | | | |
| Cash and Equivalents | $ 65 | 36% | $ 113 | $ 76 | ##### | $ 55 | -40.0% | $ 50 | $ 50 | -23% | $ 45 | $ 43 | $ 41 | $ 38 | $ 38 | -24% | $ 30 | -20% |
| HFI Loans | $ 797 | 8% | $ 804 | $ 831 | 19.9% | $ 872 | 9.0% | $ 892 | $ 892 | 12% | $ 907 | $ 936 | $ 962 | $ 981 | $ 981 | 10% | $ 1,080 | 10% |
| HFS Loans | $ 45 | 304% | $ 23 | $ 11 | ##### | $ 6 | -5.0% | $ 6 | $ 6 | -86% | $ 5 | $ 6 | $ 6 | $ 6 | $ 6 | -5% | $ 6 | -5% |
| PPP Loans | $ 47 | NA | $ 65 | $ 49 | | $ 11 | | $ 5 | $ 5 | -88% | $ 3 | $ 1 | $ - | $ - | $ - | -100% | $ - | NA |
| Total Loans | $ 889 | 19% | $ 893 | $ 892 | | $ 890 | $ 0 | $ 904 | $ 904 | 2% | $ 915 | $ 943 | $ 968 | $ 987 | $ 987 | 9% | $ 1,086 | 10% |
| Total Loans (ex. PPP) | $ 842 | 13% | $ 828 | $ 843 | | $ 879 | $ 0 | $ 898 | $ 898 | 7% | $ 912 | $ 942 | $ 968 | $ 987 | $ 987 | 10% | $ 1,086 | 10% |
| Securities and other investments | $ 362 | 25% | $ 408 | $ 471 | 37.9% | $ 515 | 10.0% | $ 528 | $ 528 | 46% | $ 539 | $ 528 | $ 520 | $ 515 | $ 515 | -3% | $ 485 | -6% |
| Intangible Assets | $ 16 | -2% | $ 16 | $ 16 | | $ 16 | $ 0 | $ 16 | $ 16 | -1% | $ 16 | $ 16 | $ 16 | $ 16 | $ 16 | 0% | $ 15 | 0% |
| Other Real Estate Owned | $ 1.2 | -15% | $ 1 | $ 1 | | $ 1 | | $ 1 | $ 1.1 | -5% | $ 1 | $ 1 | $ 1 | $ 1 | $ 1.0 | -10% | $ 0.9 | -10% |
| Other Assets | $ 73 | -3% | $ 73 | $ 70 | | $ 95 | $ (2) | $ 93 | $ 93 | 27% | $ 98 | $ 98 | $ 103 | $ 101 | $ 101 | 9% | $ 109 | 8% |
| Assets | $ 1,395 | 19% | $ 1,492 | $ 1,515 | | $ 1,560 | | $ 1,580 | $ 1,580 | 13% | $ 1,601 | $ 1,616 | $ 1,637 | $ 1,645 | $ 1,645 | 4% | $ 1,713 | 4% |
| Tangible Assets | $ 1,380 | 20% | $ 1,477 | $ 1,499 | | $ 1,545 | | $ 1,564 | $ 1,564 | 13% | $ 1,586 | $ 1,601 | $ 1,621 | $ 1,630 | $ 1,630 | 4% | $ 1,698 | 4% |
| Deposits | $ 1,189 | 20% | $ 1,271 | $ 1,290 | 13.5% | $ 1,334 | 6.0% | $ 1,354 | $ 1,354 | 14% | $ 1,364 | $ 1,372 | $ 1,364 | $ 1,359 | $ 1,359 | 0% | $ 1,410 | 4% |
| Borrowings | $ 56 | 15% | $ 75 | $ 75 | | $ 75 | | $ 71 | $ 71 | 28% | $ 81 | $ 85 | $ 111 | $ 122 | $ 122 | 71% | $ 132 | 8% |
| Other liabilities | $ 14 | 3% | $ 13 | $ 12 | | $ 13 | | $ 13 | $ 13 | -6% | $ 13 | $ 13 | $ 13 | $ 13 | $ 13 | 0% | $ 13 | 0% |
| Liabilities | $ 1,259 | 20% | $ 1,360 | $ 1,377 | | $ 1,421 | | $ 1,438 | $ 1,438 | 14% | $ 1,457 | $ 1,470 | $ 1,487 | $ 1,494 | $ 1,494 | 4% | $ 1,555 | 4% |
| Preferred Equity | $ - | NA | $ - | $ - | | $ - | | $ - | $ - | NA | $ - | $ - | $ - | $ - | $ - | NA | $ - | NA |
| Common Equity | $ 136 | 13% | $ 133 | $ 138 | | $ 139 | | $ 142 | $ 142 | 4% | $ 144 | $ 147 | $ 149 | $ 152 | $ 152 | 7% | $ 158 | 4% |
| Total Equity | $ 136 | 13% | $ 133 | $ 138 | | $ 139 | | $ 142 | $ 142 | 4% | $ 144 | $ 147 | $ 149 | $ 152 | $ 152 | 7% | $ 158 | 4% |
| Tangible Equity | $ 121 | 16% | $ 117 | $ 122 | | $ 124 | | $ 126 | $ 126 | 5% | $ 129 | $ 131 | $ 134 | $ 136 | $ 136 | 8% | $ 143 | 5% |
| Tangible Common Equity | $ 121 | 16% | $ 117 | $ 122 | | $ 124 | | $ 126 | $ 126 | 5% | $ 129 | $ 131 | $ 134 | $ 136 | $ 136 | 8% | $ 143 | 5% |
| **Credit Quality Ratios** | | | | | | | | | | | | | | | | | | |
| Loan Loss Reserve | 10.4 | 57% | 10.6 | 10.6 | | 11.0 | | 10.9 | 10.9 | 5% | 10.9 | 11.0 | 11.2 | 11.2 | 11.2 | 3% | 11.9 | 6% |
| LLR / Loans (%) ex PPP | 1.30% | 45% | 1.31% | 1.28% | | 1.26% | | 1.22% | 1.22% | -6% | 1.20% | 1.18% | 1.16% | 1.14% | 1.14% | -7% | 1.10% | -4% |
| Change in Reserve | 3.8 | 934% | 0.2 | 0.1 | | 0.4 | | -0.1 | 0.5 | -87% | 0.0 | 0.2 | 0.1 | 0.0 | 0.3 | -39% | 0.7 | 132% |
| LLR Release per share | ($0.50) | 949% | $ (0.02) | $ (0.01) | | $ (0.05) | | $ 0.02 | ($0.07) | -87% | $ 0.00 | $ (0.02) | $ (0.01) | $ (0.00) | ($0.04) | -39% | ($0.09) | 136% |
| Net Charge Offs | -0.1 | -47% | 0.0 | 0.1 | ##### | -0.3 | 0.0% | 0.0 | -0.2 | 103% | 0.1 | 0.2 | 0.1 | 0.2 | 0.6 | -342% | 0.9 | 49% |
| NCOs / Avg Loans (%) annualized | -0.02% | -49% | 0.00% | 0.05% | | -0.16% | | 0.00% | -0.03% | 87% | 0.04% | 0.08% | 0.03% | 0.10% | 0.06% | -317% | 0.09% | 36% |
| Provision | 3.7 | 2535% | 0.2 | 0.2 | | 0.0 | | -0.1 | 0.3 | -93% | 0.1 | 0.4 | 0.2 | 0.3 | 0.9 | 253% | 1.6 | 77% |
| Excess Provision | 3.8 | 939% | 0.2 | 0.1 | | 0.4 | | -0.1 | 0.5 | -87% | 0.0 | 0.2 | 0.1 | 0.0 | 0.3 | -39% | 0.7 | 132% |
| LLP / Avg Loans | 0.44% | 2221% | 0.08% | 0.08% | | 0.02% | | -0.06% | 0.03% | -94% | 0.04% | 0.15% | 0.08% | 0.11% | 0.09% | 234% | 0.15% | 62% |
| Nonaccrual Loans | 4.6 | 96% | 4.5 | 4.0 | -364% | 0.4 | -5.0% | 0.4 | 0.4 | -92% | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | -5% | 0.3 | -5% |
| TDRs | 1.6 | -7% | 1.5 | 1.5 | -10% | 1.5 | -5.0% | 1.5 | 1.5 | -6% | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | -5% | 1.3 | -5% |
| **NPLs** | **6.11** | 53% | **6.04** | **5.50** | | **1.83** | | **1.81** | **1.81** | -70% | **1.79** | **1.77** | **1.74** | **1.72** | **1.72** | -5% | **1.64** | -5% |
| **NPLs / Loans (%)** | **0.69%** | 29% | **0.68%** | **0.62%** | | **0.21%** | | **0.20%** | **0.20%** | -71% | **0.20%** | **0.19%** | **0.18%** | **0.17%** | **0.17%** | -13% | **0.15%** | -14% |
| OREO | 1.2 | -15% | 1.1 | 1.2 | -6% | 1.2 | -10.0% | 1.1 | 1.1 | -5% | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | -10% | 0.9 | -10% |
| **NPAs** | **7.31** | 35% | **7.11** | **6.68** | | **3.00** | | **2.95** | **2.95** | -60% | **2.90** | **2.85** | **2.80** | **2.75** | **2.75** | -7% | **2.56** | -7% |
| **NPAs / Loans + OREO (%)** | **0.82%** | 14% | **0.80%** | **0.75%** | | **0.34%** | | **0.33%** | **0.33%** | -60% | **0.32%** | **0.30%** | **0.29%** | **0.28%** | **0.28%** | -15% | **0.24%** | -15% |
| 90-days past due | 1.3 | NA | 0.0 | 4.2 | -400% | 0.0 | 0% | 0.0 | 0.0 | -100% | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | NA | 0.0 | NA |
| **NPAs + 90 DPD** | **8.57** | 59% | **7.11** | **10.84** | | **3.00** | | **2.95** | **2.95** | -66% | **2.90** | **2.85** | **2.80** | **2.75** | **2.75** | -7% | **2.56** | -7% |
| **NPAs + 90 DPD / Loans + OREO (%)** | **0.96%** | 33% | **0.80%** | **1.21%** | | **0.34%** | | **0.33%** | **0.33%** | -66% | **0.32%** | **0.30%** | **0.29%** | **0.28%** | **0.28%** | -15% | **0.24%** | -15% |
| Past Dues | 0.7 | 40% | 0.3 | 0.2 | 0.0% | 0.2 | 0.0% | 0.2 | 0.2 | -74% | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0% | 0.2 | 0% |
| Total NPAs + Past Dues | 9.2 | 57% | 7.4 | 11.0 | | 3.2 | | 3.1 | 3.1 | -66% | 3.1 | 3.0 | 3.0 | 2.9 | 2.9 | -6% | 2.7 | -6% |
| As a % of Loans + OREO | 1.04% | 32% | 0.83% | 1.23% | | 0.36% | | 0.34% | 0.34% | -67% | 0.33% | 0.32% | 0.31% | 0.30% | 0.30% | -14% | 0.25% | -15% |
| Classified Loans | 8.0 | 71% | 12.1 | 11.7 | -10% | 11.4 | -10% | 11.1 | 11.1 | 39% | 10.8 | 10.6 | 10.3 | 10.1 | 10.1 | -10% | 9.1 | -10% |
| Criticized Loans | 15.8 | 64% | 15.6 | 14.8 | -10% | 14.4 | -10% | 14.1 | 14.1 | -11% | 13.7 | 13.4 | 13.0 | 12.7 | 12.7 | -10% | 11.5 | -10% |
| Classified / Loans (%) | 0.90% | 44% | 1.36% | 1.31% | | 1.28% | | 1.23% | 1.23% | 37% | 1.19% | 1.12% | 1.07% | 1.02% | 1.02% | -17% | 0.84% | -18% |
| LLR / NPLs | 170% | 3% | 175% | 194% | | 601% | | 601% | 601% | 254% | 609% | 626% | 640% | 650% | 650% | 8% | 726% | 12% |
| LLR / NPAs (ex. TDRs) | | | 189% | 206% | | 723% | | 730% | | | 746% | 775% | 800% | 820% | | | | |
| LLR / NPAs | 121% | -1% | 149% | 98% | | 368% | | 369% | 369% | 205% | 376% | 388% | 399% | 407% | 407% | 10% | 463% | 14% |

## IMPORTANT RESEARCH DISCLOSURES

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I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

**Distribution of Ratings/IB Services**
**Piper Sandler**

| | | | IB Serv./Past 12 Mos. | |
|---|---|---|---|---|
| **Rating** | **Count** | **Percent** | **Count** | **Percent** |
| **BUY [OW]** | **664** | **66.53** | **290** | **43.67** |
| **HOLD [N]** | **331** | **33.17** | **78** | **23.56** |
| **SELL [UW]** | **3** | **0.30** | **0** | **0.00** |

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