

FCCO-First Community Corporation

Double Digit Loan Growth Expected to Continue; NIM to Rebound; Increase 2017 EPS; Maintain Outperform

- **Maintain “Outperform” rating, Increase 2017 EPS \$0.01 and Boost Target Price to \$17**
- **Double Digit Loan Growth to Continue**

We are maintaining our “Outperform” rating and raising our Target Price up to \$17 (+\$1.50) which reflects ~15.5x our 2017 EPS, 135% of 2017 Tangible Book Value or a reasonable 6% Core Deposit Premium.

Following a review of the quarter, we are maintaining our 2016 EPS at \$0.99 and increasing our 2017 EPS to by a penny to \$1.08. Our revised 2017 EPS reflects lower provisioning which more than offsets slightly lower spread income due to a lower NIM outlook.

We continue to be favorably disposed to shares of FCCO given our outlook for improving profitability in future periods. ROAA approximated 0.75% in 3Q16. Importantly, while this remains below peer we expect this to continue to improve prospectively continuing to narrow the gap with peer as FCCO remixes the balance sheet away from lower yielding securities and into higher yielding loans. The recent lift out of three commercial lenders in the Greenville SC MSA along with disruption in the Augusta GA market stemming from recent M&A there should help accelerate loan growth and management’s goal of improving balance sheet efficiency. Management continues to target an 80% loan to earning asset ratio versus its 62% today. This remix is expected to occur over the next several years adding ~\$0.25 to earnings all else equal. Our Loan to Earning Asset mix in late 2017 approximates 68% which pencils to an ~85 bps ROAA with a 1% level likely achieved in 2018. In addition to bolstering future growth prospects, the recent entrance into the Greenville market and Augusta/Aiken MSA in 2014 help improve geographic diversification and augment already strong revenue diversification.

An improving currency and termination of its Consent Order in February of this year could set the stage for a return to M&A in 2018 which could have positive implications for earnings as well as help accelerate the balance sheet mix.

Please see important disclosures regarding FIG Partners’ equity rating system, distribution of ratings, and other report disclosures on the last page of this report.

FCCO: \$ 15.25
“Outperform”// Price Target: \$17.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$102.2
Avg. Volume	9,103
Annual Dividend	\$0.28
Dividend Yield	1.84%
Tangible Book/Share	\$11.63
Price/Tangible Book	131%
Price/2016 EPS	15.4x
Price/2017 EPS	14.2x
Total Assets (\$M)	\$915,251
TCE/TA	8.70%
ROAA (2016)	0.75%
ROAE (2016)	8.01%

EPS Estimates

	2014	2015	2016	2017
Q1	\$0.14	\$0.21	\$0.22	\$0.21
Q2	\$0.18	\$0.20	\$0.26	\$0.26
Q3	\$0.23	\$0.25	\$0.25	\$0.31
Q4	\$0.22	\$0.24	\$0.26	\$0.29
FY	\$0.78	\$0.78	\$0.99	\$1.08

Industry Type	Bank
Headquarters	Lexington, SC
Offices	15
Date Established	1995
CEO	Michael C. Crapps
CFO	Joseph G. Sawyer

Source (all data): FIG Partners Research, SNL Financial LC



Outlook: We remain positive on loan growth with our forecast calling for 10% growth in 2016 and 2017 supported by the lift out of three commercial lenders in the Greenville MSA earlier in 2016. Sales pipelines are strong heading into 4Q16 which should allow the company to overcome a large expected C&D loan payoff (\$7 Mil.) and still reach our growth target. Production was strong in all markets in 3Q16 though net growth was driven by Columbia and Greenville as a large payoff negatively impacted Augusta.

NIM is expected to rebound in 4Q16 as prepayments on SBA securities normalize and premium amortization declines, excess liquidity from robust 3Q16 deposit growth is deployed into higher yielding investments and loans, and debt costs fall following the paydown of ~\$10 Mil. in higher cost FHLB advances. FCCO paid off \$7.6 Mil. at 3.54% yield and \$3 Mil. at 2.54%. We are projecting NIM to rebound 6 bps in 4Q16 to 3.25%. We hold the NIM flat through the first half of 2017 as the positive earning asset mix shift helps offset continued loan yield pressure followed by some modest expansion in 2H17.

There is no change to our fee income forecast which calls for ~\$2.2 Mil. in 4Q16 and \$10 Mil. for full year to 2017. Management continues to be optimistic on mortgage revenues in 2017 as they expect to capitalize on opportunities in the Augusta and Columbia markets. Notably, we are projecting mortgage revenues of \$3.9 Mil. in 2017 up from \$3.4 Mil. in 2016. Two new producers in the Columbia market are expected to drive growth as should increased traction in the Augusta market.

Non interest expenses were higher than expected in 3Q16 owing to elevated OREO and marketing costs along with Sarbanes Oxley spending which was primarily nonrecurring in nature. Looking ahead, there is no change our operating expense outlook which calls for growth of ~4% in 2017 reflecting additional investments in technology as well as added operational personnel.

Credit quality remains excellent leading us to lower our provisioning forecast for 2017 to \$1.0 Mil. which along with our outlook for ~10 bps of NCOS and double digit loan growth keeps reserve coverage stable at ~0.95% of loans.



FCCO (Lexington, SC--\$104 Mil. Mkt. Cap, \$889 Mil. Assets, \$15.58, 2.1% Yld)

	2Q-2016	Δ	3Q-2016
EPS	\$0.26	(\$0.01)	\$0.25
Operating/Core EPS*	\$0.25	\$0.00	\$0.25
FIG Estimate	-	-	\$0.26
Street Estimate	-	-	\$0.26
Net Interest Income (FTE)	6.7	(0.4%)	6.7
Loan Loss Provision	0.2	(17.5%)	0.18
Core Non-Interest Income (ex. sec.)	2.2	7.6%	2.4
Core Non-Interest Expense	6.2	2.5%	6.4
Net Charge-Offs	0.03	(63.0%)	0.0
NCOs % of Avg Loans (bps)	0.02	(0)bps	0.00
NCOs % of Provision	12%	(7)bps	6%
Tangible Book Per Share	\$11.62	0.1%	\$11.63
Core Net Interest Margin	3.28%	(9)bps	3.19%
Average Loans (\$Mil.)	511.3	1.7%	520.1
TCE Ratio (TCE/TA)	8.82%	(24)bps	8.58%
NPAs % of Loans + OREO	1.53%	(2)bps	1.51%

*Core EPS exclude gains on sale of securities and other one-time items.

Source: FIG Partners Research, Company Disclosure

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a \$870 Million bank holding company (BHC) and the parent of First Community Bank, NA.

Founded in 1995 by a group of former executives from Republic National Bank (acquired by South Financial Group, Inc.), FCCO provides traditional retail, commercial and mortgage banking services through a network of 15 branches in the Midlands area of South Carolina.

We see primary risks to include (1) integration of acquisitions; (2) negative impact from persistently low or rapidly changing interest rates and/or a flattening yield curve; and (3) potential for rising credit costs in light of further growth in unemployment.

Linked Quarter Trends

Core EPS of \$0.25 was a penny below our forecast as lower credit costs were offset by lower revenues and higher expenses.

Healthy loan growth, higher fee income and lower credit costs were key highlights in the quarter offsetting NIM pressure and higher expenses.

Loans and Deposits grew 9.5% and 20% annualized. Loan growth was aided by entrance into the Greenville market.

Core NIM declined 9 bps LQ to 3.19% as lower loan and investment yields more than offset a 3 bps drop in the COF.

Core Efficiency ratio was unchanged at ~70%.

Spread Income benefited from balance sheet growth which more than offset NIM erosion. Fees benefited from increased service charge income and mortgage revenues.

Higher OREO, marketing and professional fees drove the increase in expenses more than offsetting lower FDIC expense.

Credit remains excellent with low NPAs and classifieds and



FIG Research Rating: "Outperform"			
Price Target:		\$17.00	
Implied Gain/Loss versus Current Price:		11.5%	
2017 EPS	\$1.08	15.5x	\$16.64
Dividends	\$0.36	1.0x	<u>\$0.36</u>
			\$17.00
Tang. Book 12/17	\$12.55	1.35x	\$17.00

Source: FIG Partners Research & Forward Estimates

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We see primary risks to include (1) integration of acquisitions; (2) negative impact from persistently low or rapidly changing interest rates and/or a flattening yield curve; and (3) potential for rising credit costs in light of further growth in unemployment.



FCCO Peer Comparison

Company Name	Price (\$)	Date of Closing Price	Market Cap. (\$M)	Current Dividend Yield (%)	Total Assets (\$000) MRQ	CDs % of Total MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 10/21/16	P/E 2016 EPS Consensus	P/E 2017 EPS Consensus	ROA Forecast in 2016 Consensus	ROTCE Estimated in 2016 Consensus	YTD 2016 % Change
Peer Analysis:														
FCCO First Cmnty Corp	\$15.25	10/21/16	\$102	2.10	\$915,251	24	8.6	4.2%	131	15.6x	14.7x	0.75	8.5%	2%
ACBI Atlantic Cap BcsHs	\$15.00	10/21/16	\$373	NA	\$2,807,822	8	9.9	4.9%	135	23.5x	17.7x	0.58	5.4%	0%
BKSC Bank of SC Corp	\$18.95	10/21/16	\$94	2.96	\$409,566	12	9.8	15.5%	226	na	na	NA	na	18%
CARO Carolina Finl Corp	\$23.48	10/21/16	\$295	0.68	\$1,653,849	38	9.3	17.2%	193	14.0x	34.0x	0.85	11.6%	19%
CCBG Capital City Bank	\$15.30	10/21/16	\$257	1.05	\$2,767,636	7	7.1	3.1%	135	11.8x	9.7x	0.84	10.0%	(19%)
CNBW CNB Corp	\$63.00	10/21/16	\$103	2.38	\$1,079,565	30	9.8	(0.5%)	97	23.9x	22.8x	0.93	20.8%	42%
FBK FB Finl Corp	\$21.25	10/21/16	\$510	NA	\$2,917,958	16	7.4	14.0%	171	50.8x	37.0x	0.83	7.6%	12%
FBMS First Bancshares	\$21.85	10/21/16	\$119	0.69	\$1,266,638	21	6.4	4.5%	148	13.0x	31.7x	0.85	11.6%	19%
LION Fidelity Sthm	\$18.04	10/21/16	\$471	2.66	\$4,395,611	30	7.5	5.5%	143	13.9x	11.4x	0.84	10.0%	(19%)
PBNC Paragon Comm Corj	\$38.66	10/21/16	\$211	NA	\$1,478,859	20	9.1	7.9%	156	14.6x	14.0x	0.93	20.8%	42%
PSTB Park Sterling Corp	\$8.21	10/21/16	\$438	1.95	\$3,174,075	30	9.0	9.2%	156	19.6x	14.3x	0.83	7.6%	12%
SBAZ State Bank Corp	\$6.75	10/21/16	\$39	1.48	\$346,458	20	11.2	0.2%	101	na	na	NA	na	7%
SFDL Security Fed Corp	\$23.50	10/21/16	\$69	1.36	\$810,698	35	9.2	(1.2%)	93	na	na	NA	na	11%
SFST Southern First	\$26.85	10/21/16	\$171	NA	\$1,290,710	25	7.9	8.7%	167	14.3x	13.3x	1.01	11.7%	18%
SGBK Stonegate Bank	\$34.58	10/21/16	\$490	0.93	\$2,404,139	7	10.4	13.0%	182	16.0x	14.1x	1.17	11.3%	5%
SLCT Select Bancorp	\$8.28	10/21/16	\$96	NA	\$826,588	44	11.4	0.7%	103	12.9x	11.7x	0.86	8.0%	2%
SONA Southern National	\$13.00	10/21/16	\$159	2.46	\$1,135,436	66	10.1	14.6%	140	14.8x	14.1x	1.06	18.8%	(0%)
					Median	23	9.2	6.7%	146	14.6x	14.1x	0.85	11.3%	11%

Source: FIG Partners Research, SNL Financial LC

FCCO Snapshot						% Change		
	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	Y/Y	LQ
Earnings Per Share (EPS)	\$0.22	\$0.25	\$0.24	\$0.22	\$0.26	\$0.25	-0.9%	-4.3%
Tangible Book Value	\$10.44	\$10.76	\$10.84	\$11.24	\$11.62	\$11.63	8.1%	0.0%
Shares Outstanding EOP	\$6.68	\$6.68	\$6.69	\$6.69	\$6.70	\$6.70	0.3%	0.1%
Net Interest Income	\$6.20	\$6.25	\$6.35	\$6.34	\$6.68	\$6.65	6.4%	-0.4%
Loan Loss Provision	\$0.39	\$0.19	\$0.15	\$0.14	\$0.22	\$0.18	-7.3%	-17.5%
Non-Interest Income	\$2.398	\$2.329	\$2.103	\$2.030	\$2.200	\$2.368	1.7%	7.6%
Securities Gains	\$167	\$0	\$84	\$59	\$64	\$478		646.9%
Non-Interest Expense	\$6.39	\$6.07	\$6.07	\$6.34	\$6.33	\$6.58	8.5%	3.9%
Net Income	\$1.44	\$1.68	\$1.60	\$1.47	\$1.75	\$1.68	-0.1%	-3.9%
Total Core Revenue	\$8,602	\$8,582	\$8,451	\$8,367	\$8,877	\$9,019	5.1%	1.6%
Total Core Fee Income	\$2,398	\$2,329	\$2,103	\$2,030	\$2,200	\$2,368	1.7%	7.6%
Core Expense	\$6,037	\$5,843	\$5,889	\$6,128	\$6,232	\$6,388	9.3%	2.5%
ROAA	0.69%	0.80%	0.75%	0.68%	0.79%	0.74%	-7.1%	-6.1%
ROAE	7.50%	8.68%	8.13%	7.31%	8.48%	7.94%	-8.5%	-6.4%
Net Interest Margin	3.25%	3.22%	3.19%	3.22%	3.32%	3.19%	-0.9%	-3.9%
Core Efficiency Ratio	69.0%	66.9%	68.6%	72.2%	69.3%	69.9%	4.5%	0.9%
Core Exp. / Avg. Assets	2.90%	2.79%	2.74%	2.83%	2.83%	2.84%	1.6%	0.2%
Total Loans	\$474	\$484	\$489	\$494	\$511	\$523	8.2%	2.4%
Intangibles	\$6.68	\$6.59	\$6.50	\$6.41	\$6.34	\$6.26	-5.0%	-1.3%
Total Deposits	\$684	\$704	\$716	\$722	\$730	\$766	8.7%	5.0%
Total Common Equity	\$76	\$78	\$79	\$82	\$84	\$84	7.3%	0.0%
Avg Assets	\$832	\$838	\$858	\$865	\$880	\$901	7.6%	2.3%
Avg Loans	\$473	\$482	\$487	\$492	\$509	\$520	7.9%	2.1%
Average Earning Assets	\$766	\$770	\$790	\$792	\$809	\$830	7.8%	2.6%
Avg Deposits	\$688	\$688	\$709	\$717	\$728	\$752	9.2%	3.2%
Loan / Deposit	69.3%	68.7%	68.3%	68.4%	70.1%	68.3%	-0.5%	-2.5%
TCE Ratio	8.40%	8.50%	8.47%	8.70%	8.82%	8.58%	0.9%	-2.8%
Net Charge-offs	\$0.36	\$0.01	\$0.02	\$0.05	\$0.03	\$0.01	66.7%	-63.0%
NPL's + 90 Days Past	\$7.02	\$6.73	\$6.47	\$7.71	\$6.86	\$7.70	14.5%	12.2%
OREO	\$2.52	\$2.45	\$2.46	\$1.48	\$1.36	\$1.20	-51.1%	-11.6%
Total NPA's	\$9.5	\$9.2	\$8.9	\$9.2	\$7.8	\$7.9	-13.8%	0.9%
NPA / (Loans + OREO)	2.00%	1.89%	1.82%	1.85%	1.53%	1.51%	-20.1%	-1.4%
Provision / Avg Loans	0.08%	0.04%	0.03%	0.03%	0.04%	0.03%	-14.0%	-19.2%
Reserve / NPL + 90	61%	66%	71%	61%	75%	75%	13.2%	0.0%

Source: FIG Partners Research, SNL Financial

First Community Corporation (FCCO)

Updated on 10/24/16

Updated on 10/24/16

Earnings Model

	Annual				2015 Quarterly				2016 Quarterly				2017 Quarterly			
	2014A	2015A	2016E	2017E	1Q15A	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16A	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$23.7	\$25.3	\$26.5	\$27.9	\$6.4	\$6.2	\$6.3	\$6.3	\$6.3	\$6.7	\$6.7	\$6.9	\$6.8	\$6.9	\$7.1	\$7.2
Loan Loss Provision	\$0.9	\$1.1	\$0.7	\$1.0	\$0.4	\$0.4	\$0.2	\$0.1	\$0.1	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3
Non-Interest Income	\$8.3	\$8.8	\$8.8	\$10.0	\$2.0	\$2.4	\$2.3	\$2.1	\$2.0	\$2.2	\$2.4	\$2.2	\$2.1	\$2.5	\$2.8	\$2.5
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.2	\$0.4	\$0.6	\$0.0	\$0.1	\$0.2	\$0.0	\$0.1	\$0.1	\$0.1	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$0.8)	(\$0.2)	(\$0.5)	\$0.0	(\$0.1)	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0	(\$0.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$23.5	\$24.6	\$25.7	\$26.8	\$6.1	\$6.4	\$6.1	\$6.1	\$6.3	\$6.3	\$6.6	\$6.5	\$6.7	\$6.7	\$6.7	\$6.7
Pre-Tax Income	\$7.1	\$8.4	\$9.0	\$10.0	\$1.9	\$2.0	\$2.3	\$2.2	\$1.9	\$2.4	\$2.3	\$2.4	\$1.9	\$2.5	\$2.9	\$2.7
Taxes	\$2.0	\$2.3	\$2.4	\$2.7	\$0.5	\$0.5	\$0.6	\$0.6	\$0.5	\$0.6	\$0.6	\$0.7	\$0.5	\$0.7	\$0.8	\$0.8
Extraordinary Items	\$0.0	\$0.00	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$5.1	\$6.1	\$6.6	\$7.3	\$1.4	\$1.4	\$1.7	\$1.6	\$1.5	\$1.7	\$1.7	\$1.8	\$1.4	\$1.8	\$2.1	\$2.0
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$5.1	\$6.1	\$6.6	\$7.3	\$1.4	\$1.4	\$1.7	\$1.6	\$1.5	\$1.7	\$1.7	\$1.8	\$1.4	\$1.8	\$2.1	\$2.0
Avg. Shares O/S	6.6	\$6.7	6.8	6.8	\$6.7	\$6.7	\$6.7	\$6.7	\$6.8	\$6.7	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8
Earnings Per Share (EPS)	\$0.78	\$0.91	\$0.98	\$1.08	\$0.21	\$0.22	\$0.25	\$0.24	\$0.22	\$0.26	\$0.25	\$0.26	\$0.21	\$0.26	\$0.31	\$0.29
<u>Per Share Data:</u>																
Reported Book Value	\$11.18	\$11.81	\$12.74	\$13.47	\$11.45	\$11.44	\$11.74	\$11.81	\$12.19	\$12.57	\$12.56	\$12.74	\$12.86	\$13.04	\$13.26	\$13.47
Tangible Book Value	\$10.25	\$10.84	\$11.81	\$12.55	\$10.54	\$10.44	\$10.76	\$10.84	\$11.24	\$11.62	\$11.63	\$11.81	\$11.93	\$12.11	\$12.34	\$12.55
Dividends	\$0.23	\$0.28	\$0.32	\$0.36	\$0.07	\$0.07	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.08	\$0.09	\$0.09	\$0.09	\$0.09
Pre-Tax, Pre-Provision EPS	\$1.30	\$1.41	\$1.43	\$1.63	\$0.37	\$0.35	\$0.39	\$0.38	\$0.31	\$0.38	\$0.38	\$0.40	\$0.33	\$0.41	\$0.47	\$0.45
COREGAAP EPS	\$0.83	\$0.90	\$0.97	\$1.08	\$0.21	\$0.20	\$0.25	\$0.24	\$0.21	\$0.25	\$0.25	\$0.26	\$0.21	\$0.26	\$0.31	\$0.29
<u>KEY Ratios:</u>																
Net Interest Margin	3.33%	3.29%	3.25%	3.26%	3.51%	3.25%	3.22%	3.19%	3.22%	3.32%	3.19%	3.25%	3.25%	3.25%	3.26%	3.27%
Return on Avg Assets	0.66%	0.73%	0.75%	0.78%	0.69%	0.69%	0.80%	0.75%	0.68%	0.79%	0.74%	0.77%	0.61%	0.77%	0.90%	0.84%
Return on Avg Equity	7.34%	7.94%	8.01%	8.31%	7.43%	7.50%	8.68%	8.13%	7.31%	8.48%	7.94%	8.29%	6.53%	8.24%	9.57%	8.85%
Return on Tang. Comm. Eq.	7.76%	8.79%	8.66%	8.90%	8.35%	8.64%	9.69%	9.14%	8.10%	9.23%	8.87%	9.14%	7.26%	9.06%	10.45%	9.67%
Pre-Tax Pre-Provision ROA	1.10%	1.13%	1.08%	1.19%	1.22%	1.14%	1.26%	1.19%	0.96%	1.17%	1.13%	1.18%	0.97%	1.19%	1.37%	1.29%
Efficiency Ratio	72.33%	71.17%	71.83%	70.03%	69.61%	71.61%	68.01%	69.08%	72.90%	68.80%	70.42%	70.19%	74.62%	70.38%	67.22%	68.35%
Overhead Ratio	3.01%	2.95%	2.89%	2.89%	3.00%	3.07%	2.90%	2.83%	2.93%	2.88%	2.92%	2.84%	2.93%	2.90%	2.87%	2.84%
TCE/TA	8.48%	8.47%	8.62%	8.84%	8.49%	8.40%	8.50%	8.47%	8.70%	8.82%	8.58%	8.62%	8.67%	8.23%	8.78%	8.84%
<u>Period-End Balances : (\$ in Millions)</u>																
Earning Assets	\$741	\$788	\$849	\$880	\$767	\$768	\$785	\$788	\$798	\$816	\$841	\$849	\$854	\$862	\$871	\$880
Total Assets	\$812	\$863	\$924	\$958	\$836	\$836	\$852	\$863	\$870	\$889	\$915	\$924	\$929	\$939	\$948	\$958
Risk-Weighted Assets	\$505	\$563	\$574	\$594	\$836	\$536	\$549	\$563	\$568	\$583	\$568	\$574	\$577	\$583	\$589	\$594
Gross Loans	\$444	\$489	\$538	\$595	\$454	\$474	\$484	\$489	\$494	\$511	\$523	\$538	\$543	\$561	\$578	\$595
Total Deposits	\$670	\$716	\$768	\$791	\$695	\$684	\$704	\$716	\$722	\$730	\$766	\$768	\$772	\$777	\$783	\$791
Intangibles	\$6	\$6	\$6	\$6	\$6.094	\$6.684	\$6.586	\$6.498	\$6.414	\$6.335	\$6.255	\$6	\$6	\$6	\$6	\$6
Total Common Equity	\$75	\$79	\$85	\$90	\$76.55	\$76.41	\$78.49	\$79.04	\$81.61	\$84.21	\$84.21	\$85	\$86.22	\$87	\$89	\$90

Source: FIG Partners Research, SNL Financial LLC



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	36.8%	62.4%	0.8%
IB Client % in Category	30.4%	15.4%	0.0%

Equity Rating System as of July 1, 2003

Buy/Outperform “O” FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months

Hold/Market-Perform “M-P” FIG expects that total return of the subject stock will perform inline with the industry benchmark (BIX) over the next 12 months

Sell/Underperform “U” FIG expects that total return of the subject stock will under perform the industry benchmark (BIX) over the next 12 months

For purposes of FINRA rule 2711, outperform is classified as a buy, market perform is a hold and underperform is a sell. The industry benchmark that we use is the S&P Bank Index referred to as the BIX.



Additional Risks to Our Earnings Model Assumptions & Ratings:

Unexpected and/or rapid changes in interest rates may have significant negative impact on the company’s balance sheet. Likewise, persistently low interest rates, and/or a flat yield curve may add downward pressure to revenues and the absolute level of NIM-Net Interest Margin.

Declines in asset quality beyond our estimates due to an economic slowdown in the company’s operating footprint may require increased expenses for loan losses which could decrease profitability. Further, this may cause an increase in Net Charge-offs, Nonperforming loans, and Classified Assets.

New rules set forth by regulatory agencies could reduce future profitability by eliminating certain revenue items, adding additional expenses, or requiring this institution to hold more capital. A similar effect is possible if new legislation (local, state, or federal) is passed.

Any regulatory action or litigation against the company could impact future earnings and also affect the public market perception towards this stock.



Compliance

- Neither the research analyst nor any member of the analyst's household has any financial interest in the subject company.
- At the prior month end, neither FIG Partners LLC nor any of its partners or officers owned more than 1% of the outstanding equity securities of the subject company.
- There are no material conflicts of interest of the analyst or FIG Partners LLC at the time of this report.
- FIG has not been a manager or co-manager of a public offering of any securities of the recommended issuer within the last 12 months.
- FIG has not received investment banking compensation from the subject company in the last 12 months.
- FIG intends to seek investment banking compensation from the subject in the next three months.
- The subject company is a client of FIG.
- Neither the analyst nor anyone at FIG serves as an officer, director, or advisory board member of the subject company.
- FIG will usually make a market in the subject security and was making a market in this security at the time of this report's publication.
- All analysts are compensated based on a number of factors including the overall profits of FIG Partners LLC which includes investment banking revenues, but no analyst receives any compensation which is based on a specific investment banking service or transaction.
- To determine price target, our analysts utilize a variety of valuation techniques including but not limited to: peer analysis, absolute P/E, relative P/E, projected P/E, absolute P/B, relative P/B, projected P/B, deposit premium, and a discounted cash flow model.
- This research report reflects the analyst's actual opinion.
- No research analyst is subject to the supervision or control of any employee of the member's investment banking department.
- No employee of the investment banking department has reviewed or approved this report prior to publication
- The report has not been approved by the subject company, but may have been reviewed for factual accuracy except for the research summary, research rating and price target.
- The subject company has not promised directly or indirectly favorable research, a specific rating or a specific price target nor has the subject company been threatened with a change in research as an inducement for business or compensation.
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