Brian Martin, CFA
(312)-461-4346

October 22, 2015

FCCO-First Community Corporation

FCCO: $13.25
"Outperform"// Price Target: $15.00

Loan Momentum & Balance Sheet Remixing to Continue; Maintain "Outperform" & Bump Price Target

Maintain "Outperform" rating and increasing Price Target to $15 which reflects ~15x our 2016 EPS, 130% of one-year forward Tangible Book Value, or a low 4% core Deposit Premium.

We are trimming our 2015 EPS by a penny to $0.91 and maintaining our 2016 EPS at $0.96. Our 4Q15 EPS revision reflects a slightly lower mortgage outlook given a slowdown in activity following recent flooding in FCCOs footprint. We are establishing our 2017 EPS at $1.04.

Outlook: Loan growth momentum continued in 3Q15 as FCCO remained competitive on pricing for high quality credits plus pay downs remained at low levels. Gross originations in the quarter were $34 Mil. vs. $20 Mil. a year ago and were $90 Mil. YTD vs. $80 Mil. for same period last year. 3Q15 growth was concentrated in the Columbia and Augusta markets. The Augusta MSA now accounts for over 25% of Loans. In our view, loan growth of 7% in 2016 is reasonable and supported by FCCOs markets as well as the company's ability to continue to take market share.

Management expects to fund much of future loan growth via the Securities Portfolio which represents 32% of Total Assets. This has positive implications for Net interest Income as well as NIM over time even as loan yield pressure persists. Loan yield pressure is expected to continue in the near term though the rate of decline should slow from current levels. We estimate that shifting the Loan to Earning Asset ratio from its current 62% level to 80% over the next three years would add approximately $0.25 to Earnings all else equal.

Assuming no change in deposit balances over this time period suggest Securities would drop by about ~$120 Mil. to ~18% of Assets still allowing for ample levels of liquidity. We expect modest NIM compression in 4Q15 as the downward pressure on loan yields is greater than the company can outrun through loan growth and remixing. NIM expansion is expected to resume in 2016 as the loan book is likely to have been fully repriced. New production today is coming on in the 4.30-4.50% range. Importantly, FCCO remains asset sensitive and any rate increases should they occur would have positive implications for NIM.

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

Summary Statistics	
Exchange	NASDAQ
Market Cap ($M)	$88.6
Avg. Volume	1,999
Annual Dividend	$0.28
Dividend Yield	2.11%
Tangible Book/Share	$10.54
Price/Tangible Book	126%
Price/2015 EPS	13.8x
Price/2016 EPS	12.8x
Total Assets ($M)	$852,329
TCE/TA	8.49%
ROAA (2015)	0.73%
ROAE (2015)	7.90%

EPS Estimates

	2014	2015	2016	2017
Q1	$0.14	$0.21	$0.21	-
Q2	$0.18	$0.22	$0.24	-
Q3	$0.23	$0.25	$0.26	-
Q4	$0.22	$0.24	$0.25	-
FY	**$0.78**	**$0.91**	**$0.96**	**$1.04**

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

Recent flooding in the area has resulted in a slowdown in mortgage activity and as a result we are trimming our 4Q15 mortgage revenue assumption by about $200-250K, which is partially offset by lower expenses. We believe there could be some carry over of sluggish mortgage activity in 1Q16 before picking up in 2Q16-4Q16. Our EPS forecast calls for ~$3.2 Mil. in mortgage revenue in 2015 rebounding to ~$3.7 Mil. in 2016 and even higher in 2017 as FCCO works to build out its presence in the attractive Augusta, GA market. Our EPS forecast calls for $1.9 Mil. and $9.35 Mil. of Fee Income in 4Q15 and 2016, respectively.

Looking at expenses, we have modestly trimmed our 4Q15 estimate to $5.9 Mil. to account for lower mortgage activity. Marketing expense should remain at low levels in 4Q15 as annual expenses were front end loaded in 2015 to help accelerate lending initiatives. We expect less quarterly volatility with marketing expenses in 2016. There is no change to our full year 2016 Expense growth outlook of ~2.5%. Credit quality remains healthy and we expect provisioning will continue to cover growth and NCOs such as to maintain current reserve coverage levels.

Thoughts on Shares. In our view, risk reward dynamics remain positive despite the recent uptick in the share price. Valuation remains reasonable and we see upside to our EPS over time as loan momentum continues and the balance sheet is remixed away from lower yielding securities and into higher yielding loans. In our view, there is limited downside and significant upside over time especially given healthy capital levels and strong credit quality. We continue to view the company's Consent order as a nonevent as issues have been addressed.

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~$835 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 14 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.

3Q15 EPS Review

FCCO reported 3Q15 EPS of $0.25 a penny ahead of our estimate and a nickel above 2Q15 Core results. Key positives in the quarter included continued loan and core deposit momentum, good expense controls and lower credit costs reflecting portfolio strength.

Loan momentum continued with balances expanding $10 Mil. or 8.5% annualized benefitting from adjustments in pricing model. Total deposits increased 2x the rate of loans to $704 Mil. Pure Deposits increased 4% linked quarter and are up to 78% of Total Deposits from 75% at year end.

Core NIM declined 3 bps linked quarter to 3.22%. A slightly better mix of earning assets and stable cost of funds was more than offset by a 7 bps decline in the core loan yields to 4.77% and a slight narrowing of Securities yields. Average loans increased $10 Mil. to 63% of Earning Assets from 62% last quarter while Average Securities declined to 35% of Earning Assets from 36% over the same period.

A 3.2% linked quarter decline in Operating Expenses coupled with stable Core Revenues paved the way for positive operating leverage and a 200 bps reduction in the Efficiency ratio to 68%.

Net Interest Income was up incrementally linked quarter as balance sheet growth more than offset modest NIM compression. Core Fee Income declined 3% linked quarter as a reduction in wealth management revenue; which was elevated in 2Q15 due to a large piece of business, and a slight decline in mortgage revenues more than offset increased service charge income.

The reduction in Core Expenses stemmed from reduced marketing expenses which were elevated earlier in the year in conjunction with efforts to boost lending. Further, variable rate compensation tied to lower mortgage and investment advisory business also played a part though to a lesser degree.

Credits Quality remains healthy underscored by a 6% decline in Classified Assets to a low 15% of Tier 1 Capital plus Reserves, a 4.5% drop in NPAs (ex TDRs) to 1.55% of loans & OREO, and annualized NCOs of 0 bps. Provisioning of $193,000 covered NCOs by 32x and coverage of loans increased 2 bps to 0.92% given strong growth (117% coverage of loans including credit mark) . Coverage of NPLs (ex TDRs) increased to 88%.

FCCO (Lexington, SC--$89 Mil. Mkt. Cap, $852 Mil. Assets, $13.25, 2.1% Yld)

	2Q-2015	Δ	3Q-2015
EPS	**$0.22**	**-**	**$0.25**
Operating/Core EPS*	**$0.23**	**-**	**$0.25**
FIG Estimate	**-**	**-**	**$0.24**
Street Estimate	**-**	**-**	**$0.25**
Net Interest Income	6.2	0.8%	6.3
Loan Loss Provision	0.39	(50.6%)	0.19
Core Non-Interest Income (ex. sec.)	2.4	(2.8%)	2.3
Core Non-Interest Expense	6.1	(1.1%)	6.1
Net Charge-Offs	0.4	(98.3%)	0.0
NCOs % of Avg Loans (bps)	31	(30)bps	0
NCOs % of Provision (bps)	93	(89)bps	3
Tangible Book Per Share	$10.44	3.1%	$10.76
Net Interest Margin	3.25%	(3)bps	3.22%
Gross Loans ($Mil.)	474.0	2.1%	483.9
TCE Ratio (TCE/TA)	8.45%	5bps	8.50%
NPAs to Loans/REO	1.65%	(11)bps	1.55%

*Core EPS exclude various one-time items including gains on sale of securities.
Source: FIG Partners Research, Company Disclosure

FCCO Peer Comparison

	Company Name	Market Cap. ($M)	Current Dividend Yield (%)	Total Assets ($000)	CDs % of Total	TCE Ratio	Core Deposit Premium	Price-to-T.Book	P/E 2016 EPS	ROA Forecast in 2016	ROTCE Estimated in 2016
				MRQ	MRQ	MRQ	Today	10/21/2015	Consensus	Consensus	Consensus
Peer Analysis											
FCCO	First Cmnty Corp	$89	2.11	$836,406	27	8.4	3.8%	123	7.8x	0.80	12.3%
BKSC	Bank of SC Corp	$79	3.22	$369,641	19	10.3	15.5%	209	na	NA	na
CARO	Carolina Finl Corp	$144	0.81	$1,325,945	39	7.3	7.1%	142	17.3x	0.76	9.1%
CNBW	CNB Corp	$82	2.50	$1,029,132	35	9.7	(3.3%)	82	30.2x	1.08	11.2%
SONA	Southern National	$140	2.80	$1,011,716	66	10.7	11.8%	130	14.2x	0.49	7.1%
SFDL	Security Fed Corp	$57	1.66	$803,029	37	8.0	(1.8%)	88	19.2x	1.09	10.9%
SFST	Southern First	$129	NA	$1,119,000	33	7.8	6.8%	147	12.1x	1.62	16.6%
LION	Fidelity Sthrn	$462	1.99	$3,374,938	32	8.4	10.0%	158	5.2x	1.56	14.9%
FBMS	First Bancshares	$91	0.88	$1,117,648	20	6.0	3.2%	130	7.6x	1.24	10.7%
SLCT	Select Bancorp	$87	NA	$742,443	42	11.7	0.5%	102	5.8x	1.08	10.3%
SGBK	Stonegate Bank	$395	0.51	$2,272,132	10	9.6	10.4%	185	14.3x	1.01	14.9%
NBBC	NewBridge Bncp	$420	0.56	$2,778,685	27	8.2	13.4%	186	28.3x	0.88	7.3%
CCBG	Capital City Bank	$261	0.79	$2,654,144	9	7.3	3.8%	138	11.5x	1.22	13.8%
PSTB	Park Sterling Corp	$318	1.69	$2,443,880	29	10.0	5.4%	133	na	NA	na
Source: FIG Partners Research, SNL Financial LC				**Median**	**19**	**12.1**	**6.8%**	**137**	**14.2x**	**1.08**	**11.3%**

Maintaining "Outperform" rating and increasing Price Target to $15 which equates to 15.3x our 2016 EPS, or 132% of one year forward Tangible Book Value

FIG Research Rating: "Outperform"

Price Target: $15.00

Implied Gain/Loss versus Current Price: 13.2%

2016 EPS	$0.96	15.3x	$14.68
Dividends	$0.32	1.0x	$0.32
			$15.00
Tang. Book 9/16	$11.41	1.32x	**$15.00**

Source: FIG Partners Research & Forward Estimates

FCCO SnapShot

	3Q14	4Q14	1Q15	2Q15	3Q15	*% Change* Y/Y	LQ
Earnings Per Share (EPS)	$0.23	$0.22	$0.21	$0.22	$0.25	8.4%	16.1%
Tangible Book Value	$9.95	$10.25	$10.54	$10.44	$10.76	8.1%	3.0%
Shares Outstanding EOP	$6.66	$6.66	$6.68	$6.68	$6.68	0.4%	0.1%
Net Interest Income	$6.10	$6.19	$6.45	$6.20	$6.25	2.6%	0.8%
Loan Loss Provision	$0.15	$0.18	$0.41	$0.39	$0.19	27.0%	-50.6%
Non-Interest Income	$2.284	$2.343	$1.980	$2.398	$2.329	2.0%	-2.9%
Securities Gains	$16	$80	$104	$167	$0	-100.0%	-100.0%
Non-Interest Expense	$6.02	$6.06	$6.10	$6.39	$6.07	0.8%	-5.0%
Net Income	$1.55	$1.51	$1.40	$1.44	$1.68	8.2%	16.4%
Total Core Revenue	$8,380	$8,534	$8,048	$8,602	$8,582	2.4%	-0.2%
Total Core Fee Income	$2,284	$2,343	$1,980	$2,398	$2,329	2.0%	-2.9%
Core Expense	$5,852	$5,756	$5,843	$6,037	$5,843	-0.2%	-3.2%
ROAA	0.79%	0.73%	0.69%	0.69%	0.80%	0.9%	15.6%
ROAE	8.66%	8.19%	7.43%	7.50%	8.68%	0.3%	15.6%
Net Interest Margin	3.40%	3.27%	3.51%	3.25%	3.22%	-5.3%	-0.9%
Core Efficiency Ratio	69.1%	66.1%	71.3%	69.0%	66.9%	-3.1%	-3.0%
Core Exp. / Avg. Assets	3.00%	2.80%	2.87%	2.90%	2.79%	-6.8%	-3.8%
Total Loans	$449	$444	$454	$474	$484	7.9%	2.1%
Intangibles	$6.31	$6.20	$6.09	$6.68	$6.59	4.4%	-1.5%
Total Deposits	$687	$670	$695	$684	$704	2.5%	3.0%
Total Common Equity	$73	$75	$77	$76	$78	8.2%	2.7%
Avg Assets	$782	$821	$813	$832	$838	7.2%	0.6%
Avg Loans	$445	$451	$451	$473	$482	8.3%	2.0%
Average Earning Assets	$714	$752	$744	$766	$770	7.8%	0.5%
Avg Deposits	$639	$676	$669	$688	$688	7.8%	0.1%
Loan / Deposit	65.3%	66.3%	65.4%	69.3%	68.7%	5.2%	-0.9%
TCE Ratio	8.03%	8.48%	8.49%	8.40%	8.50%	5.8%	1.2%
Net Charge-offs	$0.06	$0.20	$0.29	$0.36	$0.01	-89.1%	-98.3%
NPL's + 90 Days Past	$7.54	$8.79	$7.90	$7.02	$6.73	-10.8%	-4.2%
OREO	$3.01	$2.94	$2.82	$2.52	$2.45	-18.7%	-2.9%
Total NPA's	$10.5	$11.7	$10.7	$9.5	$9.2	-12.3%	-3.9%
NPA / (Loans + OREO)	2.32%	2.62%	2.34%	2.00%	1.89%	-18.5%	-5.9%
Provision / Avg Loans	0.03%	0.04%	0.09%	0.08%	0.04%	17.2%	-51.6%
Reserve / NPL + 90	56%	47%	54%	61%	66%	19.0%	9.0%

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~$835 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 14 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.

First Community Corporation (FCCO) **Updated on 10/21/15**

Earnings Model

	Annual				2014 Quarterly				2015 Quarterly				2016 Quarterly			
	2014A	2015E	2016E	2017E	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15A	3Q15A	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E
Income Data: ($ in Millions)																
Net Interest Income	$23.7	$25.2	$25.9	$27.3	$5.5	$5.9	$6.1	$6.2	$6.4	$6.2	$6.3	$6.3	$6.2	$6.4	$6.6	$6.7
Loan Loss Provision	$0.9	$1.2	$1.2	$1.5	$0.2	$0.4	$0.2	$0.2	$0.4	$0.4	$0.2	$0.2	$0.3	$0.3	$0.3	$0.3
Non-Interest Income	$8.3	$8.7	$9.4	$10.0	$1.9	$1.8	$2.3	$2.3	$2.0	$2.4	$2.3	$1.9	$2.1	$2.5	$2.5	$2.3
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	$0.3	$0.0	$0.0	$0.0	$0.1	$0.0	$0.1	$0.1	$0.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	($0.8)	($0.1)	$0.0	$0.0	($0.4)	($0.0)	($0.0)	($0.3)	($0.1)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$23.5	$24.4	$25.2	$26.2	$5.6	$5.8	$6.0	$6.1	$6.1	$6.4	$6.1	$5.9	$6.1	$6.3	$6.3	$6.3
Pre-Tax Income	$7.1	$8.4	$8.9	$9.6	$1.2	$1.7	$2.2	$2.1	$1.9	$2.0	$2.3	$2.2	$1.9	$2.2	$2.4	$2.3
Taxes	$2.0	$2.3	$2.4	$2.7	$0.3	$0.5	$0.6	$0.6	$0.5	$0.5	$0.6	$0.6	$0.5	$0.6	$0.7	$0.6
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	$6.4	$6.9	$0.9	$1.2	$1.6	$1.5	$1.4	$1.4	$1.7	$1.6	$1.4	$1.6	$1.8	$1.7
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**	**$6.4**	**$6.9**	**$0.9**	**$1.2**	**$1.6**	**$1.5**	**$1.4**	**$1.4**	**$1.7**	**$1.6**	**$1.4**	**$1.6**	**$1.8**	**$1.7**
Avg. Shares O/S	6.6	$6.7	6.7	6.7	$6.2	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7	$6.7
Earnings Per Share (EPS)	**$0.78**	**$0.91**	**$0.96**	**$1.04**	**$0.14**	**$0.18**	**$0.23**	**$0.22**	**$0.21**	**$0.22**	**$0.25**	**$0.24**	**$0.21**	**$0.24**	**$0.26**	**$0.25**
Per Share Data:																
Reported Book Value	$11.18	$11.91	$12.55	$13.27	$10.34	$10.67	$10.89	$11.18	$11.45	$11.44	$11.74	$11.91	$12.04	$12.19	$12.38	$12.55
Tangible Book Value	**$10.25**	**$10.93**	**$11.58**	**$12.32**	**$9.40**	**$9.84**	**$9.95**	**$10.25**	**$10.54**	**$10.44**	**$10.76**	**$10.93**	**$11.06**	**$10.55**	**$11.41**	**$11.58**
Dividends	$0.23	$0.28	$0.32	$0.32	$0.05	$0.06	$0.06	$0.06	$0.07	$0.07	$0.07	$0.07	$0.08	$0.08	$0.08	$0.08
Pre-Tax, Pre-Provision EPS	**$1.30**	**$1.41**	**$1.50**	**$1.65**	**$0.24**	**$0.32**	**$0.36**	**$0.39**	**$0.37**	**$0.35**	**$0.39**	**$0.36**	**$0.33**	**$0.38**	**$0.42**	**$0.40**
CORE GAAP EPS	**$0.83**	**$0.90**	**$0.96**	**$1.04**	**$0.18**	**$0.17**	**$0.23**	**$0.25**	**$0.21**	**$0.20**	**$0.25**	**$0.24**	**$0.21**	**$0.24**	**$0.26**	**$0.25**
KEY Ratios:																
Net Interest Margin	3.33%	3.30%	3.25%	3.31%	3.32%	3.32%	3.40%	3.27%	3.51%	3.25%	3.22%	3.21%	3.23%	3.23%	3.26%	3.28%
Return on Avg Assets	0.66%	0.73%	0.74%	0.77%	0.47%	0.61%	0.79%	0.73%	0.69%	0.69%	0.80%	0.74%	0.66%	0.73%	0.81%	0.77%
Return on Avg Equity	7.34%	7.90%	7.89%	8.07%	5.42%	6.86%	8.66%	8.19%	7.43%	7.50%	8.68%	7.98%	7.01%	7.80%	8.59%	8.12%
Return on Tang. Comm. Eq.	7.76%	8.71%	8.64%	8.75%	5.69%	7.58%	9.62%	9.24%	8.35%	8.64%	9.69%	8.99%	7.93%	8.76%	9.59%	9.07%
Pre-Tax Pre-Provision ROA	**1.10%**	**1.13%**	**1.16%**	**1.23%**	**0.81%**	**1.10%**	**1.24%**	**1.29%**	**1.22%**	**1.14%**	**1.26%**	**1.15%**	**1.04%**	**1.18%**	**1.29%**	**1.23%**
Efficiency Ratio	72.33%	71.00%	70.27%	69.20%	74.15%	72.36%	69.86%	68.36%	69.61%	71.61%	68.01%	70.11%	72.73%	70.61%	68.63%	69.34%
Overhead Ratio	3.01%	2.94%	2.91%	2.91%	3.06%	2.93%	3.08%	2.95%	3.00%	3.07%	2.90%	2.78%	2.89%	2.94%	2.91%	2.88%
TCE/TA	8.48%	8.53%	8.71%	8.93%	7.90%	8.39%	8.03%	8.48%	8.49%	8.40%	8.50%	8.53%	8.59%	8.09%	8.66%	8.71%
TCE/RWA	13.52%	13.16%	13.44%	13.80%	12.54%	13.14%	13.10%	13.52%	8.43%	13.00%	13.12%	13.16%	13.26%	13.28%	13.37%	13.44%
Period-End Balances ***: ($ in Millions)***																
Earning Assets	$741	$795	$825	$855	$727	$713	$760	$741	$767	$768	$785	$795	$799	$809	$817	$825
Total Assets	$812	$863	$896	$928	$798	$787	$831	$812	$836	$836	$852	$863	$867	$878	$887	$896
Risk-Weighted Assets	$505	$555	$576	$597	$498	$499	$506	$505	$836	$536	$548	$555	$558	$565	$570	$576
Gross Loans	$444	$494	$533	$575	$444	$445	$449	$444	$454	$474	$484	$494	$494	$506	$520	$533
Total Deposits	$670	$706	$715	$724	$654	$640	$687	$670	$695	$684	$704	$706	$710	$711	$713	$715
Intangibles	$6	$7	$6	$6	$6	$5.467	$6.308	$6.197	$6.094	$6.684	$6.586	$6.562	$7	$7	$6	$6
Total Common Equity	$75	$80	$84	$89	$69	$70.99	$72.56	$74.53	$76.55	$76.41	$78.49	$80	$80.46	$82	$83	$84

Source: FIG Partners Research, SNL Financial LLC

FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market-Perform	Sell / Underperform
% Rated	44.5%	55.5%	0.0%
IB Client % in Category	34.0%	15.2%	0.0%

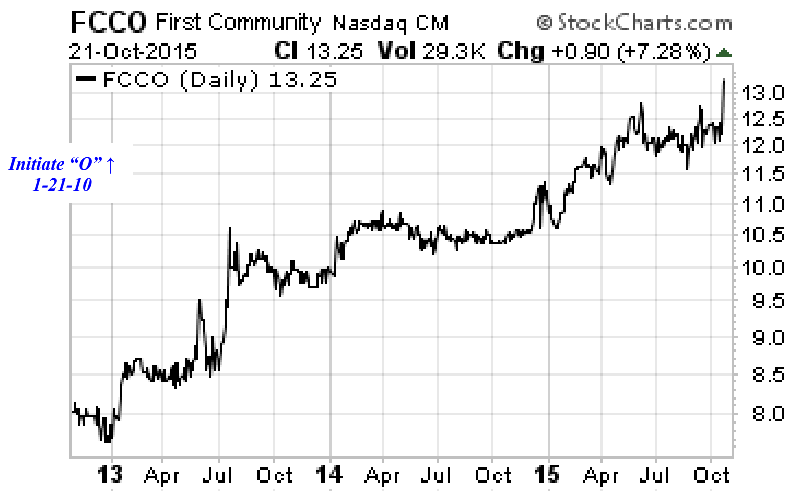
Equity Rating System as of July 1, 2003

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.
- Additional information is available by request.
- The information contained herein has been prepared from sources and data we believe to be reliable but we make no representation as to its accuracy or completeness. The opinions expressed herein are our own unless otherwise noted and are subject to change without notice. The price and value of the securities mentioned herein will fluctuate; past performance is no guarantee of future results.
- This report is published solely for informational purposes and should not be construed as an offer to buy or sell, or a solicitation of an offer to buy or sell, any security. The securities discussed herein are not suitable for everyone; each investor should assess his or her own particular financial condition and investment objectives before making any investment decisions.
- FIG Partners LLC may act as principal for its own account or as agent for both buyer and seller in connection with the purchase or sale of any security discussed herein.
-
- The author is employed by FIG Partners LLC, a broker-dealer.
- Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thompson Financial and regulatory filings.