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FIG Partners

4Q17 EPS Review

January 22, 2018

FCCO- First Community Corporation

Lower to Market Perform on Valuation; Outlook Remains Favorable

- **Lower to "Market Perform" from Outperform on Valuation. Outlook remains favorable w/$24 Price Tgt.**
- **Trim 2018 EPS to $1.35 and Establish 2019 at $1.45**
- **Remixing balance remains a priority in 2018; Loan growth outlook is bright w/FIG forecast at +10%**
- **ROAA forecast to approach 1% in 2018 as balance sheet efficiency continues improves**
- **1Q18 Expense run rate to be reflective of full cost synergies from Cornerstone deal**

We are lowering our rating on shares of FCCO to "Market Perform" from "Outperform" due to valuation. Shares have outperformed the NASDAQ Bank Index over the LTM: +17% vs.12%, respectively and an even greater 49% vs. 38% since the Trump election (11/7/16), and currently trade at nearly 17x our 2018 EPS or 195% of TBV. We remain optimistic on future prospects and expect shares to trend higher from current levels as the company continues to improve balance sheet efficiency and drive greater profitability; however, we believe near term upside is likely to be more in line with the market. Our $24 Price Target equates to ~18x our 2018 EPS, 190% of Forward TBV and a 12% Core Deposit Premium.

We are lowering our 2018 EPS to $1.35 (-$0.05) and establishing our 2019 EPS at $1.45. Our 2018 EPS reduction stems from lower fees, slightly higher expenses and a higher tax rate. We had initially estimated a drop to a 17% effective tax rate post tax reform; however, management guided to a higher 19%.

The game plan for FCCO going forward is unchanged from recent quarters. Management is focused on remixing the balance sheet away from lower yielding securities and into higher yielding loans in an effort to improve balance sheet efficiency and profitability. Absent an acquisition, we see this remix as a multi-year phenomena given FCCO's credit discipline and ability to add quality lenders in a competitive environment. The securities portfolio today represents ~27% of assets. Assuming a more peer like level of 15% implies FCCO has ~$130 Mil. in excess investments which could fund approximately two years of double digit (10%) loan growth. Management is targeting an 80% Loan to Earning asset ratio over time vs. its current 67%. Our EPS forecast calls for the ratio to improve to around 73% by late 2018 which corresponds to an ROAA approaching 1%. FCCO's entrance into several attractive markets in recent years has improved geographic diversification and should help support double digit loan growth and man-

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FCCO: $22.50
"Market-Perform"// Price Target: $24

Summary Statistics	
Exchange	NASDAQ
Market Cap ($M)	$170.7
Avg. Volume	9,150
Annual Dividend	$0.37
Dividend Yield	1.64%
Tangible Book/Share	$11.66
Price/Tangible Book	193%
Price/2018 EPS	16.7x
Price/2019 EPS	15.5x
Total Assets ($M)	$1,051
TCE/TA	8.56%
ROAA (2018)	0.97%
ROAE (2018)	9.51%

EPS Estimates

	2016	2017	2018	2019
Q1	$0.21	$0.24	$0.29	-
Q2	$0.25	$0.29	$0.34	-
Q3	$0.25	$0.30	$0.38	-
Q4	$0.27	$0.29	$0.34	-
FY	**$0.98**	**$1.12**	**$1.35**	**$1.45**

Industry Type	Bank
Headquarters	Lexington, SC
Offices	18
Date Established	1995
CEO	Michael C. Crapps
CFO	Joseph G. Sawyer

Source (all data): FIG Partners Research, S&P Global Mkt Intelligence

agement's goal of improving balance sheet efficiency. We estimate and additional $0.18 in EPS are possible by shifting the Loan to Average Earning Asset ratio to 80% with no balance sheet growth. Given our current loan growth outlook, we believe this could occur by late 2019 with the full EPS benefit realized in 2020.
We do not view FCCO as a near term seller as management is highly focused on driving quality loan growth; which should help maximize core earnings power and translate into a greater valuation. Over time we would not be surprised to see increased interest in FCCO's franchise by large regional banks. In our view, a partnership with another institution is more likely once earnings power has improved.

Outlook: FCCO had a strong finish to 2017 on the lending front and sales pipelines remain healthy heading into 2018 leaving us positive on loan growth with our forecast calling for ~10% growth in 2018 compared to 7.5% in 2017 and 12% in 2016. Loan payoffs remain a risk to our forecast and FCCO's larger markets of Greenville, Columbia and Augusta/Aiken are expected to be key contributors to future growth. NIM has expanded nicely over the LTM aided by recent rate hikes and remixing of the balance sheet away from securities and into loans. Looking ahead, we are optimistic this trend can continue. Specifically, our outlook calls for three rate hikes in 2018 and for the bulk of the near-term loan growth to be funded by the Securities portfolio. FCCO's heightened level of liquidity should allow them to remain disciplined on deposit pricing helping support the NIM. Management has noted un uptick in deposit pricing pressure of late. We estimate FCCO's deposit beta was -6% over the past four quarters aided by the acquisition of cornerstone and some runoff of higher cost CDs.

Fee Income was mostly unchanged LQ at around $2.5 Mil. Our EPS forecast calls for fee income to approximate $10.7 Mil. in 2018 with mortgage revenues the largest contributor. We ae forecasting mortgage income of $4.4 Mil. in 2018 up from $3.8 Mil. in 2017. Our forecast assumes gain on sale margins moderate slightly while volumes pick up as FCCO capitalizes on opportunities in both the Greenville, SC and Augusta, GA markets. FCCO added a mortgage originator in late December in the Augusta MSA and expects to add three additional originators in 2018 (Augusta, Greenville, and Columbia). We are forecasting ~$130 Mil. in mortgage loan production in 2018 up from ~$110 Mil. in 2017 at a 3.25% margin (3.4% in 2017). Operating expenses are expected to approximate $31.5 Mil. in 2018 including a full year impact of Cornerstone and a new branch in the Augusta market.

Credit quality remains excellent though a small uptick was noted in the quarter due entirely to the Cornerstone deal. Provisioning is expected to outpace NCOs which along with our growth forecast should allow reserve coverage to hold steady at ~90 bps. We are projecting NCOs of ~8-10 bps.

Maintaining Price Target to $24.00

FIG Research Rating: "Market-Perform"
Price Target: $24.00

	2018	Multiple	Price
GAAP EPS	$1.35	17.5x	$23.59
Dividends	$0.41	1.0x	$0.41
		Combined	**$24.00**
Tangible Book 12/18	**$12.62**	**1.90x**	**$24.00**
Implied Gain/Loss versus Current Price:			**6.7%**
2019 Outlook			
2019 EPS	$1.45	16.3x	$23.55
Cash Dividends	$0.45	1.0x	$0.45
			$24.00
Tangible Book 12/19	**$13.65**	**1.76x**	**$24.00**

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	Current	Dec-18	Dec-19
Market-Cap	170.7	175.8	181.1
TCE in $$	88.4	95.8	103.6
Total Deposits	888.3	908.5	936.0
CORE Deposits	729.5	749.7	777.2
Premium - Total	9.3%	8.8%	8.3%
Premium - CORE	**11.3%**	**10.7%**	**10.0%**

Source (all data): FIG Partners Research, S&P Global Mkt Intelligence

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Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~$1 Billion 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.

FCCO Peer Comparison

	Company Name	Market Cap. ($M)	Total Assets ($000) MRQ	CDs % of Total MRQ	Cost of Deposits MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 1/19/18	P/E 2018 EPS Consensus	ROA Forecast (2018) Consensus
BCBP	BCB Bncp Inc	$236	$1,871,740	40	0.81	8.8	7.7%	144	14.3x	0.73
BCML	BayCom Corp	$147	$1,185,520	40	0.49	8.0	8.5%	144	11.7x	1.10
CIVB	Civista Bcshs Inc	$232	$1,496,088	13	0.21	9.3	9.1%	170	15.5x	1.08
CSTR	CapStar Finl Hlgs	$247	$1,338,559	15	0.77	9.7	12.8%	191	18.5x	1.03
EBMT	Eagle Bancorp	$103	$702,570	31	0.30	8.1	13.1%	141	12.9x	1.04
ENFC	Entegra Financial	$201	$1,577,139	34	0.43	8.3	9.5%	156	13.1x	0.80
ESXB	Cmty Bnk Trst Corp	$186	$1,294,130	57	0.76	9.6	13.3%	150	14.8x	0.88
EVBN	Evans Bancorp Inc	$206	$1,220,154	15	0.49	9.0	11.0%	189	13.6x	1.26
FBIZ	Frst Bus Fnl Svcs	$201	$1,785,656	30	0.74	8.8	4.5%	129	12.2x	0.83
FCCO	First Cmnty Corp	$171	$1,050,731	23	0.22	8.9	12.0%	187	16.0x	0.97
FFNW	Frst Finl NW	$176	$1,163,578	59	1.00	11.9	11.0%	127	15.2x	0.85
HBMD	Howard Bncp Inc	$221	$1,132,533	28	0.49	11.3	15.0%	173	16.7x	0.85
ICBK	Cnty Bncp Inc	$207	$1,397,045	65	1.28	9.1	20.4%	163	14.8x	1.05
ISTR	Investar Hldg Corp	$235	$1,476,423	47	0.78	9.5	16.3%	154	14.3x	0.97
LCNB	LCNB Corp	$210	$1,314,319	19	0.30	9.1	10.3%	181	13.5x	1.17
MSL	MidSouth Bncp Inc	$249	$1,947,066	10	0.28	9.5	4.9%	138	22.6x	0.55
NRIM	Northrim BanCorp	$239	$1,523,341	11	0.14	11.8	5.4%	134	17.9x	0.88
ORRF	Orrstown Finl Svcs	$217	$1,533,586	26	0.53	9.3	8.2%	152	17.4x	0.77
PMBC	Pacific Mercantile	$208	$1,204,961	25	0.70	9.2	12.3%	188	11.9x	1.09
PROV	Provident Finl	$144	$1,193,786	30	0.39	10.5	2.9%	115	16.0x	0.52
RVSB	Riverview Bancorp	$211	$1,147,680	15	0.13	7.9	14.6%	238	16.4x	1.12
TCFC	Community Finl Cp	$173	$1,402,172	42	0.58	7.9	9.8%	156	13.2x	0.76
TRCB	Two River	$154	$1,000,245	17	0.52	9.0	9.6%	174	14.5x	0.91
				25.7	0.46	9.3	9.9%	157	14.8x	0.96

Source: FIG Partners Research, S&P Global Mkt Intelligence

FCCO Snapshot

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	% Change Y/Y	% Change LQ
Earnings Per Share (EPS)	$0.22	$0.26	$0.25	$0.26	$0.26	$0.24	$0.28	$0.07	-74.7%	-76.0%
Tangible Book Value	$11.24	$11.62	$11.63	$11.28	$11.50	$11.79	$11.87	$11.66	3.3%	-1.9%
Shares Outstanding EOP	$6.69	$6.70	$6.70	$6.71	$6.70	$6.70	$6.71	$7.59	13.1%	13.1%
Net Interest Income	$6.34	$6.68	$6.65	$6.79	$7.06	$7.05	$7.23	$8.06	18.6%	11.5%
Loan Loss Provision	$0.14	$0.22	$0.18	$0.24	$0.12	$0.08	$0.17	$0.17	-28.6%	2.4%
Non-Interest Income	$2.030	$2.200	$2.368	$2.200	$1.982	$2.696	$2.463	$2.544	15.6%	3.3%
Securities Gains	$59	$64	$478	$0	$54	$172	$124	$49		-60.5%
Non-Interest Expense	$6.34	$6.33	$6.58	$6.52	$6.72	$6.97	$6.67	$7.76	19.0%	16.3%
Net Income	$1.47	$1.75	$1.68	$1.79	$1.76	$1.66	$1.89	$0.50	-72.0%	-73.5%
Total Core Revenue	$8,367	$8,877	$9,019	$8,994	$8,857	$9,756	$9,690	$10,602	17.9%	9.4%
Total Core Fee Income	$2,030	$2,200	$2,368	$2,200	$1,982	$2,708	$2,463	$2,544	15.6%	3.3%
Core Expense	$6,128	$6,232	$6,388	$6,429	$6,618	$6,868	$6,573	$7,668	19.3%	16.7%
ROAA	0.68%	0.79%	0.74%	0.79%	0.77%	0.73%	0.83%	0.20%	-75.1%	-76.3%
ROAE	7.31%	8.48%	7.94%	8.58%	8.51%	7.85%	8.78%	1.97%	-77.1%	-77.6%
Net Interest Margin	3.22%	3.32%	3.19%	3.25%	3.42%	3.39%	3.42%	3.45%	6.2%	0.9%
Core Efficiency Ratio	72.2%	69.3%	69.9%	70.6%	73.9%	69.6%	67.1%	71.2%	0.8%	6.2%
Core Exp. / Avg. Assets	2.83%	2.83%	2.84%	2.84%	2.90%	3.02%	2.89%	3.01%	6.1%	4.4%
Total Loans	$494	$511	$523	$547	$555	$553	$568	$647	18.3%	13.8%
Intangibles	$6.41	$6.34	$6.26	$6.18	$6.11	$6.03	$5.96	$17.22	178.7%	189.2%
Total Deposits	$722	$730	$766	$767	$776	$773	$770	$888	15.9%	15.4%
Total Common Equity	$82	$84	$84	$82	$83	$85	$86	$106	29.1%	23.4%
Avg Assets	$865	$880	$901	$906	$913	$909	$911	$1,018	12.4%	11.8%
Avg Loans	$492	$509	$520	$537	$558	$558	$569	$625	16.4%	9.7%
Average Earning Assets	$792	$809	$830	$832	$839	$834	$839	$926	11.3%	10.4%
Avg Deposits	$717	$728	$752	$761	$757	$772	$765	$867	14.0%	13.2%
Loan / Deposit	68.4%	70.1%	68.3%	71.3%	71.6%	71.6%	73.8%	72.8%	2.1%	-1.4%
TCE Ratio	8.70%	8.82%	8.58%	8.33%	8.48%	8.69%	8.77%	8.56%	2.7%	-2.4%
Net Charge-offs	$0.05	$0.03	$0.01	$0.06	($0.04)	($0.04)	$0.00	$0.03	-54.7%	
NPL's + 90 Days Past	$7.71	$6.86	$7.70	$6.88	$5.44	$4.76	$4.83	$5.26	-23.5%	8.9%
OREO	$1.48	$1.36	$1.20	$1.15	$1.16	$0.84	$0.73	$1.93	68.8%	163.8%
Total NPA's	$9.2	$7.8	$7.9	$7.5	$6.5	$5.6	$5.5	$7.2	-4.0%	31.7%
NPA / (Loans + OREO)	1.85%	1.53%	1.51%	1.37%	1.17%	1.01%	0.96%	1.11%	-18.9%	15.6%
Provision / Avg Loans	0.03%	0.04%	0.03%	0.04%	0.02%	0.01%	0.03%	0.03%	-38.6%	-6.7%
Reserve / NPL + 90	61%	75%	75%	82%	101%	115%	120%	110%	34.1%	-7.9%

Source: FIG Partners Research, S&P Global Mkt Intelligence

First Community Corporation (FCCO) **Updated on 1/18/18** **Updated on 1/18/18**

Earnings Model

	Annual				2017 Quarterly				2018 Quarterly				2019 Quarterly			
	2016A	2017A	2018E	2019E	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
Income Data: ($ in Millions)																
Net Interest Income	$26.5	$29.4	$34.6	$36.3	$7.1	$7.0	$7.2	$8.1	$8.3	$8.6	$8.9	$8.9	$8.8	$9.0	$9.3	$9.3
Loan Loss Provision	$0.8	$0.5	$1.0	$1.2	$0.1	$0.1	$0.2	$0.2	$0.2	$0.3	$0.3	$0.3	$0.23	$0.30	$0.33	$0.35
Non-Interest Income	$8.8	$9.7	$10.6	$11.1	$2.0	$2.7	$2.5	$2.5	$2.4	$2.9	$2.9	$2.5	$2.5	$3.0	$3.0	$2.6
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	$0.6	$0.4	$0.0	$0.0	$0.1	$0.2	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	($0.5)	($1.7)	$0.0	$0.0	($0.1)	($0.6)	($0.4)	($0.6)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$25.8	$28.1	$31.5	$32.5	$6.7	$7.0	$6.7	$7.8	$7.8	$7.9	$7.9	$7.9	$8.0	$8.2	$8.1	$8.1
Pre-Tax Income	$8.8	$9.1	$12.8	$13.8	$2.2	$2.2	$2.6	$2.1	$2.8	$3.3	$3.6	$3.2	$3.0	$3.5	$3.8	$3.4
Taxes	$2.2	$3.3	$2.4	$2.6	$0.4	$0.6	$0.7	$1.6	$0.5	$0.6	$0.7	$0.6	$0.6	$0.7	$0.7	$0.7
Extraordinary Items	$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	$6.7	$5.8	$10.4	$11.1	$1.8	$1.7	$1.9	$0.5	$2.2	$2.6	$2.9	$2.6	$2.5	$2.9	$3.1	$2.8
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	**$6.7**	**$5.8**	**$10.4**	**$11.1**	**$1.8**	**$1.7**	**$1.9**	**$0.5**	**$2.2**	**$2.6**	**$2.9**	**$2.6**	**$2.5**	**$2.9**	**$3.1**	**$2.8**
Avg. Shares O/S	6.8	$7.0	$7.7	$7.7	$6.8	$6.8	$6.8	$7.5	$7.7	$7.7	$7.7	$7.7	$7.7	$7.7	$7.7	$7.7
Earnings Per Share (EPS)	**$0.99**	**$0.83**	**$1.35**	**$1.45**	**$0.26**	**$0.24**	**$0.28**	**$0.07**	**$0.29**	**$0.34**	**$0.38**	**$0.34**	**$0.32**	**$0.37**	**$0.40**	**$0.36**
Per Share Data:																
Reported Book Value	$12.20	$13.93	$14.88	$15.89	$12.41	$12.69	$12.76	$13.93	$14.12	$14.37	$14.65	$14.88	$15.09	$15.35	$15.65	$15.89
Tangible Book Value	**$11.28**	**$11.66**	**$12.62**	**$13.65**	**$11.50**	**$11.79**	**$11.87**	**$11.66**	**$11.85**	**$12.10**	**$12.39**	**$12.62**	**$12.84**	**$13.11**	**$13.40**	**$13.65**
Dividends	$0.33	$0.37	$0.41	$0.45	$0.09	$0.09	$0.09	$0.10	$0.10	$0.10	$0.10	$0.11	$0.11	$0.11	$0.11	$0.12
Pre-Tax, Pre-Provision EPS	**$1.40**	**$1.57**	**$1.80**	**$1.94**	**$0.34**	**$0.35**	**$0.41**	**$0.29**	**$0.39**	**$0.47**	**$0.51**	**$0.46**	**$0.43**	**$0.50**	**$0.54**	**$0.50**
CORE GAAP EPS	**$0.97**	**$1.12**	**$1.35**	**$1.45**	**$0.24**	**$0.29**	**$0.30**	**$0.29**	**$0.29**	**$0.34**	**$0.38**	**$0.34**	**$0.32**	**$0.37**	**$0.40**	**$0.36**
KEY Ratios:																
Net Interest Margin	3.25%	3.42%	3.57%	3.66%	3.42%	3.39%	3.42%	3.45%	3.52%	3.57%	3.62%	3.60%	3.63%	3.64%	3.69%	3.68%
Return on Avg Assets	0.75%	0.62%	0.97%	1.02%	0.77%	0.73%	0.83%	0.20%	0.84%	0.99%	1.08%	0.96%	0.91%	1.04%	1.12%	1.00%
Return on Avg Equity	8.09%	6.54%	9.51%	9.56%	8.51%	7.85%	8.78%	1.97%	8.41%	9.78%	10.51%	9.29%	8.64%	9.88%	10.44%	9.25%
Return on Tang. Comm. Eq.	9.10%	6.83%	11.16%	11.06%	9.37%	8.67%	9.75%	2.62%	10.30%	11.85%	12.64%	11.19%	10.40%	11.79%	12.38%	10.98%
Pre-Tax Pre-Provision ROA	**1.07%**	**1.17%**	**1.29%**	**1.37%**	**1.03%**	**1.06%**	**1.24%**	**0.86%**	**1.13%**	**1.35%**	**1.45%**	**1.32%**	**1.22%**	**1.42%**	**1.51%**	**1.38%**
Efficiency Ratio	72.21%	71.06%	68.43%	67.44%	71.75%	69.25%	66.59%	70.58%	71.48%	68.09%	66.19%	68.20%	70.10%	67.14%	65.43%	67.27%
Overhead Ratio	2.90%	3.00%	2.94%	2.96%	2.95%	3.07%	2.93%	3.05%	2.93%	2.97%	2.94%	2.92%	2.97%	2.99%	2.96%	2.94%
TCE/TA	8.33%	8.56%	9.03%	9.51%	8.48%	8.69%	8.77%	8.56%	8.62%	8.75%	8.91%	9.03%	9.13%	9.25%	9.39%	9.51%
Period-End Balances: ($ in Millions)																
Earning Assets	$835	$952	$977	$1,002	$840	$841	$839	$952	$961	$966	$972	$977	$982	$989	$997	$1,002
Total Assets	$915	$1,051	$1,078	$1,106	$915	$915	$914	$1,051	$1,061	$1,067	$1,072	$1,078	$1,084	$1,092	$1,100	$1,106
Gross Loans	$547	$647	$711	$781	$555	$553	$568	$646.8	$653	$673	$694	$711	$718	$740	$762	$781
Total Deposits	$767	$888	$908	$936	$776	$773	$770	$888	$888	$897	$904	$908	$913	$920	$927	$936
Intangibles	$6	$17	$17	$17	$6.105	$6.031	$6	$17	$17	$17	$17	$17	$17	$17	$17	$17
Total Common Equity	$82	$106	$113	$121	$83.13	$85.06	$86	$106	$107.13	$109	$111	$113	$114.49	$116	$119	$121

Source: FIG Partners Research, S&P Global Market Intelligence

FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market-Perform	Sell / Underperform
% Rated	38.1%	61.9%	0.0%
IB Client % in Category	27.1%	14.1%	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
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- 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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