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3Q17 EPS Review

October 19, 2017

FCCO- First Community Corporation

Profitability Poised to Increase in 2018 as Balance Sheet Remix Occurs; Maintain "Outperform"

- **Reiterate "Outperform" and Boost Price Target to $24 (+$1)**
- **Maintain 2017 Core EPS of $1.10 & Increase 2018 EPS to $1.27 (+$0.02)**
- **Cornerstone Deal Expected to Close October 20th**
- **Loan Growth Outlook Remains Bright; Remixing Balance Sheet is a Priority in 2018**
- **Profitability forecast to increase in 2018 (ROAA of ~0.90%) as balance sheet efficiency improves**

We are maintaining our "Outperform" rating and increasing our Price Target to $24 which reflects ~18.5x our 2018 EPS or ~190% of Tangible Book Value one year out or a 13% Core Deposit Premium. Our valuation is supported by the company's favorable growth prospects, healthy operating markets, strong balance sheet, excellent credit quality and increasing profitability as the company continues to remix earning assets and improve balance sheet efficiency. Management is targeting an 80% Loan-to-Earning Asset ratio over time vs. its current 67% level. Our EPS forecast calls for the ratio to improve to around 73% by late 2018 which corresponds to an ~90% bps ROAA. We do not consider FCCO a near term seller; however, we believe the franchise will garner greater interest by larger regional banks over time. Management's current focus is completing its pending bank acquisition and maximizing core earnings power.

We are maintaining our core 2017 EPS at $1.10 and increasing our Core 2018 EPS to $1.27 (+$0.02). We expect 4Q17 EPS to be somewhat noisy given the closing of the Cornerstone deal which is slated for October 20th. Our 2018 EPS increase stems primarily from lower expenses as we expect cost savings from the Cornerstone deal to be realized sooner than originally anticipated. We have made several other changes to our model; however, the net impact to EPS was negligible. Notably, we have trimmed our growth outlook for earning assets and increased our NIM assumption to reflect some accretion income. We expect much of the 2018 loan growth to be funded by cash/ securities (Cornerstone has excess liquidity) limiting overall growth in AEA. We have also increased our tax rate incrementally.

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FCCO: $20.35
"Outperform"// Price Target: $24.00

Summary Statistics	
Exchange	NASDAQ
Market Cap ($M)	$145.9
Avg. Volume	9,487
Annual Dividend	$0.36
Dividend Yield	1.66%
Tangible Book/Share	$12.02
Price/Tangible Book	181%
Price/2017 EPS	19.8x
Price/2018 EPS	17.2x
Total Assets ($M)	$914,228
TCE/TA	8.88%
ROAA (2017)	0.79%
ROAE (2017)	8.43%

EPS Estimates

	2015	2016	2017	2018
Q1	$0.21	$0.21	$0.24	$0.29
Q2	$0.20	$0.25	$0.29	$0.31
Q3	$0.25	$0.25	$0.30	$0.36
Q4	$0.24	$0.27	$0.27	$0.31
FY	**$0.90**	**$0.98**	**$1.10**	**$1.27**

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, S&P Global Mkt Intelligence

Outlook: Absent nonrecurring items and elevated loan payoffs (maybe the new normal), FCCO posted solid third quarter results and carries good momentum heading into fourth quarter, especially as it relates to loan production and further NIM leverage. Loan pipelines are solid (down slightly after strong 3Q production) aided by the company's healthy operating markets and increased geographic diversification supporting our outlook for double digit (~10%) organic growth over the next twelve months. Loan payoffs remain a risk to our forecast and all three markets (Greenville, SC, Augusta, GA and Columbia, SC) are expected to contribute to future loan growth. NIM has expanded steadily in recent quarters aided by recent rate hikes and the 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 two rate hikes between now and year end 2018 (Dec. 2017 and Mid-Year 2018) and for the bulk of the near-term loan growth to be funded by the Securities portfolio. The Cornerstone balance sheet had a healthy amount of of cash/securities. A key focus in 2018 will be remixing the balance sheet rather than growing it. This should drive improved balance sheet efficiency and profitability. We are also forecasting some accretion income beginning in 4Q17 given a loan mark of nearly $2 Mil. We are forecasting NIM to approximate 3.46% in 4Q17 (+4 bps LQ) and a higher 3.56% in 2018. Our model includes ~$500k of accretion income in 2018.

Fee Income declined ~9% LQ due primarily to a drop in Mortgage income which was outsized in 2Q17. Notably, mortgage income was at its second highest quarterly level in the last four years in 3Q17 behind only 2Q17. Gain on sale margins held steady at ~3.6% (3.3% is more normal level) while production moderated LQ leading to the drop in income. Looking forward, we are projecting ~$4.4 Mil. in mortgage income in 2018 up from our forecast of ~$3.8 Mil. in 2018. 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. Notably, FCCO recently hired a mortgage loan officer in Greenvilie and anticipates hiring one in the Augusta GA market in the near term. We are expecting ~130 Mil. in mortgage loan production in 2018 up from ~$105-110 Mil. in 2017. Our full year fee income forecast for 2018 is unchanged at ~$11 Mil. and includes about $700k associated with Cornerstone.

Core operating expenses approximated $6.7 Mil. in 3Q17 and are expected to rebound to $6.9 Mil. in 4Q17 as marketing expense normalizes. The Cornerstone deal is projected to boost the quarterly run by about $650k in 2018 once cost synergies are achieved. The add in 4Q17 should be around $550k reflecting a partial quarter impact. Our forecast assumes the first clean quarter from an expense standpoint will be 1Q18. Total Expenses are expected to approximate $7.5 Mil. in 4Q17 and $31.3 Mil. in 2018. Our EPS forecast corresponds to an Efficiency ratio of ~71% in 2017 dropping to ~68.5% in 2017.

Credit quality remains excellent and we believe trends should remain favorable in the near term. We expect provisioning to exceed NCOs resulting in a slight moderation in the reserve ratio given our loan growth outlook. Our forecast calls for ~8-10 bps of NCOs in 2018. The Cornerstone deal is expected to negatively impact the GAAP reserve ratio by about 10 bps to ~88 bps beginning in 4Q17.

Increasing Price Target to $24.00

FIG Research Rating: "Outperform"

Price Target: $24.00

	2017	Multiple	Price
GAAP EPS	$1.06	22.4x	$23.64
Dividends	$0.36	1.0x	$0.36
		Combined	**$24.00**
Tangible Book 12/17	**$11.81**	**2.03x**	**$24.00**

Implied Gain/Loss versus Current Price: 10.3%

2018 Outlook			
2018 EPS	$1.27	18.2x	$23.12
Cash Dividends	$0.40	1.0x	$0.88
			$24.00
Tangible Book 12/18	**$12.71**	**1.89x**	**$24.00**

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	Current	Dec-17	Dec-18
Market-Cap	145.9	164.9	164.9
TCE in $$	79.6	89.5	96.3
Total Deposits	770.1	894.2	907.7
CORE Deposits	630.8	754.9	768.4
Premium - Total	8.6%	8.4%	7.6%
Premium - CORE	**10.5%**	**10.0%**	**8.9%**

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

We are maintaining our "Outperform" rating and increasing our Price Target to $24 which reflects ~18.5x our 2018 EPS or ~190% of Tangible Book Value one year out or a 13% Core Deposit Premium

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a ~$915 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.

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 10/18/17	P/E 2017 EPS Consensus	P/E 2018 EPS Consensus	P/E 2019 EPS Consensus	ROA Forecast (2017) Consensus	ROA Forecast (2018) Consensus	ROTCE Estimated (2017) Consensus
FCCO	First Cmnty Corp	$146	$914,228	22	0.24	11.1	10.8%	181	20.7x	17.0x	na	0.79	0.88	8.8%
ACBI	Atlantic Cap Bcshs	$467	$2,702,575	8	0.46	11.0	8.9%	159	27.5x	20.6x	17.1x	0.63	0.80	5.7%
AMNB	Amer Natl Bkshs	$362	$1,764,473	27	0.38	9.4	18.6%	224	21.1x	17.5x	15.5x	0.98	1.07	10.5%
CARO	Carolina Finl Corp	$583	$2,191,911	35	0.51	11.0	32.1%	246	18.3x	15.9x	14.1x	1.42	1.41	14.5%
CHFN	Charter Finl	$289	$1,480,122	32	0.40	12.4	13.4%	160	16.5x	16.8x	17.2x	0.82	0.96	10.2%
CNBW	CNB Corp	$110	$1,127,167	26	0.18	9.7	0.2%	101	na	na	na	NA	NA	na
FBK	FB Finl Corp	$1,164	$3,346,570	15	0.34	13.9	30.3%	241	20.1x	16.2x	14.8x	1.38	1.58	15.3%
FBMS	First Bancshares	$278	$1,789,622	17	0.34	7.8	11.0%	203	16.7x	15.4x	12.9x	0.90	1.02	11.5%
HTBI	HomeTrust Bcshs	$492	$3,206,533	23	0.24	11.5	8.0%	135	27.9x	22.5x	19.3x	0.42	0.62	4.9%
LION	Fidelity Sthrn	$624	$4,609,280	17	0.41	8.0	8.0%	170	16.1x	14.4x	11.8x	0.84	0.92	10.7%
PBNC	Paragon Comm Corp	$321	$1,635,567	15	0.53	8.9	17.7%	221	20.7x	na	na	NA	NA	11.2%
PSTB	Park Sterling Corp	$683	$3,340,999	27	0.40	9.0	21.0%	231	20.8x	19.0x	17.1x	0.96	1.02	11.0%
SBAZ	State Bank Corp	$67	$603,351	13	0.13	NA	na	141	na	na	na	NA	NA	na
SONA	Southern National	$403	$2,630,766	40	0.91	8.4	15.7%	190	18.7x	15.8x	na	0.94	1.02	9.7%
				23	0.40	13.7	14.5%	190	20.1x	16.5x	15.5x	0.92	1.02	10.7%

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

FCCO Snapshot

	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	% Change Y/Y	% Change LQ
Earnings Per Share (EPS)	$0.22	$0.25	$0.24	$0.22	$0.26	$0.25	$0.26	$0.26	$0.24	$0.28	12.1%	13.7%
Tangible Book Value	$10.44	$10.76	$10.84	$11.24	$11.62	$11.63	$11.28	$11.50	$11.79	$11.87	2.1%	0.7%
Shares Outstanding EOP	$6.68	$6.68	$6.69	$6.69	$6.70	$6.70	$6.71	$6.70	$6.70	$6.71	0.0%	0.1%
Net Interest Income	$6.20	$6.25	$6.35	$6.34	$6.68	$6.65	$6.79	$7.06	$7.05	$7.23	8.7%	2.5%
Loan Loss Provision	$0.39	$0.19	$0.15	$0.14	$0.22	$0.18	$0.24	$0.12	$0.08	$0.17	-7.3%	112.8%
Non-Interest Income	$2.398	$2.329	$2.103	$2.030	$2.200	$2.368	$2.200	$1.982	$2.696	$2.463	4.0%	-8.6%
Securities Gains	$167	$0	$84	$59	$64	$478	$0	$54	$172	$124	-74.1%	-27.9%
Non-Interest Expense	$6.39	$6.07	$6.07	$6.34	$6.33	$6.58	$6.52	$6.72	$6.97	$6.67	1.3%	-4.4%
Net Income	$1.44	$1.68	$1.60	$1.47	$1.75	$1.68	$1.79	$1.76	$1.66	$1.89	12.9%	13.8%
Total Core Revenue	$8,602	$8,582	$8,451	$8,367	$8,877	$9,019	$8,994	$8,857	$9,756	$9,690	7.4%	-0.7%
Total Core Fee Income	$2,398	$2,329	$2,103	$2,030	$2,200	$2,368	$2,200	$1,982	$2,708	$2,463	4.0%	-9.0%
Core Expense	$6,037	$5,843	$5,889	$6,128	$6,232	$6,388	$6,429	$6,618	$6,868	$6,573	2.9%	-4.3%
ROAA	0.69%	0.80%	0.75%	0.68%	0.79%	0.74%	0.79%	0.77%	0.73%	0.83%	11.6%	13.4%
ROAE	7.50%	8.68%	8.13%	7.31%	8.48%	7.94%	8.58%	8.51%	7.85%	8.78%	10.5%	11.8%
Net Interest Margin	3.25%	3.22%	3.19%	3.22%	3.32%	3.19%	3.25%	3.42%	3.39%	3.42%	7.2%	0.9%
Core Efficiency Ratio	69.0%	66.9%	68.6%	72.2%	69.3%	69.9%	70.6%	73.9%	69.6%	67.1%	-4.1%	-3.7%
Core Exp. / Avg. Assets	2.90%	2.79%	2.74%	2.83%	2.83%	2.84%	2.84%	2.90%	3.02%	2.89%	1.7%	-4.6%
Total Loans	$474	$484	$489	$494	$511	$523	$547	$555	$553	$568	8.6%	2.7%
Intangibles	$6.68	$6.59	$6.50	$6.41	$6.34	$6.26	$6.18	$6.11	$6.03	$5.96	-4.8%	-1.2%
Total Deposits	$684	$704	$716	$722	$730	$766	$767	$776	$773	$770	0.5%	-0.4%
Total Common Equity	$76	$78	$79	$82	$84	$84	$82	$83	$85	$86	1.6%	0.6%
Avg Assets	$832	$838	$858	$865	$880	$901	$906	$913	$909	$911	1.1%	0.3%
Avg Loans	$473	$482	$487	$492	$509	$520	$537	$558	$558	$569	9.5%	2.0%
Average Earning Assets	$766	$770	$790	$792	$809	$830	$832	$839	$834	$839	1.1%	0.5%
Avg Deposits	$688	$688	$709	$717	$728	$752	$761	$757	$772	$765	1.8%	-0.8%
Loan / Deposit	69.3%	68.7%	68.3%	68.4%	70.1%	68.3%	71.3%	71.6%	71.6%	73.8%	8.0%	3.1%
TCE Ratio	8.40%	8.50%	8.47%	8.70%	8.82%	8.58%	8.33%	8.48%	8.69%	8.77%	2.2%	0.9%
Net Charge-offs	$0.36	$0.01	$0.02	$0.05	$0.03	$0.01	$0.06	($0.04)	($0.04)	$0.00	-100.0%	-100.0%
NPL's + 90 Days Past	$7.02	$6.73	$6.47	$7.71	$6.86	$7.70	$6.88	$5.44	$4.76	$4.83	-37.2%	1.5%
OREO	$2.52	$2.45	$2.46	$1.48	$1.36	$1.20	$1.15	$1.16	$0.84	$0.73	-38.8%	-12.5%
Total NPA's	$9.5	$9.2	$8.9	$9.2	$7.8	$7.9	$7.5	$6.5	$5.6	$5.5	-30.9%	-2.4%
NPA / (Loans + OREO)	2.00%	1.89%	1.82%	1.85%	1.53%	1.51%	1.37%	1.17%	1.01%	0.96%	-36.3%	-5.0%
Provision / Avg Loans	0.08%	0.04%	0.03%	0.03%	0.04%	0.03%	0.04%	0.02%	0.01%	0.03%	-15.3%	108.7%
Reserve / NPL + 90	61%	66%	71%	61%	75%	75%	82%	101%	115%	120%	58.9%	3.7%

Source: FIG Partners Research, SNL Financial

First Community Corporation (FCCO) **Updated on 10/18/17**

Earnings Model

	Annual				2016 Quarterly				2017 Quarterly				2018 Quarterly			
	2015A	2016A	2017E	2018E	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17A	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
Income Data: ($ in Millions)																
Net Interest Income	$25.3	$26.5	$29.4	$34.7	$6.3	$6.7	$6.7	$6.8	$7.1	$7.0	$7.227	$8.087	$8.4	$8.6	$8.8	$8.9
Loan Loss Provision	$1.1	$0.8	$0.5	$1.0	$0.1	$0.2	$0.2	$0.2	$0.1	$0.1	$0.166	$0.150	$0.2	$0.3	$0.3	$0.3
Non-Interest Income	$8.8	$8.8	$9.5	$10.9	$2.0	$2.2	$2.4	$2.2	$2.0	$2.7	$2.463	$2.34	$2.5	$2.9	$2.9	$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	$0.000	$0.0	$0.0	$0.0	$0.0	$0.0
Gain/Loss on Securities	$0.4	$0.6	$0.4	$0.0	$0.1	$0.1	$0.5	$0.0	$0.1	$0.2	$0.124	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	($0.2)	($0.5)	($1.1)	$0.0	$0.0	$0.0	($0.5)	$0.0	($0.1)	($0.6)	($0.393)	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$24.6	$25.8	$27.8	$31.3	$6.3	$6.3	$6.583	$6.5	$6.7	$7.0	$6.666	$7.5	$7.9	$8.0	$7.7	$7.8
Pre-Tax Income	$8.4	$8.8	$9.8	$13.2	$1.9	$2.4	$2.3	$2.2	$2.2	$2.2	$2.589	$2.8	$2.8	$3.3	$3.8	$3.3
Taxes	$2.3	$2.2	$2.5	$3.5	$0.5	$0.6	$0.6	$0.4	$0.4	$0.6	$0.696	$0.8	$0.6	$0.9	$1.0	$0.9
Extraordinary Items	$0.00	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.000	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	$6.1	$6.7	$7.3	$9.7	$1.5	$1.7	$1.7	$1.8	$1.8	$1.7	$1.893	$2.0	$2.2	$2.4	$2.8	$2.4
Preferred Dividend	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.000	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income Avail. To Common	**$6.1**	**$6.7**	**$7.3**	**$9.7**	**$1.5**	**$1.7**	**$1.7**	**$1.8**	**$1.8**	**$1.7**	**$1.893**	**$2.0**	**$2.2**	**$2.4**	**$2.8**	**$2.4**
Avg. Shares O/S	$6.7	6.8	$7.0	$7.7	$6.8	$6.7	$6.8	$6.8	$6.8	$6.8	$6.808	$7.4	$7.7	$7.7	$7.7	$7.7
Earnings Per Share (EPS)	**$0.91**	**$0.99**	**$1.06**	**$1.27**	**$0.22**	**$0.26**	**$0.25**	**$0.26**	**$0.26**	**$0.24**	**$0.28**	**$0.27**	**$0.29**	**$0.31**	**$0.36**	**$0.31**
Per Share Data:																
Reported Book Value	$11.81	$12.20	$13.71	$14.60	$12.19	$12.57	$12.56	$12.20	$12.41	$12.69	$12.76	$13.71	$13.90	$14.12	$14.38	$14.60
Tangible Book Value	**$10.84**	**$11.28**	**$11.81**	**$12.71**	**$11.24**	**$11.62**	**$11.63**	**$11.28**	**$11.50**	**$11.79**	**$11.87**	**$11.81**	**$12.00**	**$12.22**	**$12.48**	**$12.71**
Dividends	$0.28	$0.33	$0.36	$0.40	$0.08	$0.08	$0.08	$0.09	$0.09	$0.09	$0.09	$0.09	$0.10	$0.10	$0.10	$0.10
Pre-Tax, Pre-Provision EPS	**$1.41**	**$1.40**	**$1.59**	**$1.85**	**$0.31**	**$0.38**	**$0.38**	**$0.37**	**$0.34**	**$0.35**	**$0.41**	**$0.41**	**$0.40**	**$0.47**	**$0.53**	**$0.48**
CORE GAAP EPS	**$0.90**	**$0.97**	**$1.11**	**$1.27**	**$0.21**	**$0.25**	**$0.25**	**$0.26**	**$0.24**	**$0.29**	**$0.30**	**$0.27**	**$0.29**	**$0.31**	**$0.36**	**$0.31**
KEY Ratios:																
Net Interest Margin	3.29%	3.25%	3.42%	3.56%	3.22%	3.32%	3.19%	3.25%	3.42%	3.39%	3.42%	3.46%	3.53%	3.54%	3.58%	3.59%
Return on Avg Assets	0.73%	0.75%	0.79%	0.91%	0.68%	0.79%	0.74%	0.79%	0.77%	0.73%	0.83%	0.80%	0.83%	0.89%	1.03%	0.90%
Return on Avg Equity	7.94%	8.09%	8.43%	9.09%	7.31%	8.48%	7.94%	8.58%	8.51%	7.85%	8.78%	8.57%	8.38%	8.95%	10.19%	8.81%
Return on Tang. Comm. Eq.	8.79%	9.10%	8.42%	10.31%	8.10%	9.23%	8.87%	9.73%	9.37%	8.67%	9.75%	9.28%	9.85%	10.47%	11.83%	10.25%
Pre-Tax Pre-Provision ROA	**1.13%**	**1.07%**	**1.18%**	**1.33%**	**0.96%**	**1.17%**	**1.13%**	**1.10%**	**1.03%**	**1.06%**	**1.24%**	**1.19%**	**1.16%**	**1.35%**	**1.54%**	**1.36%**
Efficiency Ratio	71.17%	72.21%	70.80%	68.12%	72.90%	68.80%	70.42%	69.93%	71.75%	69.25%	66.59%	71.07%	71.55%	68.61%	64.75%	67.82%
Overhead Ratio	2.95%	2.90%	2.98%	2.94%	2.93%	2.88%	2.92%	2.88%	2.95%	3.07%	2.93%	2.97%	2.97%	3.00%	2.87%	2.92%
TCE/TA	8.47%	8.33%	8.59%	9.05%	8.70%	8.82%	8.58%	8.33%	8.48%	8.69%	8.77%	8.59%	8.70%	8.80%	8.95%	9.05%
Period-End Balances: ($ in Millions)																
Earning Assets	$788	$835	$963	$982	$798	$816	$841	$835	$840	$841	$839	$963	$966	$971	$976	$982
Total Assets	$863	$915	$1,057	$1,078	$870	$889	$915	$915	$915	$915	$914	$1,057	$1,061	$1,066	$1,072	$1,078
Risk-Weighted Assets	$563	$635	$647	$660	$568	$583	$599	$635	$632	$626	$641	$647	$649	$653	$656	$660
Gross Loans	$489	$547	$642	$705	$494	$511	$523	$547	$555	$553	$568	$641.6	$648	$667	$687	$705
Total Deposits	$716	$767	$894	$908	$722	$730	$766	$767	$776	$773	$770	$894	$894	$899	$903	$908
Intangibles	$6	$6	$14	$14	$6.414	$6.335	$6.255	$6.180	$6.105	$6.031	$6	$14	$14	$14	$14	$14
Total Common Equity	$79	$82	$104	$111	$81.61	$84.21	$84.21	$81.86	$83.13	$85.06	$86	$104	$105.39	$107	$109	$111

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

FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market-Perform	Sell / Underperform
% Rated	37.8%	62.2%	0.0%
IB Client % in Category	27.1%	13.9%	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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