

FCCO-First Community Corporation

Solid Quarter - Recent Franchise Investment to Help Accelerate Loan Growth & Balance Sheet Remix; Adjust EPS

We reiterate our “Outperform” rating with a Target Price of \$16.50 which reflects ~15x our 2017 EPS, 140% of 2016 Tangible Book Value or a modest 6% Core Deposit Premium.

Following a review of the quarter, we are trimming our 2016 EPS by 2 cents to \$0.97 and increasing our 2017 EPS by 3 cents to \$1.09. Our revised EPS reflect 1Q16 EPS and the recent lift out of a commercial lending team in Greenville, SC. This investment in the franchise is initially a drag on earnings until revenues accelerate and positive operating leverage is achieved.

Thoughts on Shares. In our view, risk reward dynamics remain favorable despite recent share price outperformance. Shares have advanced ~25% over the LTM vs. a 5% increase in the NASDAQ Bank Index over that same period. Profitability remains below peer with an ROAA of 0.68% though we project this to improve and narrow the gap with peer over time 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 MSA should help accelerate loan growth and management’s goal of improving balance sheet efficiency. Management is targeting an 80% loan to earning asset ratio vs. 62% today. This remix is expected to occur over the next several years adding approximately 25 cents to earnings all else equal. Our Loan to Earning asset mix in late 2017 approximates 70% which pencils to a 0.85-0.90% 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 market in 2014 help improve FCCO’s geographic diversification and augment already strong revenue diversification.

Lastly, the recent termination of its Consent order is also a positive in our view and could set the stage for a return to the M&A market later in the year which could have positive implications for earnings. M&A could also help further accelerate the balance sheet remix.

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: \$14.52
“Outperform”// Price Target: \$16.50

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$97.2
Avg. Volume	4,003
Annual Dividend	\$0.28
Dividend Yield	1.93%
Tangible Book/Share	\$11.24
Price/Tangible Book	129%
Price/2016 EPS	15.1x
Price/2017 EPS	13.4x
Total Assets (\$M)	\$870,409
TCE/TA	8.70%
ROAA (2016)	0.74%
ROAE (2016)	7.91%

EPS Estimates

	2014	2015	2016	2017
Q1	\$0.14	\$0.21	\$0.22	-
Q2	\$0.18	\$0.20	\$0.23	-
Q3	\$0.23	\$0.25	\$0.26	-
Q4	\$0.22	\$0.24	\$0.25	-
FY	\$0.78	\$0.78	\$0.97	\$1.09

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 are projecting 10% organic loan growth in 2016 up from our earlier forecast of 6-7% aided by the aforementioned lift out of three commercial lenders in the Greenville MSA. We expect the lenders to hit the ground running adding to production beginning in May. Sales pipelines are strong heading in 2Q16.

We are increasing our NIM outlook to reflect greater loan growth and a corresponding improvement in the earning asset mix as loan growth is largely funded by the Securities Portfolio. We estimate FCCO is picking up approximately 225 bps in spread improvement as they shift from Securities to Loans. NIM is projected to expand to 3.34% by 4Q16 and approximate 3.45 by late 2017. FCCO remains modestly asset sensitive and is a beneficiary of rate increases.

We have trimmed our full year 2016 Fee Income outlook modestly (-2%) to reflect slightly lower mortgage and wealth management revenues. Mortgage was seasonally weak in January/February though good improvement was noted in March and pipelines are greater today. 1Q16 wealth management fees were negatively impacted by weak equity markets which have rebounded and bode well for future revenues.

We have bumped our Operating Expense forecast up a similar 2% reflecting 1Q16 results and the new commercial lenders in Greenville. We expect breakeven on recent franchise investment to be achieved within 12 months with a 2 year payback period.

Credit quality remains healthy and there is little change to our provisioning outlook which calls for \$1.0 Mil. and \$1.5 Mil. in 2016 and 2017, respectively, which along with 10-15 bps of NCOS and projected loan growth keeps reserve coverage stable in the 0.95%-1.00% range. Reserve coverage inclusive of the credit mark (\$850k) is a higher 1.12% today.



1Q-2016 EPS Review

FCCO reported 1Q16 EPS of \$0.22. We also peg Operating EPS at \$0.22; adjusting for securities gains and some nonrecurring expense, which was 2 cents better than our estimate. Lower credit costs and a lower tax rate drove the beat as other metrics were generally as expected. Steady balance sheet growth, modest NIM expansion and low credit costs were key positives in the quarter. Below are the core fundamental trends.

- Core ROAA was 0.68% down from 0.74% in 4Q15.
- Loans expanded \$4 Mil. or 4% annualized reflecting normal first quarter seasonality. Loan production in the quarter was a stronger \$26 Mil.
- Deposit growth mirrored loan growth as balances expanded \$6 Mil. or 3.4% annualized. Mix improvements were noted as Pure Deposit grew \$10 Mil. offsetting CD runoff.
- NIM rose 3 bps to 3.22% benefitting from a reduction in the COF driven primarily by its recent FHLB prepayment. Earning asset yields were flat as a 12 bps decline in loan yields was offset by a 16 bps increase in Securities yields. FCCO's variable rate securities benefited from the December rate increase.
- Core Revenues declined 1% LQ due to a 3.5% drop in Fees as Net Interest Income was mostly flat. Seasonal declines in service charge income and mortgage revenue drove the drop in fees. Modest balance sheet growth and NIM expansion were mitigated by 2 fewer days in the quarter leaving Net Interest Income stable.
- A modest LQ decline in Core Revenues along with a 4% increase in Core Expenses resulted in negative operating leverage and a 295 bps uptick in Efficiency ratio to 72%.
- Growth in TBV of \$0.38 exceeded EPS of \$0.22 as a drop in rates in the quarter had a favorable impact on AOCI-Accumulated Other Comprehensive Income. TCE ratio increased 23 bps to 8.70%.

FCCO (Lexington, SC--\$97 Mil. Mkt. Cap, \$870 Mil. Assets, \$14.52, 2.2% Yld)

	4Q-2015	Δ	1Q-2016
EPS	\$0.24	(\$0.02)	\$0.22
Operating/Core EPS*	\$0.24	(\$0.02)	\$0.22
FIG Estimate	-	-	\$0.20
Street Estimate	-	-	\$0.22
Net Interest Income (FTE)	6.3	(0.2%)	6.3
Loan Loss Provision	0.15	(5.4%)	0.14
Core Non-Interest Income (ex. sec.)	2.1	(3.5%)	2.0
Core Non-Interest Expense	6.1	1.0%	6.1
Net Charge-Offs	0.0	145.0%	0.0
NCOs % of Avg Loans (bps)	0.02	0bps	0.04
NCOs % of Provision	14%	21bps	35%
Tangible Book Per Share	\$10.84	3.7%	\$11.24
Net Interest Margin	3.19%	14bps	3.33%
Average Loans (\$Mil.)	487.2	1.0%	492.2
TCE Ratio (TCE/TA)	8.47%	23bps	8.70%
NPAs % of Loans + OREO	1.82%	3bps	1.85%

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

Source: FIG Partners Research, Company Disclosure

- The uptick in Core Expenses reflected normal first quarter seasonality (merit increases, payroll taxes, increased medical costs), higher than normal debit card losses as well as several unusual items including uninsured flood damage & major equipment repair. We place Core Expense at \$6.1 Mil.; which, excludes ~\$100k in nonrecurring expense.
- Credit metrics remain healthy and were mostly unchanged with NPAs falling to 1.52% of Loans & OREO while NCOs were negligible at 4 bps of average loans. Classified ratio fell to 13% and Provisioning covered NCOs by nearly 3x lifting the reserve 1 bps to 0.95% of loans.



FIG Research Rating: "Outperform"			
Price Target: \$16.50			
Implied Gain/Loss versus Current Price: 13.6%			
2017 EPS	\$1.09	14.9x	\$16.14
Dividends	\$0.36	1.0x	<u>\$0.36</u>
			\$16.50
Tang Book 12/16	\$11.76	1.40x	\$16.50

Source: FIG Partners Research & Forward Estimates

We reiterate our "Outperform" rating with a Target Price of \$16.50 which reflects ~15x our 2017 EPS, 140% of 2016 Tangible Book Value or a modest 6% Core Deposit Premium.

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 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)	Current Dividend Yield (%)	Total Assets (\$000) MRQ	CDs % of Total MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to- T.Book 4/21/2016	P/E 2017 EPS Consensus	ROA Forecast in 2016 Consensus	ROTCE Estimated in 2016 Consensus
Peer Analysis											
FCCO	First Cmnty Corp	\$97	2.20	\$870,409	21	8.7	3.8%	129	13.7x	0.76	8.8%
ACBI	Atlantic Cap Bcsbs	\$348	NA	\$2,638,780	1	9.8	4.0%	136	14.7x	0.64	6.2%
ANCX	Access Natl Corp	\$223	2.85	\$1,217,035	33	9.2	17.2%	206	14.4x	1.18	13.0%
CARO	Carolina Finl Corp	\$218	0.66	\$1,409,669	43	9.7	13.3%	159	12.2x	1.03	10.9%
CCBG	Capital City Bank	\$254	1.09	\$2,797,860	8	7.0	3.1%	133	16.6x	0.43	6.0%
COB	CommunityOne Bncrp	\$333	0.00	\$2,397,265	32	11.1	5.2%	125	18.0x	0.55	5.2%
FBMS	First Bancshares	\$87	0.94	\$1,145,131	20	6.2	2.2%	122	8.0x	0.83	12.2%
FSB	Franklin Finl	\$294	NA	\$2,167,792	41	7.8	11.9%	175	9.1x	1.05	12.5%
HTBI	HomeTrust Bcsbs	\$349	NA	\$2,728,552	28	12.6	0.5%	104	27.2x	0.38	3.4%
LION	Fidelity Sthrn	\$444	2.75	\$3,849,063	31	7.6	6.9%	138	10.4x	0.98	12.0%
LOB	Live Oak Bcsbs	\$515	0.53	\$1,052,622	51	18.9	79.4%	258	13.4x	1.97	12.3%
MBRG	Middleburg Finl	\$185	1.99	\$1,294,863	23	9.3	8.2%	154	18.4x	0.72	7.6%
PSTB	Park Sterling Corp	\$373	1.71	\$2,514,264	28	9.9	8.6%	128	12.6x	0.79	7.6%
SFST	Southern First	\$155	NA	\$1,217,293	28	7.7	8.7%	163	13.2x	0.87	10.6%
SGBK	Stonegate Bank	\$390	1.05	\$2,380,438	8	9.9	8.6%	169	12.7x	1.14	11.4%
SLCT	Select Bancorp	\$94	NA	\$817,015	44	11.0	1.5%	106	12.5x	0.86	7.5%
SONA	Southern National	\$152	2.58	\$1,036,107	64	10.5	15.0%	141	15.3x	0.87	16.5%
UCFC	United Comm Finl	\$274	1.73	\$2,036,430	30	12.3	2.3%	110	12.5x	0.96	7.9%
Source: FIG Partners Research, SNL Financial LC				Median	30	9.8	8.2%	138	13.2x	0.87	10.6%

FCCO Snapshot						% Change	
	1Q15	2Q15	3Q15	4Q15	4Q15	Y/Y	LQ
Earnings Per Share (EPS)	\$0.21	\$0.22	\$0.25	\$0.24	\$0.22	3.2%	-8.5%
Tangible Book Value	\$10.54	\$10.44	\$10.76	\$10.84	\$11.24	6.6%	3.6%
Shares Outstanding EOP	\$6.68	\$6.68	\$6.68	\$6.69	\$6.69	0.1%	0.0%
Net Interest Income	\$6.45	\$6.20	\$6.25	\$6.35	\$6.34	-1.7%	-0.2%
Loan Loss Provision	\$0.41	\$0.39	\$0.19	\$0.15	\$0.14	-65.5%	-5.4%
Non-Interest Income	\$1.980	\$2.398	\$2.329	\$2.103	\$2.030	2.5%	-3.5%
Securities Gains	\$104	\$167	\$0	\$84	\$59	-43.3%	-29.8%
Non-Interest Expense	\$6.10	\$6.39	\$6.07	\$6.07	\$6.34	4.0%	4.4%
Net Income	\$1.40	\$1.44	\$1.68	\$1.60	\$1.47	4.6%	-8.3%
Total Core Revenue	\$8,048	\$8,602	\$8,582	\$8,451	\$8,367	4.0%	-1.0%
Total Core Fee Income	\$1,980	\$2,398	\$2,329	\$2,103	\$2,030	2.5%	-3.5%
Core Expense	\$5,843	\$6,037	\$5,843	\$5,889	\$6,128	4.9%	4.1%
ROAA	0.69%	0.69%	0.80%	0.75%	0.68%	-1.8%	-9.1%
ROAE	7.43%	7.50%	8.68%	8.13%	7.31%	-1.7%	-10.1%
Net Interest Margin	3.51%	3.25%	3.22%	3.19%	3.22%	-8.3%	0.9%
Core Efficiency Ratio	71.3%	69.0%	66.9%	69.3%	72.2%	1.3%	4.3%
Core Exp. / Avg. Assets	2.87%	2.90%	2.79%	2.77%	2.83%	-1.5%	2.3%
Total Loans	\$454	\$474	\$484	\$489	\$494	8.7%	1.0%
Intangibles	\$6.09	\$6.68	\$6.59	\$6.50	\$6.41	5.3%	-1.3%
Total Deposits	\$695	\$684	\$704	\$716	\$722	4.0%	0.8%
Total Common Equity	\$77	\$76	\$78	\$79	\$82	6.6%	3.3%
Avg Assets	\$813	\$832	\$838	\$858	\$865	6.4%	0.8%
Avg Loans	\$451	\$473	\$482	\$487	\$492	9.1%	1.0%
Average Earning Assets	\$744	\$766	\$770	\$790	\$792	6.5%	0.2%
Avg Deposits	\$669	\$688	\$688	\$709	\$717	7.1%	1.1%
Loan / Deposit	65.4%	69.3%	68.7%	68.3%	68.4%	4.6%	0.1%
TCE Ratio	8.49%	8.40%	8.50%	8.47%	8.70%	2.5%	2.7%
Net Charge-offs	\$0.29	\$0.36	\$0.01	\$0.02	\$0.05	-82.9%	145.0%
NPL's + 90 Days Past	\$7.90	\$7.02	\$6.73	\$6.47	\$7.71	-2.4%	19.2%
OREO	\$2.82	\$2.52	\$2.45	\$2.46	\$1.48	-47.3%	-39.6%
Total NPA's	\$10.7	\$9.5	\$9.2	\$8.9	\$9.2	-14.5%	2.6%
NPA / (Loans + OREO)	2.34%	2.00%	1.89%	1.82%	1.85%	-21.1%	1.8%
Provision / Avg Loans	0.09%	0.08%	0.04%	0.03%	0.03%	-68.4%	-6.4%
Reserve / NPL + 90	54%	61%	66%	71%	61%	13.4%	-14.1%

Source: FIG Partners Research, SNL Financial

Earnings Model

	Annual				2015 Quarterly				2016 Quarterly				2017 Quarterly			
	2014A	2015A	2016E	2017E	1Q15A	2Q15A	3Q15A	4Q15A	1Q16A	2Q16E	3Q16E	4Q16E	1Q17E	2Q17E	3Q17E	4Q17E
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$23.7	\$25.3	\$26.6	\$28.6	\$6.4	\$6.2	\$6.3	\$6.3	\$6.3	\$6.6	\$6.8	\$6.9	\$6.9	\$7.0	\$7.3	\$7.4
Loan Loss Provision	\$0.9	\$1.1	\$1.0	\$1.5	\$0.4	\$0.4	\$0.2	\$0.1	\$0.1	\$0.3	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4	\$0.4
Non-Interest Income	\$8.3	\$8.8	\$9.3	\$9.9	\$2.0	\$2.4	\$2.3	\$2.1	\$2.0	\$2.4	\$2.6	\$2.3	\$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	\$0.1	\$0.0	\$0.1	\$0.2	\$0.0	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$0.8)	(\$0.2)	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$23.5	\$24.6	\$26.1	\$27.0	\$6.1	\$6.4	\$6.1	\$6.1	\$6.3	\$6.6	\$6.6	\$6.6	\$6.7	\$6.8	\$6.8	\$6.8
Pre-Tax Income	\$7.1	\$8.4	\$8.9	\$10.1	\$1.9	\$2.0	\$2.3	\$2.2	\$1.9	\$2.1	\$2.5	\$2.4	\$2.0	\$2.4	\$2.9	\$2.8
Taxes	\$2.0	\$2.3	\$2.4	\$2.8	\$0.5	\$0.5	\$0.6	\$0.6	\$0.5	\$0.6	\$0.7	\$0.6	\$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	\$6.5	\$7.3	\$1.4	\$1.4	\$1.7	\$1.6	\$1.5	\$1.6	\$1.8	\$1.7	\$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	\$6.5	\$7.3	\$1.4	\$1.4	\$1.7	\$1.6	\$1.5	\$1.6	\$1.8	\$1.7	\$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	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8
Earnings Per Share (EPS)	\$0.78	\$0.91	\$0.97	\$1.09	\$0.21	\$0.22	\$0.25	\$0.2	\$0.22	\$0.23	\$0.26	\$0.25	\$0.21	\$0.26	\$0.31	\$0.30
<u>Per Share Data:</u>																
Reported Book Value	\$11.18	\$11.81	\$12.71	\$13.44	\$11.45	\$11.44	\$11.74	\$11.81	\$12.19	\$12.35	\$12.53	\$12.71	\$12.83	\$13.01	\$13.23	\$13.44
Tangible Book Value	\$10.25	\$10.84	\$11.76	\$12.50	\$10.54	\$10.44	\$10.76	\$10.84	\$11.24	\$10.72	\$11.58	\$11.76	\$11.89	\$11.39	\$12.29	\$12.50
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	\$1.45	\$1.71	\$0.37	\$0.35	\$0.39	\$0.38	\$0.31	\$0.36	\$0.41	\$0.40	\$0.35	\$0.42	\$0.50	\$0.47
CORE GAAP EPS	\$0.83	\$0.90	\$0.96	\$1.09	\$0.21	\$0.20	\$0.25	\$0.24	\$0.21	\$0.23	\$0.26	\$0.25	\$0.21	\$0.26	\$0.31	\$0.30
<u>KEY Ratios:</u>																
Net Interest Margin	3.33%	3.29%	3.29%	3.41%	3.51%	3.25%	3.22%	3.19%	3.22%	3.27%	3.31%	3.34%	3.38%	3.38%	3.42%	3.45%
Return on Avg Assets	0.66%	0.73%	0.74%	0.81%	0.69%	0.69%	0.80%	0.75%	0.68%	0.72%	0.81%	0.77%	0.64%	0.78%	0.93%	0.86%
Return on Avg Equity	7.34%	7.94%	7.91%	8.41%	7.43%	7.50%	8.68%	8.13%	7.31%	7.63%	8.59%	8.08%	6.75%	8.19%	9.68%	8.95%
Return on Tang. Comm. Eq.	7.76%	8.79%	8.57%	9.03%	8.35%	8.64%	9.69%	9.14%	8.10%	8.50%	9.51%	8.95%	7.53%	9.04%	10.60%	9.80%
Pre-Tax Pre-Provision ROA	1.10%	1.13%	1.12%	1.27%	1.22%	1.14%	1.26%	1.19%	0.96%	1.12%	1.27%	1.21%	1.05%	1.26%	1.46%	1.38%
Efficiency Ratio	72.33%	71.17%	71.74%	69.17%	69.61%	71.61%	68.01%	69.08%	72.90%	72.37%	69.67%	70.44%	73.52%	69.76%	66.38%	67.47%
Overhead Ratio	3.01%	2.95%	2.97%	2.97%	3.00%	3.07%	2.90%	2.83%	2.93%	3.01%	2.99%	2.96%	3.00%	2.98%	2.95%	2.93%
TCE/TA	8.48%	8.47%	8.84%	9.07%	8.49%	8.40%	8.50%	8.47%	8.70%	8.22%	8.79%	8.84%	8.89%	8.43%	9.01%	9.07%
TCE/RWA	13.52%	12.88%	13.45%	13.81%	8.43%	13.00%	13.09%	12.88%	13.24%	13.29%	13.38%	13.45%	13.52%	13.59%	13.71%	13.81%
<u>Period-End Balances: (\$ in Millions)</u>																
Earning Assets	\$741	\$788	\$823	\$852	\$767	\$768	\$785	\$788	\$798	\$806	\$814	\$823	\$827	\$835	\$844	\$852
Total Assets	\$812	\$863	\$897	\$929	\$836	\$836	\$852	\$863	\$870	\$879	\$888	\$897	\$902	\$911	\$920	\$929
Risk-Weighted Assets	\$505	\$563	\$585	\$606	\$836	\$536	\$549	\$563	\$568	\$574	\$579	\$585	\$588	\$594	\$600	\$606
Gross Loans	\$444	\$489	\$537	\$594	\$454	\$474	\$484	\$489	\$494	\$508	\$525	\$537	\$543	\$560	\$577	\$594
Total Deposits	\$670	\$716	\$728	\$750	\$695	\$684	\$704	\$716	\$722	\$724	\$726	\$728	\$731	\$737	\$742	\$750
Intangibles	\$6	\$6	\$6	\$6	\$6.094	\$6.684	\$6.586	\$6.498	\$6.414	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Total Common Equity	\$75	\$79	\$85	\$90	\$76.55	\$76.41	\$78.49	\$79.04	\$81.61	\$83	\$84	\$85	\$85.89	\$87	\$89	\$90

**FIG Partners LLC Distribution of Ratings**

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	45.5%	54.5%	0.0%
IB Client % in Category	25.0%	19.4%	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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