

FCCO- First Community Corporation

Solid Start to 2017; Loan Momentum Building & Additional NIM Leverage Possible

- **Reiterate “Outperform”, Maintain EPS, & Increase Price Target to \$23 (+\$1)**
- **Shares are a possible Russell 2000 Index addition based on current market capitalization**
- **Loan momentum is building and additional NIM leverage appears likely**

We are maintaining our “Outperform” rating and bumping our price target to \$23(\$+1) which reflects ~17x our 2018 EPS, 190% of Tangible Book Value one year out and or a ~13% Core Deposit Premium. FCCO posted a solid first quarter and carries good momentum heading into second quarter particularly as it relates to loan growth and further NIM leverage. 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. Shares currently trade at or near the projected market capitalization cutoff for possible inclusion in the Russell 2000 Index which would graduate them into a larger peer group which carries a greater multiple. Lastly, while we do not see FCCO as a near term seller, we would not be surprised to see increased interest in their franchise over time by larger regional banks. Management’s current focus is on closing/integrating its recently announced deal and maximizing core earnings power.

Following a review of the quarter we have made some minor changes to our earnings model; however, these result in no bottom line impact to our core 2017 and 2018 EPS of \$1.10 and \$1.30, respectively. The three cent earnings beat in 1Q17 along with our outlook for slightly lower provisioning expense prospectively are offset by our outlook for slightly lower fee income and higher operating expenses. We assume the tax rate returns to a ~27% run rate in the remaining quarters of 2017.

We continue to be favorably disposed to shares of FCCO given our outlook for improving profitability in future periods. The company’s current 77 bps ROAA is below peer; however, this is expected to improve prospectively narrowing the gap with peer as FCCO remixes the balance sheet away from lower yielding investments and into higher yielding loans. The company’s healthy operating markets and increased geographic diversification support our outlook for double digit loan growth and managements goal of improving balance sheet efficiency. Management is targeting an 80% Loan/Earning asset ratio over time versus its current 66% level. Our EPS forecast calls for the

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FCCO: \$20.35

“Outperform”// Price Target: \$23.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$136.6
Avg. Volume	5,265
Annual Dividend	\$0.28
Dividend Yield	1.38%
Tangible Book/Share	\$11.50
Price/Tangible Book	177%
Price/2017 EPS	18.6x
Price/2018 EPS	15.7x
Total Assets (\$M)	\$914,913
TCE/TA	8.48%
ROAA (2017)	0.81%
ROAE (2017)	9.04%

EPS Estimates

	2015	2016	2017	2018
Q1	\$0.21	\$0.21	\$0.24	-
Q2	\$0.20	\$0.25	\$0.27	-
Q3	\$0.25	\$0.25	\$0.30	-
Q4	\$0.24	\$0.27	\$0.28	-
FY	\$0.90	\$0.98	\$1.10	\$1.30

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



loan/earning asset mix to shift to ~70% in late 2017 which corresponds to an ~80 bps ROAA which increases to ~1% by late 2018 as mix improves.

Steady loan growth was exhibited in 1Q17 and sales pipelines are healthy heading into 2Q17 leaving us comfortable our double-digit loan growth outlook is achievable. Momentum in loan production is building which has positive implications prospectively. Specifically, loan production was nearly 20% higher in 1Q17 vs. 1Q16. All markets are expected to contribute to growth though we look for Greenville, SC and Augusta GA/Aiken SC to account for ~60% of the growth in 2017 with the Columbia (home base) MSA contributing the remainder. FCCO entered the Greenville market through the lift out of a commercial lending team in early 2016 and recently announced a small acquisition in that market which should help accelerate growth over time.

Loan yields held mostly stable in 1Q17 and we are optimistic additional NIM expansion is possible in the coming quarters. Specifically, we expect NIM to benefit from higher rates and the continued remixing of the balance sheet away from securities and into loans. We estimate about 40% of loan growth in 2017 will be funded by deposits and the remainder by Securities. Our forecast assumes two additional rate hikes in 2017; one in 3Q17 and one late in 4Q17. We estimate the benefit of the March rate hike could add ~4-5 bps to NIM.

We have reduced our 2017 fee income outlook modestly (~4%) to reflect a softer than expected first quarter and a slightly more conservative posture. A new industry rule that takes effect mid-year could have a modest dampening effect on investment income. We remain upbeat mortgage revenues can expand in 2017 as FCCO capitalizes on opportunities in the Augusta and Columbia markets. Notably, the company added two new producers in Columbia and anticipates adding talent in Augusta as well.

Operating expenses increased 4% LQ reflecting normal seasonality, new hires and costs associated with the conversion to new core processor which is targeted for early June. Looking ahead, we expect additional costs related to the conversion in 2Q17 as well as an uptick in compensation expense the next two quarters due to increased mortgage activity. Importantly, there is little change to our full year 2017 operating expense outlook of \$28.7 Mil.

Credit quality is excellent and we expect trends to remain favorable (low NPAs & NCOs) in the near term. Our outlook coupled with the company's large unallocated loan loss reserve leads us to trim out provisioning forecast modestly. Specifically, we expect provisioning to match or slightly exceed NCOs allowing for a slight moderation in the reserve ratio. We are projecting about 10 bps in NCOs in the near term which increases slightly in 2018.



Increasing Price Target to \$23.00

FIG Research Rating: "Outperform"

Price Target: \$23.00

	2017	Multiple	Price
GAAP EPS	\$1.11	20.3x	\$22.64
Dividends	\$0.36	1.0x	<u>\$0.36</u>
		Combined	\$23.00
Tangible Book 12/17	\$11.85	1.94x	\$23.00

Implied Gain/Loss versus Current Price: 13.0%

2018 Outlook

2018 EPS	\$1.30	17.1x	\$22.12
Cash Dividends	\$0.40	1.0x	\$0.88
			\$23.00

Tangible Book 12/18 \$12.78 0.56x \$23.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-17</u>	<u>Dec-18</u>
Market-Cap	136.4	154.1	154.1
TCE in \$\$	78.0	89.8	96.8
Total Deposits	765.9	917.4	945.2
CORE Deposits	606.5	768.2	796.0
Premium - Total	7.6%	7.0%	6.1%
Premium - CORE	9.6%	8.4%	7.2%

We are maintaining our "Outperform" rating and bumping our price target to \$23(\$+1) which reflects ~17x our 2018 EPS, 190% of Tangible Book Value one year out and or a ~13% Core Deposit Premium.

Ranked Highest to Lowest

RANK: Core Deposit	RANK: Price-to- TBV	RANK: P/E 2017	RANK: P/E 2018	RANK: ROA (17)	RANK: ROA (18)	RANK: ROTCE (17)
130	98	49	45	113	115	98

FCCO **Percentile Ranks**
 75% P/E
 72% Core Deposits
 54% P-to-TBV
 63% ROA

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)	Current Dividend Yield (%)	Total Assets (\$000) MRQ	CDs % of Total MRQ	Cost of Deposits MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to-T.Book 4/19/17	P/E 2017 EPS Consensus	P/E 2018 EPS Consensus	ROA Forecast in 2017 Consensus	ROTCE Estimated in 2017 Consensus
FCCO	First Cmnty Corp	\$137	1.77	\$914,913	24	0.23	8.5	10.1%	177	18.8x	16.1x	0.78	14.3%
ACBI	Atlantic Cap Bcshs	\$477	NA	\$2,727,543	10	0.37	10.3	9.9%	169	26.3x	19.4x	0.63	6.2%
AMNB	Amer Natl Bkshs	\$317	2.61	\$1,678,638	28	0.36	9.5	16.3%	203	18.7x	15.7x	0.96	10.4%
CARO	Carolina Finl Corp	\$418	0.55	\$1,683,736	39	0.47	9.3	34.4%	235	16.6x	14.0x	1.31	12.6%
CFNL	Cardinal Financial	\$939	1.83	\$4,299,131	39	NA	10.0	25.1%	224	17.2x	16.7x	1.27	12.4%
CHFN	Charter Finl	\$297	1.22	\$1,461,667	32	0.39	12.1	15.3%	171	19.7x	15.2x	1.02	8.6%
CNBW	CNB Corp	\$107	2.65	\$1,104,058	27	0.18	9.4	0.5%	103	na	na	NA	0.0%
FBK	FB Finl Corp	\$824	NA	\$3,276,881	15	0.29	8.7	23.9%	295	19.1x	14.9x	1.23	0.0%
FBMS	First Bancshares	\$256	0.54	\$1,277,367	21	0.37	11.0	14.3%	181	16.1x	13.8x	0.93	11.1%
HTBI	HomeTrust Bcshs	\$421	NA	\$2,774,240	22	0.23	12.7	5.2%	121	25.4x	22.5x	0.54	4.8%
LION	Fidelity Sthm	\$539	2.35	\$4,389,685	29	0.38	8.0	7.4%	154	13.5x	11.8x	0.88	11.1%
PBNC	Paragon Comm Corp	\$276	NA	\$1,503,767	19	0.56	9.1	14.7%	203	17.8x	15.2x	0.95	10.7%
PSTB	Park Sterling Corp	\$624	1.36	\$3,255,395	29	0.36	8.8	19.3%	222	19.8x	17.1x	0.93	10.6%
SBAZ	State Bank Corp	\$62	1.81	\$583,167	14	0.16	8.0	3.7%	135	na	na	NA	na
SONA	Southern National	\$210	1.88	\$1,142,443	66	0.96	10.2	30.8%	181	212.6x	14.5x	0.96	0.8%
Source: FIG Partners Research, SNL Financial LC					28		9.5	15.0%	181	18.9x	15.2x	0.96	10.4%

FCCO Snapshot								% Change		
	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	Y/Y	LQ
Earnings Per Share (EPS)	\$0.22	\$0.25	\$0.24	\$0.22	\$0.26	\$0.25	\$0.26	\$0.26	18.5%	-2.1%
Tangible Book Value	\$10.44	\$10.76	\$10.84	\$11.24	\$11.62	\$11.63	\$11.28	\$11.50	2.4%	1.9%
Shares Outstanding EOP	\$6.68	\$6.68	\$6.69	\$6.69	\$6.70	\$6.70	\$6.71	\$6.70	0.1%	-0.2%
Net Interest Income	\$6.20	\$6.25	\$6.35	\$6.34	\$6.68	\$6.65	\$6.79	\$7.06	11.4%	3.9%
Loan Loss Provision	\$0.39	\$0.19	\$0.15	\$0.14	\$0.22	\$0.18	\$0.24	\$0.12	-17.1%	-51.3%
Non-Interest Income	\$2.398	\$2.329	\$2.103	\$2.030	\$2.200	\$2.368	\$2.200	\$1.982	-2.4%	-9.9%
Securities Gains	\$167	\$0	\$84	\$59	\$64	\$478	\$0	\$54	-8.5%	
Non-Interest Expense	\$6.39	\$6.07	\$6.07	\$6.34	\$6.33	\$6.58	\$6.52	\$6.72	6.0%	3.1%
Net Income	\$1.44	\$1.68	\$1.60	\$1.47	\$1.75	\$1.68	\$1.79	\$1.76	19.6%	-2.0%
Total Core Revenue	\$8,602	\$8,582	\$8,451	\$8,367	\$8,877	\$9,019	\$8,994	\$9,043	8.1%	0.5%
Total Core Fee Income	\$2,398	\$2,329	\$2,103	\$2,030	\$2,200	\$2,368	\$2,200	\$1,982	-2.4%	-9.9%
Core Expense	\$6,037	\$5,843	\$5,889	\$6,128	\$6,232	\$6,388	\$6,429	\$6,618	8.0%	2.9%
ROAA	0.69%	0.80%	0.75%	0.68%	0.79%	0.74%	0.79%	0.77%	13.4%	-2.7%
ROAE	7.50%	8.68%	8.13%	7.31%	8.48%	7.94%	8.58%	8.51%	16.4%	-0.8%
Net Interest Margin	3.25%	3.22%	3.19%	3.22%	3.32%	3.19%	3.25%	3.42%	6.2%	5.2%
Core Efficiency Ratio	69.0%	66.9%	68.6%	72.2%	69.3%	69.9%	70.6%	72.4%	0.1%	2.4%
Core Exp. / Avg. Assets	2.90%	2.79%	2.74%	2.83%	2.83%	2.84%	2.84%	2.90%	2.4%	2.2%
Total Loans	\$474	\$484	\$489	\$494	\$511	\$523	\$547	\$555	12.4%	1.6%
Intangibles	\$6.68	\$6.59	\$6.50	\$6.41	\$6.34	\$6.26	\$6.18	\$6.11	-4.8%	-1.2%
Total Deposits	\$684	\$704	\$716	\$722	\$730	\$766	\$767	\$776	7.4%	1.2%
Total Common Equity	\$76	\$78	\$79	\$82	\$84	\$84	\$82	\$83	1.9%	1.6%
Avg Assets	\$832	\$838	\$858	\$865	\$880	\$901	\$906	\$913	5.5%	0.8%
Avg Loans	\$473	\$482	\$487	\$492	\$509	\$520	\$537	\$558	13.3%	3.8%
Average Earning Assets	\$766	\$770	\$790	\$792	\$809	\$830	\$832	\$839	5.9%	0.8%
Avg Deposits	\$688	\$688	\$709	\$717	\$728	\$752	\$761	\$757	5.7%	-0.4%
Loan / Deposit	69.3%	68.7%	68.3%	68.4%	70.1%	68.3%	71.3%	71.6%	4.7%	0.4%
TCE Ratio	8.40%	8.50%	8.47%	8.70%	8.82%	8.58%	8.33%	8.48%	-2.6%	1.8%
Net Charge-offs	\$0.36	\$0.01	\$0.02	\$0.05	\$0.03	\$0.01	\$0.06	(\$0.04)	-173.1%	-159.4%
NPLs + 90 Days Past	\$7.02	\$6.73	\$6.47	\$7.71	\$6.86	\$7.70	\$6.88	\$5.44	-29.4%	-20.9%
OREO	\$2.52	\$2.45	\$2.46	\$1.48	\$1.36	\$1.20	\$1.15	\$1.16	-22.1%	0.9%
Total NPA's	\$9.5	\$9.2	\$8.9	\$9.2	\$7.8	\$7.9	\$7.5	\$6.5	-29.2%	-13.4%
NPA / (Loans + OREO)	2.00%	1.89%	1.82%	1.85%	1.53%	1.51%	1.37%	1.17%	-36.9%	-14.7%
Provision / Avg Loans	0.08%	0.04%	0.03%	0.03%	0.04%	0.03%	0.04%	0.02%	-26.8%	-53.1%
Reserve / NPL + 90	61%	66%	71%	61%	75%	75%	82%	101%	64.8%	22.5%

Source: FIG Partners Research, SNL Financial

Earnings Model

	Annual				2016 Quarterly				2017 Quarterly				2018 Quarterly			
	<u>2015A</u>	<u>2016A</u>	<u>2017E</u>	<u>2018E</u>	<u>1Q16A</u>	<u>2Q16A</u>	<u>3Q16A</u>	<u>4Q16A</u>	<u>1Q17A</u>	<u>2Q17E</u>	<u>3Q17E</u>	<u>4Q17E</u>	<u>1Q18E</u>	<u>2Q18E</u>	<u>3Q18E</u>	<u>4Q18E</u>
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$25.3	\$26.5	\$30.3	\$35.7	\$6.3	\$6.7	\$6.7	\$6.8	\$7.1	\$7.2	\$7.4	\$8.7	\$8.6	\$8.8	\$9.1	\$9.2
Loan Loss Provision	\$1.1	\$0.8	\$0.691	\$1.075	\$0.1	\$0.2	\$0.2	\$0.2	\$0.1	\$0.18	\$0.20	\$0.20	\$0.25	\$0.28	\$0.28	\$0.28
Non-Interest Income	\$8.8	\$8.8	\$9.5	\$10.4	\$2.0	\$2.2	\$2.4	\$2.2	\$2.0	\$2.4	\$2.6	\$2.5	\$2.3	\$2.6	\$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	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.4	\$0.6	\$0.1	\$0.0	\$0.1	\$0.1	\$0.5	\$0.0	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$0.2)	(\$0.5)	(\$0.1)	\$0.0	\$0.0	\$0.0	(\$0.5)	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$24.6	\$25.8	\$28.6	\$31.6	\$6.3	\$6.3	\$6.583	\$6.5	\$6.7	\$6.9	\$7.0	\$8.0	\$8.0	\$7.8	\$7.8	\$7.8
Pre-Tax Income	\$8.4	\$8.8	\$10.5	\$13.5	\$1.9	\$2.4	\$2.3	\$2.2	\$2.2	\$2.5	\$2.8	\$3.0	\$2.6	\$3.3	\$3.9	\$3.7
Taxes	\$2.3	\$2.2	\$2.7	\$3.5	\$0.5	\$0.6	\$0.6	\$0.4	\$0.4	\$0.7	\$0.8	\$0.8	\$0.6	\$0.9	\$1.0	\$1.0
Extraordinary Items	\$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	\$0.0
Net Income	\$6.1	\$6.7	\$7.8	\$10.0	\$1.5	\$1.7	\$1.7	\$1.8	\$1.8	\$1.8	\$2.1	\$2.2	\$2.0	\$2.4	\$2.8	\$2.7
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	\$6.1	\$6.7	\$7.8	\$10.0	\$1.5	\$1.7	\$1.7	\$1.8	\$1.8	\$1.8	\$2.1	\$2.2	\$2.0	\$2.4	\$2.8	\$2.7
Avg. Shares O/S	\$6.7	6.8	\$7.0	\$7.7	\$6.8	\$6.7	\$6.8	\$6.8	\$6.8	\$6.8	\$6.8	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7
Earnings Per Share (EPS)	\$0.91	\$0.99	\$1.11	\$1.30	\$0.22	\$0.26	\$0.25	\$0.26	\$0.3	\$0.27	\$0.30	\$0.28	\$0.26	\$0.32	\$0.37	\$0.35
<u>Per Share Data:</u>																
Reported Book Value	\$11.81	\$12.20	\$13.77	\$14.69	\$12.19	\$12.57	\$12.56	\$12.20	\$12.41	\$12.59	\$12.81	\$13.77	\$13.94	\$14.16	\$14.43	\$14.69
Tangible Book Value	\$10.84	\$11.28	\$11.85	\$12.78	\$11.24	\$11.62	\$11.63	\$11.28	\$11.50	\$11.68	\$11.91	\$11.85	\$12.02	\$12.25	\$12.52	\$12.78
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	\$1.89	\$0.31	\$0.38	\$0.38	\$0.37	\$0.34	\$0.40	\$0.45	\$0.42	\$0.37	\$0.48	\$0.55	\$0.52
CORE GAAP EPS	\$0.90	\$0.97	\$1.10	\$1.30	\$0.21	\$0.25	\$0.25	\$0.26	\$0.24	\$0.27	\$0.30	\$0.28	\$0.26	\$0.32	\$0.37	\$0.35
<u>KEY Ratios:</u>																
Net Interest Margin	3.29%	3.25%	3.44%	3.58%	3.22%	3.32%	3.19%	3.25%	3.42%	3.41%	3.44%	3.51%	3.55%	3.56%	3.60%	3.61%
Return on Avg Assets	0.73%	0.75%	0.81%	0.90%	0.68%	0.79%	0.74%	0.79%	0.77%	0.79%	0.89%	0.80%	0.74%	0.89%	1.02%	0.96%
Return on Avg Equity	7.94%	8.09%	9.04%	9.27%	7.31%	8.48%	7.94%	8.58%	8.51%	8.71%	9.74%	9.15%	7.65%	9.16%	10.47%	9.75%
Return on Tang. Comm. Eq.	8.79%	9.10%	8.94%	10.50%	8.10%	9.23%	8.87%	9.73%	9.37%	9.56%	10.64%	9.91%	9.03%	10.72%	12.16%	11.31%
Pre-Tax Pre-Provision ROA	1.13%	1.07%	1.16%	1.32%	0.96%	1.17%	1.13%	1.10%	1.03%	1.17%	1.33%	1.19%	1.06%	1.33%	1.51%	1.43%
Efficiency Ratio	71.17%	72.21%	71.10%	67.79%	72.90%	68.80%	70.42%	69.93%	71.75%	71.54%	68.98%	70.69%	73.35%	67.80%	64.74%	65.76%
Overhead Ratio	2.95%	2.90%	2.97%	2.86%	2.93%	2.88%	2.92%	2.88%	2.95%	3.01%	3.01%	2.93%	2.96%	2.85%	2.82%	2.80%
TCE/TA	8.47%	8.33%	8.36%	8.72%	8.70%	8.82%	8.58%	8.33%	8.48%	8.52%	8.60%	8.36%	8.45%	8.52%	8.63%	8.72%
<u>Period-End Balances : (\$ in Millions)</u>																
Earning Assets	\$788	\$835	\$981	\$1,014	\$798	\$816	\$841	\$835	\$840	\$848	\$857	\$981	\$984	\$994	\$1,004	\$1,014
Total Assets	\$863	\$915	\$1,089	\$1,124	\$870	\$889	\$915	\$915	\$915	\$924	\$933	\$1,089	\$1,091	\$1,102	\$1,113	\$1,124
Risk-Weighted Assets	\$563	\$635	\$664	\$685	\$568	\$583	\$599	\$635	\$644	\$650	\$657	\$664	\$665	\$672	\$679	\$685
Gross Loans	\$489	\$547	\$681	\$753	\$494	\$511	\$523	\$547	\$555	\$573	\$591	\$681	\$687	\$710	\$731	\$753
Total Deposits	\$716	\$767	\$917	\$945	\$722	\$730	\$766	\$767	\$776	\$781	\$787	\$917	\$922	\$929	\$936	\$945
Intangibles	\$6	\$6	\$15	\$14	\$6.414	\$6.335	\$6.255	\$6.180	\$6.105	\$6	\$6	\$15	\$15	\$14	\$14	\$14
Total Common Equity	\$79	\$82	\$104	\$111	\$81.61	\$84.21	\$84.21	\$81.86	\$83.13	\$84	\$86	\$104	\$105.53	\$107	\$109	\$111



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	32.6%	67.4%	0.0%
IB Client % in Category	28.6%	16.1%	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
- 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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