

FCCO- First Community Corporation

Strong Start to 2018; Increasing Forward Estimates; Maintain Rating

- **Maintain “Market Perform” rating w/ \$24 Price Target which reflects 15.5x 2019 EPS and ~190% of Fwd. TBV**
- **Increase 2018 and 2019 EPS by a dime to \$1.45 and \$1.55, respectively**
- **Balance Sheet Remix expected to continue prospectively driving improved profitability. 2018 ROAA forecast 1.06%**
- **Loan growth outlook remains strong & NIM has upward bias**

We were pleased with 1Q18 results and the continued remix of the balance sheet though we believe this is reflected in the current stock price. In our view, a greater level of profitability is needed to justify a higher valuation. We do not view FCCO as a near term seller as management is focused on driving quality loan growth which should help maximize core earnings and translate into a greater valuation. Over time we would expect 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 improves

EPS Estimates: We are increasing our 2018 and 2019 EPS estimates by a dime to \$1.45 and \$1.55, respectively. Our upward EPS revisions reflect the 1Q18 EPS beat along with a higher NIM and its carry through impact on our model. We have also trimmed our credit costs modestly to reflect continued strength in the portfolio. Fee Income and Expense levels in the remaining quarters of 2018 are mostly unchanged from prior levels.

Outlook: FCCO remains focused on remixing its balance sheet out of 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 phenomenon given the current competitive landscape and company’s credit discipline. Loan growth momentum carried over into 1Q18 with balances expanding 14% LQA in what is normally a seasonally weak quarter. Good geographic diversification and healthy market conditions across its footprint are contributing to favorable performance. Current Loan pipelines are strong leaving us comfortable our double-digit growth forecast in 2018 should be achievable.

NIM has expanded nicely in recent quarters aided by rate increases and remixing efforts. Looking forward, we are optimistic this trend will continue. Specifically, our forecast calls for two more rate hikes in 2018 and two more in 2019 with the bulk of the near-term loan growth to be funded by the Securities portfolio which represents ~25% of Assets. Assuming a more peer like level of 15% implies FCCO has ~\$110 Mil. in excess investments which could fund nearly two years of double digit loan growth. Management is targeting an 80% Loan to Earning Asset ratio over time vs. its current 69% level. Our EPS forecast calls for the ratio to improve to ~73% by late 2018 which corresponds to an ROAA of ~1%.

See key disclosures on FIG Partners’ equity rating system, distribution, and other disclosures on the last page.

FCCO: \$22.50

“Market-Perform”// Price Target: \$24

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$171.1
Avg. Volume	22,738
Annual Dividend	\$0.41
Dividend Yield	1.82%
Tangible Book/Share	\$11.65
Price/Tangible Book	193%
Price/2018 EPS	15.5x
Price/2019 EPS	14.6x
Total Assets (\$M)	\$1,071
TCE/TA	8.39%
ROAA (2018)	1.06%
ROAE (2018)	10.40%

EPS Estimates

	2016	2017	2018	2019
Q1	\$0.21	\$0.24	\$0.35	\$0.36
Q2	\$0.25	\$0.29	\$0.37	\$0.40
Q3	\$0.25	\$0.30	\$0.39	\$0.41
Q4	\$0.27	\$0.29	\$0.35	\$0.38
FY	\$0.98	\$1.12	\$1.45	\$1.55

Industry Type	Bank
Headquarters	Lexington, SC
Offices	19
Date Established	1995
CEO	Michael C. Crapps
CFO	Joseph G. Sawyer

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



We estimate an additional ~\$0.15 in EPS are possible by shifting the Loan-to-Earning Asset ratio to ~80% with no balance sheet growth. Additionally, FCCO's heightened level of liquidity should allow them to remain disciplined on deposit pricing helping support the NIM. We estimate FCCO's Deposit Beta was less than 2% Y-O-Y and was negative LQ; aided by the acquisition of Cornerstone and some runoff of higher cost CDs. We estimate the core Loan beta was ~47% LQ.

Our Fee Income forecast for the balance of 2018 is unchanged with mortgage income the largest contributor. Mortgage revenues bucked industry trends in 1Q18 increasing ~40% YOY and 15% LQ as new talent additions more than offset a challenging environment. Our forecast calls for ~135 Mil. in mortgage production in 2018 up from \$110 Mil. in 2017 and a 3.30% spread (3.4% in '17). This pencils to 18% Y-O-Y revenue growth. Operating expenses are expected to approximate a \$7.9 Mil. run rate in the coming quarters up from \$7.6 Mil. in 1Q18 reflecting a normalization of marketing costs and a full quarter impact of the recent branch opening in Augusta, GA. The Efficiency ratio is forecast to average ~68 bps over the next three quarters up slightly from 1Q18.

FIG Research Rating: "Market-Perform"

Price Target: \$24.00

	2018	Multiple	Price
GAAP EPS	\$1.45	16.2x	\$23.59
Dividends	\$0.41	1.0x	<u>\$0.41</u>
		Combined	\$24.00
Tangible Book 12/18	\$12.47	1.92x	\$24.00

Implied Gain/Loss versus Current Price: **6.7%**

2019 Outlook			
2019 EPS	\$1.55	15.2x	\$23.55
Cash Dividends	\$0.45	1.0x	<u>\$0.45</u>
			\$24.00
Tangible Book 12/19	\$13.60	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	94.6	103.2
Total Deposits	919.9	919.9	952.5
CORE Deposits	758.9	758.9	791.5
Premium - Total	8.9%	8.8%	8.2%
Premium - CORE	10.8%	10.7%	9.8%

FCCO (Lexington, SC--\$171 Mil. Mkt. Cap, \$1.1 Bil. Assets, \$22.50, 1.8% Yld)

	4Q-2017	Δ	1Q-2018	Consensus	Variance Per Share
EPS	\$0.07	\$0.28	\$0.35	\$0.31	
Operating/Core EPS*	\$0.29	\$0.06	\$0.35	\$0.31	\$0.04
FIG Estimate	-	-	\$0.29		
Core Net Interest Income (FTE)	8.1	5.9%	8.5	8.4	\$0.02
Loan Loss Provision	0.2	18.8%	0.20	0.2	(\$0.00)
Core Non-Interest Income (ex. sec.)	2.5	4.3%	2.7	2.4	\$0.03
Core Non-Interest Expense	7.8	(2.1%)	7.6	7.8	\$0.03
Net Charge-Offs	(0.00)	nm	(0.02)		
NCOs % of Avg Loans (bps)	(0)	nm	(1)	3	na
Tangible Book Per Share	\$11.66	(0.2%)	\$11.64	\$11.85	(\$0.21)
Core Net Interest Margin	3.45%	16bps	3.61%	3.54%	0.07%
Average Loans (\$Mil.)	646.8	1.8%	658.2	653.3	5.0
TCE Ratio (TCE/TA)	8.56%	(16)bps	8.40%		
NPAs % of Loans + OREO	1.11%	(9)bps	1.02%		

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

Source: FIG Partners Research, Company Disclosure

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



FCCO's Stock Price Activity Since 2016



Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a \$1.1 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 19 branches in South Carolina and Georgia.

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)	CDs % of Total	Cost of Deposits	TCE Ratio	Core Deposit Premium	Price-to- T.Book	P/E 2018 EPS	P/E 2019 EPS	ROA Forecast (2018)
			MRQ	MRQ	MRQ	MRQ	Today	4/18/18	Consensus	Consensus	Consensus
FCCO	First Cmnty Corp	\$171	\$1,070,539	22	0.25	8.6	11.5%	193	16.0x	14.6x	0.99
BCBP	BCB Bncp Inc	\$237	\$1,942,837	42	0.84	8.4	8.2%	145	13.6x	11.8x	0.83
BCML	BayCom Corp	\$168	\$1,241,833	20	0.36	8.8	6.9%	159	13.5x	12.9x	1.10
CIVB	Civista Bcshts Inc	\$237	\$1,525,857	19	0.28	9.3	9.9%	170	14.5x	12.4x	1.23
CSTR	CapStar Finl Hlgs	\$215	\$1,344,429	16	0.79	9.8	8.8%	162	16.7x	15.3x	1.05
EBMT	Eagle Bancorp	\$110	\$716,782	28	0.31	10.8	8.9%	134	13.8x	11.1x	0.99
ENFC	Entegra Financial	\$194	\$1,581,449	34	0.43	7.9	9.2%	157	12.6x	11.4x	0.99
ESXB	Cnty Bnk Trst Corp	\$198	\$1,336,190	50	0.78	9.3	13.4%	159	15.4x	13.0x	0.94
EVBN	Evans Bancorp Inc	\$214	\$1,295,633	18	0.51	8.5	12.1%	195	13.2x	11.7x	1.23
FBIZ	Frst Bus Fnl Svcs	\$224	\$1,794,066	28	0.79	8.9	6.5%	141	13.6x	11.9x	0.87
FCCO	First Cmnty Corp	\$171	\$1,070,539	22	0.25	8.6	11.5%	193	16.0x	14.6x	0.99
FFNW	Frst Finl NW	\$173	\$1,210,229	49	1.02	11.6	7.6%	130	12.7x	13.8x	1.02
HBMD	Howard Bncp Inc	\$365	\$1,149,950	31	0.52	11.3	39.5%	145	15.4x	11.9x	0.88
ICBK	Cnty Bncp Inc	\$195	\$1,397,045	64	1.28	9.1	16.7%	153	13.4x	12.3x	1.04
ISTR	Investar Hldg Corp	\$251	\$1,622,734	44	0.78	9.5	14.2%	164	16.0x	12.6x	0.97
LCNB	LCNB Corp	\$188	\$1,295,638	18	0.31	9.2	8.0%	161	11.9x	10.3x	1.26
MSL	MidSouth Bncp Inc	\$226	\$1,881,152	12	0.29	9.1	4.5%	134	70.1x	17.2x	0.05
NRIM	Northrim BanCorp	\$245	\$1,519,109	8	0.12	11.7	5.9%	139	16.4x	15.2x	0.99
ORRF	Orrstown Finl Svcs	\$211	\$1,558,849	22	0.56	9.2	7.1%	146	17.3x	15.0x	0.76
PMBC	Pacific Mercantile	\$232	\$1,322,604	32	0.79	8.5	15.3%	205	15.3x	16.2x	1.11
PROV	Provident Finl	\$137	\$1,162,131	27	0.39	10.4	2.4%	113	23.4x	18.3x	0.50
RVSF	Riverview Bancorp	\$214	\$1,128,342	13	0.12	8.1	14.9%	241	16.6x	12.0x	0.95
TCFC	Community Finl Cp	\$202	\$1,405,961	41	0.63	7.8	14.1%	153	13.5x	11.9x	0.89
TRCB	Two River	\$149	\$1,039,798	18	0.57	8.7	8.5%	167	13.7x	11.9x	1.01
				27	0.52	11.6	8.9%	157	14.5x	12.4x	0.99

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

FCCO Snapshot

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	% Change	
										Y/Y	LQ
Earnings Per Share (EPS)	\$0.22	\$0.26	\$0.25	\$0.26	\$0.26	\$0.24	\$0.28	\$0.07	\$0.35	36.3%	426.3%
Tangible Book Value	\$11.24	\$11.62	\$11.63	\$11.28	\$11.50	\$11.79	\$11.87	\$11.66	\$11.65	1.3%	0.0%
Shares Outstanding EOP	\$6.69	\$6.70	\$6.70	\$6.71	\$6.70	\$6.70	\$6.71	\$7.59	\$7.59	13.3%	0.0%
Net Interest Income	\$6.34	\$6.68	\$6.65	\$6.79	\$7.06	\$7.05	\$7.23	\$8.06	\$8.53	20.9%	5.9%
Loan Loss Provision	\$0.14	\$0.22	\$0.18	\$0.24	\$0.12	\$0.08	\$0.17	\$0.17	\$0.20	74.1%	18.8%
Non-Interest Income	\$2.030	\$2.200	\$2.368	\$2.200	\$1.982	\$2.696	\$2.463	\$2.544	\$2.733	37.9%	7.4%
Securities Gains	\$59	\$64	\$478	\$0	\$54	\$172	\$124	\$49	(\$102)	-288.9%	-308.2%
Non-Interest Expense	\$6.34	\$6.33	\$6.58	\$6.52	\$6.72	\$6.97	\$6.67	\$7.76	\$7.59	13.0%	-2.1%
Net Income	\$1.47	\$1.75	\$1.68	\$1.79	\$1.76	\$1.66	\$1.89	\$0.50	\$2.71	54.3%	439.6%
Total Core Revenue	\$8,367	\$8,877	\$9,019	\$8,994	\$8,857	\$9,756	\$9,690	\$10,602	\$11,267	27.2%	6.3%
Total Core Fee Income	\$2,030	\$2,200	\$2,368	\$2,200	\$1,982	\$2,708	\$2,463	\$2,544	\$2,733	37.9%	7.4%
Core Expense	\$6,128	\$6,232	\$6,388	\$6,429	\$6,618	\$6,868	\$6,573	\$7,668	\$7,434	12.3%	-3.1%
ROAA	0.68%	0.79%	0.74%	0.79%	0.77%	0.73%	0.83%	0.20%	1.03%	33.5%	421.1%
ROAE	7.31%	8.48%	7.94%	8.58%	8.51%	7.85%	8.78%	1.97%	10.26%	20.6%	421.7%
Net Interest Margin	3.22%	3.32%	3.19%	3.25%	3.42%	3.39%	3.42%	3.45%	3.61%	5.6%	4.6%
Core Efficiency Ratio	72.2%	69.3%	69.9%	70.6%	73.9%	69.6%	67.1%	71.2%	64.7%	-12.4%	-9.1%
Core Exp. / Avg. Assets	2.83%	2.83%	2.84%	2.84%	2.90%	3.02%	2.89%	3.01%	2.82%	-2.8%	-6.4%
Total Loans	\$494	\$511	\$523	\$547	\$555	\$553	\$568	\$647	\$669	20.4%	3.4%
Intangibles	\$6.41	\$6.34	\$6.26	\$6.18	\$6.11	\$6.03	\$5.96	\$17.22	\$17.08	179.8%	-0.8%
Total Deposits	\$722	\$730	\$766	\$767	\$776	\$773	\$770	\$888	\$920	18.6%	3.6%
Total Common Equity	\$82	\$84	\$84	\$82	\$83	\$85	\$86	\$106	\$105	26.9%	-0.2%
Avg Assets	\$865	\$880	\$901	\$906	\$913	\$909	\$911	\$1,018	\$1,055	15.5%	3.6%
Avg Loans	\$492	\$509	\$520	\$537	\$558	\$558	\$569	\$625	\$658	18.1%	5.3%
Average Earning Assets	\$792	\$809	\$830	\$832	\$839	\$834	\$839	\$926	\$958	14.2%	3.4%
Avg Deposits	\$717	\$728	\$752	\$761	\$757	\$772	\$765	\$867	\$891	17.7%	2.8%
Loan / Deposit	68.4%	70.1%	68.3%	71.3%	71.6%	71.6%	73.8%	72.8%	72.7%	1.5%	-0.2%
TCE Ratio	8.70%	8.82%	8.58%	8.33%	8.48%	8.69%	8.77%	8.56%	8.39%	-1.0%	-1.9%
Net Charge-offs	\$0.05	\$0.03	\$0.01	\$0.06	(\$0.06)	(\$0.04)	\$0.00	(\$0.00)	(\$0.02)	-64.3%	nm
NPL's + 90 Days Past	\$7.71	\$6.86	\$7.70	\$6.88	\$5.44	\$4.76	\$4.83	\$5.15	\$4.99	-8.3%	-3.1%
OREO	\$1.48	\$1.36	\$1.20	\$1.15	\$1.16	\$0.84	\$0.73	\$1.93	\$1.91	65.0%	-1.4%
Total NPA's	\$9.2	\$7.8	\$7.9	\$7.5	\$6.5	\$5.6	\$5.5	\$7.1	\$6.9	5.7%	-3.1%
NPA / (Loans + OREO)	1.85%	1.53%	1.51%	1.37%	1.17%	1.01%	0.96%	1.09%	1.02%	-12.3%	-6.3%
Provision / Avg Loans	0.03%	0.04%	0.03%	0.04%	0.02%	0.01%	0.03%	0.03%	0.03%	47.5%	12.8%
Reserve / NPL + 90	61%	75%	75%	82%	101%	115%	120%	113%	121%	20.1%	7.3%

Source: FCC Partners Research, S

Earnings Model

	Annual			2017 Quarterly				2018 Quarterly				2019 Quarterly			
	2017A	2018E	2019E	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<u>Income Data: (\$ in Millions)</u>															
Net Interest Income	\$29.4	\$35.4	\$37.2	\$7.1	\$7.0	\$7.2	\$8.1	\$8.5	\$8.8	\$9.0	\$9.1	\$9.0	\$9.2	\$9.5	\$9.5
Loan Loss Provision	\$0.5	\$0.9	\$1.1	\$0.1	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.3	\$0.3	\$0.23	\$0.25	\$0.28	\$0.30
Non-Interest Income	\$9.7	\$11.0	\$11.5	\$2.0	\$2.7	\$2.5	\$2.5	\$2.7	\$2.9	\$2.9	\$2.5	\$2.8	\$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
Gain/Loss on Securities	\$0.4	(\$0.1)	\$0.0	\$0.1	\$0.2	\$0.1	\$0.0	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$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	\$28.1	\$31.5	\$32.8	\$6.7	\$7.0	\$6.7	\$7.8	\$7.6	\$7.9	\$8.0	\$8.0	\$8.2	\$8.2	\$8.2	\$8.3
Pre-Tax Income	\$9.1	\$13.9	\$14.8	\$2.2	\$2.2	\$2.6	\$2.1	\$3.4	\$3.5	\$3.7	\$3.4	\$3.4	\$3.8	\$4.0	\$3.6
Taxes	\$3.3	\$2.7	\$2.9	\$0.4	\$0.6	\$0.7	\$1.6	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.7	\$0.8	\$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
Net Income	\$5.8	\$11.2	\$11.9	\$1.8	\$1.7	\$1.9	\$0.5	\$2.7	\$2.8	\$3.0	\$2.7	\$2.8	\$3.1	\$3.2	\$2.9
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
Net Income Avail. To Common	\$5.8	\$11.2	\$11.9	\$1.8	\$1.7	\$1.9	\$0.5	\$2.7	\$2.8	\$3.0	\$2.7	\$2.8	\$3.1	\$3.2	\$2.9
Avg. Shares O/S	\$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)	\$0.83	\$1.45	\$1.55	\$0.26	\$0.24	\$0.28	\$0.07	\$0.35	\$0.37	\$0.39	\$0.35	\$0.36	\$0.40	\$0.41	\$0.38
<u>Per Share Data:</u>															
Reported Book Value	\$13.93	\$14.71	\$15.82	\$12.41	\$12.69	\$12.76	\$13.93	\$13.90	\$14.17	\$14.46	\$14.71	\$14.96	\$15.25	\$15.56	\$15.82
Tangible Book Value	\$11.66	\$12.47	\$13.60	\$11.50	\$11.79	\$11.87	\$11.66	\$11.65	\$11.93	\$12.22	\$12.47	\$12.73	\$13.03	\$13.34	\$13.60
Dividends	\$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	\$1.57	\$1.94	\$2.06	\$0.34	\$0.35	\$0.41	\$0.29	\$0.48	\$0.49	\$0.52	\$0.47	\$0.48	\$0.53	\$0.56	\$0.51
CORE GAAP EPS	\$1.12	\$1.39	\$1.55	\$0.24	\$0.29	\$0.30	\$0.29	\$0.29	\$0.37	\$0.39	\$0.35	\$0.36	\$0.40	\$0.41	\$0.38
<u>KEY Ratios:</u>															
Net Interest Margin	3.42%	3.66%	3.75%	3.42%	3.39%	3.42%	3.45%	3.61%	3.65%	3.68%	3.69%	3.71%	3.74%	3.77%	3.78%
Return on Avg Assets	0.62%	1.06%	1.09%	0.77%	0.73%	0.83%	0.20%	1.03%	1.07%	1.12%	1.01%	1.02%	1.13%	1.17%	1.05%
Return on Avg Equity	6.54%	10.40%	10.30%	8.51%	7.85%	8.78%	1.97%	10.26%	10.64%	10.96%	9.75%	9.81%	10.73%	10.92%	9.72%
Return on Tang. Comm. Eq.	6.83%	12.25%	11.91%	9.37%	8.67%	9.75%	2.62%	12.68%	12.94%	13.24%	11.80%	11.81%	12.82%	12.98%	11.57%
Pre-Tax Pre-Provision ROA	1.17%	1.40%	1.46%	1.03%	1.06%	1.24%	0.86%	1.40%	1.42%	1.50%	1.36%	1.38%	1.52%	1.57%	1.44%
Efficiency Ratio	71.06%	66.61%	66.23%	71.75%	69.25%	66.59%	70.58%	65.45%	66.86%	65.73%	67.73%	67.86%	65.63%	64.80%	66.71%
Overhead Ratio	3.00%	2.96%	3.01%	2.95%	3.07%	2.93%	3.05%	2.88%	3.00%	2.99%	2.99%	3.03%	3.02%	3.00%	3.00%
TCE/TA	8.56%	8.83%	9.39%	8.48%	8.69%	8.77%	8.56%	8.39%	8.54%	8.71%	8.83%	8.97%	9.11%	9.26%	9.39%
TCE/RWA	12.16%	12.43%	13.23%	12.18%	12.63%	0.12277	12.16%	11.81%	12.02%	12.25%	12.43%	12.62%	12.82%	13.03%	13.23%
<u>Period-End Balances: (\$ in Millions)</u>															
Earning Assets	\$952	\$991	\$1,016	\$840	\$841	\$839	\$952	\$974	\$980	\$985	\$991	\$996	\$1,003	\$1,011	\$1,016
Total Assets	\$1,051	\$1,088	\$1,116	\$915	\$915	\$914	\$1,051	\$1,071	\$1,076	\$1,082	\$1,088	\$1,094	\$1,102	\$1,110	\$1,116
Gross Loans	\$647	\$720	\$799	\$555	\$553	\$568	\$646.8	\$668.6	\$685	\$702	\$720	\$734	\$756	\$779	\$799
Total Deposits	\$888	\$920	\$953	\$776	\$773	\$770	\$888	\$920	\$920	\$920	\$920	\$924	\$934	\$943	\$953
Intangibles	\$17	\$17	\$17	\$6.105	\$6.031	\$6	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17	\$17
Total Common Equity	\$106	\$112	\$120	\$83.13	\$85.06	\$86	\$106	\$105	\$108	\$110	\$112	\$113.51	\$116	\$118	\$120



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	42.5%	56.7%	0.8%
IB Client % in Category	24.1%	15.3%	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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