

NRIM-Northrim BanCorp, Inc.

Strong Pre-Pre EPS plus Strong Capital & Reserves Provide Significant Buffer Against Potential Losses.

Maintain “Market Perform” Rating and lower Price Target to \$25 which reflects ~10.5x 2016 EPS, 105% of 2016 Tangible Book Value or a ~2% Core Deposit Premium. The equity market has discounted the price-to-tangible book ratio near 100% and there seems to be limited concern that tangible book declines much if at all from current levels. Yet, we see few catalysts other than an inexpensive valuation to trigger the stock trading significantly better than the Bank sector indices. This supports our “Market-Perform” rating.

EPS Estimates. No change to our 2016 EPS of \$2.34. Our 2017 EPS moves 6 cents lower to \$2.40 primarily to reflect our outlook for slightly lower growth and higher provisioning.

Little Impact on Credit Quality to Date Due to Lower Energy Prices. The drop in energy prices has had minimal impact on credit quality to date with no energy related losses or downgrades noted. **At 4Q15, 5% of NRIM’s loan portfolio had direct exposure to the oil and gas industry in Alaska with 0% nonperforming.** We continue to believe the impact from lower oil prices will likely play out over the next several years rather than the next couple of quarters given the larger size projects undertaken in Alaska and the major oil companies long term commitment to the area. Our forecast calls for ~20 bps in NCOs in 2016 up from 3 bps in 2015 despite no looming issues on the horizon. We are projecting losses to remain low in 1H16 with some pick up in 2H16. We are projecting losses of 30 bps in 2017.

Reserve levels are strong at 1.85% of Loans and Capital is healthy with 10.4% Tangible Common Equity. While increased energy related losses could materialize the longer oil prices stay low; healthy reserves, excess capital and solid Pre-Tax Pre Provision Earnings should help the company absorb any losses and continue to grow Tangible Book Value.

Please see important disclosures regarding FIG Partners’ equity rating system, distribution of ratings,

NRIM: \$22.90

“Market Perform” // Price Target: \$25.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$157.5
Avg. Volume	17,970
Annual Dividend	\$0.74
Dividend Yield	3.23%
Tangible Book/Share	\$22.31
Price/Tangible Book	103%
Price/2016 EPS	9.8x
Price/2017 EPS	8.9x
Total Assets (\$M)	\$1,499
TCE/TA	10.40%
ROAA (2014)	1.07%
ROAE (2014)	9.16%

EPS Estimates

	2014	2015	2016	2017
Q1	\$0.45	\$0.50	\$0.43	-
Q2	\$0.58	\$0.69	\$0.59	-
Q3	\$0.52	\$0.77	\$0.73	-
Q4	\$0.57	\$0.58	\$0.59	-
FY	\$2.12	\$2.54	\$2.34	\$2.40

Industry Type	Bank
Headquarters	Anchorage, AK
Offices	14
Date Established	2002
CEO	Joseph M. Beedle
CFO	Latosha M. Frye

Source (all data): FIG Partners Research, SNL Financial LC



We note our Pre-Pre Earnings forecast less the common dividend of ~\$22 Mil. over the next twelve months plus energy reserves is sufficient to absorb a 47% loss rate on NRRIM's ~\$50 Mil. Energy Portfolio; which we think is unlikely. We also recognize there is indirect exposure given the impact oil has on Alaska economy. We note excess capital over an 8% Tier 1 Leverage ratio allows for an additional \$88 Mil. buffer which equates to a 9% loss rate on non-oil loans; something we also think is unlikely anytime soon. See our Burn Down Analysis on Page 6. Classified Assets declined 5% linked quarter to \$34.4 Mil. or ~18% of Tier 1 Capital plus Reserves.

Loan Loss Provisioning Outlook. We have maintained our provisioning outlook of \$2.5 Mil. for 2016 which covers modest loan growth and 20 bps in NCOs such that reserve coverage of loans holds stable at 1.85%. Provisioning in 2017 increases to \$3.2 Mil. allowing for increased losses of 30 bps while holding reserve constant.

Cautious on Loan Growth. Portfolio loans grew 6% in 2015 though we expect some slowdown in 2016 to ~4% given the uncertainty about the future of the Alaska economy and the ongoing low price energy marketplace which has led to job cuts and reduced spending by large oil companies. Management noted current pipeline is healthy supporting positive, albeit modest growth in 2016.

NIM Outlook. NIM compressed a greater than expected 28 bps in 4Q15 to 4.10% due to lower loan yields and increased levels of liquidity. Looking forward, non FTE NIM is expected to rebound and stabilize in the 4.15-4.25% range.

Mortgage Unit. The mortgage unit contributed nearly \$3.0 Mil. to earnings in 2015 or \$0.42 cents per share exceeding the company's \$2.4 Mil. or \$0.34 baseline target. Our forecast for 2016 calls for the mortgage unit to produce pre-tax income of \$4 Mil. with revenues and expenses approximating \$16.5 Mil. and \$12.5 Mil. respectively, which pencils to \$2.36 Mil. or \$0.34 per share.

Operating Expenses. We are projecting \$60.8 Mil. in operating expenses in 2016 with approximately \$48.3 Mil. associated with the bank unit and \$12.5 Mil. attributed to the mortgage unit. This reflects 2.75% expense growth at the bank unit from \$47.1 Mil. in 2015.



FIG Research Rating: "Market Perform"			
Price Target: \$25.00			
Implied Gain/Loss versus Current Price:			9.2%
2016 EPS	\$2.34	10.3x	\$24.22
Cash Dividends	\$0.78	1.0x	<u>\$0.78</u>
			\$25.00
Tang. Book 12/16	\$23.97	1.04x	\$25.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Today</u>
Implied Market Cap.	171.9
Tang. Common Eq.	153.4
Total Deposits	\$1,241
Core Deposits	\$1,104
Premium - Core	1.7%

Source: FIG Partners Research, Forward Estimates

Maintain "Market Perform" Rating and lower Price Target to \$25 which reflects ~10.5x 2016 EPS, 105% of 2016 Tangible Book Value or a ~2% Core Deposit Premium.

Background and Risks

NRIM, a one-bank holding company and the parent of Anchorage, Alaska-based Northrim Bank, operates with \$1.5 Billion in Assets and 14 branches. Founded in 1990 after a period of dramatic consolidation in the Alaska banking industry, NRIM has grown into the second largest bank based in Alaska, accessible to nearly 90% of the state's population.

We see primary risks to include: (1) Slow or negative deposit growth and lack of increase in core deposit base; (2) Mergers and/or acquisitions which are not integrated properly such that key personnel are not retained and earnings are not expanded from the original base; (3) Adverse earnings impact from poor credit quality; (4) Recent trends have been excellent but may change.



NRIM Quarterly EPS Comparison

EPS Segment Break down	1Q15			2Q15			3Q15			4Q15			2015Y		
	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings
Interest Income	13,990	396	14,386	14,354	589	14,943	14,883	505	15,388						
Interest Expense	474	280	754	370	378	748	458	248	706						
Net Interest Income	13,516	116	13,632	13,984	211	14,195	14,425	257	14,682	14,008	392	14,400	55,933	976	56,909
Loan Loss Provision	326	0	326	376	0	376	676	0	676	376	0	376	1,754	0	1,754
Fee Income	3,229	7,306	10,535	3,704	7,859	11,563	4,269	8,138	12,407	3,794	6,310	10,104	14,996	29,613	44,609
Earn Out Expense		1,502	1,502	(587)	587	0	(780)	780	0	(1,225)	1,225	0	(2,592)	4,094	1,502
Operating Expense	11,822	5,137	16,959	12,017	5,736	17,753	12,633	5,570	18,203	13,190	5,039	18,229	49,662	21,482	71,144
Pre Tax Income	4,597	783	5,380	5,882	1,747	7,629	6,165	2,045	8,210	5,461	438	5,899	22,105	5,013	27,118
Taxes	1,425	322	1,747	1,986	718	2,704	1,838	840	2,678	1,493	180	1,673	6,742	2,060	8,802
Net Income	3,172	461	3,633	3,896	1,029	4,925	4,327	1,205	5,532	3,968	258	4,226	15,363	2,953	18,316
Noncontrolling Interest	72	0	72	162	0	162	197	0	197	120	0	120	551	0	551
Net Income	3,100	461	3,561	3,734	1,029	4,763	4,130	1,205	5,335	3,848	258	4,106	14,812	2,953	17,765
Shares Outstanding	6.931	6.931	6.931	6.942	6.942	6.948	6.942	6.942	6.942	6.948	6.948	6.948	6.948	6.948	6.948
Earnings Per Share	0.45	0.07	0.51	0.54	0.15	0.69	0.60	0.17	0.77	0.55	0.04	0.59	2.13	0.42	2.56

Source: FIG Partners Research, SNL Financial

The Community Bank segment bank contributed \$2.13 of 2015 EPS with the mortgage unit accounting for \$0.42. Our outlook for 2016 calls for the core bank to earn \$2.00 and the mortgage unit to add \$0.34.

Our forecast for 2016 calls for the mortgage unit to contribute \$4 Mil. of Pre Tax earnings with revenues and expenses of \$16.5 Mil. and 12.5 Mil., respectively which pencils to \$2.4 Mil. after tax or \$0.34 per share.

We are projecting operating expenses of \$60.8 Mil. in 2016 with \$48.3 Mil. due to core bank unit and \$12.5 Mil. associated with the mortgage unit. This reflects year over year expense growth of nearly 3% at the core bank.

NRIM Burn Down Analysis**Loss Capacity Analysis:**

Annualized Pre-Pre Earnings	27.3
Annual Common Dividend	(5.2)
Annual Preferred Dividends (9% SBLF)	0.0
Earnings For Loss Recognition - 1YR	22.1

(\$8.27) ← Per Share Impact

Tier 1 Capital	171.8
Assets For Leverage	1,429.3
Tier 1 Capital Ratio	12.02%
If Tier 1 Ratio Falls to 8.0%	114.3
= Losses After-Tax	(57.5)
= Pre-Tax Equivalent (35% tax rate)	(88.4)

Summary:

(1) Pre-Pre Earnings Post Dividends	22.1
(2) Tier 1 Capital Burn Down (pre-tax)	88.4
(3) Existing Energy Reserve (1.85%)	0.9
Total Losses Possible at 8.0% Tier 1:	111.4

Possible Losses as % of Energy Portfolio 227%

Pre Pre EPS Post Dividends as % of Energy Portfolio	47%
Excess Tier 1 Capital as % of Remaining Portfolio	9%

Source: FIG Partners Research, SNL Financial

NRIM's tangible book would be slightly north of \$14.00 if Tier 1 Capital fell to 8% of Assets and all earnings in 2016 were diverted to cover Energy related and other potential losses.

We note our Pre-Pre Earnings forecast less the common dividend of ~\$22 Mil. over the next twelve months plus energy reserves is sufficient to absorb a 47% loss rate on NRIM's ~\$50 Mil. Energy Portfolio; which we think is unlikely. We also recognize there is indirect exposure given the impact oil has on Alaska economy. We note excess capital over an 8% Tier 1 Leverage ratio allows for an additional \$88 Mil. buffer which equates to a 9% loss rate on non-oil loans; something we also think is unlikely anytime soon.

NRIM Snapshot					% Change		
	4Q14A	1Q15A	2Q15A	3Q15A	4Q15A	Y/Y	LQ
Earnings Per Share (EPS)	\$0.97	\$0.52	\$0.69	\$0.77	\$0.59	-38.4%	-23.0%
Tangible Book Value	\$20.48	\$20.92	\$21.47	\$22.09	\$22.31	8.9%	1.0%
Shares Outstanding EOP	6.85	6.85	6.85	6.86	6.88	0.3%	0.3%
Net Interest Income	\$14.54	\$13.63	\$14.20	\$14.68	\$14.40	-0.9%	-1.9%
Loan Loss Provision	\$0.50	\$0.33	\$0.38	\$0.68	\$0.38	-24.8%	-44.4%
Total Fee Income	\$8.76	\$10.54	\$11.56	\$12.41	\$10.10	15.3%	-18.6%
Gain/Loss on Securities	\$0.00	\$0.11	\$0.02	\$0.00	\$0.14		3325.0%
Non-Interest Expense	\$13.67	\$18.46	\$17.75	\$18.20	\$18.23	33.3%	0.1%
Pre-Tax Income	\$8.80	\$5.38	\$7.63	\$8.21	\$5.90	-32.9%	-28.1%
Taxes	\$1.99	\$1.75	\$2.69	\$2.68	\$1.67	-16.0%	-37.5%
Tax Rate	23%	32%	35%	33%	28%	25.3%	-13.1%
Net Income	\$6.80	\$3.63	\$4.94	\$5.53	\$4.23	-37.9%	-23.6%
Total Core Revenue	\$19.62	\$24.05	\$25.74	\$27.09	\$24.37	24.2%	-10.0%
Total Core Fee Income	\$5.08	\$10.42	\$11.55	\$12.40	\$9.97	96.1%	-19.6%
Core Expenses	\$13.55	\$18.16	\$17.87	\$18.05	\$18.37	35.6%	1.8%
ROAA	1.89%	1.02%	1.37%	1.52%	1.09%	-42.5%	-28.5%
ROAE	16.86%	8.71%	11.82%	13.14%	9.73%	-42.3%	-26.0%
Net Interest Margin	4.49%	4.39%	4.44%	4.38%	4.10%	-8.7%	-6.4%
Core Efficiency Ratio	68.1%	74.7%	68.6%	65.9%	74.6%	9.5%	13.2%
Core Exp. / Avg. Assets	3.76%	5.08%	4.95%	4.96%	4.72%	25.5%	-4.7%
Gross Loans	\$925	\$961	\$975	\$974	\$981	6.1%	0.7%
Intangibles	\$24.0	\$24.0	\$23.9	\$23.8	\$23.8	-1.1%	-0.2%
Total Deposits	\$1,180	\$1,191	\$1,239	\$1,265	\$1,241	5.2%	-1.9%
Total Common Equity	\$164	\$167	\$171	\$175	\$177	7.8%	1.1%
Avg Assets	\$1,440	\$1,429	\$1,445	\$1,456	\$1,555	8.0%	6.8%
Avg Loans	\$938	\$946	\$967	\$982	\$980	4.4%	-0.3%
Avg Earning Assets	\$1,298	\$1,275	\$1,302	\$1,347	\$1,411	8.7%	4.8%
Avg Deposits	\$1,201	\$1,161	\$1,193	\$1,195	\$1,291	7.5%	8.0%
Loan / Deposit	78.4%	80.7%	78.7%	77.0%	79.0%	0.9%	2.7%
TCE Ratio	9.85%	10.07%	9.97%	10.00%	10.40%	5.5%	4.0%
Net Charge-offs	\$20	\$101	(\$96)	\$247	\$72	260.0%	-70.9%
NPL's + 90 Days Past	\$10,027	\$10,599	\$10,776	\$6,938	\$15,490	54.5%	123.3%
OREO	\$4,607	\$4,209	\$2,807	\$3,511	\$3,053	-33.7%	-13.0%
Total NPA'S	\$14,653	\$14,808	\$13,583	\$10,449	\$18,543	26.5%	77.5%
NPA / (Loans + OREO)	1.58%	1.53%	1.39%	1.07%	1.88%	19.5%	76.3%
NCOs / Avg Loans	0.01%	0.04%	-0.04%	0.10%	0.03%	244.7%	-70.8%

Source: FIG Partners Research, SNL Financial LC

Earnings Model

	Annual				2014 Quarterly				2015 Quarterly				2016 Quarterly			
	<u>2014A</u>	<u>2015A</u>	<u>2016E</u>	<u>2017E</u>	<u>1Q14A</u>	<u>2Q14A</u>	<u>3Q14A</u>	<u>4Q14A</u>	<u>1Q15A</u>	<u>2Q15A</u>	<u>3Q15A</u>	<u>4Q15A</u>	<u>1Q16E</u>	<u>2Q16E</u>	<u>3Q16E</u>	<u>4Q16E</u>
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$52.9	\$56.9	\$56.2	\$58.2	\$11.2	\$13.4	\$13.7	\$14.5	\$13.6	\$14.2	\$14.682	\$14.400	\$13.5	\$13.9	\$14.4	\$14.4
Loan Loss Provision	(\$0.6)	\$1.8	\$2.5	\$3.2	\$0.0	(\$1.1)	\$0.0	\$0.5	\$0.3	\$0.4	\$0.676	\$0.376	\$0.40	\$0.65	\$0.70	\$0.75
Non-Interest Income	\$16.0	\$44.3	\$31.9	\$32.7	\$2.6	\$3.8	\$3.8	\$5.8	\$10.4	\$11.5	\$12.403	\$9.967	\$6.2	\$8.3	\$10.0	\$7.4
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	\$0.000	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.5	\$0.3	\$0.0	\$0.0	\$0.1	\$0.3	\$0.0	\$0.0	\$0.1	\$0.0	\$0.004	\$0.137	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	\$2.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$2.8	\$0.0	\$0.0	\$0.000	\$0.000	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$48.1	\$72.6	\$60.8	\$62.3	\$10.3	\$12.0	\$12.1	\$13.8	\$18.5	\$17.8	\$18.203	\$18.229	\$14.6	\$15.3	\$16.0	\$15.0
Pre-Tax Income	\$24.7	\$27.1	\$24.8	\$25.3	\$3.7	\$6.7	\$5.5	\$8.8	\$5.4	\$7.6	\$8.210	\$5.899	\$4.6	\$6.3	\$7.8	\$6.1
Taxes	\$6.8	\$8.8	\$8.1	\$8.2	\$1.0	\$2.2	\$1.7	\$2.0	\$1.7	\$2.7	\$2.678	\$1.673	\$1.5	\$2.1	\$2.6	\$1.9
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.000	\$0.000	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$17.9	\$18.3	\$16.7	\$17.1	\$2.7	\$4.5	\$3.9	\$6.8	\$3.6	\$4.9	\$5.532	\$4.226	\$3.1	\$4.2	\$5.2	\$4.2
Noncontrolling segment income	\$0.5	\$0.6	\$0.4	\$0.4	\$0.0	\$0.1	\$0.2	\$0.1	\$0.1	\$0.2	\$0.197	\$0.120	\$0.110	\$0.110	\$0.110	\$0.110
Net Income Avail. To Common	\$17.41	\$17.8	\$16.3	\$16.7	\$2.7	\$4.4	\$3.7	\$6.7	\$3.6	\$4.8	\$5.335	\$4.106	\$3.0	\$4.1	\$5.1	\$4.1
Avg. Shares O/S	6.9	6.9	6.9	6.9	\$6.6	\$6.9	\$6.9	\$6.9	\$6.9	\$6.9	\$6.942	\$6.948	6.9	6.9	6.9	6.9
Earnings Per Share (EPS)	\$2.54	\$2.56	\$2.34	\$2.40	\$0.40	\$0.63	\$0.53	\$0.97	\$0.52	\$0.69	\$0.77	\$0.59	\$0.43	\$0.59	\$0.73	\$0.59
<u>Per Share Data:</u>																
Reported Book Value	\$23.99	\$25.77	\$27.42	\$29.07	\$22.32	\$22.97	\$23.31	\$23.99	\$24.42	\$24.96	\$25.56	\$25.77	\$26.03	\$26.45	\$27.01	\$27.42
Tangible Book Value	\$20.48	\$22.31	\$23.97	\$25.62	\$21.11	\$21.73	\$22.08	\$20.48	\$20.92	\$21.47	\$22.09	\$22.31	\$22.57	\$23.00	\$23.56	\$23.97
Dividends	\$0.70	\$0.74	\$0.78	\$0.84	\$0.17	\$0.17	\$0.18	\$0.18	\$0.18	\$0.18	\$0.19	\$0.19	\$0.19	\$0.19	\$0.20	\$0.20
Pre-Tax, Pre-Provision EPS	\$3.03	\$4.12	\$3.92	\$4.11	\$0.50	\$0.75	\$0.79	\$1.32	\$0.85	\$1.13	\$1.30	\$0.86	\$0.72	\$1.00	\$1.22	\$0.98
CORE GAAP EPS	\$2.22	\$2.54	\$2.34	\$2.40	\$0.39	\$0.60	\$0.53	\$0.70	\$0.50	\$0.69	\$0.77	\$0.58	\$0.43	\$0.59	\$0.73	\$0.59
<u>KEY Ratios:</u>																
Net Interest Margin	4.42%	4.33%	4.22%	4.27%	4.33%	4.43%	4.43%	4.49%	4.39%	4.44%	4.38%	4.10%	4.20%	4.22%	4.22%	4.22%
Return on Avg Assets	1.34%	1.25%	1.07%	1.06%	0.92%	1.33%	1.13%	1.89%	1.02%	1.37%	1.52%	1.09%	0.81%	1.09%	1.32%	1.05%
Return on Avg Equity	11.49%	10.84%	9.16%	8.84%	7.40%	11.43%	9.85%	16.86%	8.71%	11.82%	13.14%	9.73%	6.93%	9.39%	11.33%	8.94%
Return on Tang. Common Eq.	12.53%	11.70%	9.94%	9.52%	7.80%	11.91%	9.96%	19.15%	10.06%	13.12%	14.21%	10.77%	7.73%	10.50%	12.65%	9.95%
Pre-Tax Pre-Provision ROA	1.55%	1.94%	1.74%	1.77%	1.13%	1.55%	1.59%	2.55%	1.65%	2.18%	2.48%	1.54%	1.31%	1.79%	2.15%	1.70%
Efficiency Ratio	69.45%	71.50%	68.87%	68.40%	73.17%	68.56%	67.85%	67.01%	75.97%	68.15%	66.47%	74.08%	73.58%	67.93%	64.67%	67.94%
Overhead Ratio	3.60%	4.94%	3.88%	3.86%	3.49%	3.56%	3.51%	3.83%	5.17%	4.91%	5.00%	4.69%	3.81%	3.93%	4.05%	3.74%
TCE/TA	9.85%	10.40%	10.81%	11.18%	11.54%	11.02%	10.69%	9.85%	10.07%	9.97%	10.00%	10.40%	10.49%	10.58%	10.73%	10.81%
TCE/RWA	11.68%	11.85%	12.11%	12.32%	13.80%	12.62%	12.70%	11.68%	11.39%	11.39%	11.77%	11.85%	11.87%	11.92%	12.03%	12.11%
<u>Period-End Balances: (\$ in Millions)</u>																
Earning Assets	\$1,292	\$1,353	\$1,393	\$1,435	\$1,086	\$1,220	\$1,275	\$1,292	\$1,296	\$1,338	\$1,380	\$1,353	\$1,333	\$1,353	\$1,373	\$1,393
Total Assets	\$1,449	\$1,499	\$1,549	\$1,600	\$1,204	\$1,356	\$1,421	\$1,449	\$1,448	\$1,500	\$1,539	\$1,499	\$1,503	\$1,518	\$1,533	\$1,549
Risk-Weighted Assets	\$1,203	\$1,295	\$1,361	\$1,430	\$1,000	\$1,176	\$1,189	\$1,203	\$1,259	\$1,292	\$1,288	\$1,295	\$1,308	\$1,327	\$1,347	\$1,361
Gross Loans HFI	\$925	\$981	\$1,012	\$1,052	\$763	\$927	\$937	\$925	\$961	\$975	\$974	\$981	\$966	\$977	\$992	\$1,012
Total Deposits	\$1,180	\$1,241	\$1,278	\$1,317	\$998	\$1,130	\$1,192	\$1,180	\$1,191	\$1,239	\$1,265	\$1,241	\$1,241	\$1,253	\$1,266	\$1,278
Intangibles	\$24	\$24	\$24	\$24	\$8	\$8	\$8	\$24	\$24	\$24	\$24	\$24	\$24	\$24	\$24	\$24
Total Common Equity	\$164	\$177	\$189	\$200	\$146	\$157	\$159	\$164	\$167	\$171	\$175	\$177	\$179	\$182	\$186	\$189



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	46.8%	53.2%	0.0%
IB Client % in Category	25.9%	19.7%	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

- The research analyst currently holds shares 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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