

**NRIM-Northrim BanCorp, Inc.**
*Profitability Expected to Remain Healthy Despite Slowing Alaskan Economy*

- **Maintain “Market Perform” and \$32 Price Target**
- **Increase Core 2017 EPS to \$2.18 (+0.02) and lower 2018 to \$2.00 (-0.15).**
- **NIM has upward bias reflecting Asset Sensitivity and TRUPs redemption**
- **ROAA expected to approximate 0.95% in 2018; Capital levels remain strong**
- **Outlook calls for continued gradual deterioration in credit quality given slowing Alaskan economy**

We are maintaining our “Market Perform” rating and Price Target at \$32 which reflects ~13.5x our 2018 EPS plus excess capital, 120% of Tangible Book Value one year out or a 2% Core Deposit Premium. We continue to project solid EPS and profitability in the coming quarters; however, we see few catalysts for the shares to significantly outperform the Bank sector indices in the near term given weakness in the Alaskan economy. This supports our Market Perform rating. Our EPS forecast corresponds to an ROAA of ~0.95% in 2018.

We are increasing our Core 2017 EPS to \$2.18 (+\$0.02) and lowering our 2018 EPS to \$2.00 (-\$0.15). Our 2017 EPS increases stems primarily from a higher NIM and lower provision partially offset by higher expenses. Our 2018 reduction reflects a more conservative outlook on fee income which more than offsets greater spread income; as a higher NIM forecast trumps a lower earning asset base. Our EPS forecast includes no share repurchase activity though we would not rule this out given a slow growth outlook, excess capital and a reasonable valuation.

Outlook: NRIM saw a seasonal uptick in loan volumes in 2Q17. However, looking forward we expect growth to remain muted given weakness in the Alaskan economy. According to the Alaska Department of Labor, the average employment in the state decreased 2% in 2016 and is projected to drop another 2.3% in 2017 or 7,500 jobs. Our outlook over the balance of the year calls for balances to be flat to slightly higher supported by a solid pipeline and potential loan participations. We are forecasting loan growth of 2-3% in 2018. Core NIM increased

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**NRIM: \$28.35**

“Market-Perform” // Price Target: \$32

**Summary Statistics**

Exchange	NASDAQ
Market Cap (\$M)	\$196
Avg. Volume	8,366
Annual Dividend	\$0.78
Dividend Yield	2.75%
Tangible Book/Share	\$25.38
Price/Tangible Book	112%
Price/2017 EPS	13.0x
Price/2018 EPS	12.2x
Total Assets (\$M)	\$1,493
TCE/TA	11.87%
ROAA (2017)	1.03%
ROAE (2017)	8.06%

**EPS Estimates**

	2015	2016	2017	2018
Q1	\$0.50	\$0.49	\$0.53	
Q2	\$0.69	\$0.66	\$0.57	
Q3	\$0.77	\$0.67	\$0.57	
Q4	\$0.58	\$0.51	\$0.51	
FY	<b>\$2.54</b>	<b>\$2.33</b>	<b>\$2.18</b>	<b>\$2.00</b>

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

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



a greater than expected 4 bps in 2Q17 to 4.26% as the benefit of higher rates more than offset a negative mix shift in average earning assets. Looking forward, our forecast calls for NIM to expand in 2H17 and continue an upward trend in 2018. Our outlook assumes one rate hike in mid-2018. 3Q17 NIM is projected to benefit from a full quarter impact of 1) the June rate hike, 2) 2Q17 loan growth much of which came late in second quarter and has positive implications for 3Q17 Net Interest Income and 3) a partial quarter benefit of the company's \$8 Mil. TRUPS redemption which is slated to occur on August 15<sup>th</sup>. This TRUPS is costing NRIM ~4.5% (3 Month LIBOR + 315bps) and is expected to result in annual savings of ~\$300k (~3 bps to NIM). Looking at 2018, we expect further NIM expansion even without rate increases given our expectations the cumulative effect of rate increases will outweigh any rise in the cost of funds. To date NRIM has not seen any significant upward pressure on funding costs though presumably this will intensify over time. As it pertains to asset repricing, we note that NRIM is asset sensitive with 65-70% of its loans variable rate and another \$50 Mil. in Securities that are rate sensitive. As time passes more and more of NRIM's loans reach rate adjustment dates.

Our outlook for fee income and expenses is largely unchanged absent a more conservative outlook on mortgage. We break out the performance of the community bank from the mortgage unit. Specifically, we are forecasting about \$3.5 Mil. per quarter in fee income at the bank unit in 2H17 and ~\$14.5 Mil. for full year 2018. Operating expenses at the Bank are projected to approximate \$12.8 Mil. per quarter in 2H17 and \$52.5 Mil. for full year 2018. At the Mortgage unit, we are projecting \$11.5 Mil. in mortgage banking income (ex spread income from HFS loans) and \$10 Mil. in expense in 2H17. For 2018, we are projecting ~\$22 Mil. in mortgage banking income and \$19.2 Mil. in expense. Bottom line, we expect mortgage to contribute about \$0.18 to EPS in 2H17 inclusive of spread income from loans HFS, similar to 1H17.

On the credit front, we continue to believe the impact from lower oil prices and weakness in the Alaska economy is likely to lead to deterioration in credit quality in the coming quarters. We do not expect significant weakness to come from its 6% direct energy exposure as these customers are well capitalized; rather we see the other parts of the portfolio coming under increased pressure over time as the economy continues to slow. We are projecting NCOs of ~15-20 bps in 2H17 (2-3x 1H17) and 25 bps in 2018 which is consistent with our outlook for further credit deterioration. Our forecast calls for provisioning to cover losses and growth such as to maintain current reserve coverage at around 2.05-2.10% of loans. Notably, management has taken steps to bolster reserves over the last 12 months with reserves increasing ~15 bps over this period. Our Pre-Tax, Pre-Provision earnings forecast over the next 12 months is sufficient to absorb an approximate 40% loss rate on the company's direct energy exposure, which we believe is unlikely.



## Maintaining Price Target

**FIG Research Rating: "Market-Perform"**

**Price Target: \$32.00**

**Implied Gain/Loss versus Current Price: 12.9%**

<b>2018 Outlook</b>			
2018 EPS	\$2.00	13.3x	\$26.45
Cash Dividends	\$0.84	1.0x	\$0.88
Excess TCE	\$4.67	1.0x	<u>\$4.67</u>
			\$32.00
<b>Tangible Book 12/18</b>	<b>\$27.37</b>	<b>1.17x</b>	<b>\$32.00</b>

Source: FIG Partners Research & Forward Estimates

### Deposit Premium Analysis

	<u>Current</u>	<u>Dec-17</u>	<u>Dec-18</u>
Market-Cap	195.6	201.4	209.5
TCE in \$\$	170.4	180.5	189.1
Total Deposits	1,234.3	1,246.7	1,278.1
CORE Deposits	1,110.9	1,122.0	1,150.3
Premium - Total	2.0%	1.7%	1.6%
<b>Premium - CORE</b>	<b>2.3%</b>	<b>1.9%</b>	<b>1.8%</b>

*We are maintaining our "Market Perform" rating and Price Target at \$32 which reflects ~13.5x our 2018 EPS plus excess capital, 120% of Tangible Book Value one year out 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 Breakdown	1Q16			2Q16			3Q16			4Q16			2016Y		
	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
Net Interest Income	13,933	241	14,174	13,829	250	14,079	13,901	312	14,213	13,584	307	13,891	55,247	1,110	56,357
Loan Loss Provision	703	0	703	200	0	200	652	0	652	743	0	743	2,298	0	2,298
Fee Income	3,409	5,696	9,105	3,354	8,510	11,864	3,594	8,341	11,935	3,399	6,960	10,359	13,756	29,507	43,263
Earn Out Expense	(130)	130	0	(687)	687	0	(3,250)	3,250	0	(708)	708	0	(4,775)	4,775	0
Operating Expense	12,436	4,935	17,371	13,191	6,178	19,369	14,899	6,287	21,186	12,859	5,495	18,354	53,385	22,895	76,280
Pre Tax Income	4,333	872	5,205	4,479	1,895	6,374	5,194	(884)	4,310	4,089	1,064	5,153	33,440	16,476	21,042
Taxes	1,341	358	1,699	1,091	777	1,868	1,389	(362)	1,027	1,022	436	1,458	9,989	5,585	15,574
Net Income	2,992	514	3,506	3,388	1,118	4,506	3,805	(522)	3,283	3,067	628	3,695	13,251	1,739	14,990
Noncontrolling Interest	130	0	130	156	0	156	188	0	188	105	0	105	579	0	579
<b>Net Income</b>	<b>2,862</b>	<b>514</b>	<b>3,376</b>	<b>3,232</b>	<b>1,118</b>	<b>4,350</b>	<b>3,617</b>	<b>(522)</b>	<b>3,095</b>	<b>2,962</b>	<b>628</b>	<b>3,590</b>	<b>12,672</b>	<b>1,739</b>	<b>14,411</b>
Shares Outstanding	6.965	6.965	6.965	6.984	6.984	6.984	6.994	6.994	6.994	6.984	6.984	6.984	6.973	6.973	6.973
Earnings Per Share	0.41	0.07	0.48	0.47	0.16	0.62	0.52	-0.07	0.44	0.42	0.09	0.51	1.82	0.25	2.07

EPS Segment Breakdown	1Q17			2Q17		
	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings
Net Interest Income	13,549	284	13,833	13,952	291	14,243
Loan Loss Provision	400	0	400	300	0	300
Fee Income	3,446	5,450	8,896	3,368	6,351	9,719
Earn Out Expense	(174)	174	0	0	0	0
Operating Expense	11,787	4,819	16,606	13,240	5,226	18,466
Pre Tax Income	4,982	741	5,723	3,780	1,416	5,196
Taxes	1,497	304	1,801	871	584	1,455
Net Income	3,485	437	3,922	2,909	832	3,741
Noncontrolling Interest	97	0	97	152	0	152
<b>Net Income</b>	<b>3,388</b>	<b>437</b>	<b>3,825</b>	<b>2,757</b>	<b>832</b>	<b>3,589</b>
Shares Outstanding	6.994	6.994	6.994	6.998	6.998	6.998
Earnings Per Share	0.48	0.06	0.55	0.39	0.12	0.51

Source: FIG Partners Research, SNL Financial

**Community Bank Unit contributed \$0.39 to 2Q17 EPS while the Mortgage Operation added \$0.12. This compares to \$0.48 and \$0.06, respectively last quarter.**

**NRIM Snapshot**

	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	% Change	
										Y/Y	LQ
Earnings Per Share (EPS)	\$0.69	\$0.77	\$0.59	\$0.48	\$0.63	\$0.44	\$0.51	\$0.55	\$0.51	-18.0%	-6.2%
Tangible Book Value	\$21.47	\$22.09	\$22.31	\$22.78	\$23.30	\$24.61	\$24.70	\$25.06	\$25.40	9.0%	1.3%
Shares Outstanding EOP	6.85	6.86	6.88	6.88	6.88	6.88	6.90	6.91	6.91	0.5%	0.0%
Net Interest Income	\$14.20	\$14.68	\$14.40	\$14.17	\$14.08	\$14.21	\$13.89	\$13.83	\$14.24	1.2%	3.0%
Loan Loss Provision	\$0.38	\$0.68	\$0.38	\$0.70	\$0.20	\$0.65	\$0.74	\$0.40	\$0.30	50.0%	-25.0%
Total Fee Income	\$11.56	\$12.41	\$10.10	\$9.11	\$11.86	\$11.94	\$10.36	\$8.90	\$9.72	-18.1%	9.2%
Gain/Loss on Securities	\$0.02	\$0.00	\$0.14	(\$0.02)	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	-100.0%	
Non-Interest Expense	\$17.75	\$18.20	\$18.23	\$17.37	\$19.37	\$21.19	\$18.35	\$16.61	\$18.47	-4.7%	11.2%
Pre-Tax Income	\$7.63	\$8.21	\$5.90	\$5.21	\$6.37	\$4.31	\$5.15	\$5.72	\$5.20	-18.5%	-9.2%
Taxes	\$2.69	\$2.68	\$1.67	\$1.70	\$1.87	\$1.03	\$1.46	\$1.80	\$1.46	-22.1%	-19.2%
Tax Rate	35%	33%	28%	33%	29%	24%	28%	31%	28%	-4.5%	-11.0%
Net Income	\$4.94	\$5.53	\$4.23	\$3.51	\$4.51	\$3.28	\$3.70	\$3.92	\$3.74	-17.0%	-4.6%
Total Core Revenue	\$25.74	\$27.09	\$24.37	\$23.30	\$25.93	\$26.15	\$24.25	\$22.72	\$23.96	-7.6%	5.5%
Total Core Fee Income	\$11.55	\$12.40	\$9.97	\$9.13	\$11.85	\$11.94	\$10.36	\$8.88	\$9.72	-18.0%	9.4%
Core Expenses	\$17.87	\$18.05	\$18.37	\$17.37	\$19.01	\$18.59	\$18.35	\$16.83	\$17.75	-6.6%	5.5%
ROAA	1.37%	1.52%	1.09%	0.94%	1.21%	0.86%	0.97%	1.05%	0.99%	-17.9%	-5.6%
ROAE	11.82%	13.14%	9.73%	7.86%	9.70%	7.18%	8.24%	8.39%	7.73%	-20.4%	-7.9%
Net Interest Margin	4.44%	4.38%	4.10%	4.29%	4.27%	4.17%	4.07%	4.22%	4.26%	-0.2%	0.9%
Core Efficiency Ratio	68.6%	65.9%	74.6%	73.7%	72.6%	70.4%	74.9%	73.3%	73.3%	0.9%	0.1%
Core Exp. / Avg. Assets	4.95%	4.96%	4.72%	4.67%	5.11%	4.87%	4.82%	4.51%	4.71%	-7.7%	4.4%
Gross Loans	\$975	\$974	\$981	\$971	\$967	\$997	\$975	\$961	\$991	2.5%	3.2%
Intangibles	\$23.9	\$23.8	\$23.8	\$23.7	\$23.7	\$16.4	\$16.3	\$16.3	\$16.3	-31.4%	-0.2%
Total Deposits	\$1,239	\$1,265	\$1,241	\$1,247	\$1,256	\$1,278	\$1,268	\$1,247	\$1,234	-1.7%	-1.0%
Total Common Equity	\$171	\$175	\$177	\$180	\$184	\$186	\$187	\$189	\$192	4.2%	1.2%
Avg Assets	\$1,445	\$1,456	\$1,555	\$1,489	\$1,489	\$1,525	\$1,522	\$1,492	\$1,507	1.2%	1.0%
Avg Loans	\$967	\$982	\$980	\$980	\$969	\$979	\$978	\$970	\$969	0.0%	-0.1%
Avg Earning Assets	\$1,302	\$1,347	\$1,411	\$1,348	\$1,345	\$1,375	\$1,379	\$1,352	\$1,361	1.2%	0.7%
Avg Deposits	\$1,193	\$1,195	\$1,291	\$1,237	\$1,235	\$1,264	\$1,265	\$1,231	\$1,245	0.8%	1.1%
Loan / Deposit	78.7%	77.0%	79.0%	77.8%	77.0%	78.0%	76.9%	77.0%	80.3%	4.2%	4.2%
TCE Ratio	9.97%	10.00%	10.40%	10.61%	10.72%	11.12%	11.28%	11.57%	11.88%	10.8%	2.7%
Net Charge-offs	(\$96)	\$247	\$72	\$673	(\$2)	(\$442)	\$525	\$204	\$132	-6700.0%	-35.3%
NPL's + 90 Days Past	\$10,776	\$6,938	\$15,490	\$14,890	\$22,455	\$24,197	\$19,523	\$20,979	\$29,513	31.4%	40.7%
OREO	\$2,807	\$3,511	\$3,053	\$2,702	\$2,558	\$2,824	\$6,379	\$5,802	\$4,315	68.7%	-25.6%
Total NPA'S	\$13,583	\$10,449	\$18,543	\$17,545	\$24,966	\$27,021	\$25,446	\$24,715	\$31,511	26.2%	27.5%
NPA / (Loans + OREO)	1.39%	1.07%	1.88%	1.80%	2.57%	2.70%	2.59%	2.56%	3.17%	23.0%	23.8%
NCOs / Avg Loans	-0.04%	0.10%	0.03%	0.27%	0.00%	-0.18%	0.21%	0.08%	0.05%	-6702.7%	-35.2%

## Earnings Model

	Annual			2016 Quarterly				2017 Quarterly				2018 Quarterly			
	2016A	2017E	2018E	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17E	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
<b><i>Income Data: (\$ in Millions)</i></b>															
Net Interest Income	\$56.4	\$57.2	\$58.5	\$14.2	\$14.1	\$14.2	\$13.9	\$13.8	\$14.2	\$14.6	\$14.5	\$14.0	\$14.5	\$14.9	\$15.1
Loan Loss Provision	\$2.3	\$1.7	\$3.0	\$0.7	\$0.2	\$0.7	\$0.7	\$0.4	\$0.3	\$0.5	\$0.5	\$0.6	\$0.7	\$0.9	\$0.8
Non-Interest Income	\$43.3	\$37.1	\$36.6	\$9.1	\$11.9	\$11.9	\$10.4	\$8.9	\$9.7	\$9.8	\$8.7	\$8.3	\$9.8	\$9.7	\$8.7
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	(\$0.0)	\$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
One-Time Items	(\$3.0)	(\$0.4)	\$0.0	\$0.0	(\$0.4)	(\$2.6)	\$0.0	\$0.2	(\$0.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$73.3	\$70.3	\$71.7	\$17.4	\$19.0	\$18.6	\$18.4	\$16.8	\$17.8	\$18.0	\$17.6	\$17.6	\$18.2	\$18.2	\$17.7
Pre-Tax Income	\$21.0	\$22.0	\$20.4	\$5.2	\$6.4	\$4.3	\$5.2	\$5.7	\$5.196	\$5.9	\$5.2	\$4.0	\$5.4	\$5.6	\$5.3
Taxes	\$6.1	\$6.5	\$5.9	\$1.7	\$1.9	\$1.0	\$1.5	\$1.8	\$1.5	\$1.7	\$1.5	\$1.2	\$1.6	\$1.6	\$1.5
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	\$15.0	\$15.5	\$14.5	\$3.5	\$4.5	\$3.3	\$3.7	\$3.9	\$3.7	\$4.2	\$3.7	\$2.9	\$3.8	\$4.0	\$3.8
Noncontrolling segment income	\$0.579	\$0.526	\$0.5	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
<b>Net Income Avail. To Common</b>	<b>\$14.4</b>	<b>\$15.0</b>	<b>\$14.0</b>	<b>\$3.4</b>	<b>\$4.4</b>	<b>\$3.1</b>	<b>\$3.6</b>	<b>\$3.8</b>	<b>\$3.6</b>	<b>\$4.0</b>	<b>\$3.5</b>	<b>\$2.7</b>	<b>\$3.7</b>	<b>\$3.9</b>	<b>\$3.6</b>
Avg. Shares O/S	7.0	7.0	7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0
<b>Earnings Per Share (EPS)</b>	<b>\$2.07</b>	<b>\$2.14</b>	<b>\$2.00</b>	<b>\$0.48</b>	<b>\$0.63</b>	<b>\$0.44</b>	<b>\$0.51</b>	<b>\$0.55</b>	<b>\$0.51</b>	<b>\$0.57</b>	<b>\$0.51</b>	<b>\$0.39</b>	<b>\$0.53</b>	<b>\$0.56</b>	<b>\$0.52</b>
<b><i>Per Share Data:</i></b>															
Reported Book Value	\$27.07	\$28.46	\$29.72	\$26.23	\$26.75	\$26.99	\$27.07	\$27.42	\$27.75	\$28.14	\$28.46	\$28.67	\$29.01	\$29.38	\$29.72
<b>Tangible Book Value</b>	<b>\$24.70</b>	<b>\$26.11</b>	<b>\$27.37</b>	<b>\$22.78</b>	<b>\$23.30</b>	<b>\$24.61</b>	<b>\$24.70</b>	<b>\$25.06</b>	<b>\$25.40</b>	<b>\$25.79</b>	<b>\$26.11</b>	<b>\$26.32</b>	<b>\$26.66</b>	<b>\$27.03</b>	<b>\$27.37</b>
Dividends	\$0.78	\$0.84	\$0.84	\$0.19	\$0.19	\$0.20	\$0.20	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
<b>Pre-Tax, Pre-Provision EPS</b>	<b>\$3.77</b>	<b>\$3.44</b>	<b>\$3.33</b>	<b>\$0.85</b>	<b>\$0.96</b>	<b>\$0.71</b>	<b>\$0.85</b>	<b>\$0.90</b>	<b>\$0.80</b>	<b>\$0.91</b>	<b>\$0.81</b>	<b>\$0.66</b>	<b>\$0.88</b>	<b>\$0.93</b>	<b>\$0.87</b>
<b>CORE GAAP EPS</b>	<b>\$2.30</b>	<b>\$2.18</b>	<b>\$2.00</b>	<b>\$0.49</b>	<b>\$0.66</b>	<b>\$0.67</b>	<b>\$0.49</b>	<b>\$0.53</b>	<b>\$0.57</b>	<b>\$0.57</b>	<b>\$0.51</b>	<b>\$0.39</b>	<b>\$0.53</b>	<b>\$0.56</b>	<b>\$0.52</b>
<b><i>KEY Ratios:</i></b>															
Net Interest Margin	4.20%	4.27%	4.34%	4.29%	4.27%	4.17%	4.07%	4.22%	4.26%	4.30%	4.30%	4.32%	4.33%	4.34%	4.34%
Return on Avg Assets	1.00%	1.03%	0.95%	0.94%	1.21%	0.86%	0.97%	1.05%	0.99%	1.11%	0.97%	0.77%	1.02%	1.05%	0.97%
Return on Avg Equity	8.25%	8.06%	7.21%	7.86%	9.70%	7.18%	8.24%	8.39%	7.73%	8.64%	7.50%	5.81%	7.69%	7.95%	7.36%
Return on Tang. Common Eq.	8.51%	8.34%	7.42%	8.68%	10.91%	7.36%	8.47%	8.88%	8.22%	9.06%	7.89%	6.07%	8.08%	8.36%	4.00%
<b>Pre-Tax Pre-Provision ROA</b>	<b>1.75%</b>	<b>1.60%</b>	<b>1.54%</b>	<b>1.59%</b>	<b>1.80%</b>	<b>1.29%</b>	<b>1.56%</b>	<b>1.69%</b>	<b>1.48%</b>	<b>1.69%</b>	<b>1.50%</b>	<b>1.25%</b>	<b>1.64%</b>	<b>1.70%</b>	<b>1.57%</b>
Efficiency Ratio	73.46%	74.38%	75.35%	73.75%	72.63%	70.40%	74.92%	73.25%	73.63%	73.08%	74.84%	78.29%	74.15%	72.88%	73.60%
Overhead Ratio	4.87%	4.67%	4.72%	4.67%	5.11%	4.87%	4.82%	4.51%	4.73%	4.78%	4.67%	4.74%	4.84%	4.75%	4.56%
TCE/TA	11.28%	11.97%	12.15%	10.61%	10.72%	11.12%	11.28%	11.57%	11.88%	11.95%	11.97%	12.04%	12.07%	12.12%	12.15%
<b><i>Period-End Balances: (\$ in Millions)</i></b>															
Earning Assets	\$1,369	\$1,346	\$1,386	\$1,364	\$1,366	\$1,385	\$1,369	\$1,360	\$1,346	\$1,346	\$1,346	\$1,329	\$1,346	\$1,366	\$1,386
Total Assets	\$1,527	\$1,523	\$1,573	\$1,500	\$1,518	\$1,540	\$1,527	\$1,513	\$1,493	\$1,508	\$1,523	\$1,527	\$1,542	\$1,558	\$1,573
Risk-Weighted Assets	\$1,297	\$1,321	\$1,388	\$1,274	\$1,280	\$1,310	\$1,297	\$1,258	\$1,288	\$1,308	\$1,321	\$1,334	\$1,354	\$1,374	\$1,388
Gross Loans HFI	\$975	\$996	\$1,016	\$971	\$967	\$997	\$975	\$961	\$991	\$991	\$996	\$986	\$996	\$1,011	\$1,016
Total Deposits	\$1,268	\$1,247	\$1,278	\$1,247	\$1,256	\$1,278	\$1,268	\$1,247	\$1,234	\$1,247	\$1,247	\$1,247	\$1,253	\$1,265	\$1,278
Intangibles	\$16	\$16	\$16	\$24	\$24	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$187	\$197	\$205	\$180	\$184	\$186	\$187	\$189	\$192	\$194	\$197	\$198	\$201	\$203	\$205



**FIG Partners LLC Distribution of Ratings**

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	38.1%	61.9%	0.0%
IB Client % in Category	27.1%	14.1%	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

- 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
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