

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

- **No Change to 2017 EPS of \$2.00; Establish 2018 at \$2.15; Raise Price Target to \$31**
- **Loan growth outlook remains muted given weakness in Alaska economy**
- **Higher rates and possible redemption of Trust Preferred Securities should help support NIM**
- **ROAA expected to approximate 0.95% in 2017**
- **Capital & Reserves remain robust**

We are maintaining our “Market Perform” rating and raising our Price Target to \$31 which reflects ~13x our 2017 plus excess capital, 115% of Tangible Book Value one year out or a 3% Core Deposit Premium. Following a review of the quarter, we are maintaining our 2017 EPS at \$2.00 and establishing our 2018 EPS at \$2.15. Our updated model assumes a more favorable NIM outlook which helps offset our outlook for higher expenses associated with its recently announced core conversion.

We continue to project positive EPS and TBV growth 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. That said, we expect the valuation gap with peer to narrow over time as uncertainty dissipates and NRIM continues to demonstrate solid performance. Our EPS forecast corresponds to an ROAA of ~0.95% in 2017. We note our TBV growth forecast (+5% in 2017) could prove to be high if interest rates continue to rise and the investment portfolio continues to build leading to further impact on AOCI. That said, we note the duration of the portfolio is short which should limit this impact.

Looking forward, we continue to be cautious on loan growth given weakness in the Alaskan economy. Recent employment reporting data indicates that Alaska is in a moderate recession. According to the Alaska Department of Labor the average employment in the state decreased 2% in 2016 and is projected to decline another 2% in 2017 or 7,500 jobs. Loan balances decreased ~1% or \$6 Mil. in 2016 and our outlook for 2017 is unchanged and calls for growth in the 2-3% range as activity remains slow.

Please see important disclosures regarding FIG Partners’ equity rating system, distribution of ratings, and other report disclosures on the last page of this report.

NRIM: \$29.25

“Market-Perform” // Price Target: \$31

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$201.8
Avg. Volume	20,456
Annual Dividend	\$0.78
Dividend Yield	2.67%
Tangible Book/Share	\$24.68
Price/Tangible Book	118%
Price/2017 EPS	14.6x
Price/2018 EPS	12.6x
Total Assets (\$M)	\$1,527
TCE/TA	11.27%
ROAA (2017)	0.94%
ROAE (2017)	7.57%

EPS Estimates

	2015	2016	2017	2018
Q1	\$0.50	\$0.49	\$0.44	
Q2	\$0.69	\$0.66	\$0.49	
Q3	\$0.77	\$0.67	\$0.55	
Q4	\$0.58	\$0.51	\$0.53	
FY	\$2.54	\$2.33	\$2.00	\$2.15

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 are forecasting NIM to rebound in 1Q17 benefitting from the recent rate hike and our expectations that interest reversals which clipped NIM by 5 bps in 4Q16 are nonrecurring. The company is asset sensitive and expected to benefit from higher rates. Notably, 65-70% of its the loan book is variable rate and another \$50 Mil. in securities are rate sensitive. Over the balance of the year, we expect NIM to moderate some given our outlook for a negative mix shift in earning assets as loan growth remains challenged leading to increased levels of lower yielding investment securities. Any further rate increases, should they occur, should help mitigate this pressure given the bank's asset sensitivity. We also see opportunity for NIRM to help support NIM by redeeming its \$8 Million in Trust Preferred Securities which are costing them about 4% (3 Month LIBOR plus 315 bps). The company currently has ample cash at the Parent to redeem these securities and plenty of excess capital at bank unit to upstream to replenish parent company cash.

Our fee income forecast is largely unchanged while our expense growth outlook has jumped. Our forecast breaks out the performance of the community bank from the mortgage unit. For the community bank, we look for mid-single digit growth in fees and ~6% growth in expenses up from 3% previously, given the conversion of its core system which is slated to occur mid-year and add ~\$1.7 Million in expense. We are projecting community bank fee income of ~\$14.5 Mil. in 2017 (\$13.8 in 2016) with operating expenses of \$51.5 inclusive of core conversion.

With regard to the mortgage unit, our outlook for mortgage revenues of ~\$24 Mil. in 2017 with expenses of \$20.8 Mil. Inclusive of spread income from loans held for sale, mortgage EPS are projected to approximate \$0.36 in 2017 down from ~\$0.46 in 2016 (ex one-time accounting charge).

On the credit front, we continue to believe the impact from the weakness in the Alaska economy will likely play out over the next couple 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. At 4Q16 NIRM had \$57.4 Mil. (6% loans) of direct exposure to the oil and gas industry; \$4.4 Mil. of which are classified as substandard; with another \$52 Mil. of unfunded commitments to companies with direct exposure none of which are Classified. We are projecting NCOs of ~20 bps in 2017 more than double 2016 levels which is consistent with our outlook for some further credit deterioration. Prospectively. Our forecast calls for provisioning to cover losses and growth such as to maintain current reserve coverage at around 2% of loans. Notably, management has taken steps to bolster reserves over the last 12 months with reserves increasing 17 bps over time period. Our Pre-Tax, Pre-Provision earnings forecast over the next 12 months is sufficient to absorb a 40% loss rate on the company's direct energy exposure, which we believe is unlikely.

**NRIM (Anchorage, AK--\$206 Mil. Mkt. Cap, \$1.5 Bil. Assets, \$29.90, 2.7% Yld)**

	3Q-2016	Δ	4Q-2016
EPS	\$0.44	-	\$0.51
Operating/Core EPS*	\$0.67	-	\$0.51
FIG Estimate		-	\$0.54
Street Estimate	-	-	\$0.63
Net Interest Income	14.2	(2.3%)	13.9
Loan Loss Provision	0.65	14.0%	0.74
Core Non-Interest Income (ex. sec.)	11.9	(13.2%)	10.4
Core Non-Interest Expense	18.6	(1.4%)	18.4
Net Charge-Offs	-0.442	(218.8%)	0.525
NCOs % of Avg Loans (bps)	-68	89bps	21
NCOs % of Provision (bps)	-68	138bps	71
Tangible Book Per Share	\$24.61	0.4%	\$24.70
Net Interest Margin	4.17%	(10)bps	4.07%
Gross Loans (\$Mil.)	997.1	(2.2%)	975.0
TCE Ratio (TCE/TA)	11.12%	16bps	11.28%
NPAs to Loans/REO	1.21%	78bps	1.99%

*Core EPS exclude various one-time items including gains on sale of securities.

Source: FIG Partners Research, Company Disclosure

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.

Linked Quarter Trends

Core EPS of \$0.51 were 3 cents lower than expected as higher provisioning, lower spread income and slightly higher expenses more than offset higher fees.

The Community Bank segment contributed \$0.42 to core 4Q16 EPS with the mortgage unit accounting for the remaining \$0.09. This compares to \$0.52 & \$0.15, respectively in 3Q16.

Profitability remained solid with a 4Q16 ROAA & ROTCE of 0.94% and 8.5%, respectively.

Loans decreased 9% annualized due to CRE & C&D as demand has slowed moderately with the Alaska Economy.

NIM fell 10 bps to 4.07% due to drop in loan yields (5bps for loan moved to nonaccrual status).

Lower earnings at the community bank segment was driven by lower revenues and a normalization in expense from last quarters low level.

Mortgage income (ex 3Q accounting adj.) declined sharply due to lower revenues and higher expenses.

Credit quality deteriorated with an uptick in NPA due to one credit. Classified assets decreased ~4% to ~20% of Tier 1 Capital plus reserves.

TCE and TBV were mostly unchanged at 11.3% and \$24.70, respectively.



Raising Price Target to \$31

FIG Research Rating: "Market-Perform"

Price Target: \$31.00

	2017	Multiple	Price
GAAP EPS	\$2.00	15.1x	\$30.18
Dividends	\$0.82	1.0x	<u>\$0.82</u>
		Combined	\$31.00
Tangible Book 12/17	\$24.09	1.15x	\$27.70
Excess TCE	\$3.30	1.0x	<u>\$3.30</u>
		Combined	\$31.00

Implied Gain/Loss versus Current Price: 6.0%

2018 Outlook			
2018 EPS	\$2.15	14.0x	\$30.12
Cash Dividends	\$0.84	1.0x	<u>\$0.88</u>
		Combined	\$31.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-17</u>	<u>Dec-18</u>
Market-Cap	201.8	207.8	214.1
TCE in \$\$	170.4	179.2	188.9
Total Deposits	1,267.7	1,304.1	1,343.6
CORE Deposits	1,204.3	1,238.9	1,276.4
Premium - Total	2.5%	2.2%	1.9%
Premium - CORE	2.6%	2.3%	2.0%

We are maintaining our "Market Perform" rating and raising our Price Target to \$31 which reflects ~13x our 2017 plus excess capital, 115% of Tangible Book Value one year out or a 3% Core Deposit Premium.



NRIM Quarterly EPS Comparison

EPS Segment Breakdown	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
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	6,965	6,942	6,942	6,942	6,948	6,948	6,948	6,973	6,973	6,973
Earnings Per Share	0.45	0.07	0.51	0.54	0.15	0.68	0.60	0.17	0.77	0.55	0.04	0.59	2.12	0.42	2.55

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
Net Income	2,862	514	3,376	3,232	1,118	4,350	3,617	(522)	3,095	2,962	628	3,590	12,672	1,739	14,411
Shares Outstanding	6,965	6,965	6,965	6,984	6,984	6,984	6,984	6,984	6,984	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

Source: FIG Partners Research, SNL Financial

- **Community Bank Unit contributed \$0.42 to 4Q16 EPS while the Mortgage Operation added \$0.09. This compares to \$0.52 and \$0.15 (ex accounting charge), respectively last quarter.**
- **Our 2017 forecast calls for the mortgage unit to contribute ~\$4.2 Mil. of Pre-Tax Earnings in 2017 which pencils to ~\$0.37 per share down from \$0.46 in 2016.**

NRIM Snapshot							% Change		
	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16A	4Q16A	Y/Y	LQ
Earnings Per Share (EPS)	\$0.69	\$0.77	\$0.59	\$0.48	\$0.63	\$0.44	\$0.51	-13.6%	15.6%
Tangible Book Value	\$21.47	\$22.09	\$22.31	\$22.78	\$23.30	\$24.61	\$24.70	10.7%	0.4%
Shares Outstanding EOP	6.85	6.86	6.88	6.88	6.88	6.88	6.90	0.3%	0.2%
Net Interest Income	\$14.20	\$14.68	\$14.40	\$14.17	\$14.08	\$14.21	\$13.89	-3.5%	-2.3%
Loan Loss Provision	\$0.38	\$0.68	\$0.38	\$0.70	\$0.20	\$0.65	\$0.74	97.6%	14.0%
Total Fee Income	\$11.56	\$12.41	\$10.10	\$9.11	\$11.86	\$11.94	\$10.36	2.5%	-13.2%
Gain/Loss on Securities	\$0.02	\$0.00	\$0.14	(\$0.02)	\$0.01	\$0.00	\$0.00	-100.0%	
Non-Interest Expense	\$17.75	\$18.20	\$18.23	\$17.37	\$19.37	\$21.19	\$18.35	0.7%	-13.4%
Pre-Tax Income	\$7.63	\$8.21	\$5.90	\$5.21	\$6.37	\$4.31	\$5.15	-12.6%	19.6%
Taxes	\$2.69	\$2.68	\$1.67	\$1.70	\$1.87	\$1.03	\$1.46	-12.9%	42.0%
Tax Rate	35%	33%	28%	33%	29%	24%	28%	-0.2%	18.7%
Net Income	\$4.94	\$5.53	\$4.23	\$3.51	\$4.51	\$3.28	\$3.70	-12.6%	12.5%
Total Core Revenue	\$25.74	\$27.09	\$24.37	\$23.30	\$25.93	\$26.15	\$24.25	-0.5%	-7.3%
Total Core Fee Income	\$11.55	\$12.40	\$9.97	\$9.13	\$11.85	\$11.94	\$10.36	3.9%	-13.2%
Core Expenses	\$17.87	\$18.05	\$18.37	\$17.40	\$18.88	\$18.62	\$18.33	-0.2%	-1.6%
ROAA	1.37%	1.52%	1.09%	0.94%	1.21%	0.86%	0.97%	-10.6%	12.8%
ROAE	11.82%	13.14%	9.73%	7.86%	9.70%	7.18%	8.24%	-15.3%	14.7%
Net Interest Margin	4.44%	4.38%	4.10%	4.29%	4.27%	4.17%	4.07%	-0.7%	-2.4%
Core Efficiency Ratio	68.6%	65.9%	74.6%	73.9%	72.1%	70.5%	74.8%	0.2%	6.1%
Core Exp. / Avg. Assets	4.95%	4.96%	4.72%	4.67%	5.07%	4.88%	4.82%	2.0%	-1.3%
Gross Loans	\$975	\$974	\$981	\$971	\$967	\$997	\$975	-0.6%	-2.2%
Intangibles	\$23.9	\$23.8	\$23.8	\$23.7	\$23.7	\$16.4	\$16.3	-31.3%	-0.2%
Total Deposits	\$1,239	\$1,265	\$1,241	\$1,247	\$1,256	\$1,278	\$1,268	2.2%	-0.8%
Total Common Equity	\$171	\$175	\$177	\$180	\$184	\$186	\$187	5.4%	0.5%
Avg Assets	\$1,445	\$1,456	\$1,555	\$1,489	\$1,489	\$1,525	\$1,522	-2.2%	-0.2%
Avg Loans	\$967	\$982	\$980	\$980	\$969	\$979	\$978	-0.2%	-0.2%
Avg Earning Assets	\$1,302	\$1,347	\$1,411	\$1,348	\$1,345	\$1,375	\$1,379	-2.3%	0.2%
Avg Deposits	\$1,193	\$1,195	\$1,291	\$1,237	\$1,235	\$1,264	\$1,265	-2.0%	0.1%
Loan / Deposit	78.7%	77.0%	79.0%	77.8%	77.0%	78.0%	76.9%	-2.7%	-1.4%
TCE Ratio	9.97%	10.00%	10.40%	10.61%	10.72%	11.12%	11.28%	8.5%	1.5%
Net Charge-offs	(\$96)	\$247	\$72	\$673	(\$2)	(\$442)	\$525	629.2%	-218.8%
NPL's + 90 Days Past	\$10,776	\$6,938	\$15,490	\$14,890	\$22,455	\$24,197	\$19,067	23.1%	-21.2%
OREO	\$2,807	\$3,511	\$3,053	\$2,702	\$2,558	\$2,824	\$6,574	115.3%	132.8%
Total NPA'S	\$13,583	\$10,449	\$18,543	\$17,545	\$24,966	\$27,021	\$25,641	38.3%	-5.1%
NPA / (Loans + OREO)	1.39%	1.07%	1.88%	1.80%	2.57%	2.70%	2.61%	38.6%	-3.3%
NCOs / Avg Loans	-0.04%	0.10%	0.03%	0.27%	0.00%	-0.18%	0.21%	630.7%	-219.0%

Source: FIG Partners Research, SNL Financial

Earnings Model

	Annual			2016 Quarterly				2017 Quarterly				2018 Quarterly			
	2016A	2017E	2018E	1Q16A	2Q16A	3Q16A	4Q16A	1Q17E	2Q17E	3Q17E	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
<i>Income Data: (\$ in Millions)</i>															
Net Interest Income	\$56.4	\$56.6	\$58.2	\$14.2	\$14.1	\$14.2	\$13.9	\$13.7	\$14.0	\$14.4	\$14.4	\$13.9	\$14.3	\$14.9	\$15.1
Loan Loss Provision	\$2.3	\$2.6	\$3.1	\$0.7	\$0.2	\$0.7	\$0.7	\$0.5	\$0.7	\$0.7	\$0.7	\$0.6	\$0.7	\$0.9	\$0.9
Non-Interest Income	\$43.3	\$38.6	\$39.3	\$9.1	\$11.9	\$11.9	\$10.4	\$8.3	\$10.7	\$10.7	\$8.9	\$8.5	\$10.8	\$10.9	\$9.0
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)	\$0.0	\$0.0	\$0.0	(\$0.4)	(\$2.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$73.3	\$72.3	\$72.6	\$17.4	\$19.0	\$18.6	\$18.4	\$17.1	\$19.1	\$18.9	\$17.3	\$17.6	\$18.6	\$18.7	\$17.7
Pre-Tax Income	\$21.0	\$20.4	\$21.8	\$5.2	\$6.4	\$4.3	\$5.2	\$4.5	\$5.0	\$5.5	\$5.4	\$4.3	\$5.8	\$6.3	\$5.4
Taxes	\$6.1	\$5.9	\$6.3	\$1.7	\$1.9	\$1.0	\$1.5	\$1.3	\$1.4	\$1.6	\$1.6	\$1.2	\$1.7	\$1.8	\$1.6
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	\$14.5	\$15.5	\$3.5	\$4.5	\$3.3	\$3.7	\$3.2	\$3.5	\$3.9	\$3.8	\$3.0	\$4.1	\$4.5	\$3.9
Noncontrolling segment income	\$0.579	\$0.500	\$0.5	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Net Income Avail. To Common	\$14.4	\$14.0	\$15.0	\$3.4	\$4.4	\$3.1	\$3.6	\$3.0	\$3.4	\$3.8	\$3.7	\$2.9	\$4.0	\$4.4	\$3.7
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
Earnings Per Share (EPS)	\$2.07	\$2.00	\$2.15	\$0.48	\$0.63	\$0.44	\$0.51	\$0.44	\$0.49	\$0.55	\$0.53	\$0.41	\$0.57	\$0.63	\$0.53
<i>Per Share Data:</i>															
Reported Book Value	\$27.07	\$28.34	\$29.75	\$26.23	\$26.75	\$26.99	\$27.07	\$27.33	\$27.64	\$28.00	\$28.34	\$28.57	\$28.96	\$29.40	\$29.75
Tangible Book Value	\$24.70	\$25.98	\$27.39	\$22.78	\$23.30	\$24.61	\$24.70	\$24.96	\$25.28	\$25.64	\$25.98	\$26.21	\$26.60	\$27.04	\$27.39
Dividends	\$0.78	\$0.82	\$0.84	\$0.19	\$0.19	\$0.20	\$0.20	\$0.20	\$0.20	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21
Pre-Tax, Pre-Provision EPS	\$3.77	\$3.28	\$3.56	\$0.85	\$0.96	\$0.71	\$0.85	\$0.71	\$0.81	\$0.89	\$0.87	\$0.70	\$0.93	\$1.03	\$0.91
CORE GAAP EPS	\$2.30	\$2.00	\$2.15	\$0.49	\$0.66	\$0.67	\$0.49	\$0.44	\$0.49	\$0.55	\$0.53	\$0.41	\$0.57	\$0.63	\$0.53
<i>KEY Ratios:</i>															
Net Interest Margin	4.20%	4.16%	4.19%	4.29%	4.27%	4.17%	4.07%	4.18%	4.16%	4.14%	4.14%	4.17%	4.17%	4.20%	4.20%
Return on Avg Assets	1.00%	0.94%	0.99%	0.94%	1.21%	0.86%	0.97%	0.84%	0.93%	1.02%	0.97%	0.78%	1.06%	1.14%	0.96%
Return on Avg Equity	8.25%	7.57%	7.74%	7.86%	9.70%	7.18%	8.24%	6.77%	7.48%	8.20%	7.82%	6.16%	8.28%	8.95%	7.55%
Return on Tang. Common Eq.	8.51%	7.83%	7.97%	8.68%	10.91%	7.36%	8.47%	7.13%	7.89%	8.66%	8.24%	6.45%	8.73%	9.43%	4.00%
Pre-Tax Pre-Provision ROA	1.75%	1.49%	1.58%	1.59%	1.80%	1.29%	1.56%	1.31%	1.48%	1.61%	1.55%	1.26%	1.67%	1.82%	1.58%
Efficiency Ratio	73.46%	75.82%	74.37%	73.75%	72.63%	70.40%	74.92%	76.57%	76.39%	74.49%	73.25%	77.49%	73.47%	71.47%	72.97%
Overhead Ratio	4.87%	4.70%	4.63%	4.67%	5.11%	4.87%	4.82%	4.51%	4.98%	4.89%	4.42%	4.56%	4.79%	4.72%	4.43%
TCE/TA	11.28%	11.48%	11.72%	10.61%	10.72%	11.12%	11.28%	11.37%	11.40%	11.45%	11.48%	11.56%	11.61%	11.69%	11.72%
<i>Period-End Balances: (\$ in Millions)</i>															
Earning Assets	\$1,369	\$1,403	\$1,442	\$1,364	\$1,366	\$1,385	\$1,369	\$1,362	\$1,376	\$1,393	\$1,403	\$1,386	\$1,399	\$1,420	\$1,442
Total Assets	\$1,527	\$1,577	\$1,629	\$1,500	\$1,518	\$1,540	\$1,527	\$1,530	\$1,546	\$1,561	\$1,577	\$1,581	\$1,596	\$1,612	\$1,629
Risk-Weighted Assets	\$1,288	\$1,354	\$1,423	\$1,274	\$1,280	\$1,310	\$1,288	\$1,301	\$1,321	\$1,340	\$1,354	\$1,367	\$1,388	\$1,409	\$1,423
Gross Loans HFI	\$975	\$1,000	\$1,030	\$971	\$967	\$997	\$975	\$965	\$970	\$985	\$1,000	\$990	\$999	\$1,014	\$1,030
Total Deposits	\$1,268	\$1,293	\$1,332	\$1,247	\$1,256	\$1,278	\$1,268	\$1,268	\$1,280	\$1,293	\$1,293	\$1,293	\$1,306	\$1,319	\$1,332
Intangibles	\$16	\$16	\$16	\$24	\$24	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$187	\$196	\$205	\$180	\$184	\$186	\$187	\$189	\$191	\$193	\$196	\$197	\$200	\$203	\$205



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	30.5%	69.5%	0.0%
IB Client % in Category	30.8%	16.9%	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.
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- No employee of the investment banking department has reviewed or approved this report prior to publication
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