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FIG Partners

10-Q Update

May 15, 2015

NRIM-Northrim BanCorp, Inc.

10-Q Update - Fine Tune EPS Estimates & Maintain "Outperform" Rating

Maintain "Outperform" rating. Our Price Target of $28 reflects ~13x our 2016 EPS, 120% of forward Tangible Book Value or a 5% Core Deposit Premium.

We are increasing our 2015 EPS to $2.22 to reflect the 1Q15 EPS beat and our outlook for lower provisioning. Our 2016 EPS is mostly unchanged at $2.15. Our EPS forecast corresponds to an ROAA of over 1% in both 2015 and 2016 with a Return on Tangible Common Equity in the 9-10% range.

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 1Q15, 8% of NRIM's loan portfolio had direct exposure to the oil and gas industry in Alaska with 0% nonperforming. Reserve levels are strong at 1.76% of loans and 352% of NPLs and capital is healthy with Tangible Common Equity of 10%. Classified Assets approximate $13 Mil. or just 7% of Tier 1 Capital plus reserves.

Slowdown in Growth May be More Likely than Material Credit Losses - We continue to believe the risk to material credit losses resulting from falling oil prices may be less severe than many investors anticipate. Instead we believe investors should be mindful of the potential impact of slowing loan growth.

The major oil companies continue to show commitment to Alaska and this is expected to continue through the low price environment. Executives from ConocoPhillips, the biggest producer in Alaska, recently noted that they expect to hold production relatively flat for the next three years and beyond with the major projects and development drilling that they are doing in Alaska. Notably, ConocoPhillips is a good representation of the overall Alaska production given they have exposure to the big production areas including: Prudhoe, Kuparuk and Alpine. ConocoPhillips noted that the improved fiscal terms in Alaska supports increased investment on projects and development drilling given their current infrastructure.

Spending Cuts & Savings to help offset Price Volatility - The state of Alaska expects to offset temporary price volatility through a combination of spending cuts and spending from savings. A $1 Billion cut in state spending is 2% of the $51 Billion economy. The state has $19 Billion in undedicated savings along with the $53 Billion Permanent fund. This savings is sufficient to offset large current budget deficits. With regard to the outlook for energy pricing, both the State and Federal EIA project oil will approximate $70 next year.

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: $25.17
"Outperform" // Price Target: $28.00

Summary Statistics	
Exchange	NASDAQ
Market Cap ($M)	$172.5
Avg. Volume	19,826
Annual Dividend	$0.76
Dividend Yield	3.02%
Tangible Book/Share	$20.92
Price/Tangible Book	120%
Price/2014 EPS	11.7x
Price/2015 EPS	11.3x
Total Assets ($M)	$1,448
TCE/TA	10.07%
ROAA (2014)	1.09%
ROAE (2014)	9.18%

EPS Estimates

	2013	2014	2015	2016
Q1	$0.41	$0.45	$0.52	-
Q2	$0.53	$0.58	$0.63	-
Q3	$0.53	$0.52	$0.64	-
Q4	$0.40	$0.57	$0.43	-
FY	$1.87	2.12*	$2.22	$2.15

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

*2014 EPS Estimates Are Core

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

Higher Credit Costs Possible But We Expect TBV to Grow and EPS to Remain Positive - Our loan loss provisioning outlook calls for $2.2 Mil. in 2015 and $2.6 Mil. in 2016 covering loan growth and projected credit losses (NCOs) of ~20 bps and 30 bps, respectively of average loans. 1Q15 NCOs were negligible at 4 bps. Increasing our Provisioning forecast to $6 Mil. in both years (~60 bps of NCOs) still allows for NRIM to post positive profits and grow Tangible Book Value.

Our Loan Growth Forecast Remains Modest - Our EPS forecast calls for 6% loan growth in 2015 and 4% growth in 2016 which is more uncertain as exploration could slow if oil prices stay low for an extended period. Multi Billion investments from the energy industry currently underway are unable to be stopped and should have limited impact on the 2015 growth outlook. Unemployment on the North Slope remains at record levels today reflecting a number of projects that were committed to before oil prices started to slip and the high cost of doing business in Alaska. The outlook for next year is a bit more unclear as projects in construction now are completed. The question is will there be new projects that come along to take their place.

Modest NIM Pressure Expected - Absent an uptick in interest rates, Net Interest Margin is likely to come under modest pressure in the coming quarters given the rate environment and our outlook for modest loan growth. Any slowdown in loan growth would likely limit pressure on deposit rates which are very low at NRIM. NRIM remains modestly asset sensitive from an asset sensitivity perspective.

Core Fees & Expenses Expected to hold Stable in Near Term while Mortgage Activity Remains Strong - Our outlook calls for a relatively stable run rate in core fees and expenses (ex mortgage); $3.3 Mil. and $11.7%, respectively, in the coming quarters. Mortgage revenues are expected to remain strong in the near term benefitting from lower rates which will influence expenses commensurately. No significant earn out expense is expected in the coming quarters following the $1.5 Mil. adjustment taken in 1Q15.

FIG Research Rating: "Outperform"
Price Target: $28.00

Implied Gain/Loss versus Current Price: 11.2%

2016 EPS	$2.15	13.0x	$28.00
Tang. Book 12/16	$23.55	1.19x	**$28.00**

Source: FIG Partners Research & Forward Estimates

Maintain "Outperform" rating. Our Price Target of $28 reflects ~13x our 2016 EPS, 120% of forward Tangible Book Value or a 5% 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 70% 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	4Q14				1Q15		
	Core Bank	Non Core Earnings	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings
Net Interest Income	13,893		643	14,536	13,516	116	13,632
Loan Loss Provision	500		0	500	326	0	326
Fee Income	3,763	3,001	2,000	5,763	3,252	7,283	10,535
Earn Out Expense						1,502	1,502
Operating Expense	11,798		1,873	13,671	11,822	5,137	16,959
Pre Tax Income	5,358	3,001	770	6,128	4,620	760	5,380
Taxes	2,008		317	2,325	1,430	317	1,747
Net Income	3,350		453	3,803	3,190	443	3,633
Noncontrolling Interest	130		0	130	72	0	72
Net Income	***3,220***	***3,001***	***453***	***3,673***	***3,118***	***443***	***3,561***
Shares Outstanding	6.944	6.944	6.944	6.944	6.931	6.931	6.931
Earnings Per Share	0.46	0.43	0.07	0.97	0.45	0.06	0.51

Source: FIG Partners Research, SNL Financial

1Q15 results benefitted from a full quarter impact of the acquisition of Residential Mortgage Holding Company, LLC.. The mortgage unit contributed approximately 6 cents to EPS in both 4Q14 and 1Q15. Strong activity in 1Q15 was mitigated by $1.5 Mil. in Earn Out Expense.

1Q15 Net Loan Origination Income of $4.7 Million was recorded on Originations of $176 Mil. resulting in a 2.67% yield on loans sold. Loan originations were $108 Million in 1Q14 and $651 Mill. for full year 2014.

NRIM Snap.Shot

	4Q13A	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	% Change Y/Y	% Change LQ
Earnings Per Share (EPS)	$0.40	$0.40	$0.63	$0.53	$0.97	$0.52	29%	-46%
Tangible Book Value	$20.83	$21.11	$21.73	$22.08	$20.48	$20.92	-1%	2%
Shares Outstanding EOP	6.54	6.54	6.83	6.83	6.85	6.85	5%	0%
Net Interest Income	$11.52	$11.23	$13.41	$13.73	$14.54	$13.63	21%	-6%
Loan Loss Provision	$0.00	$0.00	($1.14)	$0.00	$0.50	$0.33		-35%
Total Fee Income	$2.80	$2.73	$4.11	$4.93	$8.76	$10.54	285%	20%
Gain/Loss on Securities	$0.02	$0.10	$0.35	$0.02	$0.00	$0.11	18%	
Non-Interest Expense	$10.70	$10.31	$11.95	$13.11	$13.67	$18.46	79%	35%
Pre-Tax Income	$3.62	$3.66	$6.70	$5.55	$8.80	$5.38	47%	-39%
Taxes	$1.04	$0.96	$2.24	$1.65	$1.99	$1.75	83%	-12%
Tax Rate	29%	26%	33%	30%	23%	32%	24%	43%
Net Income	$2.58	$2.70	$4.46	$3.90	$6.80	$3.63	34%	-47%
Total Core Revenue	$14.31	$13.87	$17.01	$17.53	$19.62	$24.05	73%	23%
Total Core Fee Income	$2.79	$2.64	$3.60	$3.80	$5.08	$10.42	295%	105%
Core Expenses	$10.75	$10.15	$11.65	$12.15	$13.55	$18.16	79%	34%
ROAA	0.86%	0.92%	1.33%	1.13%	1.89%	1.02%	11%	-46%
ROAE	7.14%	7.40%	11.43%	9.85%	16.86%	8.71%	18%	-48%
Net Interest Margin	4.24%	4.33%	4.43%	4.43%	4.49%	4.45%	3%	-1%
Core Efficiency Ratio	74.1%	72.1%	67.4%	68.2%	68.1%	74.1%	3%	9%
Core Exp. / Avg. Assets	3.59%	3.44%	3.47%	3.53%	3.76%	5.08%	48%	35%
Gross Loans	$770	$763	$927	$937	$925	$961	26%	4%
Intangibles	$7.9	$7.9	$8.4	$8.3	$24.0	$24.0	204%	0%
Total Deposits	$1,004	$998	$1,130	$1,192	$1,180	$1,191	19%	1%
Total Common Equity	$144	$146	$157	$159	$164	$167	15%	2%
Avg Assets	$1,199	$1,180	$1,344	$1,377	$1,440	$1,429	21%	-1%
Avg Loans	$772	$777	$936	$945	$938	$946	22%	1%
Avg Earning Assets	$1,091	$1,078	$1,227	$1,243	$1,298	$1,275	18%	-2%
Avg Deposits	$987	$971	$1,121	$1,150	$1,201	$1,161	20%	-3%
Loan / Deposit	76.7%	76.5%	82.0%	78.6%	78.4%	80.7%	5%	3%
TCE Ratio	11.28%	11.54%	11.02%	10.69%	9.85%	10.07%	-13%	2%
Net Charge-offs	$246	$250	($1,136)	($211)	$20	$101	-60%	405%
NPL's + 90 Days Past	$8,450	$5,777	$10,294	$9,425	$10,027	$10,599	83%	6%
OREO	$2,402	$3,443	$4,897	$4,732	$4,607	$4,209	22%	-9%
Total NPA'S	$10,852	$9,220	$15,434	$14,408	$14,653	$14,808	61%	1%
NPA / (Loans + OREO)	1.40%	1.20%	1.66%	1.53%	1.58%	1.53%	28%	-3%
NCOs / Avg Loans	0.13%	0.13%	-0.49%	-0.09%	0.01%	0.04%	-67%	401%

Northrim BanCorp, Inc. (NRIM) **Updated on 5/15/15**

Earnings Model

	Annual			2014 Quarterly				2015 Quarterly				2016 Quarterly			
	2014A	2015E	2016E	1Q14A	2Q14A	3Q14A	4Q14A	1Q15A	2Q15E	3Q15E	4Q15E	1Q16E	2Q16E	3Q16E	4Q16E
Income Data: ($ in Millions)															
Net Interest Income	$52.9	$55.1	$55.2	$11.2	$13.4	$13.7	$14.5	$13.6	$13.8	$14.0	$13.6	$13.2	$13.6	$14.1	$14.3
Loan Loss Provision	($0.6)	$2.2	$2.6	$0.0	($1.1)	$0.0	$0.5	$0.3	$0.6	$0.6	$0.6	$0.50	$0.70	$0.70	$0.70
Non-Interest Income	$16.0	$38.7	$31.3	$2.6	$3.8	$3.8	$5.8	$10.4	$10.7	$10.3	$7.3	$5.8	$8.5	$10.0	$7.0
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	$0.5	$0.1	$0.0	$0.1	$0.3	$0.0	$0.0	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
One-Time Items	$2.9	$0.0	$0.0	$0.0	$0.0	$0.1	$2.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Non-Interest Expense	$48.1	$68.3	$61.5	$10.3	$12.0	$12.1	$13.8	$18.5	$17.3	$16.9	$15.7	$14.5	$15.7	$16.8	$14.6
Pre-Tax Income	$24.7	$23.3	$22.5	$3.7	$6.7	$5.5	$8.8	$5.4	$6.6	$6.8	$4.6	$4.0	$5.7	$6.7	$6.0
Taxes	$6.8	$7.7	$7.2	$1.0	$2.2	$1.7	$2.0	$1.7	$2.2	$2.2	$1.5	$1.3	$1.8	$2.1	$1.9
Extraordinary Items	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	$17.9	$15.7	$15.3	$2.7	$4.5	$3.9	$6.8	$3.6	$4.4	$4.5	$3.1	$2.7	$3.9	$4.5	$4.1
Noncontrolling segment income	$0.5	$0.3	$0.4	$0.0	$0.1	$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	**$17.41**	**$15.4**	**$14.9**	**$2.7**	**$4.4**	**$3.7**	**$6.7**	**$3.6**	**$4.4**	**$4.5**	**$3.0**	**$2.6**	**$3.8**	**$4.4**	**$4.0**
Avg. Shares O/S	6.9	6.9	6.9	$6.6	$6.9	$6.9	$6.9	$6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Earnings Per Share (EPS)	**$2.54**	**$2.22**	**$2.15**	**$0.40**	**$0.63**	**$0.53**	**$0.97**	**$0.52**	**$0.63**	**$0.64**	**$0.43**	**$0.38**	**$0.55**	**$0.64**	**$0.58**
Per Share Data:															
Reported Book Value	$23.99	$25.60	$27.02	$22.32	$22.97	$23.31	$23.99	$24.42	$24.89	$25.35	$25.60	$25.80	$26.17	$26.63	$27.02
Tangible Book Value	**$20.48**	**$22.11**	**$23.55**	**$21.11**	**$21.73**	**$22.08**	**$20.48**	**$20.92**	**$21.39**	**$21.86**	**$22.11**	**$22.31**	**$22.68**	**$23.15**	**$23.55**
Dividends	$0.70	$0.76	$0.80	$0.17	$0.17	$0.18	$0.18	$0.18	$0.18	$0.20	$0.20	$0.20	$0.20	$0.20	$0.20
Pre-Tax, Pre-Provision EPS	**$3.03**	**$3.67**	**$3.62**	**$0.50**	**$0.75**	**$0.79**	**$1.32**	**$0.85**	**$1.03**	**$1.07**	**$0.94**	**$1.05**	**$1.15**	**$1.12**	**$1.35**
CORE GAAP EPS	**$2.22**	**$2.21**	**$2.15**	**$0.39**	**$0.60**	**$0.53**	**$0.70**	**$0.50**	**$0.63**	**$0.64**	**$0.43**	**$0.38**	**$0.55**	**$0.64**	**$0.58**
KEY Ratios:															
Net Interest Margin	4.42%	4.39%	4.37%	4.33%	4.43%	4.43%	4.49%	4.45%	4.36%	4.38%	4.38%	4.42%	4.36%	4.35%	4.36%
Return on Avg Assets	1.34%	1.09%	1.04%	0.92%	1.33%	1.13%	1.89%	1.02%	1.23%	1.24%	0.85%	0.77%	1.08%	1.22%	1.08%
Return on Avg Equity	11.49%	9.18%	8.50%	7.40%	11.43%	9.85%	16.86%	8.71%	10.47%	10.52%	7.06%	6.24%	8.78%	10.00%	8.91%
Return on Tang. Common Eq.	12.53%	10.27%	9.32%	7.80%	11.91%	9.96%	19.15%	10.06%	12.00%	12.02%	8.07%	7.03%	9.90%	11.26%	10.00%
Pre-Tax Pre-Provision ROA	**1.55%**	**1.76%**	**1.71%**	**1.13%**	**1.55%**	**1.59%**	**2.55%**	**1.65%**	**1.97%**	**2.03%**	**1.80%**	**2.04%**	**2.19%**	**2.09%**	**2.47%**
Efficiency Ratio	69.45%	72.56%	70.72%	73.17%	68.56%	67.85%	67.01%	75.29%	69.13%	68.29%	73.34%	74.28%	69.38%	68.22%	66.91%
Overhead Ratio	3.60%	4.73%	4.19%	3.49%	3.56%	3.51%	3.83%	5.17%	4.78%	4.64%	4.34%	4.07%	4.33%	4.54%	3.84%
TCE/TA	9.85%	10.32%	10.64%	11.54%	11.02%	10.69%	9.85%	10.07%	10.19%	10.31%	10.32%	10.39%	10.46%	10.56%	10.64%
TCE/RWA	11.68%	12.09%	12.25%	13.80%	12.62%	12.70%	11.68%	11.90%	11.99%	12.07%	12.09%	12.08%	12.10%	12.16%	12.25%
Period-End Balances: ($ in Millions)															
Total Assets	$1,449	$1,492	$1,541	$1,204	$1,356	$1,421	$1,449	$1,448	$1,462	$1,477	$1,492	$1,496	$1,511	$1,526	$1,541
Risk-Weighted Assets	$1,203	$1,254	$1,318	$1,000	$1,176	$1,189	$1,203	$1,205	$1,223	$1,241	$1,254	$1,266	$1,285	$1,305	$1,318
Gross Loans HFI	$925	$980	$1,021	$763	$927	$937	$925	$961	$970	$990	$980	$970	$981	$1,001	$1,021
Total Deposits	$1,180	$1,227	$1,264	$998	$1,130	$1,192	$1,180	$1,191	$1,203	$1,215	$1,227	$1,227	$1,239	$1,252	$1,264
Intangibles	$24	$24	$24	$8	$8	$8	$24	$24	$24	$24	$24	$24	$24	$24	$24
Total Common Equity	$164	$175	$185	$146	$157	$159	$164	$167	$171	$174	$175	$177	$179	$183	$185

FIG Partners LLC Distribution of Ratings

	Buy/Outperform	Hold/Market-Perform	Sell/Underperform
% Rated	45.0%	55.0%	0.0%
IB Client % in Category	31.5%	16.7%	0.0%

Equity Rating System as of July 1, 2003

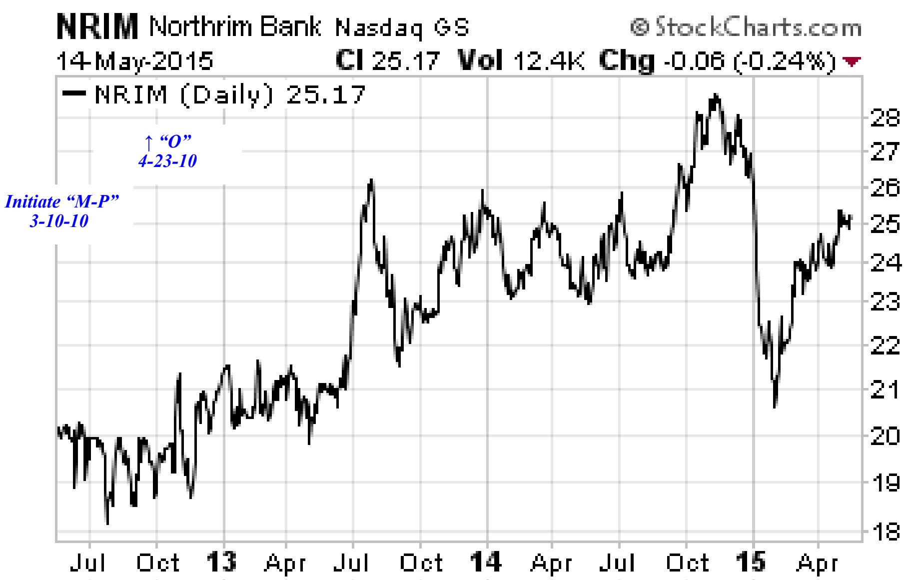
Buy/Outperform "O" FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months

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.

Ratings Changes for First Community Corporation (FCCO)



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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