

NORTHRIM BANCORP, INC. (NASDAQ: NRIM) REACHING NEW HEIGHTS



Northrim Bancorp, Inc.

Achieving New Heights
2014 ANNUAL REPORT

SEPT 2015

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Northrim Bank

FORWARD LOOKING STATEMENTS

This presentation may contain “forward-looking statements” as that term is defined for purposes of Section 21D of the Securities and Exchange Act. These statements are, in effect, management’s attempt to predict future events, and thus are subject to various risks and uncertainties. Readers should not place undue reliance on forward-looking statements, which reflect management’s views only as of the date hereof. All statements, other than statements of historical fact, regarding our financial position, business strategy and management’s plans and objectives for future operations are forward-looking statements. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” and “intend” and words or phrases of similar meaning, as they relate to Northrim and its management are intended to help identify forward-looking statements. Although we believe that management’s expectations as reflected in forward-looking statements are reasonable, we cannot assure readers that those expectations will prove to be correct. Forward looking statements are subject to various risks and uncertainties that may cause our actual results may differ materially and adversely from our expectations as indicated in the forward-looking statements. These risks and uncertainties include: our ability to maintain strong asset quality and to maintain or expand our market share or net interest margins; our ability to implement our marketing and growth strategies; our expected cost savings, synergies, and other financial benefits from the recently completed merger of Northrim with Alaska Pacific might not be realized within the expected time frames and costs or difficulties relating to integration matters might be greater than expected; our expected financial benefits from the acquisition of Residential Mortgage Holding Company, LLC might not be realized within the expected time frames and costs or difficulties relating to integration matters might be greater than expected; and our ability to execute our business plan. Further, actual results may be affected by our ability to compete on price and other factors with other financial institutions; customer acceptance of new products and services; the regulatory environment in which we operate; and general trends in the local, regional and national banking industry and economy as those factors relate to our cost of funds and return on assets. In addition, there are risks inherent in the banking industry relating to collectability of loans and changes in interest rates. Many of these risks, as well as other risks that may have a material adverse impact on our operations and business, are identified in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and from time to time are disclosed in our other filings with the SEC. However, you should be aware that these factors are not an exhaustive list, and you should not assume these are the only factors that may cause our actual results to differ from our expectations. These forward-looking statements are made only as of the date of this presentation, and Northrim does not undertake any obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this presentation.



NORTHRIM: SOLID VALUE

Price @ September 15, 2015	\$28.84
Market Cap @ September 15, 2015	\$198M
Net Interest Margin Q2 2015	4.41%
Tangible Book Value Q2 2015	\$21.47
Price/Tangible Book	1.34x
EPS (ttm)	\$2.70
P/E Ratio	10.68x
Dividend Yield	2.64%



2014 NORTHRIM M&A ACTIVITY

ACQUIRED ALASKA PACIFIC BANCSHARES, INC. APRIL 1, 2014

- New region in Alaska
- Diversified portfolio
- Accretive to earnings

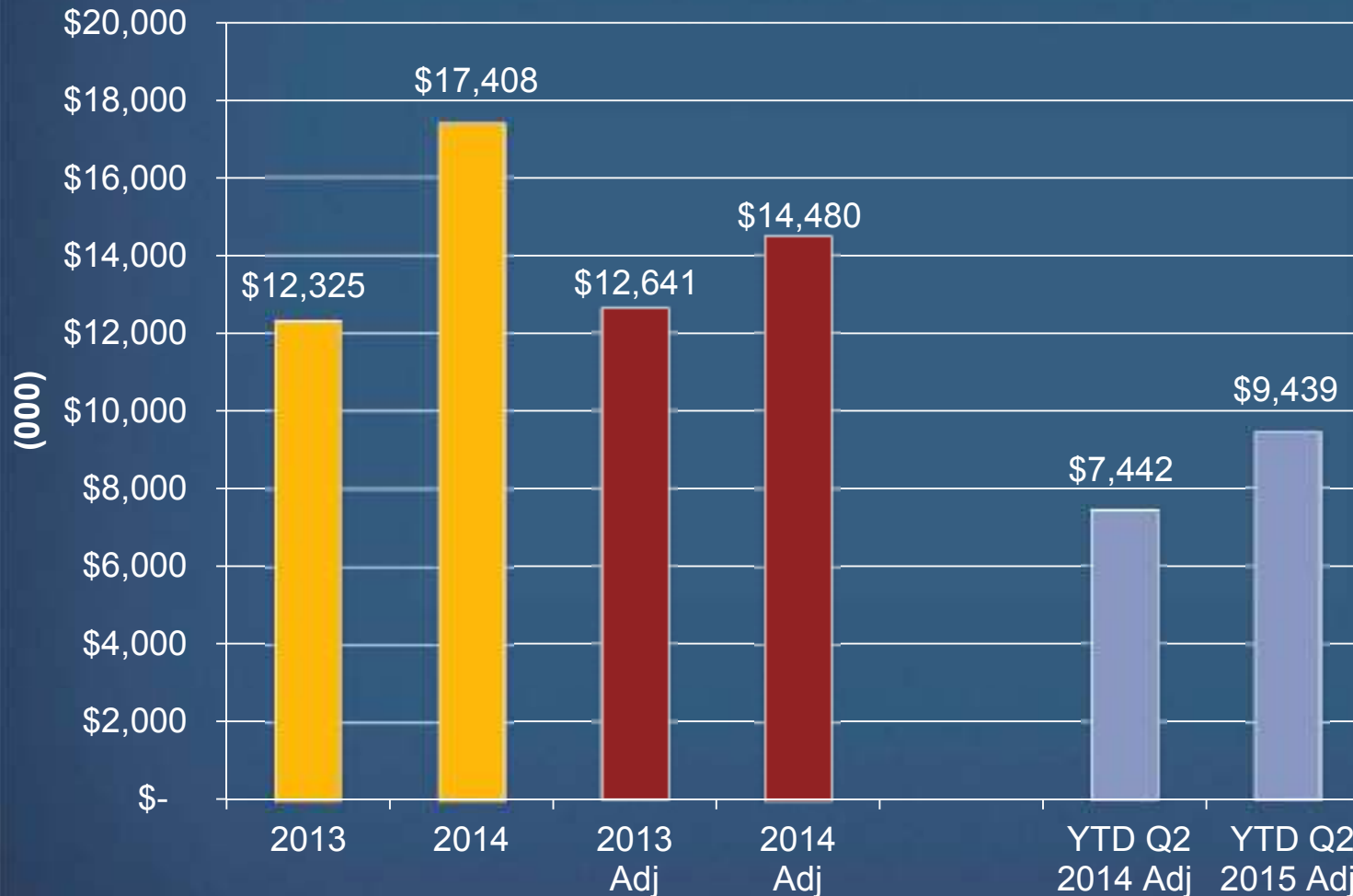
ACQUIRED 76.5% OF RESIDENTIAL MORTGAGE HOLDING COMPANY, LLC DECEMBER 1, 2014 (NOW WHOLLY OWNED SUBSIDIARY)

- Top 3 Alaska producer
- Statewide operations
- Accretive to earnings



NORTHRIM PERFORMANCE

Net Income



Adjusted net income* increased **15%** in 2014 vs 2013.

*Adjusted net income excludes M&A costs and gains, gains on acquired loans, and the gain on the sale of a branch location in Q3 2014.

NORTHRIM HISTORY

Opened with original offering of \$8.2 million	Invested in startup of Residential Mortgage	Invested in Elliott Cove Capital Management	Invested in Northrim Benefits Group	Acquired Alaska First Bank & Trust	Invested in Elliott Cove Insurance Company	Acquired Alaska Pacific Bancshares and 100% Residential Mortgage						
1990	1995	1998	1999	2002	2004	2005	2006	2007	2008	2011	2013	2014
First Alaska bank to launch a website		Acquired eight Bank of America branches		Established Northrim Funding Services		Invested in Pacific Wealth Advisors		Total assets crossed the \$1 billion mark		Affiliate Northrim Benefits Group launched	Enroll Alaska	

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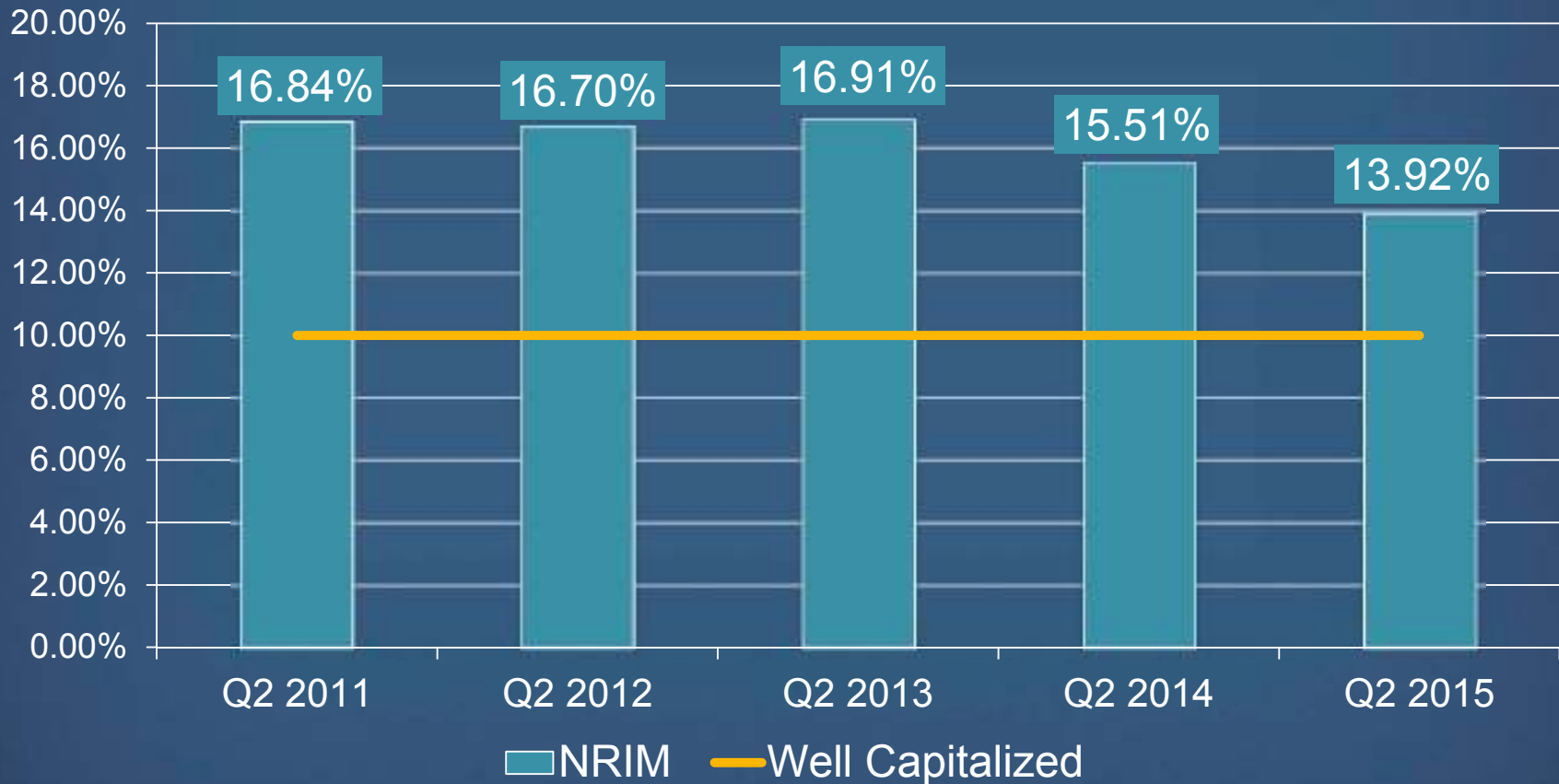
STRATEGIES FOR SUCCESS

Northrim's original strategies, and our execution, continue to serve us well today

- Strong balance sheet
- Solid net interest margin
- Focus on asset quality
- Diversified income sources
- Strategic Investments
- Leadership to build Alaska's economy

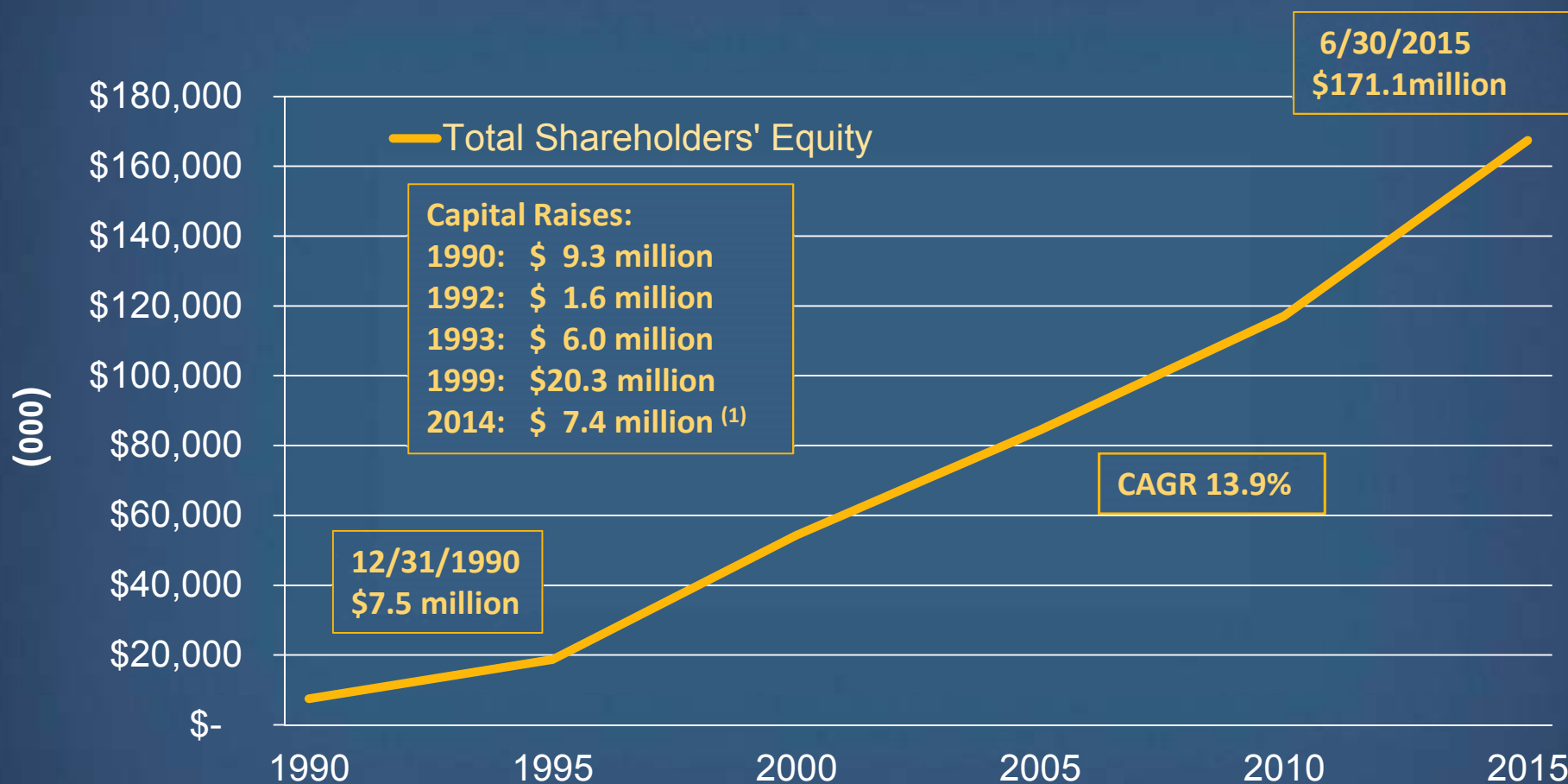


STRONG BALANCE SHEET: TOTAL CAPITAL RATIO



NORTHRIM BANCORP, INC.:

A HISTORY OF INCREASING SHAREHOLDER VALUE



(1) 2014 amount included in capital raises above represents stock issued in acquisition of Alaska Pacific Bancshares, Inc. on April 1, 2014.

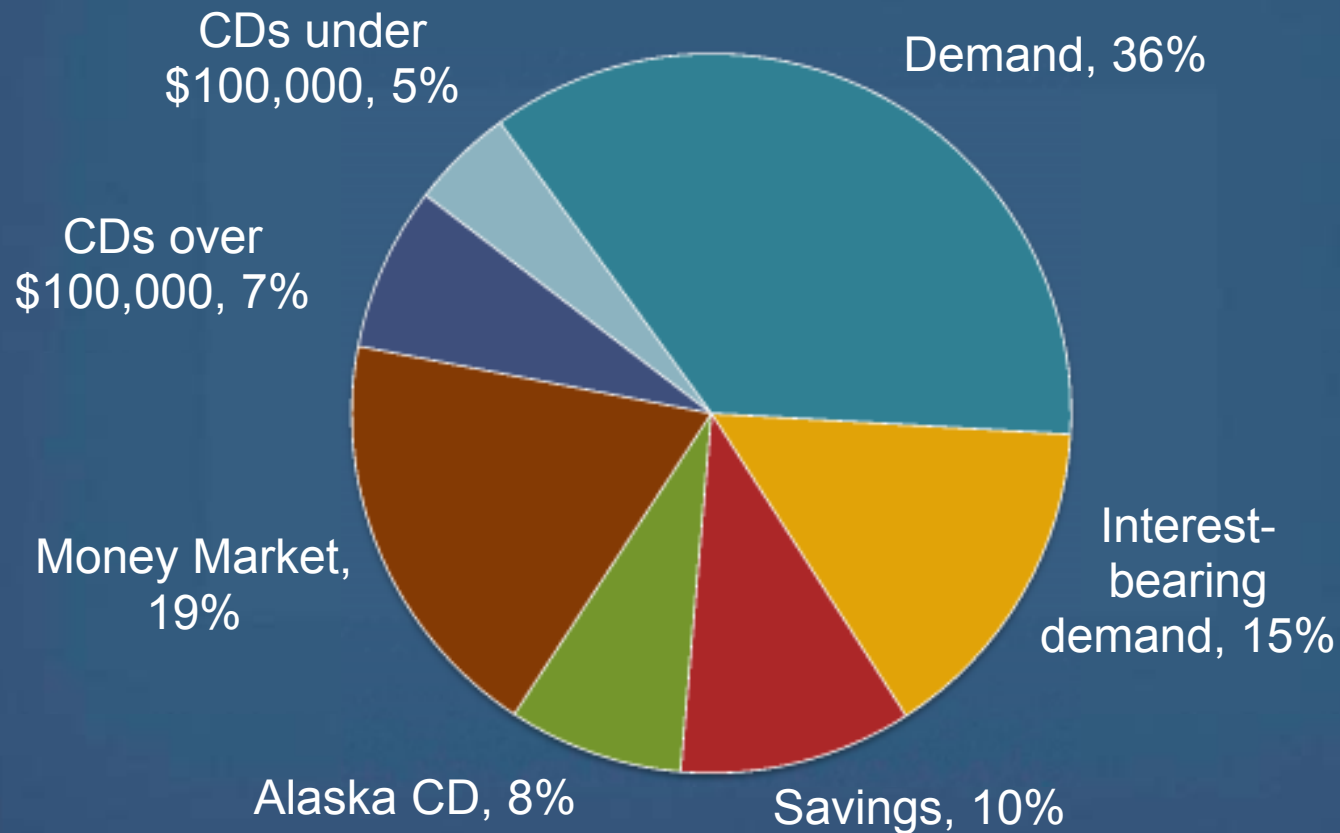
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CORE DEPOSITS

As of 6/30/15

YTD Average Cost of
Deposits: 0.25%



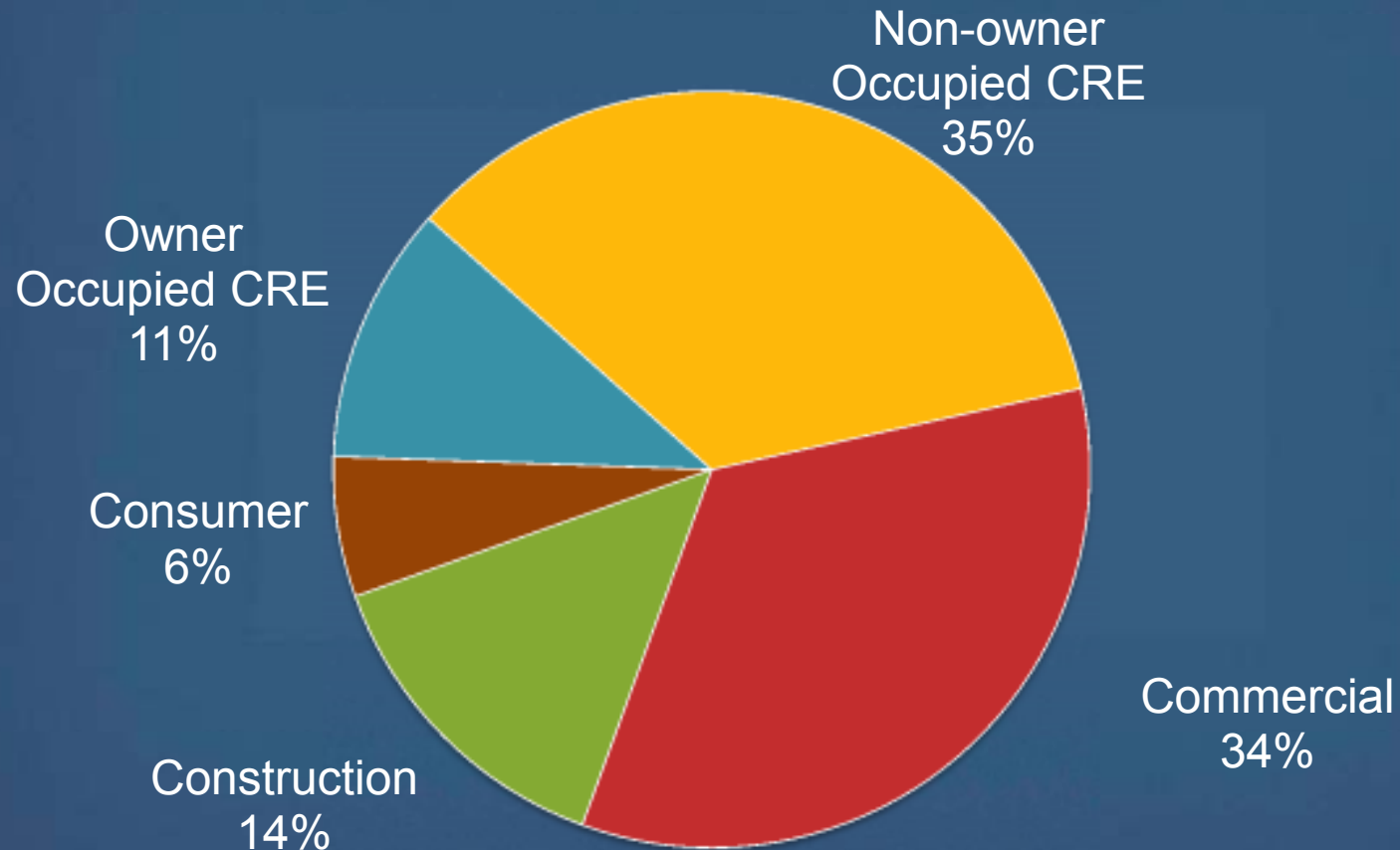
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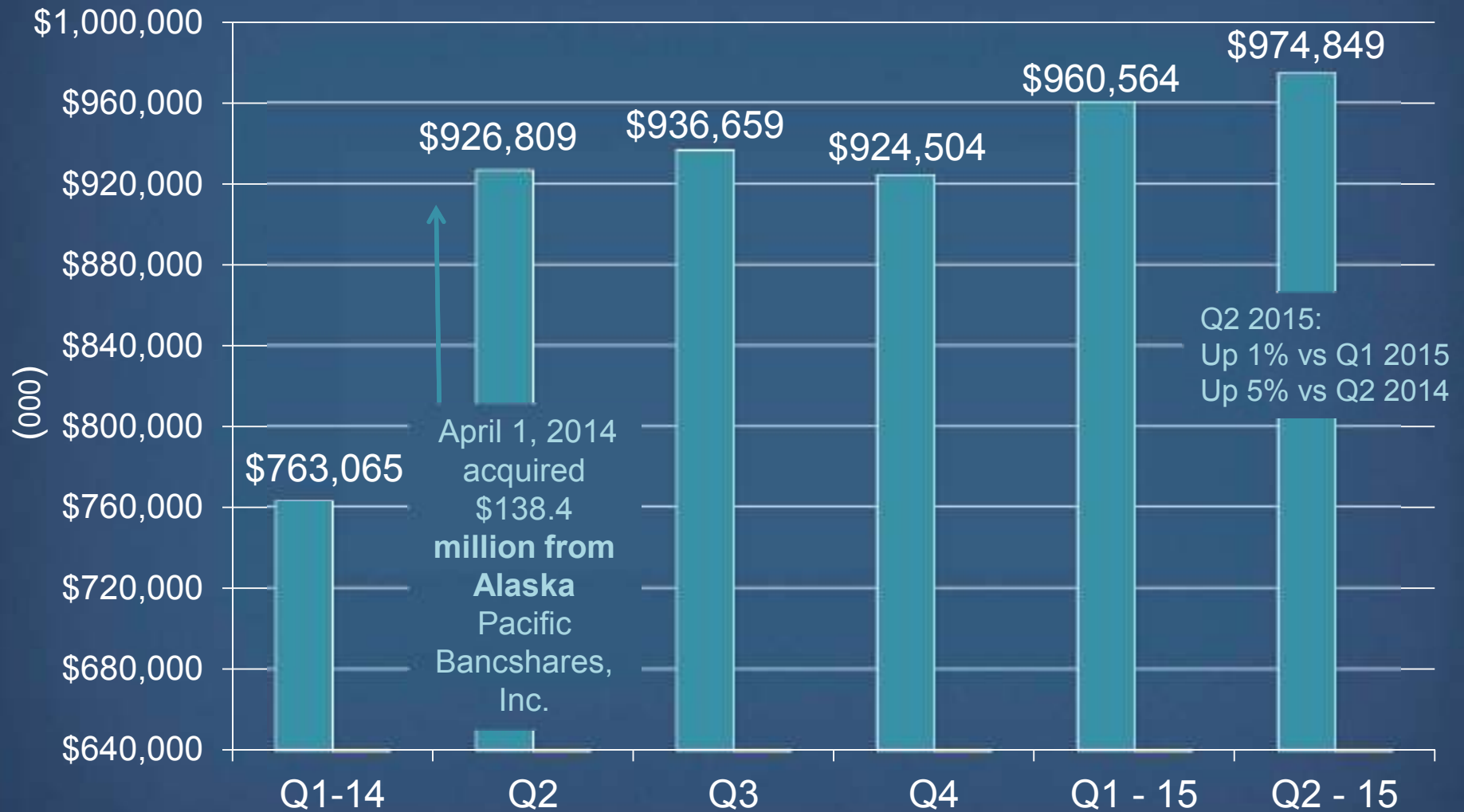
LOAN PORTFOLIO

As of 6/30/15

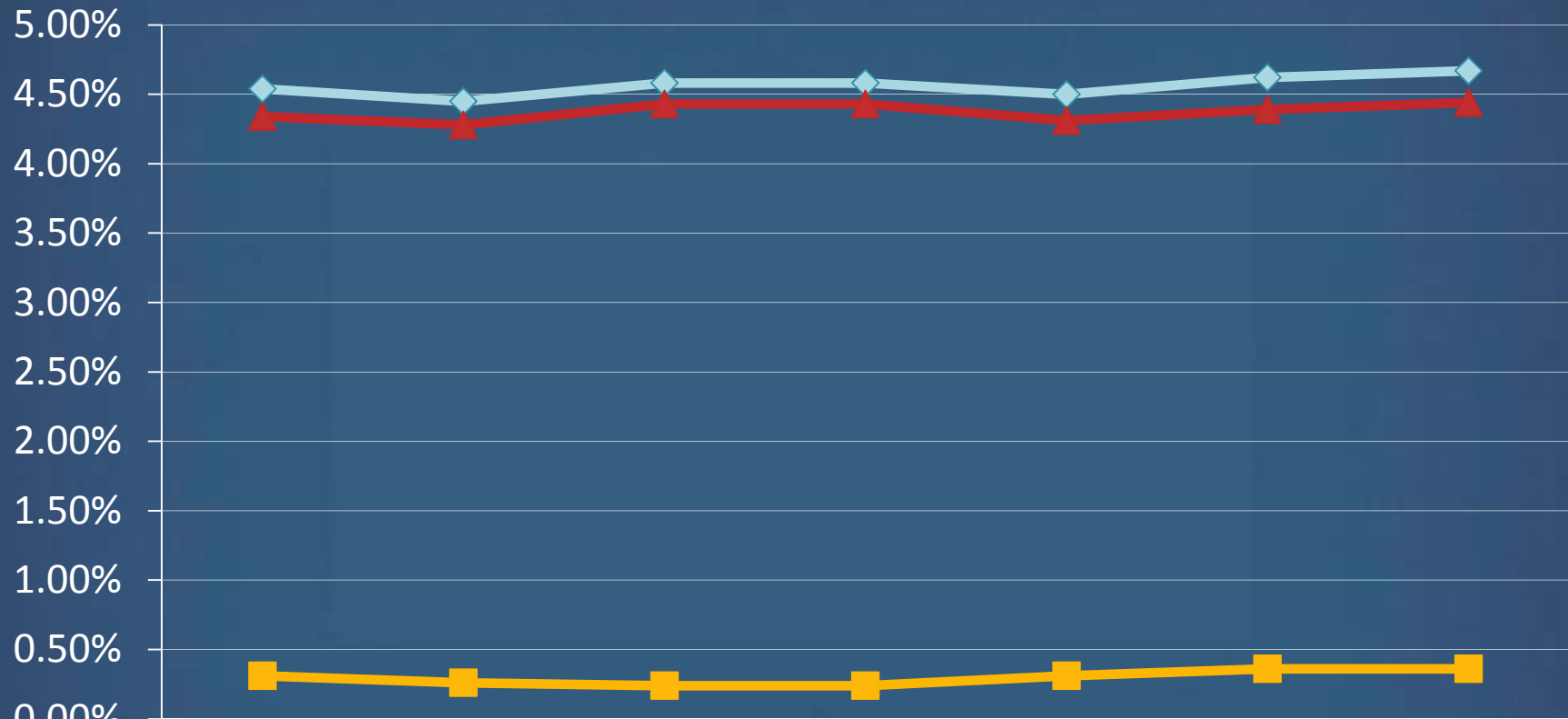
YTD Average Yield on
Loans: 5.65%



LOAN VOLUME: PORTFOLIO LOANS

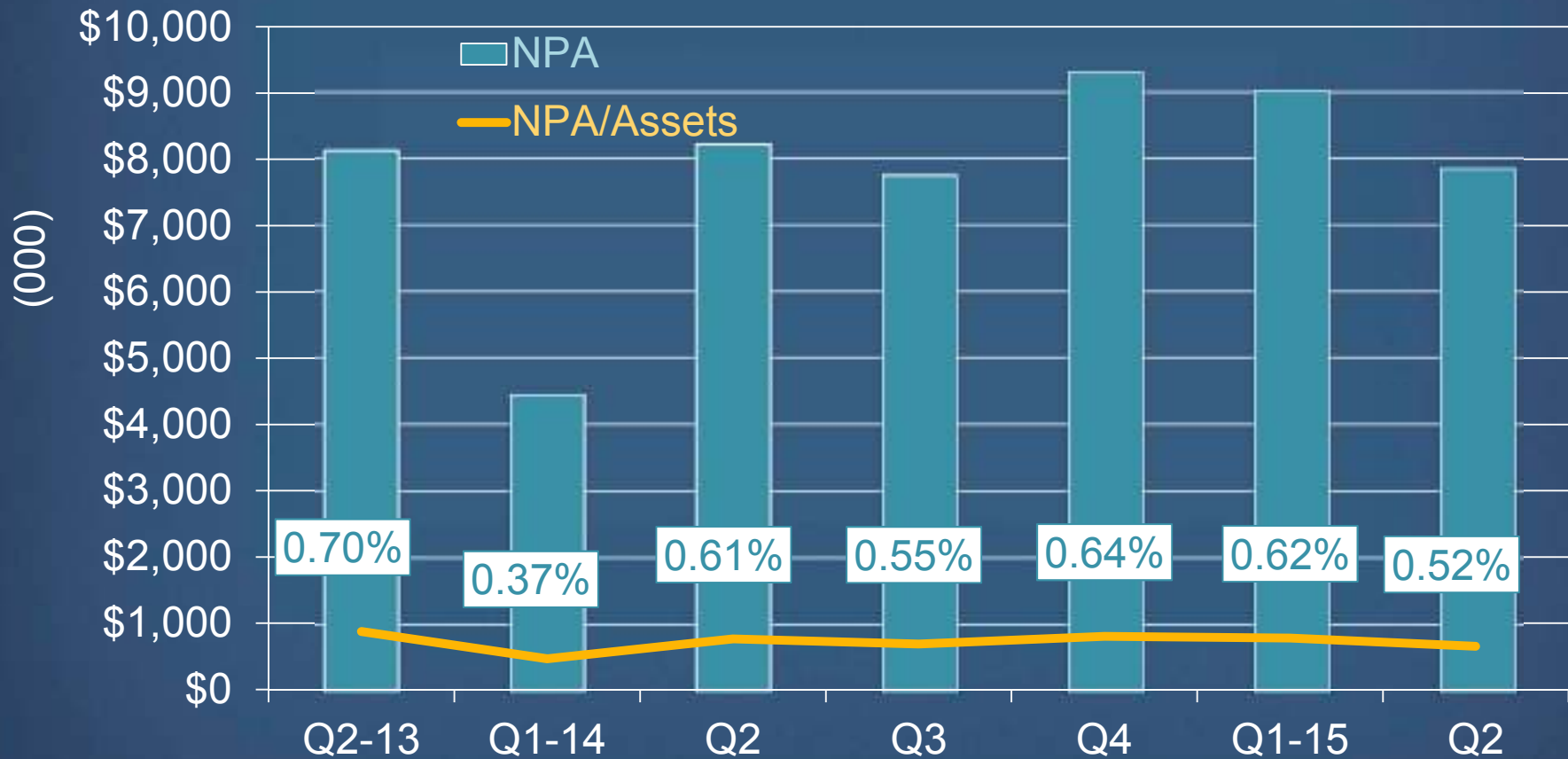


NET INTEREST MARGIN

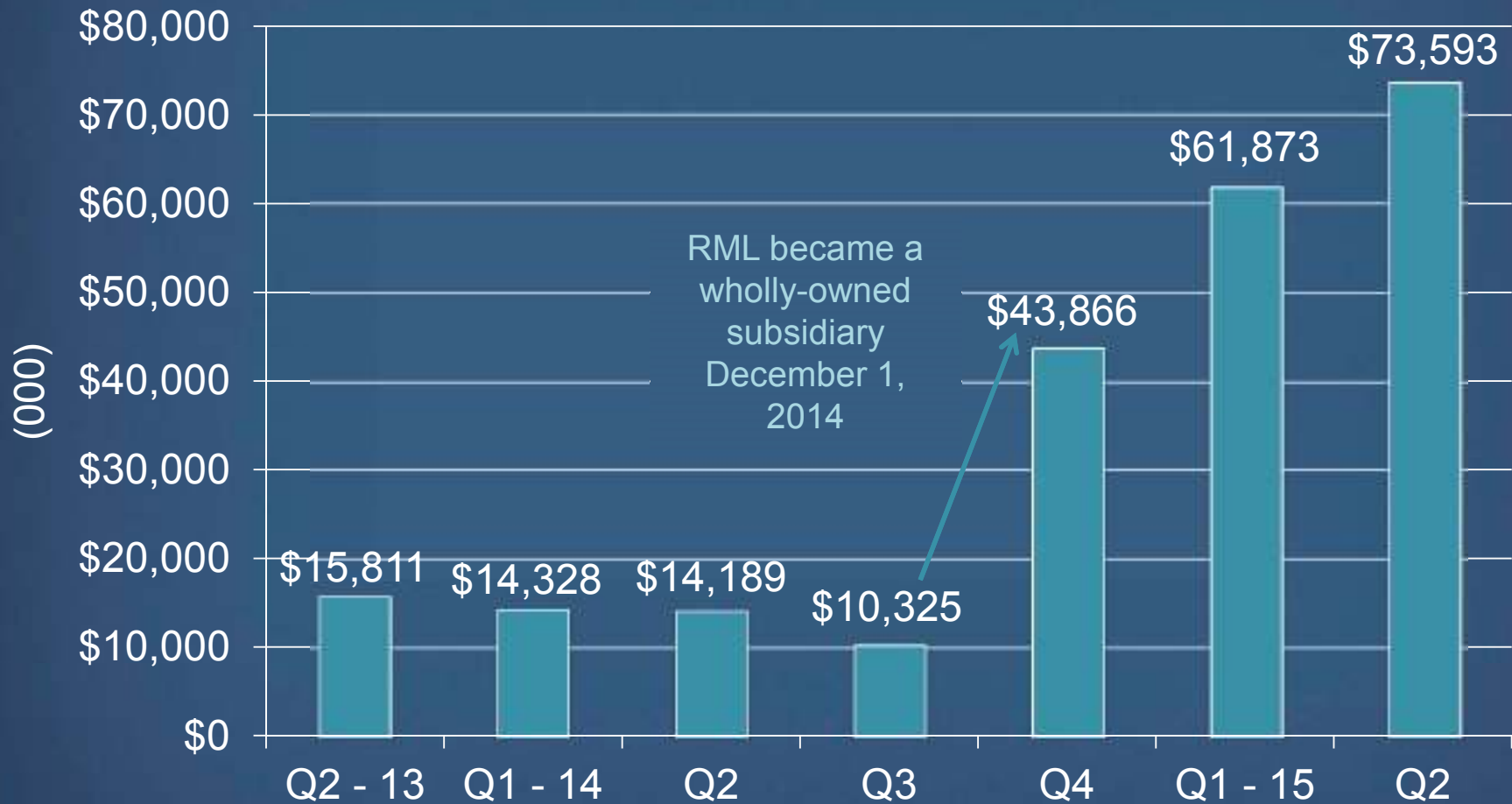


	'13 Q2	'14 Q1	Q2	Q3	Q4	'15 Q1	Q2
EA	4.54%	4.45%	4.58%	4.58%	4.50%	4.62%	4.67%
COF	0.31%	0.26%	0.24%	0.24%	0.31%	0.36%	0.36%
NIM TE	4.34%	4.28%	4.43%	4.43%	4.31%	4.39%	4.44%

FOCUS ON ASSET QUALITY: NONPERFORMING ASSETS



LOAN VOLUME: LOANS HELD FOR SALE



ACQUISITION OF RESIDENTIAL MORTGAGE HOLDING COMPANY, LLC (“RML”) DECEMBER 1, 2014

Overview

Business:	Full service mortgage company, 1-4 single family mortgages, founded 1998
Service Territory:	11 branches in Alaska and one affiliate (Homestate Mortgage Company – 30% owned)
Relationship to Northrim:	23.5% ownership, founding member
Market position:	One of the largest mortgage originators in Alaska

Origination volume in \$ millions:

	TOTAL	PURCHASE	REFINANCINGS	% OF ALASKA MARKET ⁽¹⁾	PRETAX INCOME
2014	\$ 651	\$565	\$ 86	23.9%	\$ 4,485
2013	\$ 792	\$624	\$168	19.8%	\$ 4,466
2012	\$1,032	\$589	\$443	19.7%	\$11,164

Transaction Detail⁽²⁾

Purchase Price, cash:	\$29.4 million
Structure:	
- \$22.1 million at closing	
- \$ 7.3 million estimated 5 year earn out	
Price / Book value	1.22x
Price / LTM earnings	13.13x
Price / Revenues	1.24x

Proforma financial impact

2014 EPS Accretion ⁽³⁾	➔ 2%
2015 EPS Accretion	➔ 12%
Tangible Book Value Per Share Earnback:	6.63years ⁽⁴⁾

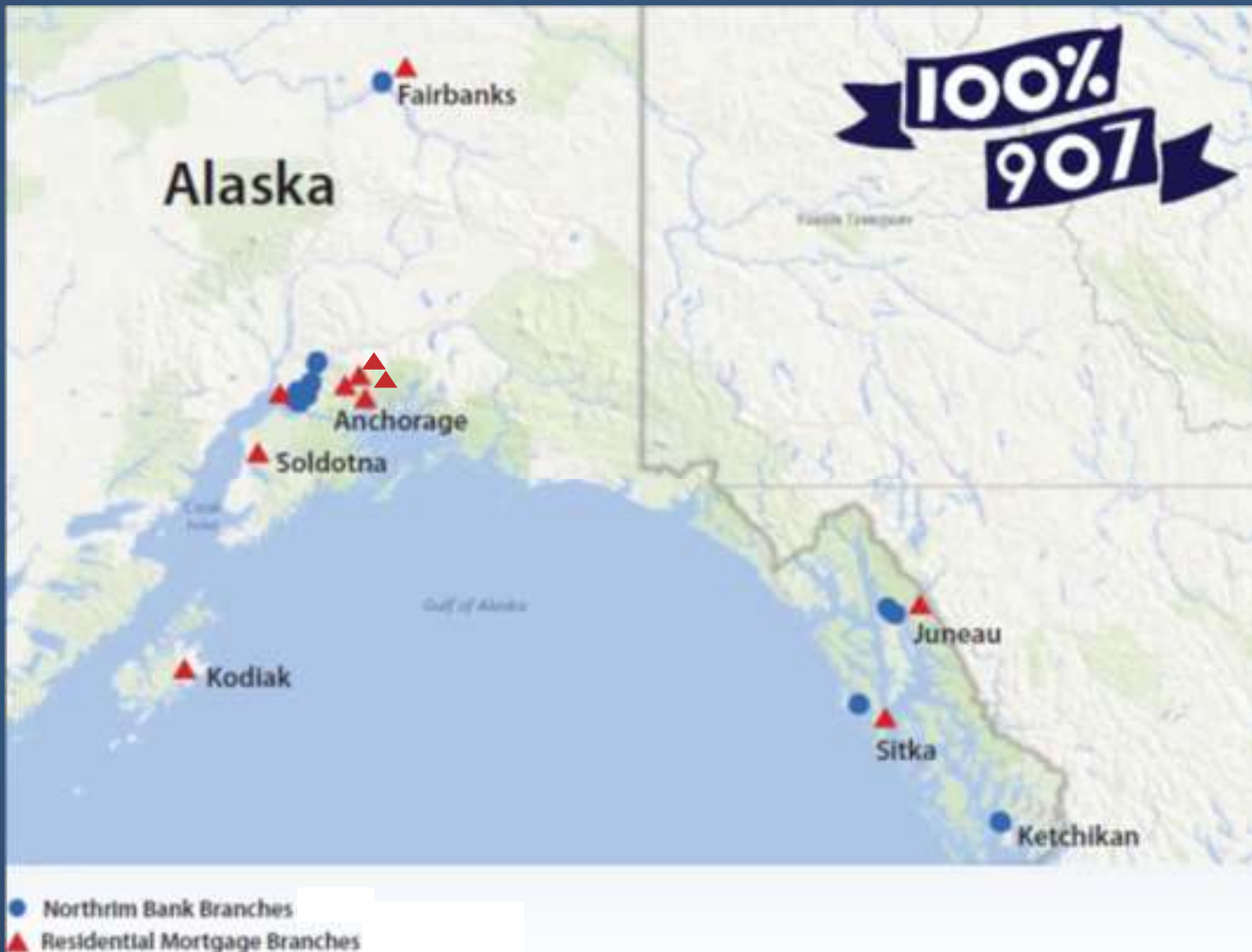
⁽¹⁾ Source: Alaska Housing Finance Corporation, single family & condominium loans.

⁽²⁾ Calculated using final price of \$29.4 million and book value, LTM earnings, and LTM revenues as of November 30, 2014.

⁽³⁾ Excludes one time expenses and gain on 2014 step up in basis.

⁽⁴⁾ Calculated as the number of years that the initial intangible book value dilution will be earned back on incremental earnings from the acquisition. Initial tangible book value per share dilution includes all estimated acquisition expenses.

NORTHRIM BANK AND RESIDENTIAL MORTGAGE BRANCH SYSTEM: EXTENDED ALASKA COVERAGE



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HOME MORTGAGE LENDING, Q2 2015 (MILLIONS)

Gross loan origination income, closed mortgages	\$ 7,542	
Other income	297	
Total Mortgage Banking Income	7,839	
Net interest income	211	
Total revenue, Home Mortgage Lending segment	8,050	
Other operating expense	5,736	
Income tax expense	956	
Net income, Home Mortgage Lending segment	\$ 1,358	
Less: Adjustment to Earn-Out Liability, net of tax	346	
Net contribution to Northrim BanCorp net income	\$ 1,012	
Impact on diluted earnings per share	\$ 0.15	
Diluted earnings per share accretion	28%	(1)
Net loan origination income, closed mortgages	\$ 5,768	(2)
Closed originations	\$216,450	
Yield on sold loans	2.66%	

(1) Diluted earnings per share accretion based on total actual Q2 2015 diluted earnings per share of \$0.69

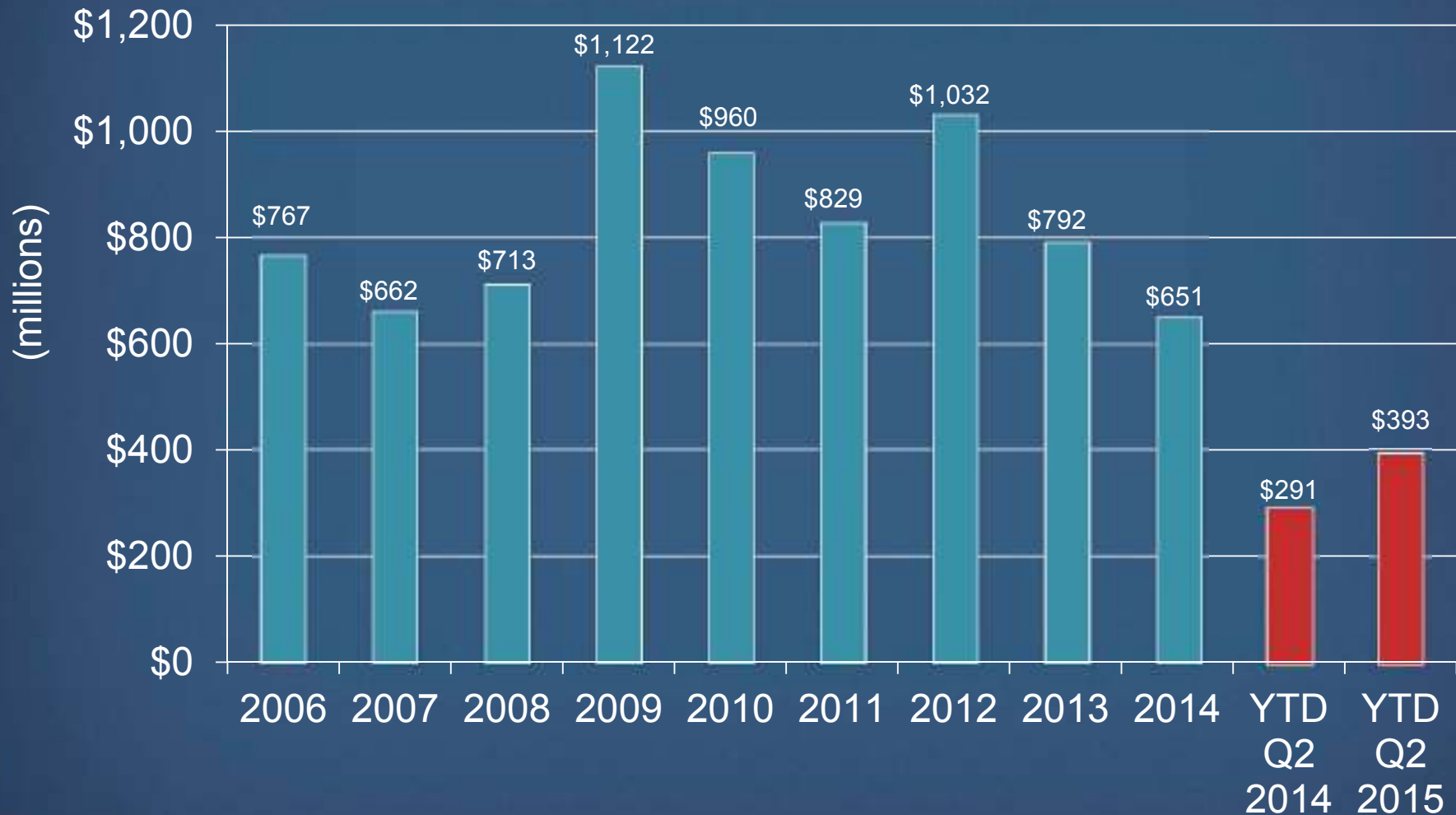
(2) Origination income, plus gains on sale of loans and servicing rights, less origination commission expense

HOME MORTGAGE LENDING: IMPACT OF EARN-OUT LIABILITY

- RML's estimated pre-tax net income for the twelve month period ending November 30, 2015 currently exceeds Northrim's original estimate by \$2.7 million.
- The earn-out owed to sellers is 85% of the pre-tax earnings of RML between \$4 million and \$6 million, and 55% of the pre-tax earnings of RML above \$6 million⁽¹⁾.
- Year-to-date as of Q2 2015, Northrim recorded a pre-tax \$2.1 million charge to earnings to increase the earn-out liability to reflect management's revised estimate for RML earnings for the period ending November 30, 2015.

⁽¹⁾ Northrim recorded a \$7.3 million liability on December 1, 2014 as part of the purchase price of RML that represents estimated earn-out payments owed to the sellers over the next 5 years. The earn-out liability is calculated as a percentage of RML's expected pre-tax earnings for the same period; as RML's pre-tax earnings increase, the % paid to the sellers increases but cannot exceed 55% of pre-tax earnings in aggregate. See Exhibit A for the calculation of the earn-out payments per the unit purchase agreement with RML.

HOME MORTGAGE LENDING: HISTORICAL PRODUCTION

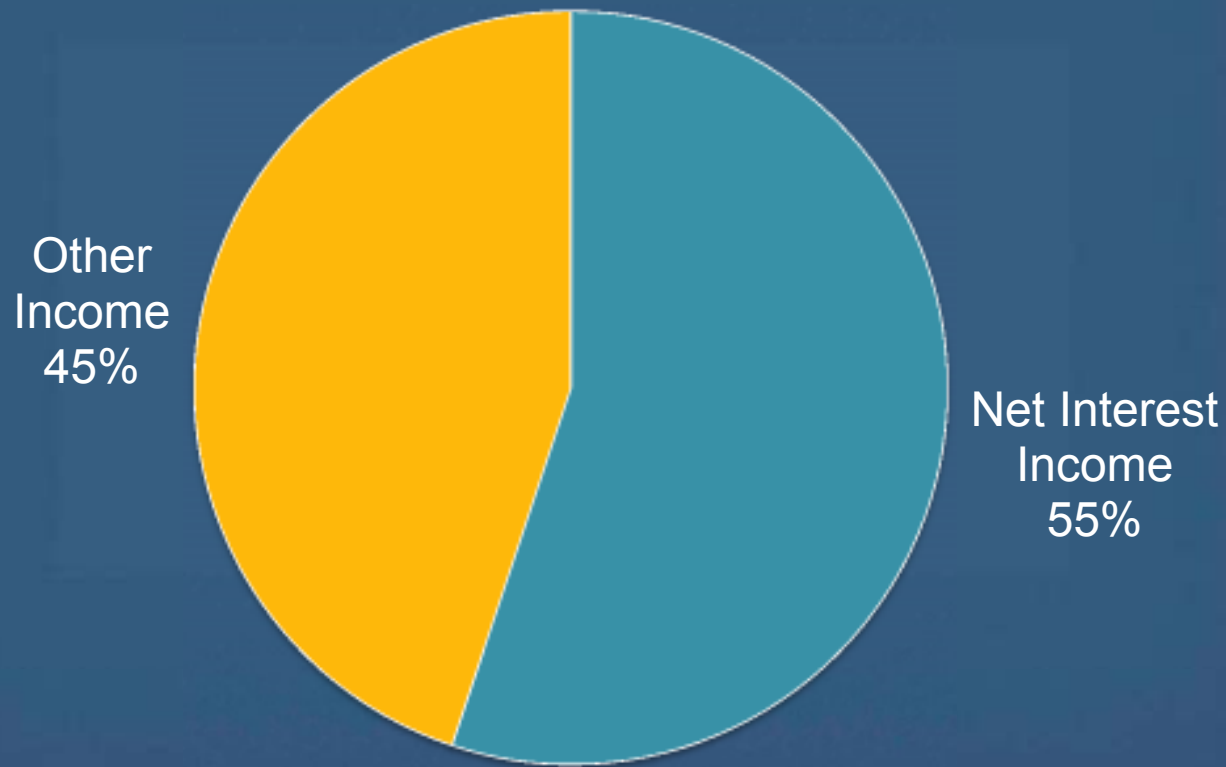


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HIGH NON INTEREST INCOME

QUARTER ENDED 6/30/15



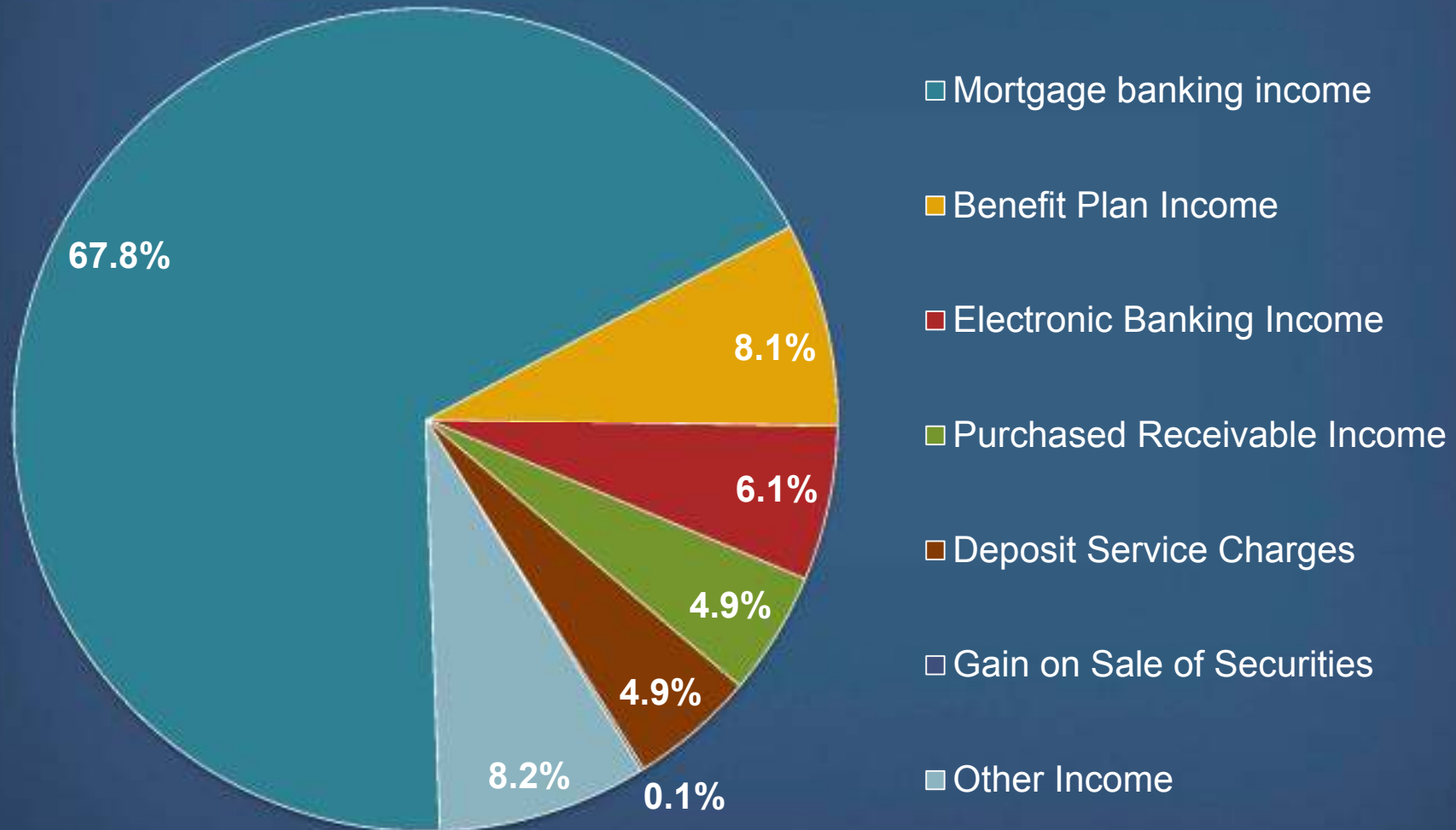
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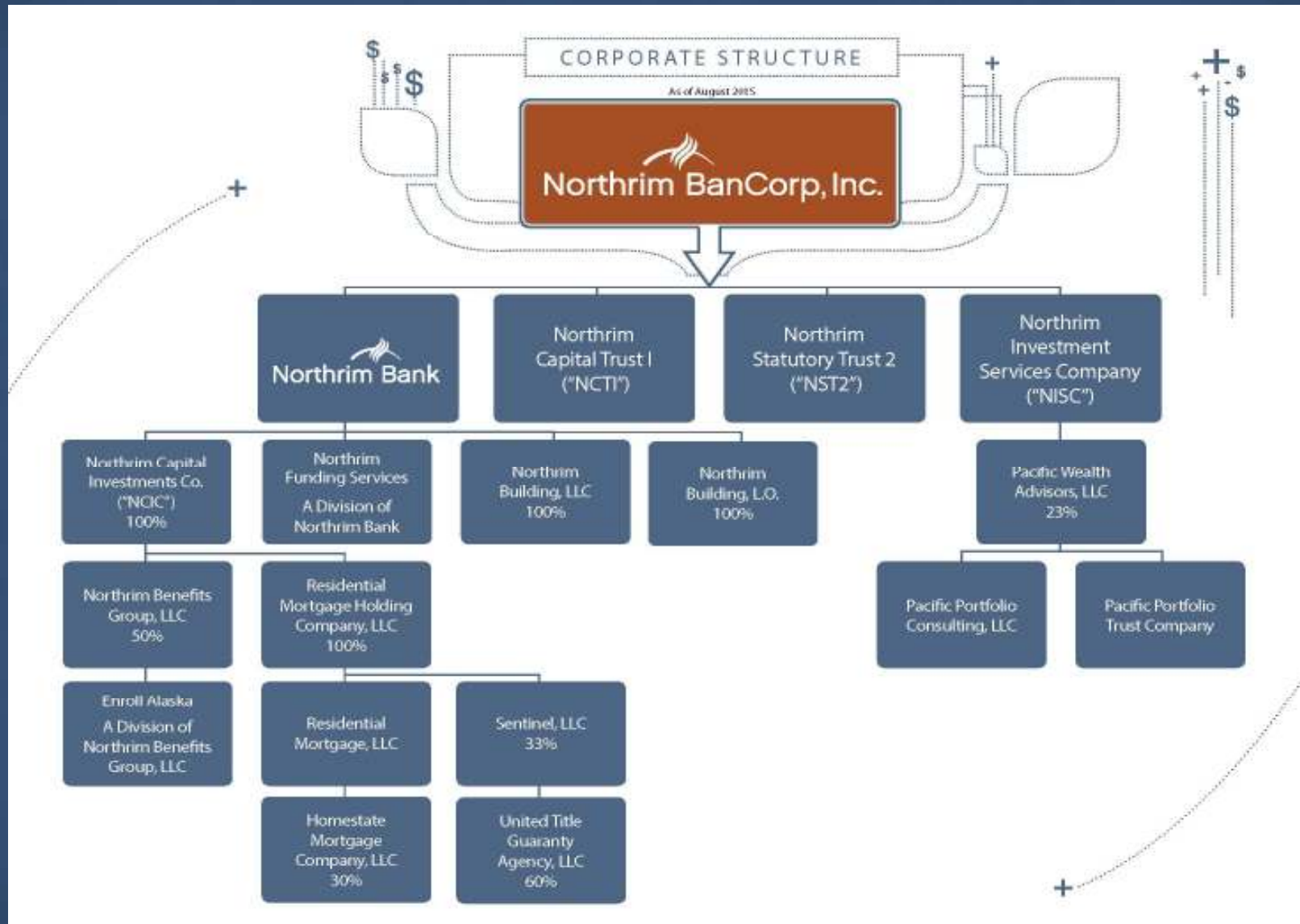
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DIVERSIFIED OTHER OPERATING INCOME

QUARTER ENDED 6/30/15



AFFILIATES AND DIVERSIFICATION

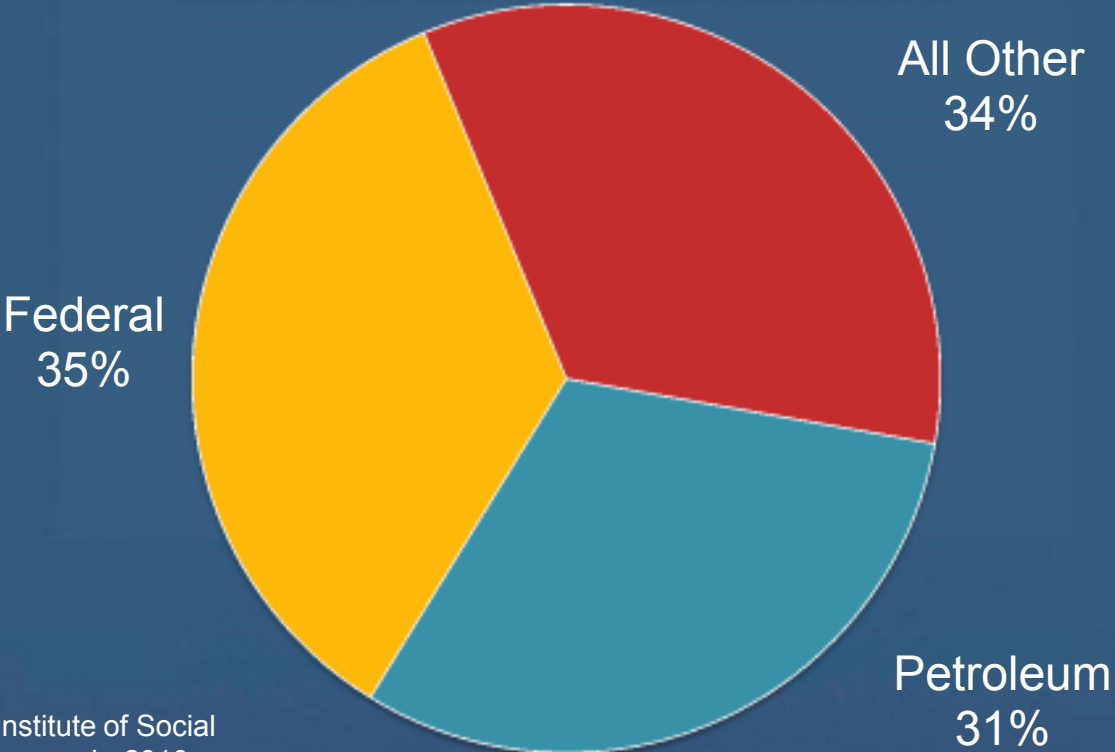


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ALASKA'S RESOURCE-BASED ECONOMY



Source: Alaska Institute of Social and Economic Research, 2010



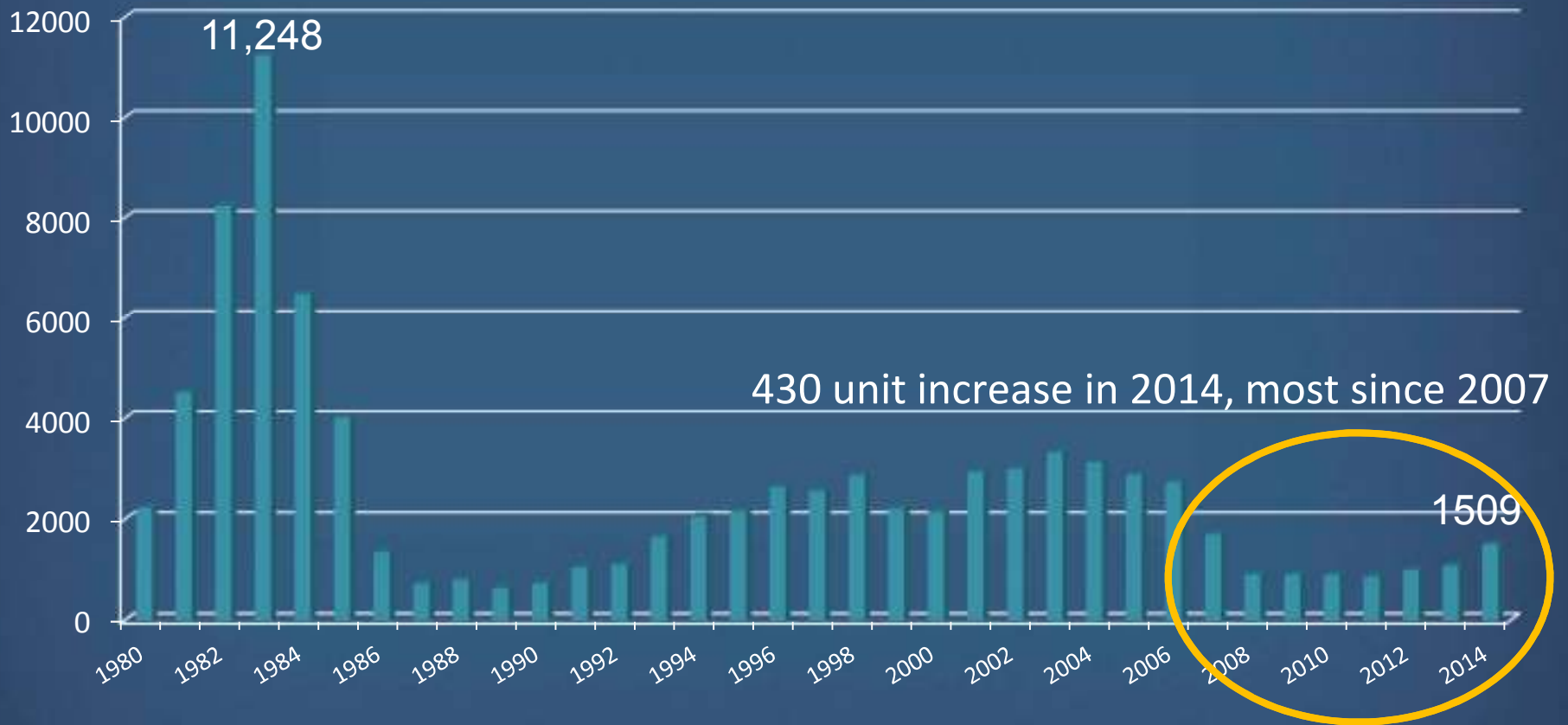
OIL AND GAS: STATUS IN ALASKA

- Capital commitments from producers are continuing
- Current employment levels on Alaska's North Slope are at a record high
- Stable level of oil production



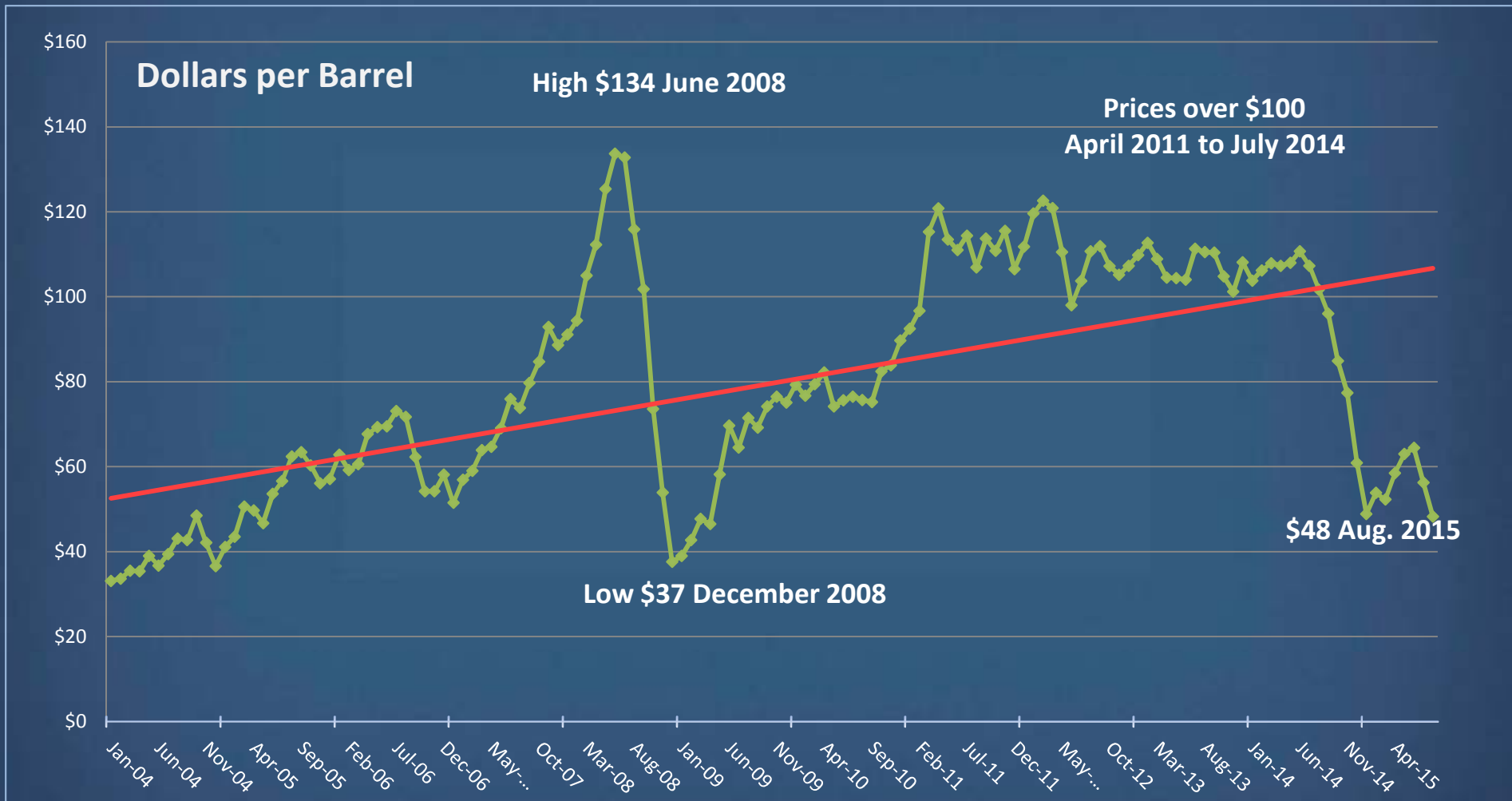
ALASKA BUILDING PERMITS

Number of new, privately owned housing, 1-5 units authorized



Source : U.S. Census Bureau, 2013 is November

ALASKA CRUDE PRICES 2004 - 2015

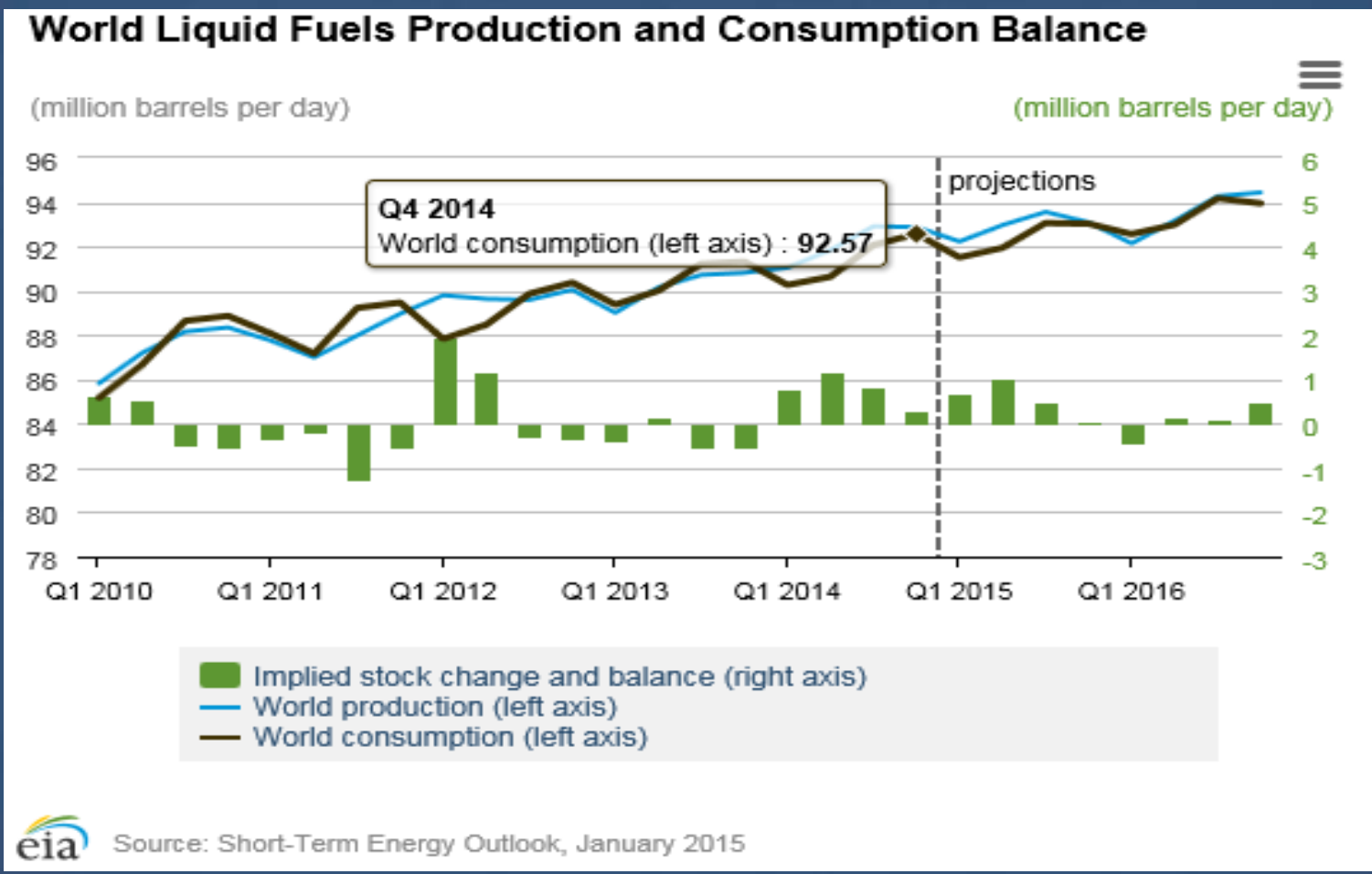


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GLOBAL SUPPLY AND DEMAND



REASONS FOR OPTIMISM IN ALASKA

- The state withstood a similar price shock only 5 years ago.
- \$12 billion in undedicated savings, \$51B Permanent Fund
- “Oil provides 90% of unrestricted general funds” does not account for \$11.5 billion from Federal govt. and investment income; Oil was 33% of total state revenues in FY 14.
- A \$1 billion cut in state spending is 2% of \$51B economy.



REASONS FOR OPTIMISM IN ALASKA

- State production will end a 25 year decline and increase slightly in 2016 and 2017 to 547,000 bpd.
- Alaska energy investments based on long-term price avg.
- Producers must keep investment promises made last election.
- Producers must meet lease requirements and spend billions to maintain current fields.



CONCLUSION

- Low oil prices put a strain on state revenues, but required spending discipline and fiscal discussions are prudent for the long run.
- Alaska has sufficient savings to offset large current budget deficits.
- Strength in retail, health care and tourism will offset the drag.
- In the near term Alaska oil production levels should be stable and multi-billion dollar investments from the energy industry are expected to continue through the low price environment.



LEADERSHIP TO BUILD ALASKA'S ECONOMY



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**Northrim's
Economic Overview
Is Now Available**



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QUESTIONS?



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EXHIBIT A:

CALCULATION OF EARN-OUT PAYMENTS

First tier earn-out payment	Adjusted pretax earnings greater than \$1,000,000 and less than or equal to \$2,000,000	Payment will be calculated as product of amount of adjusted pretax earnings times 40%
Second tier earn-out payment	Adjusted pretax earnings greater than \$2,000,000 and less than or equal to \$3,000,000	The first tier earn-out payment, plus the product of amount of adjusted pretax earnings greater than \$2,000,000 and less than \$3,000,000 times 50%
Third tier earn-out payment	Adjusted pretax earnings greater than \$3,000,000 and less than or equal to \$4,000,000	The first tier plus the second tier earn-out payment, plus the product of amount of adjusted pretax earnings greater than \$3,000,000 and less than \$4,000,000 times 70%
Fourth tier earn-out payment	Adjusted pretax earnings greater than \$4,000,000 and less than or equal to \$6,000,000	The first, second and third tier earn-out payment, plus the product of amount of adjusted pretax earnings greater than \$4,000,000 and less than \$6,000,000 times 85%
Fifth tier earn-out payment	Adjusted pretax earnings greater than \$6,000,000	The first, second, third and fourth tier earn-out payment, plus the product of amount of adjusted pretax earnings greater than \$6,000,000 times 55%

