

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

- **Maintain “Market Perform” and Increase Price Target to \$34 (+\$2)**
- **Decrease Core 2017 EPS to \$2.03 (+0.13) and maintain 2018 at \$1.95**
- **Loan Growth Expected to Remain Muted; NIM has Upward Bias Reflecting Asset Sensitivity**
- **ROAA Expected to Approximate 0.90% in 2018; Capital Levels Remain Strong**

We are maintaining our “Market Perform” rating and increasing our Price Target to \$34 which reflects ~15x our 2018 EPS plus excess capital or ~125% of TBV one year out. 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 continued weakness in the Alaskan economy. This supports our “Market Perform” rating. That said, we expect profitability to increase over time as the local economy improves which supports a greater stock price assuming a constant P/E multiple. A national peer group of banks with a market capitalization between \$200-300 Mil. currently trade at ~16x 2018 EPS. Our EPS forecast corresponds to an ROAA of ~0.90% in 2018 which we expect to expand to 1%+ over time. We continue to believe investors should focus on Franchise Value in 2018 and beyond. Our Price Target factors in a low core deposit premium; however, this could be significantly greater as profitability rises and the Alaska economy strengthens. NRIM’s Deposits are 91% Core highlighted by 33% non-interest bearing.

Following a review of the quarter, we are lowering our 2017 Core EPS to \$2.03 (-\$0.13) and maintaining our 2018 at \$1.95. Our 2017 EPS revision primarily stems from the 3Q17 variance to our Estimate. Our 2018 EPS outlook is largely unchanged calling for modest balance sheet growth, an expanding core NIM aided by the company’s asset sensitive balance sheet and our outlook for higher rates, modest growth in Community Bank fees and expenses and a decline in Mortgage Banking income. The company repurchased ~58k shares in the quarter with an additional ~160k remaining on its authorization. Our model does not include any further share repurchases; however, we suspect the company could get more active on price weakness given excess capital and a limited near term growth outlook.

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: \$34.25

“Market-Perform” // Price Target: \$34

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$234.7
Avg. Volume	19,016
Annual Dividend	\$0.86
Dividend Yield	2.51%
Tangible Book/Share	\$26.00
Price/Tangible Book	132%
Price/2017 EPS	16.9x
Price/2018 EPS	17.6x
Total Assets (\$M)	\$1,523
TCE/TA	11.82%
ROAA (2017)	1.11%
ROAE (2017)	8.71%

EPS Estimates

	2015	2016	2017	2018
Q1	\$0.50	\$0.49	\$0.52	
Q2	\$0.69	\$0.66	\$0.57	
Q3	\$0.77	\$0.67	\$0.43	
Q4	\$0.58	\$0.51	\$0.51	
FY	\$2.54	\$2.33	\$2.03	\$1.95

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, S&P Global Market Intelligence



Outlook: NRIM experienced solid loan production in 3Q17; however, this was muted by expected payoffs late in the quarter which resulted in loans holding stable linked quarter. Looking forward, we expect growth to remain positive but muted given our outlook for continued weakness in the Alaska economy. Alaska's total employment was down ~1.3% year over year in September which equates to a loss of 4,600 jobs. Unemployment in August was 7.2% vs. 4.4% for the U.S. We are forecasting 2-3% loan growth in 2018 as organic growth is supplemented by some potential participations.

Core NIM is expected to moderate some in 4Q17 as a full quarter benefit of recent TRUPS redemption is more than offset by the late 3Q17 drop in loan balances (payoffs) which is expected to result in a negative mix shift in AEA. We are projecting 4Q17 core NIM to approximate 4.30%. Looking at 2018, we expect an upward trend in NIM from 4Q17 given our outlook for a rate hike in December and its positive impact on NRIM's asset sensitive balance sheet. We estimate 65-70% of NRIM's loans are variable rate with another \$50 Mil. or more in Securities that are rate sensitive. On the funding side, NRIM has not seen any significant upward pressure on funding (they remain competitive on CD pricing) though this is expected to intensify over time. Importantly, we do not expect NRIM to get aggressive on Deposit pricing in the near-term given current growth prospects and ample opportunity to further leverage its balance sheet given a low loan to deposit ratio of 78%. Bottom line, we expect NIM to expand heading into 2018 even without rate increases given our expectations the cumulative effect of past rate increases will outweigh any rise in the COF.

Our outlook for fee income and expense is mostly unchanged absent a more conservative outlook on mortgage. We break out the performance of the Community Bank from the Mortgage Unit. We expect Community Bank fee income to experience steady growth in most categories. We note year over year fee income and expense comparisons will be skewed by the sale of Northrim Benefits Group which occurred in August 2017. Our forecast calls for Community Bank fee income to approximate \$2.5 Mil. in 4Q17 and \$10.7 Mil. for 2018. Operating expenses at the Community Bank are projected to approximate \$12 Mil. in 4Q17 and \$50 Mil. for full year 2018. At the Mortgage unit, we are projecting ~\$400-500k in mortgage banking income in 4Q17 and ~\$3.5 Mil. for 2018 which equates to \$0.06 and ~\$0.30 per share, respectively.

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 25-30 bps in 2018 (~17 bps projected for 2017) 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 2.15% of loans. Notably, management has taken steps to bolster reserves over the last 12 months with reserves increasing ~22 bps over this period. Our Pre-Tax, Pre-Provision earnings forecast over the next 12 months is sufficient to absorb losses of ~\$21 Mil. or over 2% of loans which we believe is unlikely.



Maintaining Price Target

FIG Research Rating: "Market-Perform"

Price Target: \$34.00

Implied Gain/Loss versus Current Price: (0.7%)

2018 Outlook			
2018 EPS	\$1.95	14.8x	\$28.82
Cash Dividends	\$0.88	1.0x	\$0.88
Excess TCE	\$4.30	1.0x	<u>\$4.30</u>
			\$34.00
Tangible Book 12/18	\$27.40	1.24x	\$34.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-17</u>	<u>Dec-18</u>
Market-Cap	234.7	232.3	239.3
TCE in \$\$	178.2	180.2	187.8
Total Deposits	1,258.3	1,245.7	1,270.8
CORE Deposits	1,157.7	1,121.2	1,143.7
Premium - Total	4.5%	4.2%	4.1%
Premium - CORE	4.9%	4.7%	4.5%

We are maintaining our "Market Perform" rating and increasing our Price Target to \$34 which reflects ~15x our 2018 EPS plus excess capital or ~125% of TBV one year out.

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
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	6.994	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			3Q17		
	Core Bank	Mortgage Operation	Aggregate Earnings	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	14,566	352	14,918
Loan Loss Provision	400	0	400	300	0	300	2,500	0	2,500
Fee Income	3,446	5,450	8,896	3,368	6,351	9,719	7,574	6,219	13,793
Earn Out Expense	(174)	174	0	0	0	0	(149)	149	0
Operating Expense	12,009	4,819	16,828	12,607	5,226	17,833	12,161	5,290	17,451
Pre Tax Income	4,760	741	5,501	4,413	1,416	5,829	7,628	1,132	8,760
Taxes	1,497	304	1,801	1,093	584	1,455	2,513	467	2,980
Net Income	3,263	437	3,700	3,320	832	4,152	5,115	665	5,780
Noncontrolling Interest	97	0	97	152	0	152	78	0	78
Net Income	3,166	437	3,603	3,168	832	4,000	2,357	665	3,022
Shares Outstanding	6.994	6.994	6.994	6.998	6.998	6.998	6.959	6.959	6.959
Earnings Per Share	0.45	0.06	0.52	0.45	0.12	0.57	0.34	0.10	0.43

Source: FIG Partners Research, S&P Global Market Intelligence

NRIM Snapshot

	2Q15A	3Q15A	4Q15A	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17A	% 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	\$0.79	78.4%	54.7%
Tangible Book Value	\$21.47	\$22.09	\$22.31	\$22.78	\$23.30	\$24.61	\$24.70	\$25.06	\$25.40	\$26.00	5.6%	2.4%
Shares Outstanding EOP	6.85	6.86	6.88	6.88	6.88	6.88	6.90	6.91	6.91	6.85	-0.4%	-0.8%
Net Interest Income	\$14.20	\$14.68	\$14.40	\$14.17	\$14.08	\$14.21	\$13.89	\$13.83	\$14.24	\$14.92	5.0%	4.7%
Loan Loss Provision	\$0.38	\$0.68	\$0.38	\$0.70	\$0.20	\$0.65	\$0.74	\$0.40	\$0.30	\$2.50	283.4%	733.3%
Total Fee Income	\$11.56	\$12.41	\$10.10	\$9.11	\$11.86	\$11.94	\$10.36	\$8.90	\$9.72	\$13.79	15.6%	41.9%
Gain/Loss on Securities	\$0.02	\$0.00	\$0.14	(\$0.02)	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Non-Interest Expense	\$17.75	\$18.20	\$18.23	\$17.37	\$19.37	\$21.19	\$18.35	\$16.61	\$18.47	\$17.63	-16.8%	-4.5%
Pre-Tax Income	\$7.63	\$8.21	\$5.90	\$5.21	\$6.37	\$4.31	\$5.15	\$5.72	\$5.20	\$8.58	99.1%	65.1%
Taxes	\$2.69	\$2.68	\$1.67	\$1.70	\$1.87	\$1.03	\$1.46	\$1.80	\$1.46	\$2.98	190.2%	104.8%
Tax Rate	35%	33%	28%	33%	29%	24%	28%	31%	28%	35%	45.7%	24.0%
Net Income	\$4.94	\$5.53	\$4.23	\$3.51	\$4.51	\$3.28	\$3.70	\$3.92	\$3.74	\$5.60	70.6%	49.7%
Total Core Revenue	\$25.74	\$27.09	\$24.37	\$23.30	\$25.93	\$26.15	\$24.25	\$22.72	\$23.96	\$24.27	-7.2%	1.3%
Total Core Fee Income	\$11.55	\$12.40	\$9.97	\$9.13	\$11.85	\$11.94	\$10.36	\$8.88	\$9.72	\$9.35	-21.6%	-3.7%
Core Expenses	\$17.87	\$18.05	\$18.37	\$17.37	\$19.01	\$18.59	\$18.35	\$16.83	\$17.75	\$17.67	-4.9%	-0.4%
ROAA	1.37%	1.52%	1.09%	0.94%	1.21%	0.86%	0.97%	1.05%	0.99%	1.47%	70.6%	47.9%
ROAE	11.82%	13.14%	9.73%	7.86%	9.70%	7.18%	8.24%	8.39%	7.73%	11.51%	60.3%	48.9%
Net Interest Margin	4.44%	4.38%	4.10%	4.29%	4.27%	4.17%	4.07%	4.22%	4.26%	4.34%	4.1%	1.9%
Core Efficiency Ratio	68.6%	65.9%	74.6%	73.7%	72.6%	70.4%	74.9%	73.3%	73.3%	72.0%	2.3%	-1.7%
Core Exp. / Avg. Assets	4.95%	4.96%	4.72%	4.67%	5.11%	4.87%	4.82%	4.51%	4.71%	4.63%	-4.9%	-1.6%
Gross Loans	\$975	\$974	\$981	\$971	\$967	\$997	\$975	\$961	\$991	\$989	-0.8%	-0.2%
Intangibles	\$23.9	\$23.8	\$23.8	\$23.7	\$23.7	\$16.4	\$16.3	\$16.3	\$16.3	\$16.2	-0.7%	-0.2%
Total Deposits	\$1,239	\$1,265	\$1,241	\$1,247	\$1,256	\$1,278	\$1,268	\$1,247	\$1,234	\$1,258	-1.6%	1.9%
Total Common Equity	\$171	\$175	\$177	\$180	\$184	\$186	\$187	\$189	\$192	\$194	4.7%	1.4%
Avg Assets	\$1,445	\$1,456	\$1,555	\$1,489	\$1,489	\$1,525	\$1,522	\$1,492	\$1,507	\$1,525	0.0%	1.2%
Avg Loans	\$967	\$982	\$980	\$980	\$969	\$979	\$978	\$970	\$969	\$1,004	2.5%	3.6%
Avg Earning Assets	\$1,302	\$1,347	\$1,411	\$1,348	\$1,345	\$1,375	\$1,379	\$1,352	\$1,361	\$1,383	0.6%	1.6%
Avg Deposits	\$1,193	\$1,195	\$1,291	\$1,237	\$1,235	\$1,264	\$1,265	\$1,231	\$1,245	\$1,263	-0.1%	1.5%
Loan / Deposit	78.7%	77.0%	79.0%	77.8%	77.0%	78.0%	76.9%	77.0%	80.3%	78.6%	0.8%	-2.1%
TCE Ratio	9.97%	10.00%	10.40%	10.61%	10.72%	11.12%	11.28%	11.57%	11.88%	11.82%	6.3%	-0.5%
Net Charge-offs	(\$96)	\$247	\$72	\$673	(\$2)	(\$442)	\$525	\$204	\$132	\$1,097	-348.2%	731.1%
NPL's + 90 Days Past	\$10,776	\$6,938	\$15,490	\$14,890	\$22,455	\$24,197	\$19,523	\$20,979	\$29,513	\$32,432	34.0%	9.9%
OREO	\$2,807	\$3,511	\$3,053	\$2,702	\$2,558	\$2,824	\$6,379	\$5,802	\$4,315	\$3,505	24.1%	-18.8%
Total NPA'S	\$13,583	\$10,449	\$18,543	\$17,545	\$24,966	\$27,021	\$25,446	\$24,715	\$31,511	\$33,877	25.4%	7.5%
NPA / (Loans + OREO)	1.39%	1.07%	1.88%	1.80%	2.57%	2.70%	2.59%	2.56%	3.17%	3.41%	26.3%	7.8%
NCOs / Avg Loans	-0.04%	0.10%	0.03%	0.27%	0.00%	-0.18%	0.21%	0.08%	0.05%	0.44%	-342.1%	702.3%

Source: FIG Partners Research, S&P Global Market Intelligence

Earnings Model

	Annual			2016 Quarterly				2017 Quarterly				2018 Quarterly			
	2016A	2017E	2018E	1Q16A	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17A	4Q17E	1Q18E	2Q18E	3Q18E	4Q18E
<u>Income Data: (\$ in Millions)</u>															
Net Interest Income	\$56.4	\$57.6	\$59.2	\$14.2	\$14.1	\$14.2	\$13.9	\$13.8	\$14.2	\$14.9	\$14.6	\$14.1	\$14.6	\$15.1	\$15.3
Loan Loss Provision	\$2.3	\$3.7	\$3.0	\$0.7	\$0.2	\$0.7	\$0.7	\$0.4	\$0.3	\$2.5	\$0.5	\$0.6	\$0.7	\$0.9	\$0.8
Non-Interest Income	\$43.3	\$35.7	\$31.9	\$9.1	\$11.9	\$11.9	\$10.4	\$8.9	\$9.718	\$9.4	\$7.7	\$7.3	\$8.5	\$8.5	\$7.6
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.000	\$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)	\$3.9	\$0.0	\$0.0	(\$0.4)	(\$2.6)	\$0.0	\$0.2	(\$0.6)	\$4.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$73.3	\$69.0	\$69.1	\$17.4	\$19.0	\$18.6	\$18.4	\$16.8	\$17.833	\$17.5	\$16.9	\$17.0	\$17.5	\$17.5	\$17.0
Pre-Tax Income	\$21.0	\$24.5	\$19.0	\$5.2	\$6.4	\$4.3	\$5.2	\$5.7	\$5.196	\$8.6	\$5.0	\$3.8	\$4.9	\$5.2	\$5.1
Taxes	\$6.1	\$7.7	\$5.5	\$1.7	\$1.9	\$1.0	\$1.5	\$1.8	\$1.5	\$3.0	\$1.4	\$1.1	\$1.4	\$1.5	\$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	\$16.8	\$13.5	\$3.5	\$4.5	\$3.3	\$3.7	\$3.9	\$3.7	\$5.6	\$3.5	\$2.7	\$3.5	\$3.7	\$3.7
Noncontrolling segment income	\$0.579	\$0.327	\$0.0	\$0.1	\$0.2	\$0.2	\$0.1	\$0.1	\$0.2	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$14.4	\$16.5	\$13.5	\$3.4	\$4.4	\$3.1	\$3.6	\$3.8	\$3.6	\$5.5	\$3.5	\$2.7	\$3.5	\$3.7	\$3.7
Avg. Shares O/S	7.0	7.0	7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$6.998	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0
Earnings Per Share (EPS)	\$2.07	\$2.36	\$1.95	\$0.48	\$0.63	\$0.44	\$0.51	\$0.55	\$0.51	\$0.79	\$0.51	\$0.39	\$0.50	\$0.53	\$0.52
<u>Per Share Data:</u>															
Reported Book Value	\$27.07	\$28.67	\$29.77	\$26.23	\$26.75	\$26.99	\$27.07	\$27.42	\$27.75	\$28.374	\$28.67	\$28.84	\$29.13	\$29.45	\$29.77
Tangible Book Value	\$24.70	\$26.30	\$27.40	\$22.78	\$23.30	\$24.61	\$24.70	\$25.06	\$25.40	\$26.00	\$26.30	\$26.47	\$26.76	\$27.09	\$27.40
Dividends	\$0.78	\$0.86	\$0.88	\$0.19	\$0.19	\$0.20	\$0.20	\$0.21	\$0.21	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22	\$0.22
Pre-Tax, Pre-Provision EPS	\$3.77	\$3.48	\$3.16	\$0.85	\$0.96	\$0.71	\$0.85	\$0.90	\$0.80	\$1.586	\$0.78	\$0.63	\$0.81	\$0.87	\$0.85
CORE GAAP EPS	\$2.30	\$2.03	\$1.95	\$0.49	\$0.66	\$0.67	\$0.49	\$0.52	\$0.57	\$0.43	\$0.51	\$0.39	\$0.50	\$0.53	\$0.52
<u>KEY Ratios:</u>															
Net Interest Margin	4.20%	4.28%	4.37%	4.29%	4.27%	4.17%	4.07%	4.22%	4.26%	4.34%	4.30%	4.34%	4.35%	4.38%	4.40%
Return on Avg Assets	1.00%	1.11%	0.88%	0.94%	1.21%	0.86%	0.97%	1.05%	0.99%	1.47%	0.93%	0.72%	0.91%	0.96%	0.93%
Return on Avg Equity	8.25%	8.71%	6.78%	7.86%	9.70%	7.18%	8.24%	8.39%	7.73%	11.51%	7.22%	5.48%	6.99%	7.42%	7.20%
Return on Tang. Common Eq.	8.51%	9.17%	7.25%	8.68%	10.91%	7.36%	8.47%	8.88%	8.22%	12.44%	7.87%	5.99%	7.61%	8.06%	4.00%
Pre-Tax Pre-Provision ROA	1.75%	1.61%	1.43%	1.59%	1.80%	1.29%	1.56%	1.69%	1.48%	2.89%	1.43%	1.17%	1.48%	1.56%	1.51%
Efficiency Ratio	73.46%	73.84%	75.78%	73.75%	72.63%	70.40%	74.92%	73.25%	73.63%	71.13%	74.68%	78.56%	75.02%	73.45%	73.35%
Overhead Ratio	4.87%	4.56%	4.50%	4.67%	5.11%	4.87%	4.82%	4.51%	4.73%	4.58%	4.42%	4.52%	4.60%	4.53%	4.34%
TCE/TA	11.28%	11.84%	11.94%	10.61%	10.72%	11.12%	11.28%	11.57%	11.88%	11.82%	11.84%	11.89%	11.90%	11.92%	11.94%
<u>Period-End Balances: (\$ in Millions)</u>															
Earning Assets	\$1,369	\$1,395	\$1,437	\$1,364	\$1,366	\$1,385	\$1,369	\$1,360	\$1,346	\$1,395	\$1,395	\$1,378	\$1,395	\$1,416	\$1,437
Total Assets	\$1,527	\$1,539	\$1,589	\$1,500	\$1,518	\$1,540	\$1,527	\$1,513	\$1,493	\$1,523	\$1,539	\$1,542	\$1,558	\$1,573	\$1,589
Risk-Weighted Assets	\$1,297	\$1,299	\$1,365	\$1,274	\$1,280	\$1,310	\$1,297	\$1,258	\$1,288	\$1,286	\$1,299	\$1,312	\$1,332	\$1,352	\$1,365
Gross Loans HFI	\$975	\$994	\$1,014	\$971	\$967	\$997	\$975	\$961	\$991	\$989	\$994	\$984	\$994	\$1,009	\$1,014
Total Deposits	\$1,268	\$1,246	\$1,271	\$1,247	\$1,256	\$1,278	\$1,268	\$1,247	\$1,234	\$1,258	\$1,246	\$1,246	\$1,246	\$1,258	\$1,271
Intangibles	\$16	\$16	\$16	\$24	\$24	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$187	\$196	\$204	\$180	\$184	\$186	\$187	\$189	\$192	\$194	\$196	\$198	\$200	\$202	\$204



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

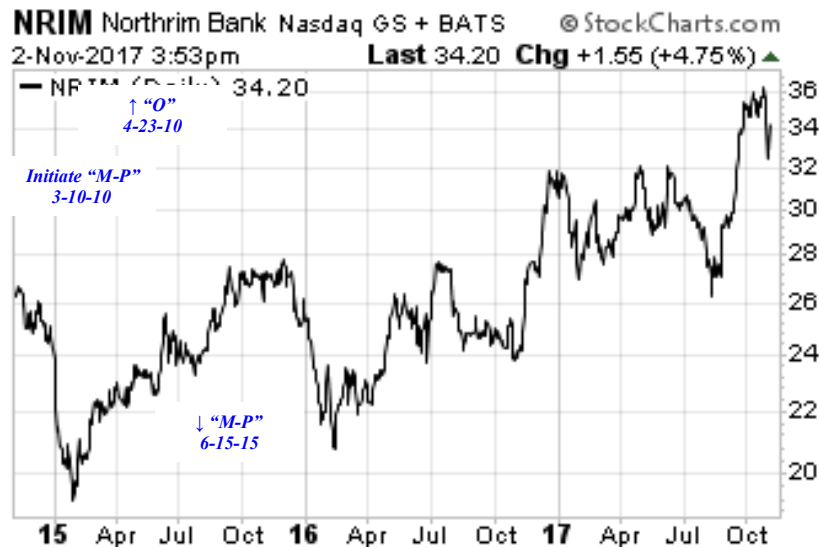
Buy/Outperform “O” FIG expects that total return of the subject stock will outperform the industry benchmark (BIX) over the next 12 months

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.

Ratings Changes for Northrim BanCorp (NRIM)



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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- 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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