

NRIM-Northrim BanCorp, Inc.

NIM Expansion & Modest Growth expected to Drive Improved Operating Leverage and Profitability

- **Maintain “Market Perform” and Lower Price Target to \$40 (-\$3) or ~10x 2019 EPS plus excess capital**
- **Increase Core 2018 & 2019 EPS to \$2.95 (+\$0.16) and \$3.33 (+\$0.43)**
- **Low to Mid Single Digit Loan Growth Expected in 2019, NIM has Upward Bias; Credit quality remains healthy**
- **ROAA to expand to ~1.5% in 2019; Capital flexibility exists w/TCE of 12.5%; AK economy continues to improve**

Shares of NRIM have held up better than peer advancing 7% YTD vs. an 8% decline in NASDAQ Bank Index over the same period. We maintain our “MP” rating due primarily to valuation as we remain encouraged by continued signs of improvement in the Alaska economy and NRIMs strong operating performance and profitability. Our \$40 PT reflects a 10x PE on 2019 EPS plus dollar for dollar credit on excess capital. Our PE multiple is slightly below the peer multiple (11x) reflecting for a modest “Alaska” discount.

EPS Outlook Increase 2018/ 2019 EPS to \$2.95 and \$3.33. Our higher EPS forecast reflects the 3Q18 EPS beat and a higher NIM outlook as earning asset betas exceed deposit betas which remain low aided by rational pricing in its markets. Our 2019 EPS outlook could prove aggressive if three rate hikes (Dec, March, September) fail to materialize over the next twelve months.

Outlook. Loans have grown nearly 3% YTD and management expects a solid finish to 2018. We believe 4-5% growth is achievable in 2019 as NRIM is seeing good opportunities across its markets and the Alaska economy continues to pull out of recession that began in 2014. NIM continues to have an upward bias as Deposit betas remain well controlled aided by balance sheet flexibility; low loan to deposit ratio; 80% while loan/earning asset betas continue to benefit from the variable rate nature of its Loan (~65%) and Securities (~20%) portfolios. The duration of the Securities portfolio is ~24 months. Our forecast assumes three rate hikes over the next twelve months with the first one in December 2018. Fewer rate increases would have negative impact on our forward estimates. Fee Income (ex mortgage unit) is expected to grow modestly in the coming quarters while expenses should remain well controlled resulting in positive operating leverage at Community Bank unit in 2019 with core E/R and ROAA improving to 66% and 1.4%, respectively.

Our forecast calls for Community Bank EPS of \$0.69 and \$2.55 in 4Q18 and 2018, respectively, and \$2.95 in 2019. The mortgage unit is expected to contribute \$0.09 and \$0.40 (ex 3Q18 minority interest write down) in 4Q18 and 2018, respectively, and \$0.38 in 2019. There is no change to our LLP forecast which could prove high given stable qualitative metrics in the loan portfolio, improvement in the local economy and higher oil prices. Further, classified loans fell 10% LQ to \$28M or 3% of loans.

Please see disclosures on FIG Partners’ equity rating system, distribution, and other items on the last page.

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NRIM: \$36.20

“Market-Perform” // Price Target: \$40.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$249.2
Avg. Volume	12,800
Annual Dividend	\$1.02
Dividend Yield	2.82%
Tangible Book/Share	\$27.17
Price/Tangible Book	133%
Price/2018 EPS	12.3x
Price/2019 EPS	10.9x
Total Assets (\$M)	\$1,503
TCE/TA	12.58%
ROAA (2019)	1.53%
ROAE (2019)	10.88%

EPS Estimates

	2016	2017	2018	2019
Q1	\$0.49	\$0.52	\$0.58	\$0.69
Q2	\$0.66	\$0.57	\$0.76	\$0.83
Q3	\$0.67	\$0.43	\$0.83	\$0.90
Q4	\$0.51	\$0.48	\$0.77	\$0.91
FY	\$2.33	\$2.00	\$2.95	\$3.33

Industry Type	Bank
Headquarters	Anchorage, AK
Offices	14
Date Established	2002
CEO	Joseph M. Schierhorn
CFO	Jed W. Ballard

Source (all data): FIG Partners Research, S&P Global Market Intelligence



Maintaining Price Target

FIG Research Rating: "Market-Perform"

Price Target: \$40.00

Implied Gain/Loss versus Current Price: 10.5%

2019 Outlook			
2019 EPS	\$3.33	10.1x	\$33.50
Excess TCE	\$6.50	1.0x	<u>\$6.50</u>
			\$40.00
Tangible Book 12/19	\$29.88	1.34x	\$40.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-18</u>	<u>Dec-19</u>
Market-Cap	249.2	256.7	264.4
TCE in \$\$	187.1	190.6	205.7
Total Deposits	1,233.3	1,245.6	1,277.0
CORE Deposits	1,134.6	1,146.0	1,187.6
Premium - Total	5.0%	5.3%	4.6%
Premium - CORE	5.5%	5.8%	4.9%

Maintain "Market Perform" and Lower Price Target to \$40 or ~10x 2019 EPS plus excess capital

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	1Q17			2Q17			3Q17			4Q17			2017Y		
	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	13,549	284	13,833	13,952	291	14,243	14,566	352	14,918	14,381	303	14,684	56,448	1,230	57,678
Loan Loss Provision	400	0	400	300	0	300	2,500	0	2,500	0	0	0	3,200	0	3,200
Fee Income	3,446	5,450	8,896	3,368	6,351	9,719	7,574	6,219	13,793	2,685	5,267	7,952	17,073	23,287	40,360
Earn Out Expense	0	174	174	0	0	0	0	149	149	0	(193)	(193)	0	130	130
Operating Expense	11,613	4,819	16,432	13,240	5,226	18,466	12,191	5,290	17,481	13,113	5,417	18,530	50,157	20,752	70,909
Pre Tax Income	4,982	741	5,723	3,780	1,416	5,196	7,449	1,132	8,581	3,953	346	4,299	43,330	29,994	23,799
Taxes	1,497	304	1,801	871	584	1,455	2,513	467	2,980	4,754	(669)	4,085	16,502	9,230	25,732
Net Income	3,485	437	3,922	2,909	832	3,741	4,936	665	5,601	(801)	1,015	214	10,529	2,949	13,478
Noncontrolling Interest	97	0	97	152	0	152	78	0	78	0	0	0	327	0	327
Net Income	3,388	437	3,825	2,757	832	3,589	4,858	665	5,523	(801)	1,015	214	10,202	2,949	13,151
Shares Outstanding	6.994	6.994	6.994	6.998	6.998	6.998	6.959	6.959	6.959	6.963	6.963	6.963	6.978	6.978	6.978
Earnings Per Share	0.48	0.06	0.55	0.39	0.12	0.51	0.70	0.10	0.79	-0.12	0.15	0.03	1.46	0.42	1.88
Core Earnings Per Share	0.48	0.06	0.55	0.45	0.12	0.57	0.33	0.10	0.43	0.38	0.10	0.48	1.65	0.38	2.03

EPS Segment Breakdown	1Q18			2Q18			3Q18		
	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings	Core Bank	Mortgage Operation	Aggregate Earnings
Net Interest Income	14,036	227	14,263	14,614	375	14,989	15,358	461	15,819
Loan Loss Provision	0	0	0	(300)	0	(300)	0	0	0
Fee Income	2,518	4,944	7,462	2,836	5,478	8,314	2,770	5,903	8,673
Earn Out Expense	0	0	0	0	0	0	0	0	0
Operating Expense	12,367	4,428	16,795	11,748	4,858	16,606	12,204	5,895	18,099
Pre Tax Income	4,187	743	4,930	6,002	995	6,997	5,924	469	6,393
Taxes	659	201	860	882	285	1,167	996	131	1,127
Net Income	3,528	542	4,070	5,120	710	5,830	4,928	338	5,266
Noncontrolling Interest	0	0	0	0	0	0	0	0	0
Net Income	3,528	542	4,070	5,120	710	5,830	4,928	338	5,266
Shares Outstanding	6.968	6.968	6.968	6.977	6.977	6.977	6.991	6.991	6.991
Earnings Per Share	0.51	0.08	0.58	0.73	0.10	0.84	0.70	0.05	0.84
Core Earnings Per Share	0.51	0.08	0.58	0.65	0.10	0.76	0.70	0.13	0.84

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

NRIM posted a strong quarterly beat as robust NIM expansion drove a 4% LQ increase in community bank revenues which along with good expense controls paved the way for positive operating leverage w/ core E/R dropping to 67%. Zero provisioning also supported strong profitability w/Core bank ROAA of ~1.3%. Loans grew 6% LQA in 3Q18 driven by growth in C&I & C&D.

Community Bank unit contributed \$0.70 to 3Q18 core EPS with the Mortgage unit adding \$0.13. Reported mortgage EPS were a lower \$0.05 impacted by a \$804k write down of minority interest. This compares to core EPS of \$0.65 and \$0.10, respectively, last quarter.

NRIM Snapshot

										<i>% Change</i>		
	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	Y/Y	LQ
Earnings Per Share (EPS)	\$0.63	\$0.44	\$0.51	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.75	-5.1%	-9.9%
Tangible Book Value	\$23.30	\$24.61	\$24.70	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.17	4.5%	1.9%
Shares Outstanding EOP	6.88	6.88	6.90	6.91	6.91	6.85	6.87	6.87	6.87	6.88	0.5%	0.2%
Net Interest Income	\$14.08	\$14.21	\$13.89	\$13.83	\$14.24	\$14.92	\$14.68	\$14.26	\$14.99	\$15.82	6.0%	5.5%
Loan Loss Provision	\$0.20	\$0.65	\$0.74	\$0.40	\$0.30	\$2.50	\$0.00	\$0.00	(\$0.30)	\$0.00	-100.0%	-100.0%
Total Fee Income	\$11.86	\$11.94	\$10.36	\$8.90	\$9.72	\$13.86	\$7.95	\$7.46	\$8.31	\$8.67	-37.4%	4.3%
Gain/Loss on Securities	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Non-Interest Expense	\$19.37	\$21.19	\$18.35	\$16.61	\$18.47	\$17.69	\$18.34	\$16.80	\$16.61	\$18.10	2.3%	9.0%
Pre-Tax Income	\$6.37	\$4.31	\$5.15	\$5.72	\$5.20	\$8.58	\$4.30	\$4.93	\$7.00	\$6.39	-25.5%	-8.6%
Taxes	\$1.87	\$1.03	\$1.46	\$1.80	\$1.46	\$2.98	\$4.09	\$0.87	\$1.17	\$1.13	-62.1%	-3.3%
Tax Rate	29%	24%	28%	31%	28%	35%	95%	18%	17%	18%	-49.1%	5.9%
Net Income	\$4.51	\$3.28	\$3.70	\$3.92	\$3.74	\$5.60	\$0.21	\$4.06	\$5.83	\$5.26	-6.0%	-9.7%
Total Core Revenue	\$25.93	\$26.15	\$24.25	\$22.72	\$23.96	\$24.33	\$22.64	\$21.73	\$23.30	\$24.49	0.7%	5.1%
Total Core Fee Income	\$11.85	\$11.94	\$10.36	\$8.88	\$9.72	\$9.42	\$7.95	\$7.46	\$8.31	\$8.67	-7.9%	4.3%
Core Expenses	\$19.01	\$18.59	\$18.35	\$16.83	\$17.75	\$17.74	\$17.72	\$16.69	\$16.60	\$18.06	1.8%	8.8%
ROAA	1.21%	0.86%	0.97%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.41%	-3.7%	-10.2%
ROAE	9.70%	7.18%	8.24%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.36%	-10.0%	-12.0%
Net Interest Margin	4.27%	4.17%	4.07%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.74%	9.2%	3.9%
Core Efficiency Ratio	72.6%	70.4%	74.9%	73.2%	73.3%	72.1%	77.5%	76.1%	70.6%	73.1%	1.4%	3.5%
Core Exp. / Avg. Assets	5.11%	4.87%	4.82%	4.51%	4.71%	4.65%	4.66%	4.47%	4.48%	4.85%	4.3%	8.2%
Gross Loans	\$967	\$997	\$975	\$961	\$991	\$989	\$956	\$968	\$968	\$982	-0.7%	1.5%
Intangibles	\$23.7	\$16.4	\$16.3	\$16.3	\$16.3	\$16.2	\$16.2	\$16.2	\$16.2	\$16.2	-0.5%	-0.1%
Total Deposits	\$1,256	\$1,278	\$1,268	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,233	-2.0%	2.3%
Total Common Equity	\$184	\$186	\$187	\$189	\$192	\$194	\$193	\$195	\$199	\$203	4.5%	1.9%
Avg Assets	\$1,489	\$1,525	\$1,522	\$1,492	\$1,507	\$1,525	\$1,520	\$1,494	\$1,481	\$1,489	-2.4%	0.6%
Avg Loans	\$969	\$979	\$978	\$970	\$969	\$1,004	\$980	\$956	\$964	\$985	-1.9%	2.2%
Avg Earning Assets	\$1,345	\$1,375	\$1,379	\$1,352	\$1,361	\$1,383	\$1,372	\$1,352	\$1,335	\$1,338	-3.3%	0.2%
Avg Deposits	\$1,235	\$1,264	\$1,265	\$1,231	\$1,245	\$1,263	\$1,255	\$1,234	\$1,218	\$1,224	-3.1%	0.5%
Loan / Deposit	77.0%	78.0%	76.9%	77.0%	80.3%	78.6%	76.0%	76.7%	80.3%	79.6%	1.3%	-0.8%
TCE Ratio	10.72%	11.12%	11.28%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.58%	6.4%	-0.1%
Net Charge-offs	(\$2)	(\$442)	\$525	\$204	\$132	\$1,097	\$2	\$1,012	\$41	(\$52)	-104.7%	-226.8%
NPL's + 90 Days Past	\$22,455	\$24,197	\$19,523	\$20,979	\$29,513	\$32,432	\$29,798	\$28,225	\$25,731	\$20,284	-37.5%	-21.2%
OREO	\$2,558	\$2,824	\$6,379	\$5,802	\$4,315	\$3,505	\$8,651	\$8,815	\$8,959	\$8,707	148.4%	-2.8%
Total NPA'S	\$24,966	\$27,021	\$25,446	\$24,715	\$31,511	\$33,877	\$36,397	\$35,264	\$33,083	\$27,281	-19.5%	-17.5%
NPA / (Loans + OREO)	2.57%	2.70%	2.59%	2.56%	3.17%	3.41%	3.77%	3.61%	3.39%	2.75%	-19.3%	-18.7%
NCOs / Avg Loans	0.00%	-0.18%	0.21%	0.08%	0.05%	0.44%	0.00%	0.42%	0.02%	-0.02%	-104.8%	-224.1%

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

Earnings Model

	Annual				2017 Quarterly				2018 Quarterly				2019 Quarterly			
	2016A	2017A	2018E	2019E	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<i>Income Data: (\$ in Millions)</i>																
Net Interest Income	\$56.4	\$57.7	\$61.2	\$68.5	\$13.8	\$14.2	\$14.9	\$14.7	\$14.3	\$15.0	\$15.8	\$16.2	\$16.0	\$17.0	\$17.6	\$18.0
Loan Loss Provision	\$2.3	\$3.2	(\$0.2)	\$1.4	\$0.4	\$0.3	\$2.5	\$0.0	\$0.0	(\$0.3)	\$0.0	\$0.2	\$0.2	\$0.4	\$0.4	\$0.4
Non-Interest Income	\$43.3	\$35.9	\$32.0	\$31.7	\$8.9	\$9.7	\$9.4	\$8.0	\$7.5	\$8.3	\$8.7	\$7.6	\$7.5	\$8.1	\$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	\$0.0	\$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	\$0.0
One-Time Items	(\$3.0)	\$3.2	(\$0.1)	\$0.0	\$0.2	(\$0.6)	\$4.3	(\$0.7)	\$0.0	\$0.7	(\$0.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$73.3	\$69.8	\$68.3	\$70.3	\$16.8	\$17.8	\$17.5	\$17.7	\$16.8	\$17.3	\$17.3	\$17.0	\$17.4	\$17.7	\$17.9	\$17.3
Pre-Tax Income	\$21.0	\$23.8	\$25.0	\$28.5	\$5.7	\$5.2	\$8.6	\$4.3	\$4.9	\$7.0	\$6.4	\$6.6	\$5.9	\$7.1	\$7.7	\$7.8
Taxes	\$6.1	\$10.3	\$4.4	\$5.3	\$1.8	\$1.5	\$3.0	\$4.1	\$0.9	\$1.2	\$1.1	\$1.2	\$1.1	\$1.3	\$1.4	\$1.4
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	\$0.0
Net Income	\$15.0	\$13.5	\$20.6	\$23.3	\$3.9	\$3.7	\$5.6	\$0.2	\$4.1	\$5.8	\$5.3	\$5.4	\$4.8	\$5.8	\$6.3	\$6.4
Noncontrolling segment income	\$0.6	\$0.3	\$0.0	\$0.0	\$0.1	\$0.2	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$14.4	\$13.2	\$20.6	\$23.3	\$3.8	\$3.6	\$5.5	\$0.2	\$4.1	\$5.8	\$5.3	\$5.4	\$4.8	\$5.8	\$6.3	\$6.4
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	\$7.0
Earnings Per Share (EPS)	\$2.07	\$1.88	\$2.95	\$3.33	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.75	\$0.77	\$0.69	\$0.83	\$0.90	\$0.91
<i>Per Share Data:</i>																
Reported Book Value	\$27.07	\$28.06	\$30.04	\$32.23	\$27.42	\$27.75	\$28.374	\$28.056	\$28.372	\$29.020	\$29.524	\$30.04	\$30.44	\$30.98	\$31.60	\$32.23
Tangible Book Value	\$24.70	\$25.70	\$27.69	\$29.88	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.17	\$27.69	\$28.09	\$28.63	\$29.25	\$29.88
Dividends	\$0.78	\$0.86	\$1.02	\$1.19	\$0.21	\$0.21	\$0.22	\$0.22	\$0.24	\$0.24	\$0.27	\$0.27	\$0.30	\$0.30	\$0.30	\$0.30
Pre-Tax, Pre-Provision EPS	\$3.77	\$3.41	\$3.57	\$4.29	\$0.90	\$0.80	\$1.586	\$0.707	\$0.722	\$0.961	\$0.921	\$1.06	\$0.87	\$1.07	\$1.17	\$1.28
CORE GAAP EPS	\$2.30	\$2.03	\$2.95	\$3.33	\$0.55	\$0.57	\$0.43	\$0.48	\$0.58	\$0.76	\$0.83	\$0.77	\$0.69	\$0.83	\$0.90	\$0.91
<i>KEY Ratios:</i>																
Net Interest Margin	4.20%	4.28%	4.63%	5.14%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.74%	4.89%	5.04%	5.14%	5.14%	5.24%
Return on Avg Assets	1.00%	0.89%	1.38%	1.53%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.41%	1.45%	1.30%	1.54%	1.65%	1.64%
Return on Avg Equity	8.25%	6.98%	10.25%	10.88%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.36%	10.55%	9.21%	10.94%	11.70%	11.62%
Return on Tang. Common Eq.	8.51%	7.48%	10.81%	11.33%	8.88%	8.22%	12.44%	0.52%	9.12%	12.75%	11.28%	4.00%	9.94%	11.75%	12.54%	4.00%
Pre-Tax Pre-Provision ROA	1.75%	1.58%	1.67%	1.98%	1.69%	1.48%	2.89%	1.29%	1.35%	1.81%	1.73%	1.99%	1.65%	1.99%	2.14%	2.29%
Efficiency Ratio	73.46%	74.44%	73.18%	70.03%	73.25%	73.62%	71.15%	77.20%	76.62%	73.51%	70.02%	70.80%	73.46%	69.70%	68.15%	67.14%
Overhead Ratio	4.87%	4.62%	4.59%	4.63%	4.51%	4.73%	4.58%	4.65%	4.50%	4.67%	4.65%	4.54%	4.71%	4.70%	4.68%	4.45%
TCE/TA	11.28%	11.75%	12.70%	13.26%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.58%	12.70%	12.85%	12.96%	13.11%	13.26%
<i>Period-End Balances: (\$ in Millions)</i>																
Earning Assets	\$1,369	\$1,367	\$1,345	\$1,400	\$1,360	\$1,346	\$1,395	\$1,367	\$1,396	\$1,328	\$1,341	\$1,345	\$1,331	\$1,352	\$1,379	\$1,400
Total Assets	\$1,527	\$1,519	\$1,518	\$1,568	\$1,513	\$1,493	\$1,523	\$1,519	\$1,525	\$1,470	\$1,503	\$1,518	\$1,521	\$1,537	\$1,552	\$1,568
Risk-Weighted Assets	\$1,297	\$1,280	\$1,318	\$1,385	\$1,258	\$1,296	\$1,297	\$1,280	\$1,280	\$1,290	\$1,305	\$1,318	\$1,331	\$1,351	\$1,371	\$1,385
Gross Loans HFI	\$975	\$956	\$987	\$1,032	\$961	\$991	\$989	\$956	\$968	\$968	\$982	\$987	\$977	\$997	\$1,017	\$1,032
Total Deposits	\$1,268	\$1,258	\$1,246	\$1,277	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,233	\$1,246	\$1,246	\$1,252	\$1,264	\$1,277
Intangibles	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$187	\$193	\$207	\$222	\$189	\$192	\$194	\$193	\$195	\$199	\$203	\$207	\$210	\$213	\$218	\$222



FIG Partners LLC Distribution of Ratings

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
- 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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