

NRIM-Northrim BanCorp, Inc.

NIM Expansion & Expense Controls Drive Improved Operating Leverage

- **Maintain “Market Perform” and Increase Price Target to \$44 or 13x 2019 EPS plus excess capital**
- **Increase Core 2018 & 2019 EPS to \$2.79 and \$2.90**
- **Modest Loan Growth Expected in 2H18, NIM continues to have Upward Bias; Credit remains Healthy**
- **ROAA forecast to expand to ~1.30% in 2018; Capital flexibility persists with TCE exceeding 13.5%**

The Alaska economy continues to show signs of improvement which has positive implications prospectively. Notably, 1) GDP has increased for three consecutive quarters, 2) developments on North Slope set stage for more jobs/increased tax revenue and 3) critical deficiencies in state’s budget deficit have been resolved providing more certainty for businesses looking to invest in Alaska. While we are encouraged by recent economic trends and NRIM’s strong 2Q18 operating performance and profitability (ROAA of 1.3% estimated in 2018 & 2019) , we remain Market Perform due to valuation. A peer like multiple on our 2019 EPS plus dollar for dollar credit on excess capital yields a \$44 Price target.

EPS outlook We are increasing our 2018 and 2019 EPS to \$2.79 and \$2.90, respectively. Our EPS revisions primarily reflect the 2Q18 EPS Beat and a higher NIM outlook

Outlook. We expect a pick up in loan growth in 2H18 given seasonal strength (C&D loans expected to fund up), growing momentum at its new LPO in the Kenai peninsula and an improving economy. We continue to model 4-5% growth for FY 2018 with just 1% growth in 1H18. NIM rose sharply in 2Q18 and continues to have a positive bias over the coming quarters as deposit betas are expected to remain well controlled aided by balance sheet flexibility; low Loan-to-Deposit ratio; 80%, while loan and earning asset betas continue to benefit from the variable rate nature of its Loan / Securities portfolio. We estimate 65% of loans are variable rate and there are another \$70M of securities forecast to reprice in 2H18 (~\$100M repriced in 1H18). NRIM is reaping the rewards of staying short on its investment portfolio in recent years.

Our forecast calls for the Community Bank and Mortgage units to contribute core EPS of \$2.38 and \$0.38 and \$2.53 and \$0.38, respectively, in 2018 and 2019. We project the Community Bank to earn \$1.26 in 2H18 with NII, provision, fees and expenses of \$31M, \$0.7M, \$5.6M and \$25.6M, respectively, with mortgage revenues and expenses of \$10.9M and \$9.1M. We have lowered our provision forecast as we feel more positive on credit given signs of improvement in the economy and higher oil prices (biggest qualitative factors). Further, classified loans were down 5% LQ to \$33.9M and inflows to classifieds remain low.

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

NRIM: \$41.10

“Market-Perform” // Price Target: \$44.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$282.5
Avg. Volume	18,257
Annual Dividend	\$0.96
Dividend Yield	2.09%
Tangible Book/Share	\$26.66
Price/Tangible Book	154%
Price/2018 EPS	20.6x
Price/2019 EPS	14.8x
Total Assets (\$M)	\$1,470
TCE/TA	12.60%
ROAA (2018)	1.33%
ROAE (2018)	9.96%

EPS Estimates

	2016	2017	2018	2019
Q1	\$0.49	\$0.52	\$0.58	-
Q2	\$0.66	\$0.57	\$0.77	-
Q3	\$0.67	\$0.43	\$0.74	-
Q4	\$0.51	\$0.48	\$0.70	-
FY	\$2.33	\$2.00	\$2.79	\$2.90

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: \$44.00

Implied Gain/Loss versus Current Price: 7.1%

2019 Outlook			
2019 EPS	\$2.90	13.0x	\$37.58
Excess TCE	\$6.42	1.0x	<u>\$6.42</u>
			\$44.00
Tangible Book 12/19	\$29.53	1.49x	\$44.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-18</u>	<u>Dec-19</u>
Market-Cap	282.5	291.0	299.7
TCE in \$\$	183.3	190.0	203.0
Total Deposits	1,205.5	1,229.8	1,260.7
CORE Deposits	1,109.1	1,131.4	1,172.5
Premium - Total	8.2%	8.2%	7.7%
Premium - CORE	8.9%	8.9%	8.2%

Maintain "Market Perform" and Increase Price Target to \$44 or 13x 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	(174)	174	0	0	0	0	(149)	149	0	193	(193)	0	(130)	130	0
Operating Expense	12,009	4,819	16,828	12,607	5,226	17,833	12,161	5,290	17,451	13,113	4,731	17,844	49,890	20,066	69,956
Pre Tax Income	4,760	741	5,501	4,413	1,416	5,829	7,628	1,132	8,760	3,953	1,032	4,985	43,963	30,637	24,882
Taxes	1,497	304	1,801	1,093	584	1,455	2,513	467	2,980	1,265	424	1,689	13,013	10,323	23,336
Net Income	3,263	437	3,700	3,320	832	4,152	5,115	665	5,780	2,688	608	3,296	14,386	2,542	16,928
Noncontrolling Interest	97	0	97	152	0	152	78	0	78	0	0	0	327	0	327
Net Income	3,166	437	3,603	3,168	832	4,000	2,357	665	3,022	2,688	608	3,296	11,379	2,542	13,921
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	0.45	0.06	0.52	0.45	0.12	0.57	0.34	0.10	0.43	0.39	0.09	0.47	1.63	0.36	1.99

EPS Segment Breakdown	1Q18			2Q18		
	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
Loan Loss Provision	0	0	0	(300)	0	(300)
Fee Income	2,518	4,944	7,462	2,836	5,478	8,314
Earn Out Expense	0	0	0	0	0	0
Operating Expense	12,394	4,401	16,795	11,748	4,858	16,606
Pre Tax Income	4,160	770	4,930	6,002	995	6,997
Taxes	659	209	868	882	285	1,167
Net Income	3,501	561	4,062	5,120	710	5,830
Noncontrolling Interest	0	0	0	0	0	0
Net Income	3,501	561	4,062	5,120	710	5,830
Shares Outstanding	6.968	6.968	6.968	6.977	6.977	6.977
Earnings Per Share	0.50	0.08	0.58	0.73	0.10	0.84

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

NRIM delivered a strong quarter beat as robust NIM expansion drove a 5% LQ increase in revenues which along with good expense controls (core levels were flat LQ ex one time item) paved the way for positive operating leverage. A modest LLR release further added to rising profitability with Core ROAA jumping to ~150 bps). Loans were flat as growth in C&I & C&D were offset by a reduction in CRE.

The Community Bank unit contributed \$0.67 to 2Q18 core EPS (\$0.74 reported) with the Mortgage unit contributing the remaining \$0.10. This compares to \$0.50 and \$0.08, respectively, last quarter.

NRIM Snapshot

	2Q16A	3Q16A	4Q16A	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	% Change	
										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	62.9%	43.3%
Tangible Book Value	\$23.30	\$24.61	\$24.70	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	5.0%	2.5%
Shares Outstanding EOP	6.88	6.88	6.90	6.91	6.91	6.85	6.87	6.87	6.87	-0.5%	0.0%
Net Interest Income	\$14.08	\$14.21	\$13.89	\$13.83	\$14.24	\$14.92	\$14.68	\$14.26	\$14.99	5.2%	5.1%
Loan Loss Provision	\$0.20	\$0.65	\$0.74	\$0.40	\$0.30	\$2.50	\$0.00	\$0.00	(\$0.30)	-200.0%	
Total Fee Income	\$11.86	\$11.94	\$10.36	\$8.90	\$9.72	\$13.86	\$7.95	\$7.46	\$8.31	-14.4%	11.4%
Gain/Loss on Securities	\$0.01	\$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	-10.1%	-1.1%
Pre-Tax Income	\$6.37	\$4.31	\$5.15	\$5.72	\$5.20	\$8.58	\$4.30	\$4.93	\$7.00	34.7%	41.9%
Taxes	\$1.87	\$1.03	\$1.46	\$1.80	\$1.46	\$2.98	\$4.09	\$0.87	\$1.17	-19.8%	34.4%
Tax Rate	29%	24%	28%	31%	28%	35%	95%	18%	17%	-40.4%	-5.3%
Net Income	\$4.51	\$3.28	\$3.70	\$3.92	\$3.74	\$5.60	\$0.21	\$4.06	\$5.83	55.8%	43.5%
Total Core Revenue	\$25.93	\$26.15	\$24.25	\$22.72	\$23.96	\$24.33	\$22.64	\$21.73	\$23.30	-2.8%	7.3%
Total Core Fee Income	\$11.85	\$11.94	\$10.36	\$8.88	\$9.72	\$9.42	\$7.95	\$7.46	\$8.31	-14.4%	11.4%
Core Expenses	\$19.01	\$18.59	\$18.35	\$16.83	\$17.75	\$17.74	\$17.72	\$16.69	\$16.60	-6.5%	-0.6%
ROAA	1.21%	0.86%	0.97%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	58.6%	44.8%
ROAE	9.70%	7.18%	8.24%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	52.2%	41.5%
Net Interest Margin	4.27%	4.17%	4.07%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	7.0%	5.3%
Core Efficiency Ratio	72.6%	70.4%	74.9%	73.2%	73.3%	72.1%	77.5%	76.1%	70.6%	-3.6%	-7.3%
Core Exp. / Avg. Assets	5.11%	4.87%	4.82%	4.51%	4.71%	4.65%	4.66%	4.47%	4.48%	-4.9%	0.3%
Gross Loans	\$967	\$997	\$975	\$961	\$991	\$989	\$956	\$968	\$968	-2.4%	0.0%
Intangibles	\$23.7	\$16.4	\$16.3	\$16.3	\$16.3	\$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	-2.3%	-4.4%
Total Common Equity	\$184	\$186	\$187	\$189	\$192	\$194	\$193	\$195	\$199	4.0%	2.3%
Avg Assets	\$1,489	\$1,525	\$1,522	\$1,492	\$1,507	\$1,525	\$1,520	\$1,494	\$1,481	-1.7%	-0.9%
Avg Loans	\$969	\$979	\$978	\$970	\$969	\$1,004	\$980	\$956	\$964	-0.5%	0.8%
Avg Earning Assets	\$1,345	\$1,375	\$1,379	\$1,352	\$1,361	\$1,383	\$1,372	\$1,352	\$1,335	-1.9%	-1.3%
Avg Deposits	\$1,235	\$1,264	\$1,265	\$1,231	\$1,245	\$1,263	\$1,255	\$1,234	\$1,218	-2.1%	-1.3%
Loan / Deposit	77.0%	78.0%	76.9%	77.0%	80.3%	78.6%	76.0%	76.7%	80.3%	0.0%	4.6%
TCE Ratio	10.72%	11.12%	11.28%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	6.1%	6.3%
Net Charge-offs	(\$2)	(\$442)	\$525	\$204	\$132	\$1,097	\$2	\$1,012	\$41	-68.9%	-95.9%
NPL's + 90 Days Past	\$22,455	\$24,197	\$19,523	\$20,979	\$29,513	\$32,432	\$29,798	\$28,225	\$25,731	-12.8%	-8.8%
OREO	\$2,558	\$2,824	\$6,379	\$5,802	\$4,315	\$3,505	\$8,651	\$8,815	\$8,959	107.6%	1.6%
Total NPA'S	\$24,966	\$27,021	\$25,446	\$24,715	\$31,511	\$33,877	\$36,397	\$35,264	\$33,083	5.0%	-6.2%
NPA / (Loans + OREO)	2.57%	2.70%	2.59%	2.56%	3.17%	3.41%	3.77%	3.61%	3.39%	7.0%	-6.2%
NCOs / Avg Loans	0.00%	-0.18%	0.21%	0.08%	0.05%	0.44%	0.00%	0.42%	0.02%	-68.8%	-96.0%

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	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E
<i>Income Data: (\$ in Millions)</i>																
Net Interest Income	\$56.4	\$57.7	\$60.94	\$65.6	\$13.8	\$14.2	\$14.9	\$14.7	\$14.3	\$15.0	\$15.8	\$15.9	\$15.4	\$16.1	\$16.9	\$17.2
Loan Loss Provision	\$2.3	\$3.2	\$0.40	\$1.6	\$0.4	\$0.3	\$2.5	\$0.0	\$0.0	(\$0.3)	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4
Non-Interest Income	\$43.3	\$35.9	\$31.72	\$31.8	\$8.9	\$9.718	\$9.4	\$8.0	\$7.5	\$8.3	\$8.3	\$7.6	\$7.5	\$8.3	\$8.4	\$7.6
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.00	\$0.0	\$0.0	\$0.000	\$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	\$0.00	\$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	\$0.00	\$0.0	\$0.2	(\$0.6)	\$4.3	(\$0.7)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$73.3	\$69.8	\$68.09	\$70.9	\$16.8	\$17.833	\$17.5	\$17.7	\$16.8	\$16.6	\$17.5	\$17.2	\$17.3	\$17.8	\$18.0	\$17.8
Pre-Tax Income	\$21.0	\$23.8	\$24.18	\$24.8	\$5.7	\$5.196	\$8.6	\$4.3	\$4.9	\$7.0	\$6.3	\$6.0	\$5.2	\$6.2	\$6.8	\$6.6
Taxes	\$6.1	\$10.3	\$4.3	\$4.6	\$1.8	\$1.5	\$3.0	\$4.1	\$0.9	\$1.2	\$1.1	\$1.1	\$1.0	\$1.2	\$1.3	\$1.2
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	\$19.9	\$20.2	\$3.9	\$3.7	\$5.6	\$0.2	\$4.1	\$5.8	\$5.2	\$4.9	\$4.2	\$5.1	\$5.5	\$5.4
Noncontrolling segment income	\$0.579	\$0.327	\$0.0	\$0.0	\$0.1	\$0.2	\$0.1	\$0.0	\$0.0	\$0.000	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$14.4	\$13.2	\$19.9	\$20.2	\$3.8	\$3.6	\$5.5	\$0.2	\$4.1	\$5.830	\$5.2	\$4.9	\$4.2	\$5.1	\$5.5	\$5.4
Avg. Shares O/S	7.0	7.0	7.0	7.0	\$7.0	\$6.998	\$7.0	\$7.0	\$7.0	\$6.977	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0
Earnings Per Share (EPS)	\$2.07	\$1.88	\$2.85	\$2.90	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.74	\$0.70	\$0.61	\$0.73	\$0.79	\$0.77
<i>Per Share Data:</i>																
Reported Book Value	\$27.07	\$28.06	\$30.00	\$31.89	\$27.42	\$27.75	\$28.374	\$28.056	\$28.372	\$29.020	\$29.53	\$30.00	\$30.35	\$30.83	\$31.37	\$31.89
Tangible Book Value	\$24.70	\$25.70	\$27.64	\$29.53	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.18	\$27.64	\$28.00	\$28.47	\$29.01	\$29.53
Dividends	\$0.78	\$0.86	\$0.96	\$1.06	\$0.21	\$0.21	\$0.22	\$0.22	\$0.24	\$0.24	\$0.24	\$0.24	\$0.26	\$0.26	\$0.26	\$0.26
Pre-Tax, Pre-Provision EPS	\$3.77	\$3.41	\$3.52	\$3.79	\$0.90	\$0.80	\$1.586	\$0.707	\$0.722	\$0.961	\$0.94	\$1.00	\$0.80	\$0.95	\$1.02	\$1.10
CORE GAAP EPS	\$2.30	\$2.00	\$2.79	\$2.90	\$0.52	\$0.57	\$0.43	\$0.48	\$0.58	\$0.77	\$0.74	\$0.70	\$0.61	\$0.73	\$0.79	\$0.77
<i>KEY Ratios:</i>																
Net Interest Margin	4.20%	4.28%	4.59%	4.83%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.70%	4.75%	4.77%	4.80%	4.85%	4.90%
Return on Avg Assets	1.00%	0.89%	1.33%	1.31%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.37%	1.28%	1.13%	1.33%	1.41%	1.36%
Return on Avg Equity	8.25%	6.98%	9.96%	9.54%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.25%	9.50%	8.18%	9.68%	10.32%	9.92%
Return on Tang. Common Eq.	8.51%	7.48%	10.50%	9.99%	8.88%	8.22%	12.44%	0.52%	9.12%	12.75%	11.06%	4.00%	8.84%	10.42%	11.09%	4.00%
Pre-Tax Pre-Provision ROA	1.75%	1.58%	1.64%	1.71%	1.69%	1.48%	2.89%	1.29%	1.35%	1.81%	1.75%	1.83%	1.49%	1.74%	1.82%	1.93%
Efficiency Ratio	73.46%	74.44%	73.40%	72.78%	73.25%	73.62%	71.15%	77.20%	76.62%	70.65%	71.87%	72.56%	74.88%	72.21%	71.00%	71.16%
Overhead Ratio	4.87%	4.62%	4.54%	4.59%	4.51%	4.73%	4.58%	4.65%	4.50%	4.49%	4.65%	4.54%	4.59%	4.66%	4.62%	4.48%
TCE/TA	11.28%	11.75%	12.80%	13.24%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.71%	12.80%	12.94%	13.02%	13.14%	13.24%
<i>Period-End Balances: (\$ in Millions)</i>																
Earning Assets	\$1,369	\$1,367	\$1,362	\$1,427	\$1,360	\$1,346	\$1,395	\$1,367	\$1,396	\$1,328	\$1,348	\$1,362	\$1,352	\$1,370	\$1,401	\$1,427
Total Assets	\$1,527	\$1,519	\$1,500	\$1,549	\$1,513	\$1,493	\$1,523	\$1,519	\$1,525	\$1,470	\$1,485	\$1,500	\$1,504	\$1,519	\$1,534	\$1,549
Risk-Weighted Assets	\$1,297	\$1,280	\$1,312	\$1,379	\$1,258	\$1,296	\$1,297	\$1,280	\$1,292	\$1,280	\$1,299	\$1,312	\$1,325	\$1,345	\$1,365	\$1,379
Gross Loans HFI	\$975	\$956	\$997	\$1,047	\$961	\$991	\$989	\$956	\$968	\$968	\$992	\$997	\$987	\$1,002	\$1,032	\$1,047
Total Deposits	\$1,268	\$1,258	\$1,230	\$1,261	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,218	\$1,230	\$1,230	\$1,236	\$1,248	\$1,261
Intangibles	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$187	\$193	\$206	\$219	\$189	\$192	\$194	\$193	\$195	\$199	\$203	\$206	\$209	\$212	\$216	\$219



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	42.2%	57.8%	0.0%
IB Client % in Category	29.6%	14.9%	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.

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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