

NRIM-Northrim BanCorp, Inc.

Modest Growth & NIM Expansion Expected to Drive Improved Operating Leverage in '19

- **Maintain “Market Perform” with Price Target of \$42 or ~12.5x 2019 EPS plus excess capital**
- **Reduce 2019 EPS to \$2.83 to reflect lower NIM and higher tax rate and Establish 2020 EPS at \$2.95**
- **Low to mid-single digit loan growth forecast in 2019 and NIM has upward bias**
- **Capital flexibility exists w/TCE >12.75%; Credit remains healthy & 2019 ROAA projected to be 1.3%**

We maintain our “Market Perform” rating due primarily to valuation as we remain encouraged by gradual signs of improvement in the Alaska economy and the company’s solid profitability profile which is supported by an above peer NIM (low cost deposit base) and strong credit quality (low credit costs). Further, we note that capital flexibility persists and offers upside to EPS and the shares. We see the primary near term uses of capital; which continues to expand given solid profitability, as organic growth, dividends and share repurchases. Management is interested in M&A though nothing appears imminent.

EPS Outlook: We are lowering our 2019 EPS to \$2.83 from \$3.33 to reflect a lower NIM forecast; driven by our outlook for fewer rate hikes and a higher effective tax rate: ~20% vs. 18%. We establish our 2019 EPS at \$2.95. Our EPS estimates assume modest share repurchases. The company currently has ~150k shares remaining on its current authorization.

Outlook: NRIM delivered low single digit loan growth in 2018 and 3-5% growth appears achievable in 2019 as management is seeing good opportunities across its markets and the Alaska economy continues to gradually pull out of the recession that began in 2014. Notably, there is good activity on the North Slope and the price of oil has increased. That said, we are closely monitoring the proposed budget cuts in Alaska as this could negatively impact the economy and our outlook for loan growth. The governor of Alaska has recently proposed significant cuts to help balance the budget while paying the Permanent Fund dividend without new taxes. Big budget cuts could have a significant effect on the state’s economy. A recent study projected that for every \$100M in budget cuts; between 980-1,260 Alaskans could lose their jobs. NIM has an upward bias in the near term given the favorable impact of the December rate hike on its variable rate portfolio along with moderating deposit betas which increased in 4Q18 due to CD specials. Our outlook for no rate hikes in 2019 should help limit near term funding cost pressure. Fee Income (ex mortgage) is expected to grow ~5% in 19 while expenses (ex mortgage) should remain well controlled (+3-4%) resulting in positive operating leverage at the Community Bank unit in 2019 with core E/R improving to 69% and ROAA ~1.1%.

Our forecast calls for NRIM’s Bank unit to earn \$17.5M or \$2.53 in 2019 with the Mortgage unit adding \$2.1M or \$0.30 for total EPS of \$2.83. This compares to core EPS \$2.80 in 2018 including \$17.2M or \$2.46 at the Bank unit and \$2.4M or \$0.34 at the Mortgage unit. There is no change to our 2019 LLP forecast of ~\$1.5M which is expected to cover growth and NCOs such that LLR coverage holds stable around 1.95-2.00% of loans. Classified loans declined 8% LQ to \$27.2M or sub 3% of loans.

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

NRIM: \$39.37

“Market-Perform” // Price Target: \$42.00

Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$271.0
Avg. Volume	14,163
Annual Dividend	\$1.02
Dividend Yield	2.59%
Tangible Book/Share	\$27.57
Price/Tangible Book	143%
Price/2019 EPS	13.9x
Price/2020 EPS	13.3x
Total Assets (\$M)	\$1,503
TCE/TA	12.76%
ROAA (2019)	1.29%
ROAE (2019)	9.35%

EPS Estimates

	2017	2018	2019	2020
Q1	\$0.52	\$0.58	\$0.63	-
Q2	\$0.57	\$0.76	\$0.71	-
Q3	\$0.43	\$0.83	\$0.78	-
Q4	\$0.48	\$0.63	\$0.71	-
FY	\$2.00	\$2.80	\$2.83	\$2.95

Industry Type	Bank
Headquarters	Anchorage, AK
Offices	15
Date Established	2002
CEO	Joseph M. Schierhorn
CFO	Jed W. Ballard

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



Price Target Analysis

FIG Research Rating: "Market-Perform"

Price Target: \$42.00

Implied Gain/Loss versus Current Price: 6.7%

2019 Outlook			
2019 EPS	\$2.83	12.7x	\$36.00
Excess TCE	\$6.00	1.0x	<u>\$6.00</u>
			\$42.00
Tangible Book 12/19	\$28.99	1.45x	\$42.00

Source: FIG Partners Research & Forward Estimates

Deposit Premium Analysis

	<u>Current</u>	<u>Dec-18</u>	<u>Dec-19</u>
Market-Cap	271.0	279.1	287.5
TCE in \$\$	189.8	197.4	208.8
Total Deposits	1,228.1	1,259.0	1,290.8
CORE Deposits	1,129.8	1,158.3	1,200.4
Premium - Total	6.6%	6.5%	6.1%
Premium - CORE	7.2%	7.1%	6.6%

Maintain "Market Perform" with Price Target of \$42 or ~12.5x 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			4Q18			2018Y		
	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	14,036	227	14,263	14,614	375	14,989	15,358	461	15,819	15,719	418	16,137	59,727	1,481	61,208
Loan Loss Provision	0	0	0	(300)	0	(300)	0	0	0	(200)	0	(200)	(500)	0	(500)
Fee Income	2,518	4,944	7,462	2,836	5,478	8,314	2,770	5,903	8,673	3,199	4,519	7,718	11,323	20,844	32,167
Earn Out Expense	0	0	0	0	0	0	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	13,637	4,663	18,300	49,956	19,844	69,800
Pre Tax Income	4,187	743	4,930	6,002	995	6,997	5,924	469	6,393	5,481	274	5,755	21,594	2,481	24,075
Taxes	659	201	860	882	285	1,167	996	131	1,127	824	83	907	3,361	700	4,061
Net Income	3,528	542	4,070	5,120	710	5,830	4,928	338	5,266	4,657	191	4,848	18,233	1,781	20,014
Noncontrolling Interest	0	0	0	0	0	0	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	4,657	191	4,848	18,233	1,781	20,014
Shares Outstanding	6.968	6.968	6.968	6.977	6.977	6.977	6.991	6.991	6.991	6.990	6.990	6.990	6.982	6.982	6.982
Earnings Per Share	0.51	0.08	0.58	0.73	0.10	0.84	0.70	0.05	0.75	0.67	0.03	0.69	2.61	0.26	2.87
Core Earnings Per Share	0.51	0.08	0.58	0.65	0.10	0.76	0.70	0.13	0.84	0.60	0.03	0.63	2.47	0.34	2.80

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

NRIM Snapshot

										% Change	
	4Q16A	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18A	Y/Y	LQ
Earnings Per Share (EPS)	\$0.51	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.75	\$0.69	2156.6%	-7.9%
Tangible Book Value	\$24.70	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.17	\$27.57	7.3%	1.5%
Shares Outstanding EOP	6.90	6.91	6.91	6.85	6.87	6.87	6.87	6.88	6.88	0.2%	0.0%
Net Interest Income	\$13.89	\$13.83	\$14.24	\$14.92	\$14.68	\$14.26	\$14.99	\$15.82	\$16.14	9.9%	2.0%
Loan Loss Provision	\$0.74	\$0.40	\$0.30	\$2.50	\$0.00	\$0.00	(\$0.30)	\$0.00	(\$0.20)		
Total Fee Income	\$10.36	\$8.90	\$9.72	\$13.86	\$7.95	\$7.46	\$8.31	\$8.67	\$7.72	-2.9%	-11.0%
Gain/Loss on Securities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Non-Interest Expense	\$18.35	\$16.61	\$18.47	\$17.69	\$18.34	\$16.80	\$16.61	\$18.10	\$18.30	-0.2%	1.1%
Pre-Tax Income	\$5.15	\$5.72	\$5.20	\$8.58	\$4.30	\$4.93	\$7.00	\$6.39	\$5.76	33.9%	-10.0%
Taxes	\$1.46	\$1.80	\$1.46	\$2.98	\$4.09	\$0.87	\$1.17	\$1.13	\$0.91	-77.8%	-19.7%
Tax Rate	28%	31%	28%	35%	95%	18%	17%	18%	16%	-83.4%	-10.8%
Net Income	\$3.70	\$3.92	\$3.74	\$5.60	\$0.21	\$4.06	\$5.83	\$5.26	\$4.85	2165.4%	-7.9%
Total Core Revenue	\$24.25	\$22.72	\$23.96	\$24.33	\$22.64	\$21.73	\$23.30	\$24.46	\$23.32	3.0%	-4.7%
Total Core Fee Income	\$10.36	\$8.88	\$9.72	\$9.42	\$7.95	\$7.46	\$8.31	\$8.64	\$7.18	-9.7%	-16.9%
Core Expenses	\$18.35	\$16.83	\$17.75	\$17.74	\$17.72	\$16.69	\$16.60	\$18.06	\$18.20	2.7%	0.8%
ROAA	0.97%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.41%	1.28%	2180.8%	-9.2%
ROAE	8.24%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.36%	9.38%	2058.4%	-9.5%
Net Interest Margin	4.07%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.74%	4.76%	10.4%	0.4%
Core Efficiency Ratio	74.9%	73.2%	73.3%	72.1%	77.5%	76.1%	70.6%	73.2%	77.3%	-0.2%	5.6%
Core Exp. / Avg. Assets	4.82%	4.51%	4.71%	4.65%	4.66%	4.47%	4.48%	4.85%	4.82%	3.4%	-0.6%
Gross Loans	\$975	\$961	\$991	\$989	\$956	\$968	\$968	\$982	\$984	3.0%	0.2%
Intangibles	\$16.3	\$16.3	\$16.3	\$16.2	\$16.2	\$16.2	\$16.2	\$16.2	\$16.2	-0.4%	-0.1%
Total Deposits	\$1,268	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,233	\$1,228	-2.4%	-0.4%
Total Common Equity	\$187	\$189	\$192	\$194	\$193	\$195	\$199	\$203	\$206	6.8%	1.3%
Avg Assets	\$1,522	\$1,492	\$1,507	\$1,525	\$1,520	\$1,494	\$1,481	\$1,489	\$1,510	-0.7%	1.4%
Avg Loans	\$978	\$970	\$969	\$1,004	\$980	\$956	\$964	\$985	\$981	0.1%	-0.4%
Avg Earning Assets	\$1,379	\$1,352	\$1,361	\$1,383	\$1,372	\$1,352	\$1,335	\$1,338	\$1,360	-0.9%	1.6%
Avg Deposits	\$1,265	\$1,231	\$1,245	\$1,263	\$1,255	\$1,234	\$1,218	\$1,224	\$1,233	-1.7%	0.8%
Loan / Deposit	76.9%	77.0%	80.3%	78.6%	76.0%	76.7%	80.3%	79.6%	80.2%	5.5%	0.7%
TCE Ratio	11.28%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.58%	12.76%	8.6%	1.4%
Net Charge-offs	\$525	\$204	\$132	\$1,097	\$2	\$1,012	\$41	(\$52)	\$441	21950.0%	-948.1%
NPL's + 90 Days Past	\$19,523	\$20,979	\$29,513	\$32,432	\$29,798	\$28,225	\$25,731	\$20,284	\$18,623	-37.5%	-8.2%
OREO	\$6,379	\$5,802	\$4,315	\$3,505	\$8,651	\$8,815	\$8,959	\$8,707	\$7,962	-8.0%	-8.6%
Total NPA'S	\$25,446	\$24,715	\$31,511	\$33,877	\$36,397	\$35,264	\$33,083	\$27,310	\$26,032	-28.5%	-4.7%
NPA / (Loans + OREO)	2.59%	2.56%	3.17%	3.41%	3.77%	3.61%	3.39%	2.76%	2.62%	-30.5%	-4.8%
NCOs / Avg Loans	0.21%	0.08%	0.05%	0.44%	0.00%	0.42%	0.02%	-0.02%	0.18%	21926.3%	-951.1%

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

Earnings Model

	Annual				2017 Quarterly				2018 Quarterly				2019 Quarterly			
	2017A	2018A	2019E	2020E	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18A	1Q19E	2Q19E	3Q19E	4Q19E
<u>Income Data: (\$ in Millions)</u>																
Net Interest Income	\$57.7	\$61.2	\$66.1	\$69.3	\$13.8	\$14.2	\$14.9	\$14.7	\$14.3	\$15.0	\$15.8	\$16.1	\$15.6	\$16.3	\$16.9	\$17.2
Loan Loss Provision	\$3.2	(\$0.5)	\$1.5	\$2.1	\$0.4	\$0.3	\$2.5	\$0.0	\$0.0	(\$0.3)	\$0.0	(\$0.2)	\$0.1	\$0.4	\$0.5	\$0.5
Non-Interest Income	\$35.9	\$31.6	\$31.6	\$32.1	\$8.9	\$9.7	\$9.4	\$8.0	\$7.5	\$8.3	\$8.7	\$7.2	\$7.5	\$8.3	\$8.6	\$7.3
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	\$3.2	\$0.4	\$0.0	\$0.0	\$0.2	(\$0.6)	\$4.3	(\$0.7)	\$0.0	\$0.7	(\$0.8)	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$69.8	\$69.7	\$71.4	\$73.6	\$16.8	\$17.8	\$17.5	\$17.7	\$16.8	\$17.3	\$17.3	\$18.3	\$17.5	\$17.9	\$18.2	\$17.7
Pre-Tax Income	\$23.8	\$24.1	\$24.8	\$25.7	\$5.7	\$5.2	\$8.6	\$4.3	\$4.9	\$7.0	\$6.4	\$5.8	\$5.5	\$6.2	\$6.8	\$6.2
Taxes	\$10.3	\$4.1	\$5.207	\$5.4	\$1.8	\$1.5	\$3.0	\$4.1	\$0.9	\$1.2	\$1.1	\$0.9	\$1.2	\$1.3	\$1.4	\$1.3
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	\$13.5	\$20.0	\$19.6	\$20.3	\$3.9	\$3.7	\$5.6	\$0.2	\$4.1	\$5.8	\$5.3	\$4.8	\$4.4	\$4.9	\$5.4	\$4.9
Noncontrolling segment income	\$0.3	\$0.0	\$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	\$13.2	\$20.0	\$19.6	\$20.3	\$3.8	\$3.6	\$5.5	\$0.2	\$4.1	\$5.8	\$5.3	\$4.8	\$4.4	\$4.9	\$5.4	\$4.9
Avg. Shares O/S	7.0	7.0	6.9	6.9	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$6.9	\$6.9	\$6.9
Earnings Per Share (EPS)	\$1.88	\$2.87	\$2.83	\$2.95	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.75	\$0.69	\$0.63	\$0.71	\$0.78	\$0.71
<u>Per Share Data:</u>																
Reported Book Value	\$28.06	\$29.92	\$31.36	\$33.04	\$27.42	\$27.75	\$28.374	\$28.056	\$28.372	\$29.020	\$29.524	\$29.921	\$30.23	\$30.62	\$31.08	\$31.36
Tangible Book Value	\$25.70	\$27.57	\$28.99	\$30.67	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.17	\$27.57	\$27.87	\$28.25	\$28.71	\$28.99
Dividends	\$0.86	\$1.02	\$1.19	\$1.31	\$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	\$3.41	\$3.32	\$3.79	\$4.04	\$0.90	\$0.80	\$1.586	\$0.707	\$0.722	\$0.961	\$0.921	\$0.809	\$0.81	\$0.96	\$1.06	\$0.99
CORE GAAP EPS	\$2.03	\$2.80	\$2.83	\$2.95	\$0.55	\$0.57	\$0.43	\$0.48	\$0.58	\$0.76	\$0.83	\$0.63	\$0.63	\$0.71	\$0.78	\$0.71
<u>KEY Ratios:</u>																
Net Interest Margin	4.28%	4.60%	4.89%	4.92%	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.74%	4.76%	4.86%	4.88%	4.90%	4.92%
Return on Avg Assets	0.89%	1.34%	1.29%	1.28%	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.41%	1.28%	1.18%	1.30%	1.40%	1.25%
Return on Avg Equity	6.98%	9.95%	9.35%	9.28%	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.36%	9.38%	8.45%	9.43%	10.26%	9.25%
Return on Tang. Common Eq.	7.48%	10.56%	9.95%	9.75%	8.88%	8.22%	12.44%	0.52%	9.12%	12.75%	11.28%	10.24%	9.15%	10.20%	11.06%	4.00%
Pre-Tax Pre-Provision ROA	1.58%	1.55%	1.72%	1.75%	1.69%	1.48%	2.89%	1.29%	1.35%	1.81%	1.73%	1.50%	1.52%	1.77%	1.91%	1.74%
Efficiency Ratio	74.44%	74.97%	73.03%	72.48%	73.25%	73.62%	71.15%	77.20%	76.62%	73.51%	70.02%	77.76%	74.97%	72.29%	70.87%	71.88%
Overhead Ratio	4.62%	4.67%	4.69%	4.63%	4.51%	4.73%	4.58%	4.65%	4.50%	4.67%	4.65%	4.85%	4.72%	4.75%	4.75%	4.53%
TCE/TA	11.75%	12.76%	12.85%	13.16%	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.58%	12.76%	12.82%	12.82%	12.85%	12.85%
<u>Period-End Balances: (\$ in Millions)</u>																
Earning Assets	\$1,367	\$1,349	\$1,401	\$1,457	\$1,360	\$1,346	\$1,395	\$1,367	\$1,396	\$1,328	\$1,341	\$1,349	\$1,325	\$1,346	\$1,373	\$1,401
Total Assets	\$1,519	\$1,503	\$1,552	\$1,603	\$1,513	\$1,493	\$1,523	\$1,519	\$1,525	\$1,470	\$1,503	\$1,503	\$1,507	\$1,522	\$1,537	\$1,552
Risk-Weighted Assets	\$1,280	\$1,307	\$1,373	\$1,443	\$1,258	\$1,296	\$1,297	\$1,280	\$1,280	\$1,290	\$1,305	\$1,307	\$1,320	\$1,340	\$1,360	\$1,373
Gross Loans HFI	\$956	\$984	\$1,021	\$1,068	\$961	\$991	\$989	\$956	\$968	\$968	\$982	\$984	\$975	\$984	\$1,006	\$1,021
Total Deposits	\$1,258	\$1,228	\$1,259	\$1,291	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,233	\$1,228	\$1,228	\$1,234	\$1,247	\$1,259
Intangibles	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$193	\$206	\$214	\$225	\$189	\$192	\$194	\$193	\$195	\$199	\$203	\$206	\$207	\$209	\$212	\$214



FIG Partners LLC Distribution of Ratings

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	53.0%	47.0%	0.0%
IB Client % in Category	22.9%	17.7%	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 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.
- Additional information is available by request.
- The information contained herein has been prepared from sources and data we believe to be reliable but we make no representation as to its accuracy or completeness. The opinions expressed herein are our own unless otherwise noted and are subject to change without notice. The price and value of the securities mentioned herein will fluctuate; past performance is no guarantee of future results.
- This report is published solely for informational purposes and should not be construed as an offer to buy or sell, or a solicitation of an offer to buy or sell, any security. The securities discussed herein are not suitable for everyone; each investor should assess his or her own particular financial condition and investment objectives before making any investment decisions.
- FIG Partners LLC may act as principal for its own account or as agent for both buyer and seller in connection with the purchase or sale of any security discussed herein.
- Reproduction or redistribution of this report in any form is prohibited except with the written permission of FIG Partners LLC.
- The author is employed by FIG Partners LLC, a broker-dealer.
- Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thompson Financial and regulatory filings.