

## NRIM-Northrim BanCorp, Inc.

### *Fundamentals & Capital Remain Strong — Mortgage Revenues Expected to Rebound in 2Q*

- **Maintain “Market Perform” with Price Target of \$39 or ~12.5x 2019 EPS plus excess capital**
- **Reduce 2019 EPS to \$2.75 and maintain 2020 at \$2.95**
- **Mid single digit loan growth forecast in ‘19; NIM has modest upward bias, Mortgage earnings to rebound in 2Q**
- **Capital flexibility exists w/TCE >12.75%; Credit remains healthy & 2019 ROAA projected to be 1.3%**

Maintain “Market Perform” 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 solid credit quality. 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. The company recently increased its share repurchase plan by 194k shares bringing the total authorization to ~340k shares or ~5% of shares outstanding.

**EPS Outlook:** We are lowering our 2019 EPS to \$2.75 from \$2.83 to reflect the 1Q19 miss and slightly less growth in AEA which is partially offset by a higher NIM and greater share repurchases.

**Outlook:** Loans were flat in 1Q19 as solid originations were tempered by greater than expected payoffs. We continue to believe 3-5% growth in ‘19 should be achievable as management is seeing steady demand across its markets as the Alaska economy continues to improve. Notably, the state has registered Y-O-Y job gains for the first three months of 2019 for the first time in 39 months (construction and oilfield services sectors turned around a bit earlier in 3Q18). Military spending and tourism and oil/gas activity are forecast to be leading economic drivers in 2019. That said, we continue to watch the proposed budget cuts in AK as this could negatively impact the economy and loan growth outlook. NIM has an upward bias as loans and securities should continue reprice (+25bps on avg. for loans and +50-100bps on securities) in the near term more than offsetting funding cost increases. Deposit pricing remains rational as most banks in the state are flush with deposits. We continue to project mid-single digit growth in bank unit fee income while expenses remain well controlled (+3-4%) resulting in positive operating leverage at the community bank unit in 2019 with core E/R and ROAA improving to 69% and ~1.15%, respectively.

The mortgage unit got off to a weaker than expected start to the year breaking even vs. our forecast for a small profit as revenues were negatively impacted by a sharp decline in servicing revenue due to the back up in rates in the quarter. We expect a rebound in 2Q with are annual forecast calling for ~\$2.4M or ~\$0.25 in earnings vs. \$3.3M or \$0.34 core earnings last year. Our forecast for the NRIM’s community bank unit to earn \$2.50 in 2019 vs. \$2.47 last year. LLP expense is expected to moderate after a blip in 1Q19.

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

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**NRIM: \$35.80**

“Market-Perform” // Price Target: \$39.00

#### Summary Statistics

Exchange	NASDAQ
Market Cap (\$M)	\$241.4
Avg. Volume	9,236
Annual Dividend	\$1.20
Dividend Yield	3.42%
Tangible Book/Share	\$28.01
Price/Tangible Book	125%
Price/2019 EPS	12.7x
Price/2020 EPS	11.9x
Total Assets (\$M)	\$1,520
TCE/TA	12.81%
ROAA (2019)	1.27%
ROAE (2019)	9.22%

#### EPS Estimates

	2017	2018	2019	2020
Q1	\$0.52	\$0.58	\$0.56	\$0.74
Q2	\$0.57	\$0.76	\$0.70	\$0.72
Q3	\$0.43	\$0.83	\$0.78	\$0.78
Q4	\$0.48	\$0.63	\$0.71	\$0.70
<b>FY</b>	<b>\$2.00</b>	<b>\$2.80</b>	<b>\$2.75</b>	<b>\$2.95</b>

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: \$39.00**

**Implied Gain/Loss versus Current Price: 11.1%**

<b>2019 Outlook</b>			
2019 EPS	\$2.75	12.4x	\$34.15
Excess TCE	\$4.85	1.0x	<u>\$4.85</u>
			\$39.00
<b>Tangible Book 12/19</b>	<b>\$28.77</b>	<b>1.36x</b>	<b>\$39.00</b>

Source: FIG Partners Research & Forward Estimates

### Deposit Premium Analysis

	<u>Current</u>	<u>Dec-18</u>	<u>Dec-19</u>
Market-Cap	241.4	248.6	256.1
TCE in \$\$	192.7	188.1	199.1
Total Deposits	1,228.0	1,259.0	1,290.7
CORE Deposits	1,129.8	1,158.2	1,200.3
Premium - Total	4.0%	4.8%	4.4%
<b>Premium - CORE</b>	<b>4.3%</b>	<b>5.2%</b>	<b>4.7%</b>

**Maintain "Market Perform" with Price Target of \$39 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 \$1.52 Billion in Assets and 15 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
<b>Net Income</b>	<b>3,388</b>	<b>437</b>	<b>3,825</b>	<b>2,757</b>	<b>832</b>	<b>3,589</b>	<b>4,858</b>	<b>665</b>	<b>5,523</b>	<b>(801)</b>	<b>1,015</b>	<b>214</b>	<b>10,202</b>	<b>2,949</b>	<b>13,151</b>
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			1Q19		
	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	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	15,488	281	15,769
Loan Loss Provision	0	0	0	(300)	0	(300)	0	0	0	(200)	0	(200)	(500)	0	(500)	750	0	750
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	3,235	4,298	7,533
Earn Out Expense	0	0	0	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	12,518	4,562	17,080
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	5,455	17	5,472
Taxes	659	201	860	882	285	1,167	996	131	1,127	824	83	907	3,361	700	4,061	1,155	5	1,160
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	4,300	12	4,312
Noncontrolling Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Income</b>	<b>3,528</b>	<b>542</b>	<b>4,070</b>	<b>5,120</b>	<b>710</b>	<b>5,830</b>	<b>4,928</b>	<b>338</b>	<b>5,266</b>	<b>4,657</b>	<b>191</b>	<b>4,848</b>	<b>18,233</b>	<b>1,781</b>	<b>20,014</b>	<b>4,300</b>	<b>12</b>	<b>4,312</b>
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	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	0.62	0.00	0.62
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	0.56	0.00	0.56

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

NRIM Snapshot									% Change		
	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18A	3Q18A	4Q18A	1Q19A	Y/Y	LQ
Earnings Per Share (EPS)	\$0.55	\$0.51	\$0.79	\$0.03	\$0.58	\$0.84	\$0.75	\$0.69	\$0.62	5.9%	-7.9%
Tangible Book Value	\$25.06	\$25.40	\$26.00	\$25.70	\$26.01	\$26.66	\$27.17	\$27.57	\$28.01	7.7%	1.5%
Shares Outstanding EOP	6.91	6.91	6.85	6.87	6.87	6.87	6.88	6.88	6.88	0.1%	0.0%
Net Interest Income	\$13.83	\$14.24	\$14.92	\$14.68	\$14.26	\$14.99	\$15.82	\$16.14	\$15.77	10.6%	2.0%
Loan Loss Provision	\$0.40	\$0.30	\$2.50	\$0.00	\$0.00	(\$0.30)	\$0.00	(\$0.20)	\$0.75		
Total Fee Income	\$8.90	\$9.72	\$13.86	\$7.95	\$7.46	\$8.31	\$8.67	\$7.72	\$7.53	1.0%	-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	\$16.61	\$18.47	\$17.69	\$18.34	\$16.80	\$16.61	\$18.10	\$18.30	\$17.08	1.7%	1.1%
Pre-Tax Income	\$5.72	\$5.20	\$8.58	\$4.30	\$4.93	\$7.00	\$6.39	\$5.76	\$5.47	11.0%	-10.0%
Taxes	\$1.80	\$1.46	\$2.98	\$4.09	\$0.87	\$1.17	\$1.13	\$0.91	\$1.16	33.6%	-19.7%
Tax Rate	31%	28%	35%	95%	18%	17%	18%	16%	21%	20.4%	-10.8%
Net Income	\$3.92	\$3.74	\$5.60	\$0.21	\$4.06	\$5.83	\$5.26	\$4.85	\$4.31	6.2%	-7.9%
Total Core Revenue	\$22.72	\$23.96	\$24.33	\$22.64	\$21.73	\$23.30	\$24.46	\$22.72	\$23.16	6.6%	-7.1%
Total Core Fee Income	\$8.88	\$9.72	\$9.42	\$7.95	\$7.46	\$8.31	\$8.64	\$6.58	\$7.39	-1.0%	-23.8%
Core Expenses	\$16.83	\$17.75	\$17.74	\$17.72	\$16.69	\$16.60	\$18.06	\$18.20	\$17.40	4.2%	0.8%
ROAA	1.05%	0.99%	1.47%	0.06%	1.09%	1.57%	1.41%	1.28%	1.16%	6.7%	-9.2%
ROAE	8.39%	7.73%	11.51%	0.43%	8.31%	11.76%	10.36%	9.38%	8.24%	-0.8%	-9.5%
Net Interest Margin	4.22%	4.26%	4.34%	4.31%	4.33%	4.56%	4.74%	4.76%	4.89%	12.9%	0.4%
Core Efficiency Ratio	73.2%	73.3%	72.1%	77.5%	76.1%	70.6%	73.2%	79.3%	74.5%	-2.2%	8.4%
Core Exp. / Avg. Assets	4.51%	4.71%	4.65%	4.66%	4.47%	4.48%	4.85%	4.82%	4.68%	4.7%	-0.6%
Gross Loans	\$961	\$991	\$989	\$956	\$968	\$968	\$982	\$984	\$982	1.5%	0.2%
Intangibles	\$16.3	\$16.3	\$16.2	\$16.2	\$16.2	\$16.2	\$16.2	\$16.2	\$16.1	-0.4%	-0.1%
Total Deposits	\$1,247	\$1,234	\$1,258	\$1,258	\$1,261	\$1,206	\$1,233	\$1,228	\$1,228	-2.6%	-0.4%
Total Common Equity	\$189	\$192	\$194	\$193	\$195	\$199	\$203	\$206	\$209	7.1%	1.3%
Avg Assets	\$1,492	\$1,507	\$1,525	\$1,520	\$1,494	\$1,481	\$1,489	\$1,510	\$1,487	-0.5%	1.4%
Avg Loans	\$970	\$969	\$1,004	\$980	\$956	\$964	\$985	\$981	\$989	3.5%	-0.4%
Avg Earning Assets	\$1,352	\$1,361	\$1,383	\$1,372	\$1,352	\$1,335	\$1,338	\$1,360	\$1,325	-2.1%	1.6%
Avg Deposits	\$1,231	\$1,245	\$1,263	\$1,255	\$1,234	\$1,218	\$1,224	\$1,233	\$1,195	-3.2%	0.8%
Loan / Deposit	77.0%	80.3%	78.6%	76.0%	76.7%	80.3%	79.6%	80.2%	80.0%	4.2%	0.7%
TCE Ratio	11.57%	11.88%	11.82%	11.75%	11.85%	12.60%	12.58%	12.76%	12.81%	8.1%	1.4%
Net Charge-offs	\$204	\$132	\$1,097	\$2	\$1,012	\$41	(\$52)	\$441	\$60	-94.1%	-948.1%
NPL's + 90 Days Past	\$20,979	\$29,513	\$32,432	\$29,798	\$28,225	\$25,731	\$20,284	\$18,623	\$22,884	-18.9%	-8.2%
OREO	\$5,802	\$4,315	\$3,505	\$8,651	\$8,815	\$8,959	\$8,707	\$7,962	\$7,043	-20.1%	-8.6%
Total NPA'S	\$24,715	\$31,511	\$33,877	\$36,397	\$35,264	\$33,083	\$27,310	\$26,032	\$28,852	-18.2%	-4.7%
NPA / (Loans + OREO)	2.56%	3.17%	3.41%	3.77%	3.61%	3.39%	2.76%	2.62%	2.92%	-19.3%	-4.8%
NCOs / Avg Loans	0.08%	0.05%	0.44%	0.00%	0.42%	0.02%	-0.02%	0.18%	0.02%	-94.3%	-951.1%

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

## Earnings Model

	Annual			2018 Quarterly				2019 Quarterly				2020 Quarterly			
	<u>2018A</u>	<u>2019E</u>	<u>2020E</u>	<u>1Q18A</u>	<u>2Q18A</u>	<u>3Q18A</u>	<u>4Q18A</u>	<u>1Q19A</u>	<u>2Q19E</u>	<u>3Q19E</u>	<u>4Q19E</u>	<u>1Q20E</u>	<u>2Q20E</u>	<u>3Q20E</u>	<u>4Q20E</u>
<b><i>Income Data: (\$ in Millions)</i></b>															
Net Interest Income	\$61.2	\$66.1	\$68.5	\$14.3	\$15.0	\$15.8	\$16.1	\$15.8	\$16.4	\$16.9	\$17.0	\$16.4	\$16.9	\$17.5	\$17.7
Loan Loss Provision	(\$0.5)	\$2.100	\$2.150	\$0.0	(\$0.3)	\$0.0	(\$0.2)	\$0.8	\$0.4	\$0.4	\$0.5	\$0.3	\$0.5	\$0.7	\$0.7
Non-Interest Income	\$31.6	\$30.7	\$32.1	\$7.5	\$8.3	\$8.7	\$7.2	\$7.0	\$8.1	\$8.4	\$7.3	\$7.6	\$8.4	\$8.7	\$7.4
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
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	\$0.4	\$0.5	\$0.0	\$0.0	\$0.7	(\$0.8)	\$0.5	\$0.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$69.7	\$71.0	\$73.6	\$16.8	\$17.3	\$17.3	\$18.3	\$17.1	\$17.9	\$18.2	\$17.8	\$17.4	\$18.7	\$19.0	\$18.5
Pre-Tax Income	\$24.1	\$24.2	\$24.8	\$4.9	\$7.0	\$6.4	\$5.8	\$5.5	\$6.1	\$6.6	\$6.0	\$6.2	\$6.1	\$6.6	\$5.9
Taxes	\$4.1	\$5.092	\$5.2	\$0.9	\$1.2	\$1.1	\$0.9	\$1.2	\$1.3	\$1.4	\$1.3	\$1.3	\$1.3	\$1.4	\$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
Net Income	\$20.0	\$19.1	\$19.6	\$4.1	\$5.8	\$5.3	\$4.8	\$4.3	\$4.8	\$5.2	\$4.7	\$4.9	\$4.8	\$5.2	\$4.7
Noncontrolling segment income	\$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
<b>Net Income Avail. To Common</b>	<b>\$20.0</b>	<b>\$19.1</b>	<b>\$19.6</b>	<b>\$4.1</b>	<b>\$5.8</b>	<b>\$5.3</b>	<b>\$4.8</b>	<b>\$4.3</b>	<b>\$4.8</b>	<b>\$5.2</b>	<b>\$4.7</b>	<b>\$4.9</b>	<b>\$4.8</b>	<b>\$5.2</b>	<b>\$4.7</b>
Avg. Shares O/S	7.0	6.8	6.6	\$7.0	\$7.0	\$7.0	\$7.0	\$7.0	\$6.9	\$6.7	\$6.6	\$6.6	\$6.6	\$6.6	\$6.6
<b>Earnings Per Share (EPS)</b>	<b>\$2.87</b>	<b>\$2.81</b>	<b>\$2.95</b>	<b>\$0.58</b>	<b>\$0.84</b>	<b>\$0.75</b>	<b>\$0.69</b>	<b>\$0.62</b>	<b>\$0.70</b>	<b>\$0.78</b>	<b>\$0.71</b>	<b>\$0.74</b>	<b>\$0.72</b>	<b>\$0.78</b>	<b>\$0.70</b>
<b><i>Per Share Data:</i></b>															
Reported Book Value	\$29.92	\$31.24	\$32.91	\$28.372	\$29.020	\$29.524	\$29.921	\$30.359	\$30.69	\$31.07	\$31.24	\$31.66	\$32.07	\$32.53	\$32.91
<b>Tangible Book Value</b>	<b>\$27.57</b>	<b>\$28.77</b>	<b>\$30.45</b>	<b>\$26.01</b>	<b>\$26.66</b>	<b>\$27.17</b>	<b>\$27.57</b>	<b>\$28.01</b>	<b>\$28.30</b>	<b>\$28.64</b>	<b>\$28.77</b>	<b>\$29.20</b>	<b>\$29.60</b>	<b>\$30.06</b>	<b>\$30.45</b>
Dividends	\$1.02	\$1.20	\$1.32	\$0.24	\$0.24	\$0.27	\$0.27	\$0.30	\$0.30	\$0.30	\$0.30	\$0.33	\$0.33	\$0.33	\$0.33
<b>Pre-Tax, Pre-Provision EPS</b>	<b>\$3.32</b>	<b>\$3.78</b>	<b>\$4.06</b>	<b>\$0.722</b>	<b>\$0.961</b>	<b>\$0.921</b>	<b>\$0.809</b>	<b>\$0.845</b>	<b>\$0.95</b>	<b>\$1.05</b>	<b>\$1.00</b>	<b>\$0.98</b>	<b>\$0.99</b>	<b>\$1.09</b>	<b>\$1.01</b>
<b>CORE GAAP EPS</b>	<b>\$2.80</b>	<b>\$2.75</b>	<b>\$2.95</b>	<b>\$0.58</b>	<b>\$0.76</b>	<b>\$0.83</b>	<b>\$0.63</b>	<b>\$0.56</b>	<b>\$0.70</b>	<b>\$0.78</b>	<b>\$0.71</b>	<b>\$0.74</b>	<b>\$0.72</b>	<b>\$0.78</b>	<b>\$0.70</b>
<b><i>KEY Ratios:</i></b>															
Net Interest Margin	4.60%	4.93%	4.96%	4.33%	4.56%	4.74%	4.76%	4.89%	4.92%	4.95%	4.96%	4.96%	4.96%	4.96%	4.96%
Return on Avg Assets	1.34%	1.27%	1.26%	1.09%	1.57%	1.41%	1.28%	1.16%	1.29%	1.38%	1.24%	1.29%	1.25%	1.32%	1.17%
Return on Avg Equity	9.95%	9.22%	9.33%	8.31%	11.76%	10.36%	9.38%	8.24%	9.28%	10.11%	9.25%	9.57%	9.23%	9.80%	8.74%
Return on Tang. Common Eq.	10.56%	10.17%	9.85%	9.12%	12.75%	11.28%	10.24%	8.97%	10.12%	11.02%	4.00%	10.33%	9.96%	10.55%	4.00%
<b>Pre-Tax Pre-Provision ROA</b>	<b>1.55%</b>	<b>1.71%</b>	<b>1.73%</b>	<b>1.35%</b>	<b>1.81%</b>	<b>1.73%</b>	<b>1.50%</b>	<b>1.59%</b>	<b>1.75%</b>	<b>1.87%</b>	<b>1.72%</b>	<b>1.72%</b>	<b>1.72%</b>	<b>1.85%</b>	<b>1.68%</b>
Efficiency Ratio	74.97%	73.34%	73.14%	76.62%	73.51%	70.02%	77.76%	74.41%	72.64%	71.59%	72.61%	72.12%	73.34%	71.92%	73.02%
Overhead Ratio	4.67%	4.71%	4.73%	4.50%	4.67%	4.65%	4.85%	4.59%	4.78%	4.82%	4.64%	4.58%	4.87%	4.85%	4.63%
TCE/TA	12.76%	12.14%	12.43%	11.85%	12.60%	12.58%	12.76%	12.81%	12.58%	12.37%	10.07%	12.29%	12.33%	12.40%	12.43%
TCE/RWA	14.52%	13.86%	13.95%	13.97%	14.20%	14.34%	14.52%	14.77%	14.43%	14.12%	13.86%	13.92%	13.91%	13.91%	13.95%
<b><i>Period-End Balances: (\$ in Millions)</i></b>															
Earning Assets	\$1,349	\$1,387	\$1,443	\$1,396	\$1,328	\$1,341	\$1,349	\$1,343	\$1,354	\$1,370	\$1,387	\$1,374	\$1,387	\$1,415	\$1,443
Total Assets	\$1,503	\$1,566	\$1,618	\$1,525	\$1,470	\$1,503	\$1,503	\$1,520	\$1,535	\$1,551	\$1,566	\$1,570	\$1,586	\$1,602	\$1,618
Risk-Weighted Assets	\$1,307	\$1,358	\$1,427	\$1,280	\$1,290	\$1,305	\$1,307	\$1,305	\$1,324	\$1,344	\$1,358	\$1,371	\$1,392	\$1,413	\$1,427
Gross Loans HFI	\$984	\$1,025	\$1,071	\$968	\$968	\$982	\$984	\$982	\$992	\$1,010	\$1,025	\$1,014	\$1,030	\$1,055	\$1,071
Total Deposits	\$1,228	\$1,259	\$1,291	\$1,261	\$1,206	\$1,233	\$1,228	\$1,228	\$1,234	\$1,246	\$1,259	\$1,259	\$1,265	\$1,278	\$1,291
Intangibles	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16	\$16
Total Common Equity	\$206	\$204	\$215	\$195	\$199	\$203	\$206	\$209	\$207	\$206	\$204	\$207	\$210	\$213	\$215



**FIG Partners LLC Distribution of Ratings**

	Buy / Outperform	Hold / Market- Perform	Sell / Underperform
% Rated	50.4%	49.6%	0.0%
IB Client % in Category	25.0%	17.9%	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.
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- 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.
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