



Northrim BanCorp, Inc.

# ANNUAL REPORT

2013

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# MESSAGE TO SHAREHOLDERS

Led by a talented team focused on serving our customers and state, Northrim BanCorp, Inc. ended 2013 with net profits of \$12.3 million, or \$1.87 per diluted share. Our year was marked by continued growth of our loan portfolio, net interest income and core deposits; decreases in nonperforming assets; and strong capital and balance sheet.

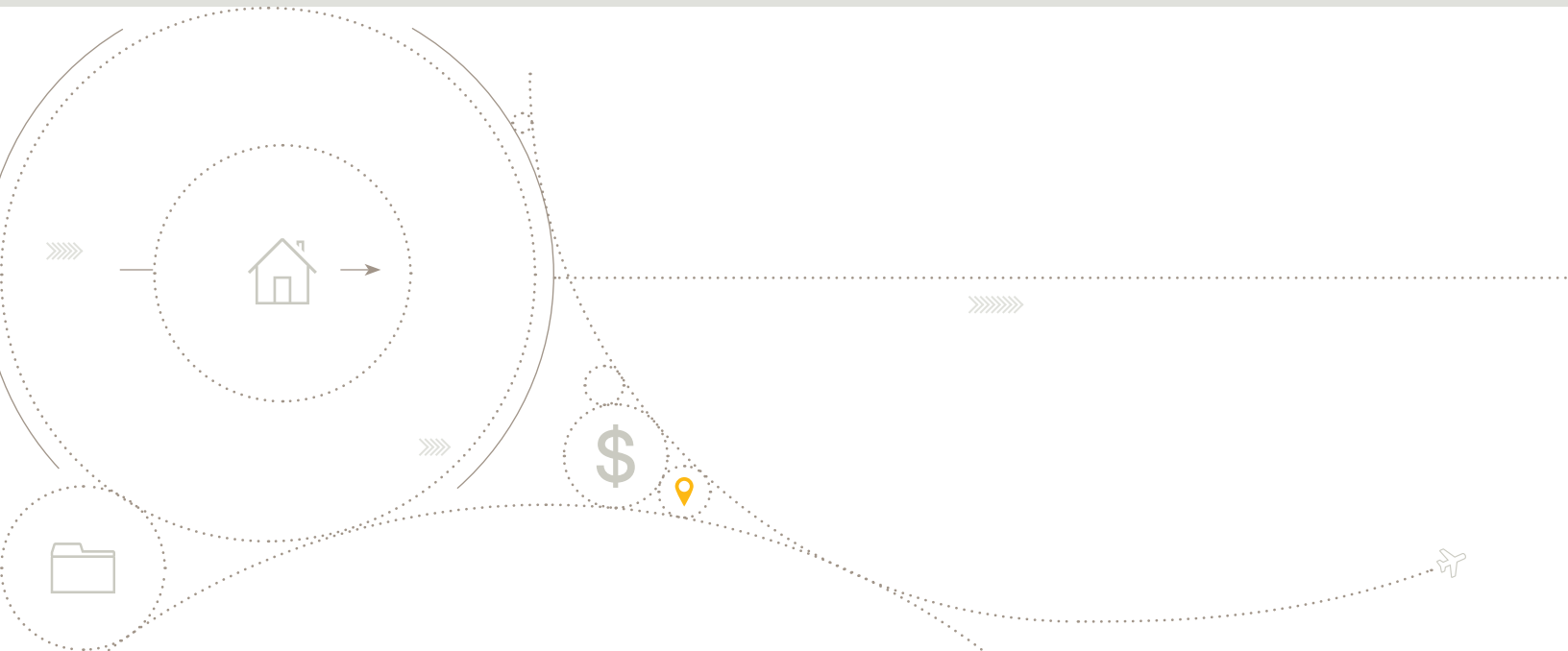
For the second consecutive year, we grew our loan portfolio by 9%, which helped to generate a 4% increase in net interest income. This was significant in a year of historically low interest rates when many of our peers experienced a decrease in net interest income.

Other positives in 2013 included good core deposit growth, which provided a source of liquidity for our operations, as well as continued growth in capital through retained earnings. Northrim remains well-capitalized with Tier 1 Capital to Risk Weighted Assets at December 31, 2013 of 15.35%.

Nonperforming assets declined again in 2013, a result of our continued focus on loan quality. Shareholders' equity increased 6%, and our quarterly cash dividend increased by 13%, providing a yield of approximately 2.7% at current market share prices.

We saw a decrease in other operating income in 2013, primarily attributable to the significant reduction in mortgage refinance activity at our affiliate Residential Mortgage as mortgage interest rates increased in the second half of the year.

Expenses were up in 2013 due to a number of investments, including preparations for the proposed merger with Alaska Pacific Bank in Southeast Alaska. We also invested in Enroll Alaska, a new division of our affiliate Northrim Benefits Group that is focused on serving individual Alaskans needing health insurance under the Affordable Care Act. We believe that these investments have set the stage for positive future returns.



In the past year, we played a role in advocating for a more competitive oil tax structure, which is essential to encourage long-term investment in Alaska's resource industry. We will continue to actively support the new policy as it undergoes continued scrutiny in the coming year, since we believe it is integral to the future success of Alaska.

Our efforts were once again recognized nationally when we were selected as part of the Sandler O'Neill Sm-All Stars Class of 2013. We are one of 30 banks nationwide – and the only bank in the Pacific Northwest – to be chosen for this honor, which identifies the top-performing small-cap banks in the nation. This is in addition to being recognized with the 2012 and 2013 Raymond James Community Bankers Cup award, which recognized us as in the top 10% of community banks based on various profitability, operational efficiency and balance sheet metrics.

We said farewell to a dear friend and esteemed colleague last fall - Chris Knudson, who served as Northrim's founding Chief Financial Officer, passed away in September after a long battle with cancer. We remember Chris for his loyal service and incredible contributions to Northrim, our employees and affiliated companies. We dedicate this year's annual report to his memory.



**Marc Langland**

*Chairman, President and CEO  
Northrim BanCorp, Inc.  
Chairman, Northrim Bank*



**Joe Beedle**

*President and CEO  
Northrim Bank*

*Marc and Joe hold the Sm-All Stars "slugger" award for top-performing small-cap banks in the nation.*

*Northrim has won the award in 2011 and 2013, as well as the Raymond James Community Bankers Cup in 2012 and 2013.*



# 2013 FINANCIAL SNAPSHOT

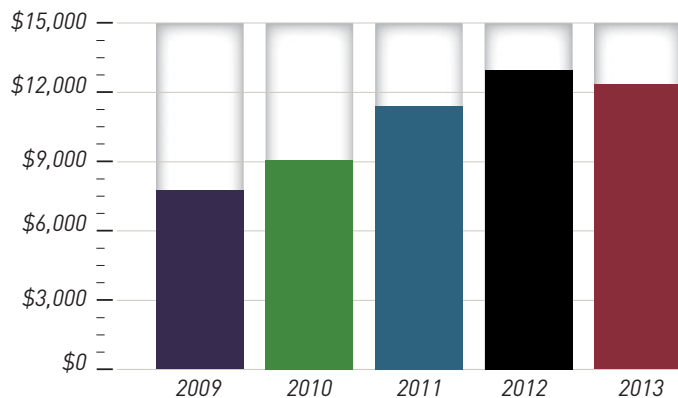
Unaudited (In Thousands Except Per Share Amounts)	2013	2012	2011	2010	2009
Net interest income	\$44,034	\$42,223	\$42,364	\$44,213	\$46,421
Provision for loan losses	(635)	(1,559)	1,999	5,583	7,066
Other operating income	12,886	15,432	13,090	12,377	13,084
Other operating expense	39,866	39,600	36,755	37,624	41,357
Income before income taxes	\$17,689	\$19,614	\$16,700	\$13,383	\$11,082
Income taxes	5,277	6,156	4,873	3,918	2,967
Net income	12,412	13,458	11,827	9,465	8,115
Less: Net income attributable to noncontrolling interest	87	512	429	399	388
Net income attributable to Northrim Bancorp, Inc.	\$12,325	\$12,946	\$11,398	\$9,066	\$7,727
Earnings per share:					
Basic	\$1.89	\$2.00	\$1.77	\$1.42	\$1.22
Diluted	1.87	1.97	1.74	1.40	1.20
Cash dividends per share	0.64	0.56	0.50	0.44	0.40
Assets	\$1,215,006	\$1,160,107	\$1,085,258	\$1,054,529	\$1,003,029
Portfolio loans	770,016	704,213	645,562	671,812	655,039
Deposits	1,003,723	970,129	911,248	892,136	853,108
Borrowings	6,527	4,479	4,626	4,766	4,897
Junior subordinated debentures	18,558	18,558	18,558	18,558	18,558
Shareholders' equity	144,318	136,353	125,435	117,122	111,020
Book value per share	\$22.07	\$20.94	\$19.40	\$18.22	\$17.42
Tangible book value per share <sup>[1]</sup>	\$20.86	\$19.69	\$18.09	\$16.87	\$16.01
Net interest margin (tax equivalent) <sup>[2]</sup>	4.29%	4.40%	4.59%	4.92%	5.33%
Efficiency ratio <sup>[3]</sup>	69.64%	68.25%	65.78%	65.96%	68.96%
Return on assets	1.07%	1.19%	1.09%	0.90%	0.79%
Return on equity	8.75%	9.85%	9.34%	7.87%	7.08%
Equity/assets	11.88%	11.75%	11.56%	11.11%	11.07%
Dividend payout ratio	34.18%	28.39%	28.67%	31.41%	33.18%
Nonperforming loans/portfolio loans	0.24%	0.64%	1.14%	1.70%	2.10%
Net charge-offs/average loans	(-0.07%)	(-0.21%)	(-0.01%)	0.66%	1.00%
Allowance for loan losses/portfolio loans	2.11%	2.33%	2.56%	2.14%	2.00%
Nonperforming assets/assets	0.35%	0.78%	1.16%	2.07%	3.10%
Tax rate	30%	31%	29%	29%	27%
Number of banking offices	10	10	10	10	11
Number of employees (FTE) <sup>[4]</sup>	269	252	269	276	303

Financial Snapshot Footnotes on page 22



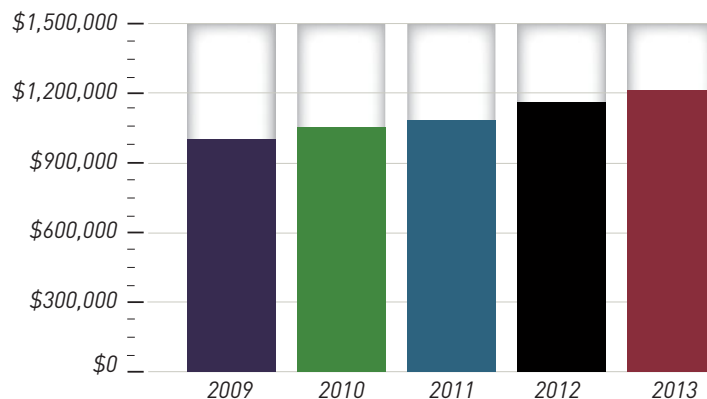
## NET INCOME ATTRIBUTABLE TO NORTHRIM BANCORP, INC.

*in thousands*



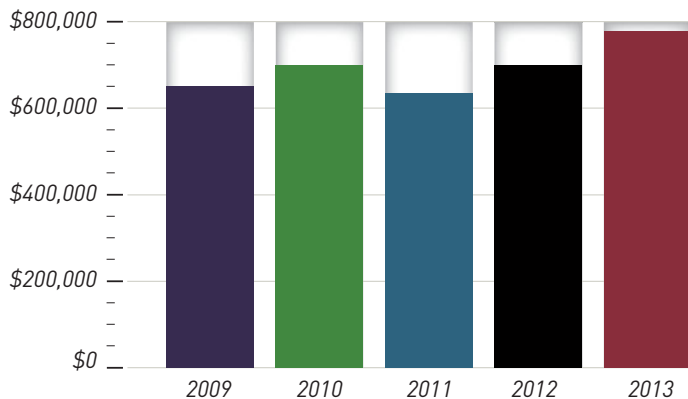
## TOTAL ASSETS

*in thousands*

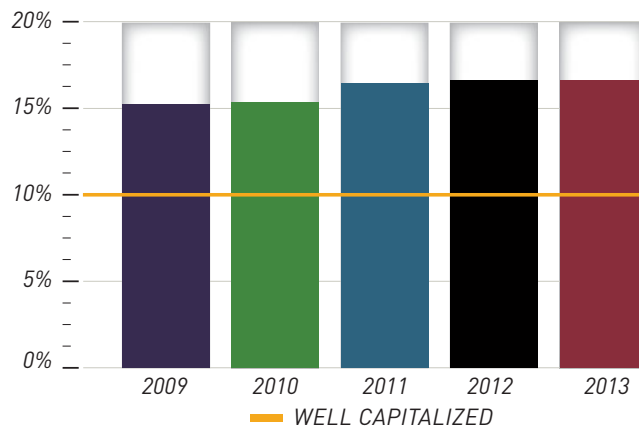


## PORTFOLIO LOANS

*in thousands*



## TOTAL CAPITAL RATIO





Alaska Pacific Bank  
President, Craig Dahl and  
Joe Beedle announced  
an agreement to merge  
on October 22, 2013



100%

WE KNOW  
SOUTHEAST ALASKA

Not just from a business standpoint, but personally as well. We have employees who grew up in Southeast Alaska, who started their careers there, and who know those communities inside and out. And we count on their expertise on everything from local industry trends – to the best local fishing spot.

# ALASKA GROWN – AND GROWING

As a community bank, our focus is on Alaska and the people who call it home. We are proud to be Alaska grown – and growing!

## A Statewide Footprint

In 2014, we expect to finalize our merger with Alaska Pacific Bank, a well-established community bank in Southeast Alaska. Through this merger, we will increase our statewide presence, creating long-term value for our customers and shareholders.

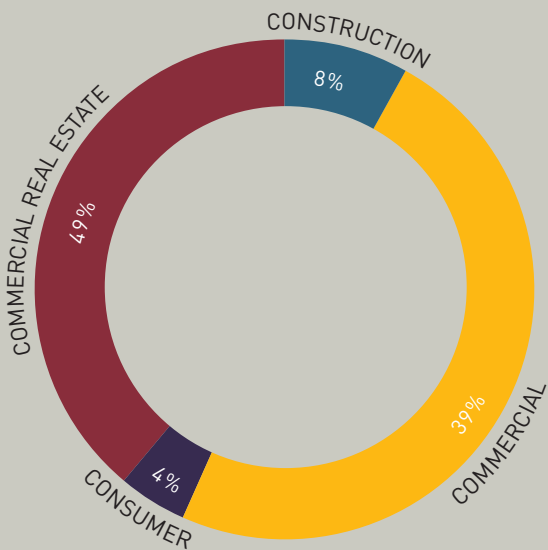
In addition to expanding to another region within Alaska, the merger also offers economic diversification of our loan portfolio. Fishing, mining, tourism and government play a predominant role in Southeast Alaska, providing a balance to the oil and gas focus of Southcentral Alaska.

As Northrim grows, we remain committed to our community banking roots and our shared ideals of local value-added financial expertise, community engagement and customer service. We look forward to serving Alaska Pacific Bank's customers, and providing additional value, resources and services to Southeast Alaska.

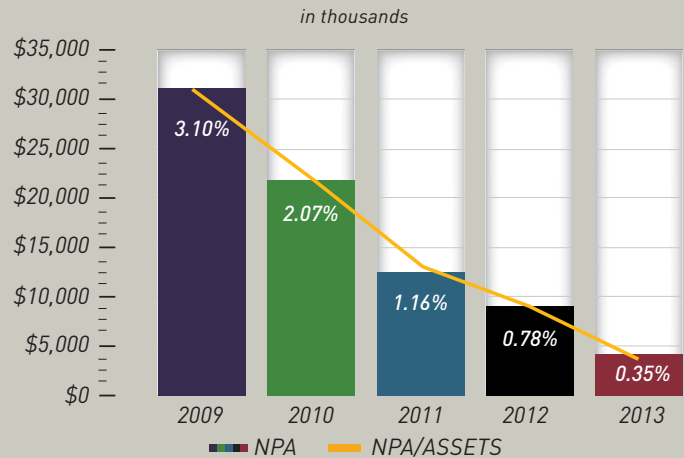
◀ Fairbanks



## LOAN PORTFOLIO



## NONPERFORMING ASSETS (NPA)



907





## *Loan Growth*

In 2013, we grew our portfolio loans by 9% as compared to 2012. The majority of this growth occurred in the commercial and commercial real estate lending areas. Residential construction loans increased the most in percentage terms, growing by 17% in 2013. We have been a market leader in residential construction since Northrim's inception, and we continue in that position because of our ability to maintain long-term relationships with leading builders and developers, and to attract talented loan officers who offer experience, expertise and a high level of service. In the past year, we also benefited from the stable housing market and increases in construction permit activity.

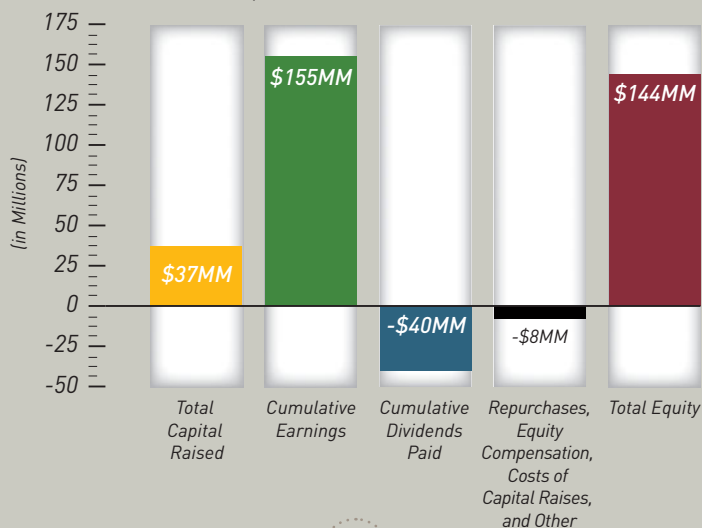
## *Balancing Risk and Growth*

Part of our loan success is due to our fully integrated approach to risk management, which includes our commitment to credit quality and accountability. Our focus is on creating a long-term, enterprise-wide credit culture that strikes a balance between high standards for underwriting and managing risk that leads to growth for the customer and the bank. We achieve this balance by relying on our qualified team of loan and credit officers, whose experience and expertise allow us to successfully handle a variety of complex finances.



## COMPOSITION OF NORTHRIM BANCORP

Capital as of December 31, 2013



## Maintaining the Highest Standards, Transparency and Compliance

We are proud of our position as one of only three publicly traded, SEC-registered companies headquartered in Alaska. This distinction requires Northrim to maintain the highest industry standards, comply with the highest level of scrutiny, and provide the highest level of transparency – all of which makes us a stronger, better organization.

## Growing Deposits – and Relationships

We increased our core deposits over the past year, a success that can be partially attributed to efforts such as our new Northrim Perks program. Through Northrim Perks, our business customers and their employees receive benefits for banking with us, allowing us to increase our personal deposits and expand our customer relationships beyond business services. Similarly, we revamped our referral program, now offering Alaska Airlines miles to encourage and reward our referring customers for helping us grow.

## Investing in Facilities and Technology

Facilities and technology was another area of growth in 2013. We continued a multi-year project to upgrade and modernize our electronic technologies and our headquarters building in Anchorage in an effort that allows us to attract quality tenants and provide an efficient base of operations for future growth.

Of special note was the renovation of the Knudson Room, a training and meeting space dedicated to our former Chief Operating Officer, Chris Knudson, who passed away in 2013. Keeping in line with Chris' philosophy that "our people are our greatest strength," we made significant investments in the room's state-of-the-art telecommunication technology, which enables us to efficiently communicate with and train employees throughout our network. We also invested in IT infrastructure throughout the building to enhance safe, secure, streamlined operations.

Our new ATMs also made their debut in 2013. Specially designed to optimize customer convenience, we are pleased to enhance our 24/7 full-service banking services at several of our new ATMs.



# REFLECTOR OF THE ECONOMY

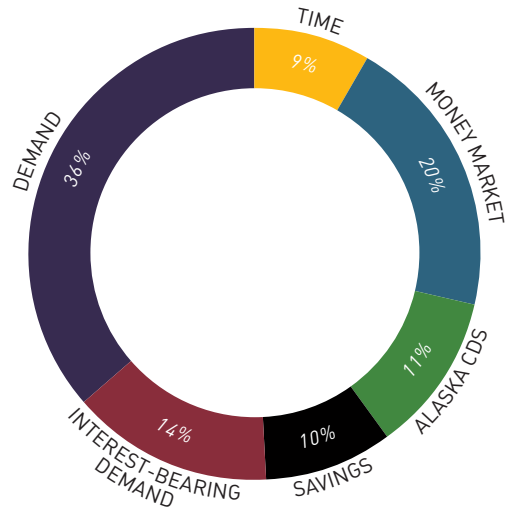
Northrim is a reflector of the economy – when the state prospers, when our customers prosper, then so do we. We closely monitor economic trends, develop expertise and explore opportunities in industries important to Alaska, including fishing, natural resources, and construction.

## Fishing

As one of Alaska’s oldest sustaining industries, fishing is an important economic driver, and also plays a defining cultural role to our residents and visitors. The fishing industry offers significant growth opportunities for Northrim, and we are steadily building that line of business through our in-house talent and experience, as well as through the planned merger with Alaska Pacific Bank in coastal Southeastern Alaska.

Expanding into this industry provides us with geographic and economic diversification, and enables us to serve a special niche of small business customers. We provide commercial loans of varying sizes for everything from equipment and facilities to vessels and operating capital. Through these activities, we are pleased to help keep this long-standing industry – and the local businesses and families involved in it – strong and healthy.

# DEPOSITS



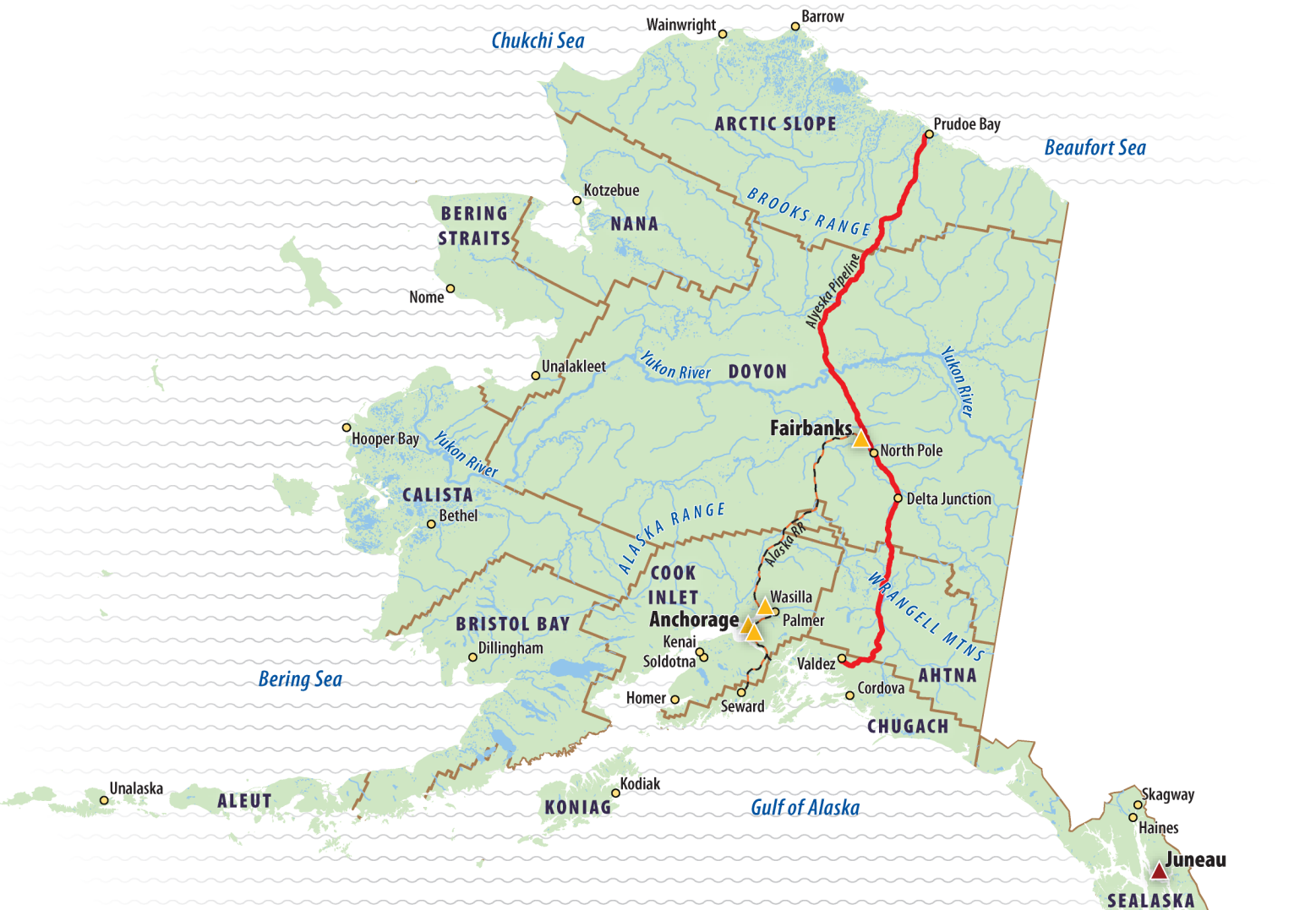
## Natural Resources

For many years, we have been actively engaged in the natural resources industry, primarily in the area of oil field support. We serve leading companies from the North Slope to the Kenai Peninsula that provide oil and gas support services ranging from transportation and engineering to logistics and supplies.

**WE KNOW**  
THE ALASKA ECONOMY

*We dedicate significant resources to understanding our economy – and sharing that knowledge with others. We speak regularly at local events, host economic luncheons, sponsor economic research, employ an in-house economist, and publish our blog, [Alaskanomics.com](http://Alaskanomics.com).*

# EXPANDING OUR STATEWIDE FOOTPRINT



**KEY**

- Trans-Alaska Pipeline System
- Town
- ▲ Current Northrim Locations
- ▲ Future Northrim Locations
- Alaska Native Regional Corporation Regions
- Alaska Railroad



Northrim presents contribution to ISER  
at annual economic event



The natural resources industry has been the cornerstone of Alaska's economy for decades, and it continues to be a growth area for the state and for Northrim. We continue to develop expertise and remain engaged in this industry through our involvement and leadership with organizations including the Resource Development Council, the Chambers of Commerce, the Alaska Support Industry Alliance, Commonwealth North, the Associated General Contractors of Alaska, and the Alaska Miners Association, among others.

As part of our engagement, we are active in the discussion around oil and gas issues, particularly the oil tax structure. With an abundance of supply in other states, a competitive tax structure and fiscal certainty for investors is essential for Alaska's economy to continue to do well. We strongly advocated for the legislative changes made last year, and we will continue to support oil tax policy that encourages investment and growth.

## Housing

Residential construction is an essential industry for Alaska, both economically and socially. Northrim has been a market leader since our beginning, supporting the industry through the highs and the lows, and tackling some of the largest and most complex projects.

We experienced a solid year of growth in this area, attributable to our 50 years of combined lending experience, active leadership in community and trade organizations, commitment to the highest level of customer service, and long-term relationships with leading builders and developers.



NeighborWorks – Northrim employees volunteering  
at the Paint the Town Event



One of our larger construction lending projects in 2013 was a partnership with Cook Inlet Housing Authority on the Coronado Park Senior Village, a 56-unit apartment building in Eagle River that will serve the affordable housing needs of Alaska's growing senior population. Northrim became involved in the project because it was economically viable with a reputable partner, and it addressed an important need in our community. As both a project lender and investor, we provided a construction loan for the project; match funded a fixed rate permanent loan through our relationship with the Federal Home Loan Bank – Seattle, and committed to invest in Low Income Housing Tax Credits that provided additional equity for the project.

## A COMMUNITY BANK THAT CARES

Northrim is tightly integrated into our communities. We work here, we play here, and we know the people and places here. We accept deposits locally, we lend money locally, and we make decisions locally. We are also engaged in the community, investing time, effort and money as an organization and as individuals. This local focus and regional knowledge offers additional value, as it directly translates to our ability to help our customers succeed.

The community involvement of our employees is significant. Supported by a 50% corporate match, Northrim employees generously contributed \$133,000

to United Way during the 2013 campaign, up 25% from a previously successful 2012 campaign. In 2013, our employees also gave over 4,000 hours of their time to support local organizations and efforts.

Our School Business Partnership with Fairview Elementary School in Anchorage is one example of our community involvement. In 2013, we supported the school through donations and volunteerism, including reading to students, offering special math classes and tutoring, holding clothing drives, and organizing a Thanksgiving turkey giveaway.

During 2013, Northrim Bank contributed \$605,203 to organizations throughout Alaska. Our corporate giving is focused on organizations and programs that support community and economic development, strengthen low-income families, and promote higher education through the State of Alaska's Education Tax Credit Program. We encourage understanding of Alaska's economy with our unrestricted annual contribution to the University of Alaska's Institute of Social and Economic Research. We are leading givers and volunteers to the Alaska Small Business Development Center that helps counsel emerging businesses in Alaska.

Last year, we also created the permanently endowed Chris Knudson Northrim Accounting Scholarship to honor the memory of our founding Chief Financial Officer and help students throughout the University of Alaska system who are pursuing a degree in accounting.

WE KNOW  
COMMUNITY

*From chairing boards to reading to schoolchildren, our employees know the community because they are actively involved in it! Last year, Northrim employees gave more than 4,000 hours of their time to support local events and causes they care about.*



# ADDING VALUE THROUGH OUR AFFILIATES

Along with providing income, our affiliates offer our customers additional services, including residential mortgages, employee benefit and individual health insurance programs, and investment advisory and wealth management services.



Residential Mortgage, LLC (Residential Mortgage), an affiliate since its inception in 1998, is a market leader in Alaska's mortgage industry. We hold 24% of this Alaskan-owned company with offices in Anchorage, Juneau, Kodiak, Soldotna, Eagle River and Fairbanks, as well as in the state of Washington. The company contributed \$1.2 million to Northrim's other operating income in 2013, down from 2012's \$2.6 million, due to a decrease in mortgage refinance activity.



**ELLIOTT COVE**  
Capital Management

We own a 43% interest in Elliott Cove Capital Management LLC (Elliott Cove), a registered investment advisor and Northrim affiliate since

2002. The company, which specializes in helping financial institutions create or expand investment programs and retirement plans for their customers, serves Northrim Bank as well as four community banks in Washington. Elliott Cove contributed \$291,000 to other operating income in 2013, compared to \$215,000 in 2012. In 2013, Elliott Cove also increased its assets under management to \$159.7 million.

## *Elliott Cove Insurance Agency LLC*

Northrim owns a 43% interest in Elliott Cove Insurance Agency LLC, which offers annuities and life insurance products through its four bank clients in Washington and through Northrim Bank in Alaska. The company contributed \$20,000 to our other operating income in 2013, compared to \$53,000 in 2012.



## PACIFIC PORTFOLIO

We own a 23% interest in Pacific Wealth Advisors, an independent wealth management and investment advisor that is the holding company for Pacific Portfolio Consulting, LLC and Pacific Portfolio Trust Company (Pacific Portfolio). Part of the Northrim family since 2006, Pacific Portfolio serves high-net-worth individuals and families, as well as institutions, including endowments, foundations, and trustee- or participant-directed retirement plans. The company contributed \$25,000 to other operating income in 2013, compared to \$75,000 in 2012.



Northrim Benefits Group, LLC (Northrim Benefits Group), which joined the Northrim family in 2005 when we purchased a 50.1% interest, helps businesses develop competitive employee health benefit programs, including medical, vision, dental and long-term care plans. In 2013, Northrim Benefits Group established a new division, Enroll Alaska, which focuses on enrolling individual Alaskans in health insurance plans to meet new requirements under the Affordable Care Act. Northrim's share of net income from Northrim Benefits Group decreased to \$88,000 in 2013 from \$514,000 in 2012 as a result of costs incurred to launch Enroll Alaska.







## Enroll Alaska

In response to the federal mandate that all individuals have health insurance beginning January 1, 2014, Northrim Benefits Group established Enroll Alaska, a new division focused on individual health coverage for an estimated 66,000 uninsured or underinsured Alaskans. This expanded the company's market focus from Alaska businesses to include individuals and families.

Enroll Alaska's licensed agents guide individuals through the new federal insurance marketplace created with the passage of the Affordable Care Act, help individuals determine if they qualify for a federal tax subsidy, and assist in selecting a health insurance plan for each individual and family.

We made a significant investment in Enroll Alaska after identifying it as a business opportunity that will expand our line of services and retail customer base while offering a needed service to the community.

Although enrollment numbers to date are lower than expected due to issues with the federal marketplace website that individuals in Alaska use to enroll in health insurance coverage, we have received significant recognition for our efforts to provide information on the Affordable Care Act. The exposure from Enroll Alaska has also resulted in additional contacts and referrals from small business customers.



Brochure ►



# ENROLL ALASKA

*Alaskans have a decision to make on health insurance, we have a solution.*



[enrollingalaska.com](http://enrollingalaska.com)

1.855.385.5550

# MISSION, VISION, VALUES

## MISSION

### TO BE ALASKA'S MOST TRUSTED FINANCIAL INSTITUTION

*We are committed to adding value for our customers, communities, and shareholders.*

## VISION

### TO BE ALASKA'S PREMIER BANK AND EMPLOYER OF CHOICE

*We will be a leader in financial expertise, products and services, focused on continuous improvement and market growth.*

## VALUES

### PROUD TO BE ALASKAN

*We are Alaskan managed. We embody Alaska's frontier spirit and values, and strongly support our communities.*

### SUPERIOR CUSTOMER FIRST SERVICE

*We have a sincere appreciation for our customers. We want to build lasting customer relationships through professional, prompt, and caring service.*

### GROWTH

*We look for growth opportunities for our customers, our institution and our employees. We strive to be better, personally and professionally.*

### INTEGRITY

*We are trustworthy, reliable, and ethical, and provide our customers with secure, confidential services. We do what is right.*

## WE ARE

### ENGAGED

*We achieve more because we are dynamic, proactive, and innovative.*

### ACCOUNTABLE

*We take personal responsibility. We do what we say we will do.*

### ALIGNED

*We value alignment within teams and across departments. Together we are stronger.*



**Colleen Roberts**

*Electronic Banking*

**Jewel Santiago**

*Information Technology*

**Bobbi Kotek**

*Wasilla Financial Center*

**Brian Leonard**

*Wasilla Financial Center*

**Erin Gage**

*Branch Administration*

**Rachel Scantlebury**

*Customer Service Center*

## CELEBRATING SUPERIOR CUSTOMER FIRST SERVICE

Superior customer first service is a core value at Northrim. It's why we started, and why we've grown. In our 23 years of operation, we believe we've effectively brought that value to life throughout the bank. Today, we have an organization full of people who truly care about our customers, and who provide friendly, creative, flexible service to meet their needs.

We are especially proud of our employees' ability to build long-term relationships. We help our customers through the complete life cycle of their business or personal needs,

offering different products and services – and always with a spirit of superior customer first service.

We reinforce our customer service value in many ways, including recognition of employees who go above and beyond with our quarterly Customer First Service Awards. We honor and thank the team members who received these awards in 2013 and look forward to celebrating more in the coming year.





**Suzanne Whittle**

*SVP, Information Services & Compliance Manager*

◀ **Len Horst**

*ASVP, Senior Lending Officer*

**Tara Tetzlaff**

*SVP, Construction Loan Manager*

## NORTHRIM SENIOR MANAGEMENT

### *People: The Secret to Our Success*

From the beginning, Northrim's founders envisioned an organization comprised of engaged, dedicated employees who are constantly striving to learn more and perform at the very highest standard. As we grow, we celebrate our success in passing the baton from our pioneering founders to the next generation of leaders.

Success comes from leading by example. Throughout the organization, we empower our employees to act as owners, and think of themselves as leaders. We encourage them to expand their skills and be engaged in their jobs and their community.

So while the economy and competition certainly play a role, the true secret to our success is our people.



**Jay Blury**

*VP, Marketing & Communications Director*

**Lynn Wolfe** ▶

*ASVP, Operations & Branch Administration*

**Joe Schierhorn**

*EVP, Chief Financial Officer, Chief Operations Officer & Corporate Secretary*



◀ **Ben Craig**

*ASVP, Chief Technology Officer*

**Amber Zins**

*SVP, Internal Audit Manager*

**Audrey Amundson** ▶

*ASVP, Planning & Organizational Development*

**Carolyn Jennings**

*SVP, Branch & Electronic Channel Manager*

**Steve Hartung**

*EVP, Chief Credit Officer*



◀ *Joe Beedle*  
*President and CEO*

▲ *Dennis Bingham*  
*SVP, Loan Administration Officer*

*Ellen Izer*  
*SVP, Human Resources Director*

*Dan Lowell*  
*SVP, Northrim Funding Services Manager*

*Catherine Claxton*  
*SVP, Commercial Real Estate  
Loan Manager*

*Jim Miller*  
*SVP, Senior Credit Officer*





# BOARD OF DIRECTORS



**Marc Langland**  
Director since 1990  
Chairman



**Joe Beedle**  
Director since 2011  
President and CEO, Northrim Bank



**Larry Cash**  
Director since 1995



**Mark Copeland**  
Director since 1990  
Chairman, Audit Committee



**Ronald Davis**  
Director since 1997  
Chairman, Compensation Committee



**David Wight**  
Director since 2006



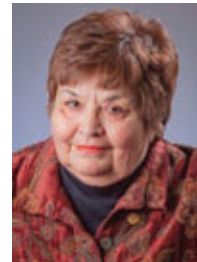
**Anthony Drabek**  
Director since 1991



**Richard Lowell**  
Director since 1990



**David McCambridge**  
Director since 2011



**Irene Sparks Rowan**  
Director since 1991



**John Swalling**  
Director since 2002  
Lead Director  
Chairman, Governance & Nominating Committee

**Marc Langland**  
Director since 1990  
Chairman, President and CEO  
Northrim Bancorp, Inc.  
Chairman, Northrim Bank

**Joe Beedle**  
Director since 2011  
President and CEO, Northrim Bank

**Larry Cash**  
Director since 1995  
President and CEO, RIM Architects, LLC  
since 1986

**Mark Copeland**  
Director since 1990  
Owner of Strategic Analysis, LLC, a  
management consulting firm, since 1999  
Member of Copeland, Landye, Bennett  
and Wolf, LLP, a law firm, for 30 years  
prior to that time

**Ronald Davis**  
Director since 1997  
CEO and Administrator, Tanana Valley  
Clinic until his retirement in 1998  
Secretary/Treasurer, Canoe Alaska,  
from 1996 to 1999  
Vice President, Acordia of Alaska  
Insurance, from 1999 to 2003

**David Wight**  
Director since 2006  
President and CEO, Alyeska Pipeline  
Service Company from 2000 to 2005,  
following a 40-year career with the Amoco  
Corporation, which became BP in 1998  
Director, Storm Cat Energy,  
from 2006 to 2011

**Anthony Drabek**  
Director since 1991  
President and CEO, Natives of Kodiak,  
Inc., an Alaska Native corporation, from  
1989 to 2010  
Chairman and President, Koncor Forest  
Products Company, from 1986 to 2011

**Richard Lowell**  
Director since 1990  
President, Ribelin Lowell and Company,  
an insurance brokerage firm, from 1985  
to 2004

**David McCambridge**  
Director since 2011  
Audit Partner, KPMG LLP, from  
1991 until retirement in 2010  
Director, The Tanaka Foundation  
since 1985  
Director, Great Alaska Council Boy  
Scouts of America, from 1993 to 2012  
Director, Alaska Kidney Foundation  
since 1999

**Irene Sparks Rowan**  
Director since 1991  
Director, Klukwan, Inc., an Alaska Native  
corporation, from 1988 to 2000, and 2009  
to 2010  
Director, Alaska Moving Image  
Preservation Association since 2011

**John Swalling**  
Director since 2002  
President and Director, Swalling &  
Associates, PC, an accounting firm,  
since 1991  
Director, Swalling Construction Co. Inc.  
since 1975



# NORTHRIM BANK OFFICERS

## Executive Officers

Marc Langland, *Chairman\*\*\*\**  
 Joe Beedle, *President & Chief Executive Officer\**  
 Joe Schierhorn, *Chief Financial Officer, Chief Operating Officer & Corporate Secretary\*\*\*\**  
 Steve Hartung, *Chief Credit Officer\**

## Administrative Senior Vice Presidents

Audrey Amundson, *Planning & Organizational Development\*\*\*\**  
 Ben Craig, *Chief Technology Officer\**  
 Len Horst, *Senior Lending Officer\**  
 Lynn Wolfe, *Operations & Branch Administration\*\*\*\**

## Senior Vice Presidents

Amber Zins, *Internal Audit Manager\**  
 Carolyn Jennings, *Branch & Electronic Channel Manager\*\*\**  
 Catherine Claxton, *Commercial Real Estate Loan Manager\*\*\**  
 Dan Lowell, *Northrim Funding Services Division Manager\**  
 Dennis Bingham, *Loan Administration Officer\**  
 Ellen Izer, *Human Resources Director*  
 Jim Miller, *Senior Credit Officer\*\*\**  
 Suzanne Whittle, *Information Services & Compliance Manager\*\**  
 Tara Tetzlaff, *Construction Loan Manager\*\*\**

## Vice Presidents

Barb Ervin, *Branch Administration Manager\*\**  
 Bill Staley, *Commercial Loan Officer V*  
 Bradley Kiefer, *Commercial Loan Officer IV*  
 Darci Ornellas, *Regional Sales & Service Manager\*\*\**  
 Daryl Lowe, *Commercial Loan Officer V*  
 Glenna Hartman, *Credit Administration Officer III\*\**  
 Heidi Moes, *Item Processing Operations Manager\*\**  
 Heidi Roesler, *Human Resources Talent Manager\*\**  
 Janet Holland, *Facilities Manager\*\**  
 Jay Blury, *Marketing & Communications Director\**  
 Jeanine Lillo, *Assistant Controller\*\**  
 Jim Culley, *Commercial Loan Unit Manager*  
 Josh King, *Northrim Funding Services Assistant Division Manager*  
 Kathy Martin, *Construction Loan Officer IV\*\*\**  
 Katie Bates, *Electronic Channel Delivery Manager\*\**  
 Kelly Lykins-Longlet, *Risk Manager\*\**  
 Kim Farrell Brewington, *Commercial Cash Management Officer\*\**  
 Larry Cooper, *Commercial Loan Unit Manager*  
 Latosha Dickinson, *Controller of Financial Reporting\**  
 Lisa Adams, *Northrim Funding Services Operations Manager\**  
 Mark Edwards, *Commercial Loan Unit Manager & Bank Economist\**  
 Mark Renner, *Commercial Loan Officer V\**

Mhay Sy, *Credit Officer\**  
 Mike Martin, *Commercial Loan Unit Manager & In-House Counsel*  
 Missie Yost, *Branch Administration Operations Manager*  
 Paula Grau, *Commercial Loan Administrative Support Manager\*\**  
 Ray Dinger, *Commercial Real Estate Loan Officer V\*\*\**  
 Sharon Wright, *Loan Support Services Manager\*\*\**  
 Steve Brown, *Construction Loan Officer V*  
 Steve Ponto, *Commercial Loan Officer V\**  
 Sue Wolfe, *Commercial Real Estate Loan Officer V*  
 Tammy Kosa, *Regional Sales & Service Manager\**  
 Zac Hays, *Consumer & Small Business Loan Manager*

## Assistant Vice Presidents

Adam Baxter, *Loan Quality Assurance Officer*  
 Anita DeVore, *Branch Manager\**  
 Aracelis Bell, *Elliott Cove Relationship Manager\*\**  
 Barb Snell, *Electronic Banking Operations Manager I*  
 Ben Schulman, *Small Business Loan Officer*  
 Bill Simpson, *Special Credits Officer II\**  
 Brigitte Lampert, *Branch Manager\**  
 Christopher Chambos, *Branch Manager*  
 Dawn Hoxie, *Branch Manager\*\*\*\**  
 Delores Siah, *Branch Manager*  
 Erika Bills, *Business Development Officer II\*\*\**  
 Erin Gage, *Branch Administration Assistant Operations Manager\*\**  
 Esther Fouts, *Accounting Supervisor\*\*\*\**  
 Fran Ponge, *Branch Manager\**  
 Holly Burns, *Northrim Funding Services Relationship Manager\**  
 Jessica Giamona, *Training & Development Manager*  
 Josie Thayer, *Electronic Business Services Manager\**  
 Kelly McCormack, *Commercial Loan Officer IV\**  
 Ligia Lutan, *Construction Loan Administrative Officer\**  
 Linda Uttech, *Assistant Facilities Manager*  
 Lynn Akers, *Elliott Cove Relationship Manager\*\**  
 Maria Kirksey, *Deposit Compliance Officer\**  
 Marsha Fry, *Commercial Real Estate Loan Officer III\*\*\*\**  
 Nancy Wilson, *Community Development, Information Security & Compliance Manager\*\**  
 Oziel Villasenor, *Branch Manager*  
 Reynold Udarbe, *Branch Manager*  
 Rick Pinkerton, *Loan Review Officer\*\**  
 Rodlynn Smallwood, *Assistant Electronic Channel Delivery Manager\**  
 Sean Christian, *Strategic & Planning Manager\**  
 Sherilee Keopuhiwa, *Branch Manager*  
 Tammy Gray, *Branch Manager*  
 Tina Hohnstein, *Special Credits Officer II\*\*\**  
 Tori Brandon, *Credit Administration Officer II\*\*\**

AVP and above as of 2/7/14: \* Five-year employee, \*\* Ten-year employee, \*\*\* Fifteen-year employee, \*\*\*\* Twenty-year employee





## REMEMBERING CHRIS KNUDSON

Northrim's founding Chief Financial Officer, Chris Knudson, passed away September 13, 2013 after a lengthy battle against cancer. Chris was Executive Vice President, Chief Operating Officer for Northrim BanCorp, Inc. and Northrim Bank and a member of the Board of Directors for both companies. He was also a charter senior officer along with founders Marc Langland and the late Arnold Espe, who started the financial institution in 1990.

Chris is remembered as being a real advocate for employees: their well-being was his primary concern. They recall a strong, humble individual with great leadership skills.

We remember Chris and honor his 23 years of leadership at Northrim through the creation of the Chris Knudson Northrim Accounting Scholarship Endowment, which will be a lasting tribute to inspire students in accounting throughout the University of Alaska system. We also celebrate Chris' memory with the dedication of the Knudson Room, a state-of-the-art meeting and training space in Northrim's headquarters building.

# INFORMATION AND ADDRESSES

## *Annual Meeting:*

May 15, 2014, 9:00 am  
Hilton Anchorage Hotel - 500 W. 3rd Avenue  
Anchorage, AK

## *Stock Symbol:*

Northrim BanCorp, Inc. (NASDAQ: NRRM)

## *Auditor:*

Moss Adams LLP

## *Transfer Agent & Registrar:*

American Stock Transfer & Trust Company LLC  
(800) 937-5449, info@amstock.com

## *Legal Counsel:*

Davis Wright Tremaine LLP

## *Investor Requests:*

For stock information and SEC filings, copies of earnings & dividend releases, click on "Investor Relations" section at northrim.com

## *Investor Information:*

Call our Corporate Secretary at (907) 562-0062 or write Corporate Secretary, Northrim Bank PO Box 241489, Anchorage, AK 99524-1489

This report has not been approved or disapproved for accuracy or adequacy by the Federal Deposit Insurance Corporation, Federal Reserve Bank, Securities and Exchange Commission, or any other regulatory authority.

Member FDIC, Equal Opportunity Lender  
Equal Opportunity Employer

## *Financial Snapshot Footnotes:*

- (1) Tangible book value per share is a non-GAAP ratio that represents shareholder's equity, less intangible assets, divided by common stock outstanding.
- (2) Tax-equivalent net interest margin is a non-GAAP performance measurement in which interest income on non-taxable investments and loans is presented on a tax-equivalent basis using a combined federal and state statutory rate of 41.11% in all years presented.
- (3) In managing our business, we review the efficiency ratio exclusive of intangible asset amortization, which is not defined in accounting principles generally accepted in the United States ("GAAP"). The efficiency ratio is calculated by dividing noninterest expense, exclusive of intangible asset amortization, by the sum of net interest income and noninterest income. Other companies may define or calculate this data differently. We believe this presentation provides investors with a more accurate picture of our operating efficiency. In this presentation, noninterest expense is adjusted for intangible asset amortization.
- (4) FTE includes employees of Northrim Bank & Northrim Benefits Group.

Refer to the company's Annual Report on Form 10k available in the "Investor Relations" section of northrim.com, for reconciliations of non-GAAP financial ratios to comparable GAAP measurements.

## *Cautionary note regarding forward-looking statements*

This report may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, which are not historical facts. These forward-looking statements describe management's expectations about future events and developments such as future operating results, growth in loans and deposits, continued success of the Company's style of banking, and the strength of the local economy. All statements other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this report are forward-looking. We use words such as "anticipate," "believe," "expect," "intend" and similar expressions in part to help identify forward-looking statements. Forward-looking statements reflect management's current plans and expectations and are inherently uncertain. Our actual results may differ significantly from management's expectations, and those variations may be both material and adverse. Forward-looking statements are subject to various risks and uncertainties that may cause our actual results to differ materially and adversely from our expectations as indicated in the forward-looking statements. These risks and uncertainties include: expected cost savings, synergies and other financial benefits from the proposed merger with Alaska Pacific Bancshares, Inc. might not be realized within the expected time frames and costs or difficulties relating to integration matters might be greater than expected; the requisite shareholder and regulatory approvals for the proposed merger might not be obtained; the ability of the Company and Alaska Pacific Bancshares, Inc. to execute their respective business plans (including the proposed merger); the general condition of, and changes in, the Alaska economy; factors that impact our net interest margin; and our ability to maintain asset quality. Further, actual results may be affected by competition on price and other factors with other financial institutions; customer acceptance of new products and services; the regulatory environment in which we operate; and general trends in the local, regional and national banking industry and economy. Many of these risks, as well as other risks that may have a material adverse impact on our operations and business, are identified in our filings with the SEC. However, you should be aware that these factors are not an exhaustive list, and you should not assume these are the only factors that may cause our actual results to differ from our expectations. In addition, you should note that we do not intend to update any of the forward-looking statements or the uncertainties that may adversely impact those statements, other than as required by law.

## ANCHORAGE

### **Northrim Headquarters**

PO Box 241489  
Anchorage, AK 99524  
(907) 562-0062  
(800) 478-2265 outside Anchorage  
northrim.com

### **Midtown Financial Center**

3111 C Street

## EAGLE RIVER

### **Eagle River Branch**

12812 Old Glenn Highway

## BELLEVUE, WASHINGTON

### **Northrim Funding Services**

170 120th Avenue N.E., Suite 202  
PO Box 50245  
Bellevue, WA 98015  
(425) 453-1105

## AFFILIATED COMPANIES

### **Elliott Cove Capital**

#### **Management LLC**

1000 2nd Avenue, Suite 1440  
Seattle, WA 98104  
(206) 267-2683  
elliottcove.com

### **Elliott Cove Insurance Agency LLC**

1000 2nd Avenue, Suite 1440  
Seattle, WA 98104  
(206) 267-2683  
elliottcove.com

### **Huffman Branch**

1501 E. Huffman Road

### **Jewel Lake Branch**

9170 Jewel Lake Road

### **SouthSide Financial Center**

8730 Old Seward Highway

## FAIRBANKS

### **Fairbanks Financial Center**

360 Merhar Avenue

### **West Anchorage Branch & Small Business Center**

2709 Spenard Road

### **Seventh Avenue Branch**

517 W. 7th Avenue

### **36th Avenue Branch**

811 E. 36th Avenue

## WASILLA

### **Wasilla Financial Center**

850 E. USA Circle

### **Northrim Benefits Group, LLC**

3111 C Street, Suite 500  
Anchorage, AK 99503  
(907) 263-1401  
northrimbenefits.com

### **Enroll Alaska**

3111 C Street, Suite 100  
Anchorage, AK 99503  
(907) 770-5100  
enrollingalaska.com

### **Residential Mortgage, LLC**

Headquarters  
100 Calais Drive  
Anchorage, AK 99503  
(907) 222-8800  
residentialmtg.com

### **Pacific Portfolio Consulting, LLC and Pacific Portfolio Trust Company**

Two Union Square  
601 Union Street, Suite 4343  
Seattle, WA 98101  
(206) 623-6641  
pacific-portfolio.com



**Northrim BanCorp, Inc.**

northrim.com