

2016

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Dedicated to helping Alaskans

**ACHIEVE MORE.**

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ANNUAL REPORT



Northrim BanCorp, Inc.

# Message to SHAREHOLDERS



During the past year, Northrim focused on reinforcing our strong foundation – a foundation that we believe will serve our stockholders and customers well in a contracting economy. We did this by continuing to grow our already strong capital position, the expertise of our people, and our commitment to Superior Customer First Service. We also continued our efforts to provide value through added services, to advocate for a long-term sustainable state fiscal policy, and to actively work with customers as they plan for operating in today’s economic environment.

While our 2016 results were down from 2015’s record-breaking performance, we believe our strong foundation provides Northrim the ability to take advantage of opportunities, be a trusted voice on economic issues, and position the Bank – and our customers – for future success.

Revenue was down 2% in 2016 primarily due to lower interest income on portfolio loans as yields declined despite a 1% increase in average balances, as well as lower gains on the sale of various assets compared to 2015. Meanwhile, operating expenses were up 5% in 2016 compared to 2015 primarily due to a correction in accounting treatment for ongoing payments related to the purchase of Residential Mortgage Holding Company, LLC that occurred in 2014. Noninterest expenses also increased in 2016 compared to the previous year as we continue to invest in people and infrastructure to maintain our competitive advantage and serve our customers.

Total assets were up 2%, total equity was up 5% and total deposits grew 2% in 2016 compared to 2015. Portfolio loans were down 1% year-over-year primarily due to a decline in construction loans as several large commercial real estate projects were successfully completed in 2016 and were not replaced.

Nonperforming assets increased in 2016 compared to the previous year primarily due to three borrower-specific credit issues: a residential land development project was placed into other real estate owned (OREO), and two commercial loan relationships were moved to nonperforming status.

Our ratio of performing assets to nonperforming assets remains strong. We continue to exercise due diligence in our lending practices while serving the needs of our Alaska customers.

Noninterest income as a percentage of total income remained high at over 40% in 2016, distinguishing us from many other community banks both in Alaska and nationally. This income is generated not only from core banking services, but also from the revenue diversification offered by our affiliates. Noninterest income was down 3% primarily due to fewer gains on the disposition of loans obtained in connection with our acquisition of Alaska Pacific Bank in 2014, as well as fewer gains on the sale of investment securities in 2016.

Our capital level remains well above the requirements to be qualified as a well-capitalized bank. This strong capital allowed us to increase our dividend to shareholders last year, and we are committed to providing returns to our shareholders through a responsible cash dividend strategy.

As we move forward on this strong foundation, we remain dedicated to helping our employees, our customers and our state ACHIEVE MORE.



Northrim Bank



*Joe Beedle*

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



*Joe Schierhorn*

**Joe Schierhorn**  
*EVP, COO, Northrim BanCorp, Inc.  
President and CEO, Northrim Bank*

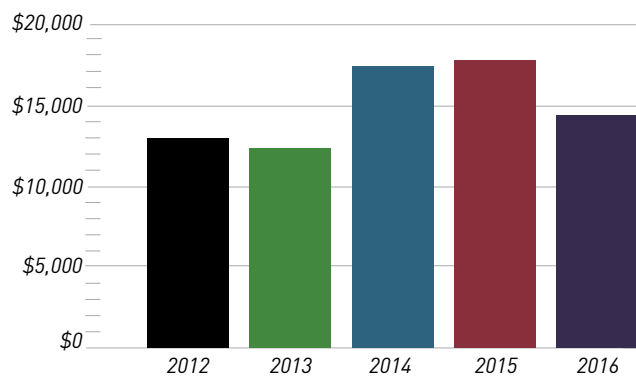
# 2016 FINANCIAL SNAPSHOT<sup>(1)</sup>

(In Thousands, Except Share Data)	2016	2015	2014	2013	2012	2011	Five Year Compound Growth Rate
Net interest income	\$56,357	\$56,909	\$52,293	\$44,034	\$42,223	\$42,364	6 %
Provision (benefit) for loan losses	2,298	1,754	(636)	(635)	(1,559)	1,999	3 %
Other operating income	43,263	44,608	20,034	12,886	15,432	13,090	27 %
Compensation expense, RML acquisition payments	4,775	4,094	—	—	—	—	NM
Other operating expense	71,505	68,551	46,923	38,897	38,679	35,853	15 %
Income before provision for income taxes	\$21,042	\$27,118	\$26,040	\$18,658	\$20,535	\$17,602	4 %
Provision for income taxes	6,052	8,784	8,173	6,246	7,077	5,775	1 %
Net Income	14,990	18,334	17,867	12,412	13,458	11,827	5 %
Less: Net income attributable to noncontrolling interest	579	551	459	87	512	429	6 %
Net income attributable to Northrim Bancorp, Inc.	\$14,411	\$17,783	\$17,408	\$12,325	\$12,946	\$11,398	5 %
<b>Year End Balance Sheet</b>							
Assets	\$1,526,540	\$1,499,492	\$1,449,349	\$1,215,006	\$1,160,107	\$1,085,258	7 %
Portfolio loans	975,015	980,787	924,504	770,016	704,213	645,562	9 %
Deposits	1,267,653	1,240,792	1,179,747	1,003,723	970,129	911,248	7 %
Shareholders' equity	186,712	177,214	164,441	144,318	136,353	125,435	8 %
Common shares outstanding	6,897,890	6,877,140	6,854,189	6,537,652	6,511,649	6,466,763	1 %
<b>Average Balance Sheet</b>							
Assets	\$1,506,522	\$1,480,913	\$1,335,929	\$1,156,500	\$1,088,419	\$1,048,696	8 %
Earning assets	1,361,913	1,334,102	1,212,291	1,041,268	973,741	934,732	8 %
Portfolio loans	976,613	968,752	893,031	734,427	668,014	646,651	9 %
Deposits	1,250,243	1,219,445	1,111,594	953,925	909,129	882,858	7 %
Diluted common shares outstanding	6,974,864	6,948,474	6,852,267	6,609,950	6,574,993	6,554,761	1 %
<b>Per Common Share Data</b>							
Basic earnings	\$2.09	\$2.59	\$2.57	\$1.89	\$2.00	\$1.77	3 %
Diluted earnings	\$2.06	\$2.56	\$2.54	\$1.87	\$1.97	\$1.74	3 %
Book value per share	\$27.07	\$25.77	\$23.99	\$22.07	\$20.94	\$19.40	7 %
Tangible book value per share <sup>(2)</sup>	\$24.70	\$22.31	\$20.48	\$20.86	\$19.69	\$18.09	6 %
Cash dividends per share	\$0.78	\$0.74	\$0.70	\$0.64	\$0.56	\$0.50	9 %
<b>Performance Ratios</b>							
Return on average assets	0.96 %	1.20 %	1.30 %	1.07 %	1.19 %	1.09 %	(3)%
Return on average equity	7.93 %	10.47 %	11.19 %	8.75 %	9.85 %	9.34 %	(3)%
Equity/assets	12.23 %	11.82 %	11.35 %	11.88 %	11.75 %	11.56 %	1 %
Tangible common equity/tangible assets <sup>(3)</sup>	11.28 %	10.40 %	9.85 %	11.30 %	11.12 %	10.87 %	1 %
Net interest margin	4.14 %	4.27 %	4.31 %	4.23 %	4.34 %	4.53 %	(2)%
Net interest margin (tax equivalent) <sup>(4)</sup>	4.20 %	4.32 %	4.36 %	4.29 %	4.40 %	4.59 %	(2)%
Non-interest income/total revenue	43.43 %	43.94 %	27.70 %	22.64 %	26.77 %	23.61 %	13 %
Efficiency ratio <sup>(5)</sup>	76.44 %	71.31 %	64.48 %	67.94 %	66.65 %	64.16 %	4 %
Dividend payout ratio	37.59 %	28.81 %	27.40 %	34.18 %	28.39 %	28.67 %	6 %
<b>Asset Quality</b>							
Nonperforming assets, net of government guarantees	\$19,315	\$5,178	\$7,231	\$4,216	\$9,072	\$12,537	9 %
Nonperforming assets/assets, net of government guarantees	1.27 %	0.35 %	0.50 %	0.35 %	0.78 %	1.16 %	2 %
Nonperforming loans/portfolio loans, net of government guarantees	1.33 %	0.22 %	0.38 %	0.24 %	0.64 %	1.14 %	3 %
Net charge-offs (recoveries)/average loans	0.08 %	0.03 %	(0.12)%	(0.07)%	(0.21)%	(0.01)%	NM
Allowance for loan losses/portfolio loans	2.02 %	1.85 %	1.81 %	2.11 %	2.33 %	2.56 %	(5)%
<b>Other Data</b>							
Number of banking offices <sup>(6)</sup>	14	14	14	10	10	10	7 %
Number of employees (FTE) <sup>(7)</sup>	451	441	426	269	252	269	11 %

Financial Snapshot endnotes on page 22.

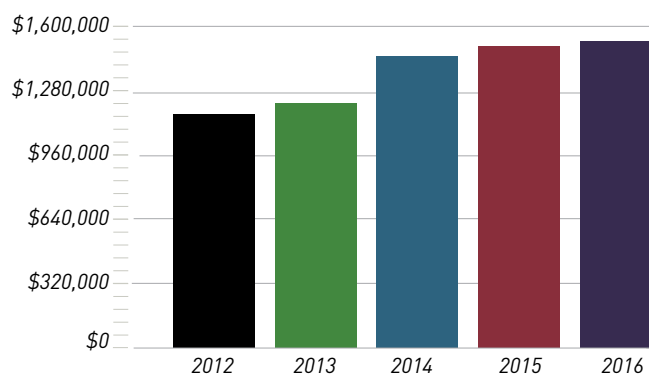
### Net Income Attributable To Northrim BanCorp, Inc.

*in thousands*



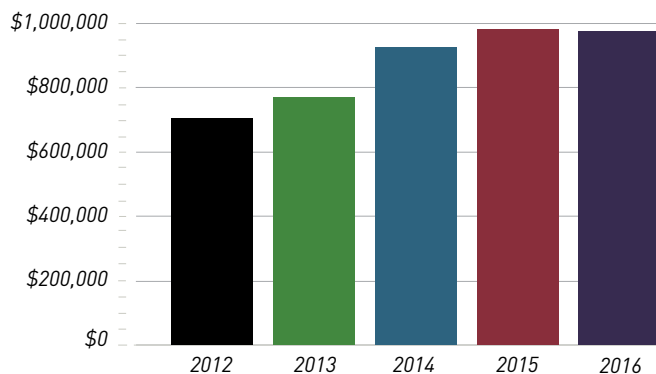
### Total Assets

*in thousands*

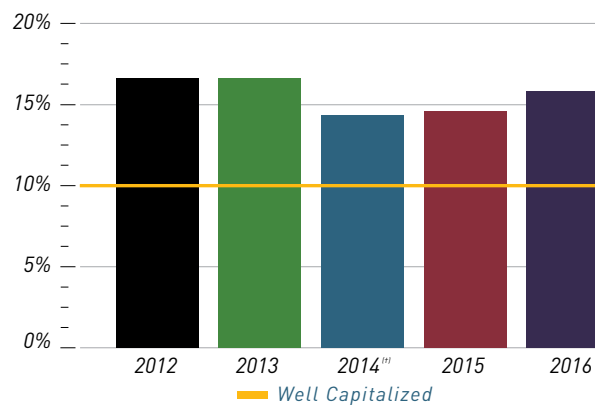


### Portfolio Loans

*in thousands*



### Total Capital Ratio



(†) Decrease reflects increase in goodwill due to the acquisition of Residential Mortgage, LLC.



## SurThriving IN ANY ECONOMIC CLIMATE

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While Alaska's current economic climate represents a challenge to the Bank and our customers, we believe with appropriate operating adjustments, combined with discipline and due diligence, we can manage whatever the future may bring. Our local knowledge and position as an Alaska-focused, community bank enables us to identify and respond to unique opportunities, thereby strengthening our competitive advantage.

Our long-range view and economic forecasting is designed to provide us time to develop new tools to help our customers not only survive – but thrive – in a more challenging economic climate. In addition to our Alaskanomics blog, annual luncheons, speakers' series, support of economic research, and other outreach, in 2016 we introduced a resource called SurThrival that is designed to assist our customers as they plan for the future and seek ways to improve their business and sustainability.

We remain actively engaged in Alaska's economic landscape through the Bank, as well as through our leadership roles in organizations such as the Alaska Resource Development Council, the Alaska State Chamber, Comprehensive Economic Development Strategies in Alaska, and the Alaska Bankers Association. We believe that today more than ever it is important that we work to solve Alaska's state budget imbalance with a systemic, sustainable fiscal plan.

We believe that through reduced government spending levels, broad-based taxes, and changes to allow some

use of the Alaska Permanent Fund's earnings, Alaska has the ability to meet its current fiscal challenges. We advocate for the use of all these measures as we believe a budget solution will have long-run positive impacts including a consistent operating environment for businesses, a return of business confidence, and a more stable climate for private capital investment in Alaska.

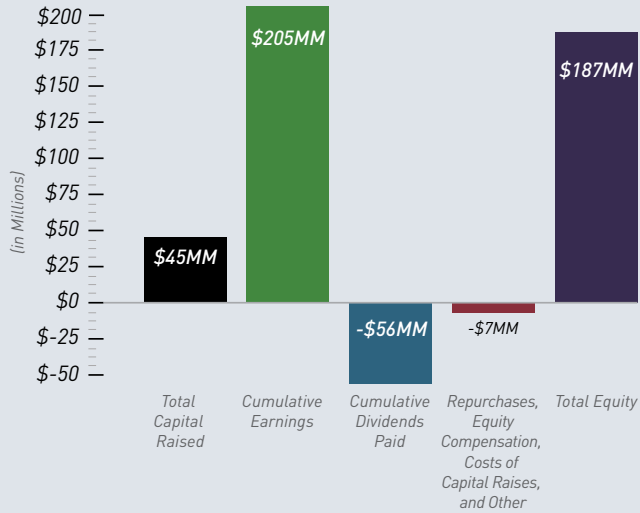
Additionally, we feel that the change in federal administration in 2017 has the potential to favorably impact the government regulation of responsible natural resource development in Alaska. The energy sector is starting to stabilize as it appears that the worst of falling oil prices and related cuts to employment and spending seem to be behind us. Growth in tourism, mining and healthcare are also providing opportunities in the Alaska economy.

We will continue to serve Alaska businesses working to take advantage of growth opportunities. At the same time, we are pursuing new opportunities to grow and add value to our customers. One such opportunity involves deploying our expertise to assist the growing number of long-time Alaska business owners who are ready to move into the next phase of their lives and want to transfer ownership of their businesses through various solutions such as employee stock ownership plans (ESOPs). In the past year, we successfully completed several of these transactions, and also assisted these customers in developing plans for the long-term investment of their proceeds.



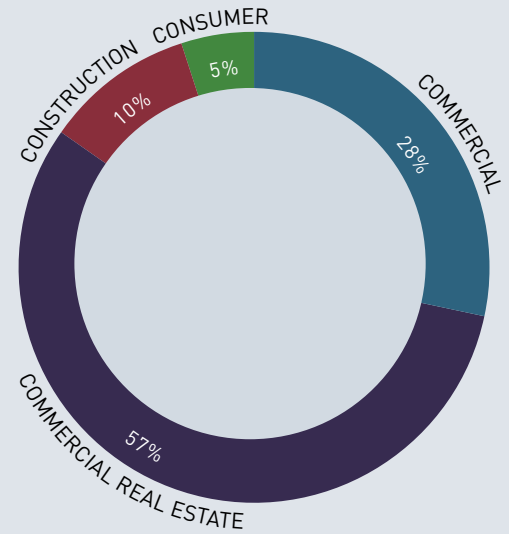
## Composition of Northrim BanCorp

Capital as of December 31, 2016



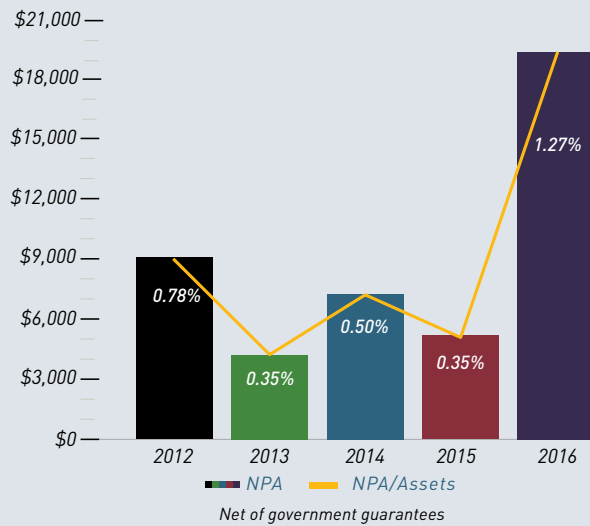
## Loan Portfolio

As of December 31, 2016



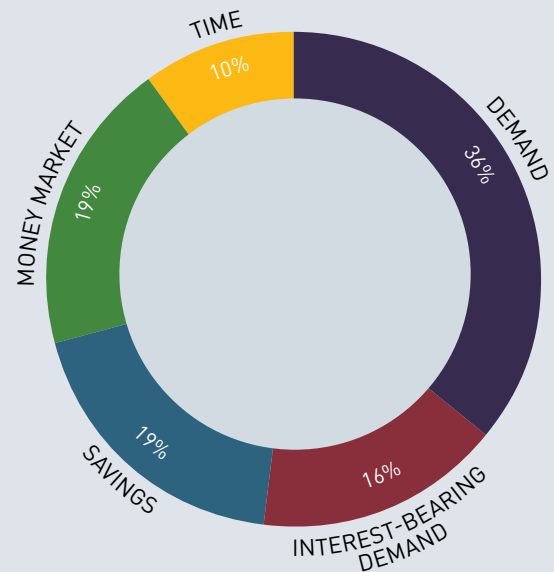
## Nonperforming Assets (NPA)

in thousands



## Deposits

As of December 31, 2016



*Alaska Mill & Feed*

*Passing the Baton*  
**AFTER 67 YEARS**

After running Alaska Mill and Feed Company for 67 years, the Sherwood/Donatello family was ready for a change. At the same time, the owners wanted to ensure that the company they built from the ground up continued serving their loyal customers and rewarded their employees.

The Sherwood/Donatello family called upon Northrim to provide loan funding for an Employee Stock Ownership Plan (ESOP) to facilitate the sale of the business to the employees.

“We wanted to reward the employees for all their hard work that made the company successful,” explains Ken Sherwood, CEO and son-in-law of Alaska Mill and Feed founder Don Donatello, who started the company in 1950.

An expedited timeline was one requirement of the project, which started in mid-October and was wrapped up in late December.

“We selected Northrim because they are a local bank that could complete the transaction in a short time frame,” Ken says. “We received exemplary customer service even though the timing of the project was tight.”

“There was a great deal of pride and a sense of ownership after completing this project,” shares Adam Baxter, Northrim Commercial Loan Officer. “Projects like this one don’t come along every day. To be able to



meet the customer’s needs and accomplish the project on time was very rewarding.”

In addition to funding the ESOP, Northrim assisted the owners with other banking services, and introduced the Alaska Mill and Feed management team to other products and services that the company can benefit from going forward.

“We strive to always provide Superior Customer First Service and make sure we are meeting the customer’s needs and expectations,” Adam says. “Building a relationship with our customers and understanding their needs is crucial to accomplishing this.”



*Extreme Fun Center*

*Helping Visions*

**COME TO LIFE**

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When John Schweiger, an existing multi-plex theatre entrepreneur, approached Northrim about building an “Extreme Fun Center” in Wasilla two years ago, it wasn’t just a new construction project, it was a completely new concept for the area.

The Northrim team spent the next year discussing project feasibility with John. “You need to invest time with customers up front and be an effective sounding board with a positive exchange about ideas, strengths and weaknesses so that a solid foundation can be established to help ensure success,” explains Sue Wolfe, Northrim Commercial Real Estate Loan Officer.

After a year of planning and a year of construction, the 58,000-square-foot Extreme Fun Center opened in April 2016. Complete with indoor racing karts, an arcade, bumper cars, mini bowling, laser tag, laser shooting galleries, a kids play zone and a food court, the \$11 million project “gives all ages a place to go to have some fun,” explains owner John Schweiger, adding that the center also provides 45 full-time jobs.

“If Northrim feels the project is good for the state and community, they find reasonable ways to help make it happen,” John says.

Ultimately, Northrim provided the construction financing as well as participated in the long-term



financing with the Alaska Industrial Development and Export Authority (AIDEA). “The most rewarding aspect is seeing the vision that John had for this project actually come to life and knowing that the Bank played a part in making that happen,” Sue shares.

“Having done a previous project with Northrim and knowing their process, I would not have wanted to go anywhere else,” John says. “I am proud to say we are starting our third project with Northrim right now and can’t wait to see it completed.”

*Icy Strait Point*

## Growing LOCAL COMMUNITIES

Since opening in 2004, Icy Strait Point has become essential to the economy of Hoonah, which suffered after a downturn in the timber and fishing industries.

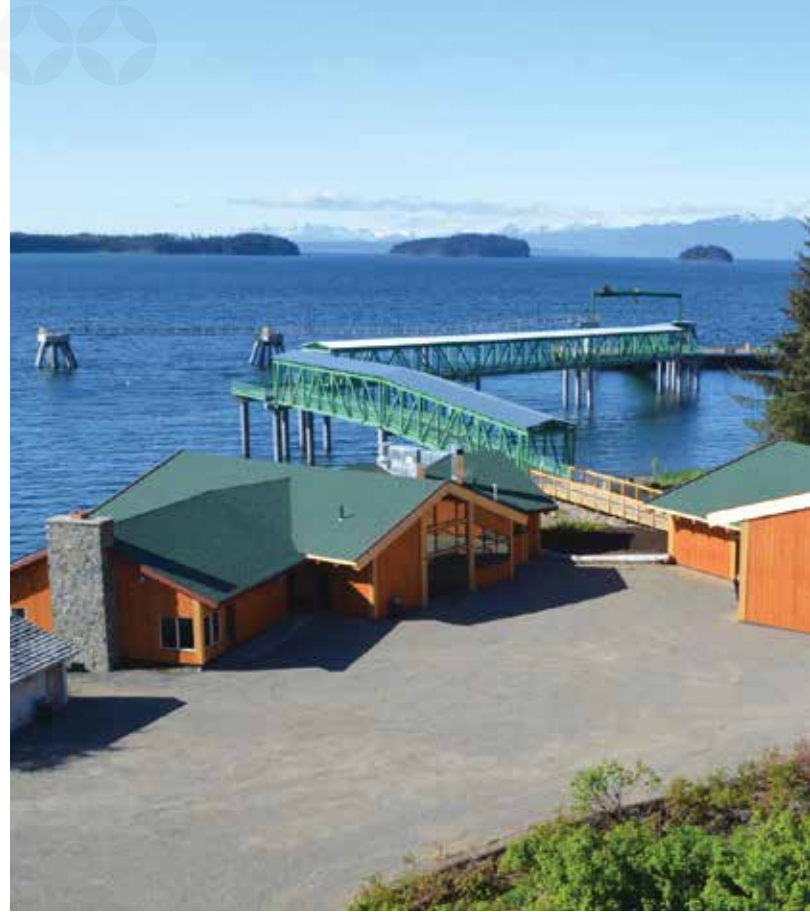
Owned and operated by Huna Totem Corporation (HTC), Icy Strait Point has established itself as a unique and award-winning port of call, offering a range of quality excursions, restaurants and shops. However, without a dock, its growth potential was constrained.

HTC, which worked with Northrim to finance the original development, returned to the Bank for assistance with the expansion project, which included a multi-use, deep-water cruise ship dock, welcome center, zip line excursion building, and restaurant remodel.

“This was a challenging project for local banks,” says Glory Scarano, HTC’s vice president of finance. “Northrim was willing to provide funding to help further the economic growth in the community and enhance the guest experience.”

Through a public-private partnership consisting of HTC, Northrim, the City of Hoonah, the State of Alaska, the Alaska Industrial Development and Export Authority, and the Bureau of Indian Affairs, construction of the \$37 million project started in June 2015 and was completed in May 2016.

“Completing the project was rewarding, as it will



mean so much to the borrower’s future revenue and local employment of so many people,” shares Tom Sullivan, Northrim Southeast Regional Loan Unit Manager.

Following project completion, Icy Strait Point saw increases in both guests and sales, and will welcome a new cruise line in 2017. HTC estimates a local economic impact of over \$4.3 million, and a regional impact of over \$5.6 million.

“Northrim’s community focus is instrumental to economic development in Alaska. Its understanding of the drivers in our regional economy, and the importance of infrastructure development to support growth in the tourism market were critical,” Glory says. “This project would not have been completed without the support of Northrim.”

## *The Next Step* IN OUR EVOLUTION

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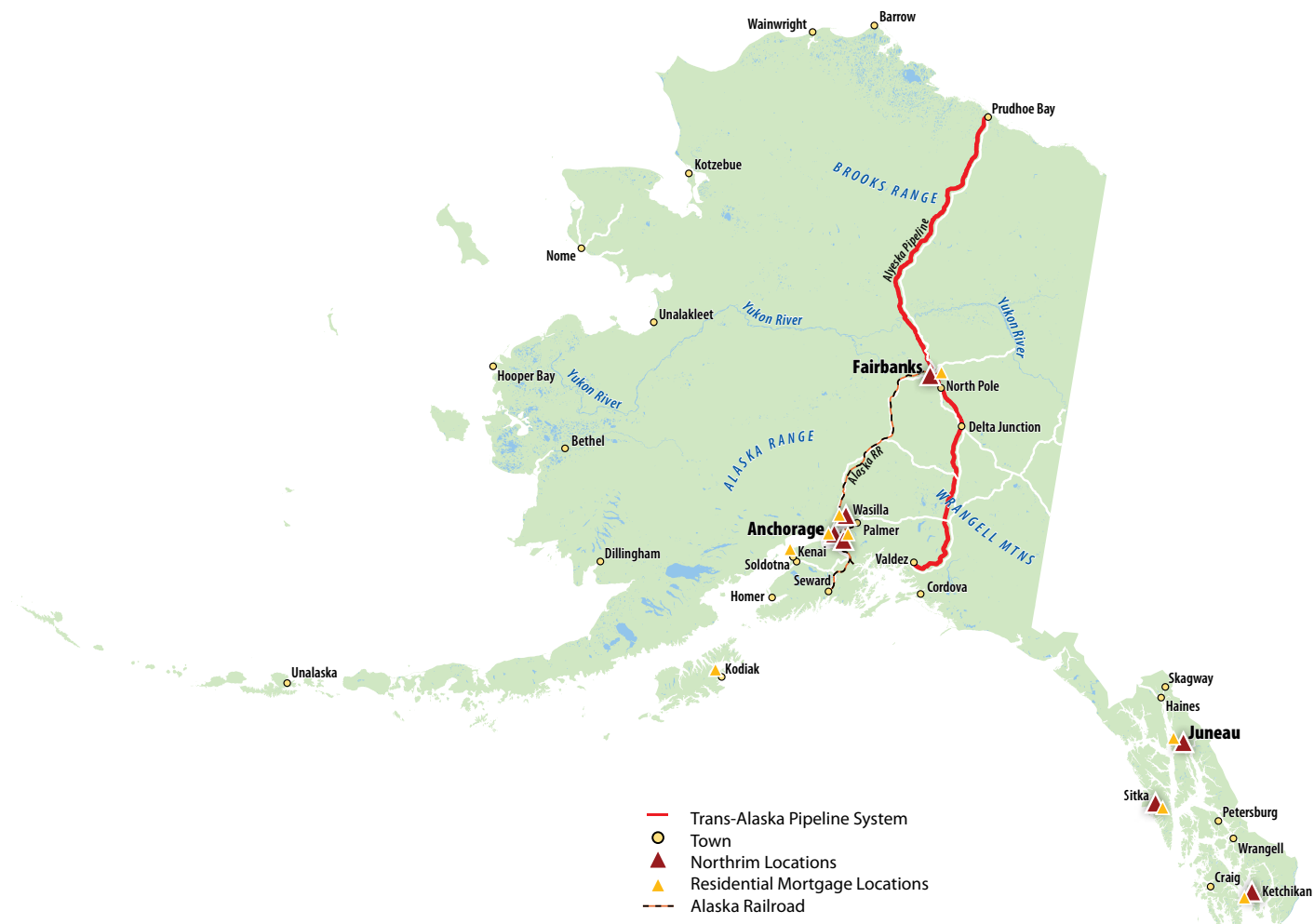
Over the past 26 years, Northrim has evolved from a small start-up bank to a strong, trusted, statewide institution. A critical component in that evolution is our commitment to best practices in customer service, technology and security. Our new core banking system, which we are planning to install in 2017, is the latest step in the Bank's evolution and sets the stage for our future.

As the name suggests, the banking system is at the core of how the Bank functions. The new system is designed to allow us to offer a greater array of products and services, be more responsive to customer needs, provide improved interaction with our customers, increase Bank operating efficiencies, and enable more timely access to information.

The past year was one of due diligence as we invested significant time in the research and selection of the new core banking system. In the coming year, we estimate additional expenses between \$1.7 million and \$2.0 million related to the implementation of the new core banking system. These implementation investments will provide adequate resources for training employees and assisting our customers during the conversion. Following implementation, we expect that ongoing costs associated with the core banking system will be consistent with current system expenses. The new system will allow us to do so much more for the same cost. It will increase efficiency and allow us to be more nimble as technology changes, all while keeping our customers' information safe and secure.

# Growing & Changing TO ACHIEVE MORE

Our quest to ACHIEVE MORE relies on monitoring current customer and Bank needs and responding appropriately. For example, our need for physical space diminishes as the number of electronic transactions continues to grow while our customers migrate increasingly to cashless operations.





In the coming year, we intend to continue pursuing opportunities to right-size facilities, such as our 14,000-square-foot West Anchorage Branch.

At the same time, we are expanding our presence in other areas, such as the Mat-Su Valley. In 2016, we brought in a new commercial loan officer to complement our strong retail branch there, and opened a new Residential Mortgage office. We expect this expansion to allow us to take advantage of the growth in the Mat-Su Valley, while better serving our customers.

In 2016, we relocated our compliance department, customer call center and small business center to our headquarters at the Northrim Building in Anchorage; a move that better connects those employees with other departments throughout the Bank, ultimately providing more seamless service to our customers.

One of the most visible transformations in 2016 was the unveiling of a display in the lobby of the Northrim Building that celebrates our history, expresses our Mission, Vision and Values, and encourages everyone who walks through our doors to “ACHIEVE MORE.”

## Achieving More WITH OUR AFFILIATES

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We are very proud of the many businesses we have helped start and grow during Northrim's 26-year history, and we are profoundly aware of the connection between our success and the success of our customers.

Our affiliates, subsidiaries and divisions are part of the Northrim family not just because they add to our strong financial position, but also because they are the best at providing the products and services our customers need to ACHIEVE MORE.

We know our customers' needs change over time, and our diverse suite of products and services allows us to serve those customers as they grow – from loans to start or expand their business, to home mortgages, to investing for the long-term.



A wholly-owned Northrim subsidiary since December 2014, and an affiliate since 1998, Residential Mortgage is a market leader in Alaska's mortgage origination industry, with offices in Anchorage, Juneau, Kodiak, Soldotna, Eagle River and Fairbanks. Residential Mortgage expanded by adding a new office in the Mat-Su Valley last year to take advantage of opportunities in that growing area.

In 2016, we focused efforts on expanding our relationship with customers who originated their mortgage at

Residential Mortgage. Through our mortgage onboarding program, we invite these customers to take advantage of the full array of offerings at Northrim.

The Bank continues to service Alaska Housing Finance Corporation (AHFC) mortgage loans originated at Residential Mortgage while selling conventional national mortgages on the open market to realize meaningful earnings. Servicing AHFC loans not only contributes to Northrim's noninterest income and offers additional opportunities to provide services to our customers, but also it keeps AHFC loan reserves and service in Alaska. In the future, we will consider retaining even more mortgage servicing locally.

The Bank and Residential Mortgage also continue to serve the unique needs of Alaska with offerings such as an in-house portfolio mortgage program, which enables buyers to purchase Alaska properties that fall outside the requirements of a conventional loan. These types of loans, which are often for recreational, off-utility-grid properties or those with large acreage, meet a distinctive Alaska need while offering attractive loans for the Bank.

Mortgage banking operations contributed \$29.5 million to Northrim's other operating income in 2016, compared to \$29.6 million in 2015. Net income from the home mortgage lending segment, which is largely comprised of net income from Residential Mortgage, was down 15% year-over-year, following a very strong performance by Residential Mortgage in 2015.





# NORTHTRIM BenefitsGroup

Northrim Benefits Group, LLC (Northrim Benefits Group), a 50.1%-owned subsidiary, continues to be an Alaska leader in providing health care products including group and individual health insurance plans. In addition to helping businesses develop competitive employee health benefit programs, the company remains a valuable resource for businesses and individuals seeking to understand and navigate health insurance.

In response to an identified small business need, Northrim Benefits Group launched its new employer services division in 2016. The new division is an outsource solution for business customers, providing human resource consulting, payroll services and other employee services.

Northrim Benefits Group experienced stable results last year, contributing \$3.8 million to Northrim's other operating income in 2016, compared to \$3.7 million in 2015. The division also contributed \$341,000 to Northrim's net income in 2016, up 5% compared to \$324,000 in 2015.



## PACIFIC PORTFOLIO

Northrim holds a 24% interest in Pacific Wealth Advisors, LLC, the holding company for Pacific Portfolio Consulting, LLC and Pacific Portfolio Trust Company (Pacific Portfolio). Part of the Northrim family since 2006, Pacific Portfolio provides advice to companies with 401k plans, as well as individuals and nonprofits seeking long-term wealth management.

The company, offering more than 100 years of combined experience, is led by Larry Hood, the firm's President and

CEO since founding Pacific Portfolio in 1992. Last year, Mr. Hood moved up to #67 on Barron's Top 100 Independent Wealth Advisors List. He was also one of three financial advisers invited to speak on a Wall Street Journal panel about the investment market outlook for 2017.

Pacific Portfolio, which saw its assets under advisement reach \$3.2 billion in 2016, contributed \$162,000 to other operating income in 2016, compared to \$163,000 in 2015.



Northrim Investment Services, which provides investment services through Elliott Cove Capital Management and Elliott Cove Insurance Agency, trained additional employees to serve as registered investment advisers in 2016. These employees, who are specially licensed and trained to sell investment products, will help meet the growing demand from businesses and individuals for investment services.



Northrim Funding Services assists capital-constrained small to mid-size businesses, as well as businesses experiencing rapid growth or change, by providing asset-based lending and factoring (purchasing) of accounts receivable. This wholly-owned division of the Bank continues to offer a valuable service to customers that need faster conversion of accounts receivable.

Northrim Funding Services contributed \$2.3 million to revenue in 2016, an increase of 3% from 2015.

## Community Bank COMMUNITY SERVICE

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“When we learned that our house had been selected for painting, we were overwhelmed. We’re older now, and can’t take care of our home the way we used to. So we were pretty excited when everyone showed up to paint our home. We learned that not only did Northrim provide all of the volunteers but that they also sponsored our home so it could be painted! The employees were wonderful! Even the bank president was there, working just as hard as everybody else! We will never forget what Northrim and their employees did for us. We thank you for the work you do to make Anchorage a great place to live.”

These words from Charles Norris, the owner of the home Northrim sponsored as part of NeighborWorks’ 2016 Paint the Town program, capture perfectly our approach to community service. As a community bank, we are based in Alaska, focused on Alaska, and committed to Alaska. Alaska is both our home and where we conduct business, and we know how important it is for us to play our part in making Alaska a great place to live and work.

We support the community in a wide variety of ways. As a bank, we participate in hands-on projects like Paint the Town, and we encourage our employees to volunteer their time to causes they care about.

We are active in our school-business partnership with Fairview Elementary School, and support low-income housing projects through our work with Cook Inlet Housing Corporation and the Alaska Housing Finance Corporation.

We provide financial support for projects and organizations that are aligned with Northrim’s Mission, Vision and Values.

For example, through our sponsorship of the investment club at the University of Alaska Fairbanks School of Management, we are advancing the next generation of bankers. We are also particularly proud of our employees’ generosity in the Bank’s annual United Way campaign.



Accessible expertise is another key component of our dedication to community service. As a bank filled with knowledgeable experts, we are uniquely positioned to help educate Alaskans on economic issues, which we do through our Alaskanomics blog, annual luncheons, speaker’s series, and service on boards and committees. We also offer financial literacy classes for youth and adults at the Salvation Army McKinnell House and Covenant House, providing an underserved community with critical lessons in establishing credit, saving and budgeting.

Showing  
**SUPERIOR CUSTOMER FIRST SERVICE**

Customer First Service has been a core value of Northrim since our founding, and it is important to celebrate the employees who distinguish themselves in this area. Our Customer First Service Award showcases the commitment

we have throughout the Bank to this core value. We thank the recipients of our 2016 Customer First Service Awards for being an inspirational example, and for helping us earn long-term, trusted relationships with our customers.



From left to right:

**Maia Hernandez**  
Assistant Branch Manager,  
Float Pool

**Kara Milligan**  
Facilities Assistant

**Bessie Paraoan**  
AVP, Special Credits Officer

**Vern Williams**  
Assistant Branch Manager,  
Juneau Downtown Branch

**Donna Fountain**  
Call Center  
Assistant Manager

**Chelsea Foster**  
Universal Banker,  
Midtown Financial Center

**Charles Steele**  
Electronic Banking Specialist

**Catalina Haney**  
Assistant Branch Manager,  
Juneau Financial Center

Remarkable  
**DEPTH OF EXPERIENCE**

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The depth of experience at Northrim is remarkable. Our senior management team has 257 combined years at Northrim and 485 total combined years in banking. Those team members have an average of 12 years at Northrim and 22 years in banking.



Executive **TEAM**

**Michael Martin**  
EVP, Chief Operating Officer,  
General Counsel &  
Corporate Secretary

**Audrey Amundson**  
EVP, Organizational Development &  
Planning

**Latosha Frye**  
EVP, Chief Financial Officer

**Joe Schierhorn**  
President & Chief  
Executive Officer

**Joe Beedle**  
Chairman

**Benjamin Craig**  
EVP, Chief Information Officer

**Lynn Wolfe**  
EVP, Chief Administration Officer



While we celebrate the experience of our current leaders, we recognize the importance of continued investment in the development of our future leaders. The Northrim Way, an internal training program launched in 2016, is a noteworthy example of our commitment to developing our employees.

This program serves as an introduction – as well as a reminder – to employees about who Northrim is and how we can realize our vision to be Alaska’s most trusted financial institution, and help our customers ACHIEVE MORE.



## Senior Manager **TEAM**

**Katie Bates**

SVP, Director of Electronic Channels

**Amber Zins**

SVP, Internal Audit Manager

**Carolyn Jennings**

SVP, Retail Banking Manager

**Suzanne Whittle**

SVP, Compliance Manager

**Jean McKnight**

SVP, Senior Commercial Loan Manager

**Catherine Claxton**

SVP, Real Estate Lending Manager

**Mark Edwards**

SVP, Senior Credit Officer,  
Bank Economist

**Barb Ervin**

SVP, Director of Business Applications

**Heidi Moes**

SVP, Item Processing & Loan  
Support Services Operations Manager

**Linda Uttech**

SVP, Facilities Manager

**Ellen Izer**

SVP, Human Resources Director

**Daniel Lowell**

SVP, Northrim Funding Services Manager  
*(not pictured)*

# Board of DIRECTORS



**Joe Beedle**  
Director since 2011  
Chairman



**Joe Schierhorn**  
Director since 2016



**Larry Cash**  
Director since 1995



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



**Anthony Drabek**  
Director since 1991



**Karl Hanneman**  
Director since 2014



**David Karp**  
Director since 2015



**David McCambridge**  
Director since 2011  
Chairman,  
Compensation  
Committee



**Krystal Nelson**  
Director since 2015



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



**Linda Thomas**  
Director since 2014



**David Wight**  
Director since 2006

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

**Joe Schierhorn**  
EVP, COO, Northrim BanCorp, Inc.  
CEO and President, Northrim Bank

**Larry Cash**  
President & CEO, RIM Architects, LLC  
1986-2016  
CEO, RIM Architects, LLC, 2017  
Alaska Permanent Fund Corporation  
Board of Trustees

**Mark Copeland**  
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

**Anthony Drabek**  
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

**Karl Hanneman**  
CEO, International Tower Hill Mines Ltd.  
(COO from 2015-2016, Alaska General  
Manager from 2010-2015)  
Director, Fairbanks Chamber of  
Commerce since 2011  
Director, Usibelli Coal Mine, Inc.  
since 2011

**David Karp**  
President and CEO, Northern Aviation  
Services, Inc. since 2011  
Director, Alaska Communications  
Systems, Inc. since 2011  
Member, National Air Carriers Association  
Governance Fellow, National Association  
of Corporate Directors since 2010  
Director, Anchorage Economic  
Development Corporation

**David McCambridge**  
Audit Partner, KPMG LLP, from  
1991 until retirement in 2010  
Director and Treasurer of the Tanaka  
Foundation from 1985-2015  
Director, Great Alaska Council Boy  
Scouts of America, from 1993-2012  
Director Alaska Kidney Foundation  
(since 1999) and President

**Krystal Nelson**  
COO, Bering Straits Native Corporation  
since 2014  
SVP & COO, Ahtna Engineering Services  
from 2006 to 2014  
Trustee, Pacific Northern Academy  
since 2014  
Recipient of Alaska Top 40 under  
40 Award - in 2004

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

**Linda Thomas**  
CEO of Alaskan Brewing Company,  
prior COO & CFO, 1994 to Present  
Director and Past President, Bartlett  
Regional Hospital  
Director and Past President Juneau  
Chamber of Commerce

**David Wight**  
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  
Director, Alaska Gasline Development  
Corporation



# Northrim Bank OFFICERS

## Executive Officers

Joe Beedle, *Chairman of the Board*\*\*  
Audrey Amundson, *Organizational Development & Planning*\*\*\*\*\*  
Ben Craig, *Chief Information Officer*\*  
Joe Schierhorn, *President and Chief Executive Officer*\*\*\*\*\*  
Latosha Frye, *Chief Financial Officer*\*\*  
Lynn Wolfe, *Chief Administrative Officer*\*\*\*\*\*  
Mike Martin, *Chief Operating Officer, General Counsel & Corporate Secretary*\*

## Senior Vice Presidents

Amber Zins, *Internal Audit Manager*\*  
Barb Ervin, *Director of Business Applications*\*\*  
Carolyn Jennings, *Retail Banking Manager*\*\*\*\*  
Catherine Claxton, *Real Estate Lending Manager*\*\*\*\*  
Dan Lowell, *Division Manager*\*\*  
Ellen Izer, *Human Resources Director*\*  
Heidi Moes, *Item Processing & Loan Support Services Operations Manager*\*\*\*  
Jean McKnight, *Commercial Lending Manager*  
Katie Bates, *Director of Electronic Channels*\*\*\*  
Linda Uttech, *Facilities Manager*  
Mark Edwards, *Senior Credit Officer & Bank Economist*\*  
Suzanne Whittle, *Compliance & Efficiency Manager*\*\*\*

## Vice Presidents

Allen Hippler, *Commercial Loan Officer V*  
Anne Sakumoto, *HR Talent Manager*  
Annette DeLong, *Construction Loan Unit Manager*  
Bill Staley, *Commercial Loan Officer V*  
Bradley Kiefer, *Commercial Loan Officer IV*  
Bruce Tretzen, *Northrim Funding Services Relationship Manager*  
Cheryl Fellman, *Regional Sales & Service Operations Manager*\*\*  
Darci Ornellas, *Regional Sales & Consumer Lending Manager*\*\*\*  
Doug Frey, *Security & Business Continuity Manager*  
Erick Stoeckle, *Architecture & Cybersecurity Manager*  
James Beasley, *Electronic Banking Manager*  
James Richards, *Business Development Officer, Relationship Manager II*  
Jason Criqui, *Commercial Loan Unit Manager*  
Jeanine Lillo, *Controller*\*\*  
Jim Culley, *Commercial Loan Unit Manager*  
Josh King, *Assistant Division Manager*\*  
Jyah Gitomer, *Call Center Manager*  
Kathy Martin, *Construction Loan Officer V*\*\*\*  
Kelly McCormack, *Commercial Loan Officer IV*\*  
Kelly Lykins-Longlet, *Risk Manager*\*\*  
Kim Farrell Brewington, *Commercial Cash Management Officer*\*\*\*  
Lisa Adams, *Northrim Funding Services Operations Manager*\*  
Mhay Sy, *Credit Officer*\*  
Nate Olmstead, *Data Analytics Manager*  
Paula Grau, *Commercial Lending Admin Support Manager*\*\*\*  
Ryan Caldwell, *Systems & Network Manager*

Sean Christian, *Strategic & Planning Manager*\*\*  
Sue Wolfe, *Commercial Real Estate Loan Officer V*  
Tammy Kosa, *Regional Sales & Development Manager*\*\*  
Tom Sullivan, *Commercial Loan Unit Manager*\*\*\*\*\*

## Assistant Vice Presidents

Adam Baxter, *Commercial Loan Officer IV*  
Angela Bradford, *Loan Compliance Assistant Manager*  
Anita DeVore, *Regional Sales and Service Manager*\*\*  
Aracelis Bell, *Northrim Investment Service Relationship Manager*\*\*  
Ben Schulman, *Small Business Lender*\*  
Bessie Paraoan, *Special Credits Officer II*\*\*  
Bill Simpson, *Special Credits Officer II*\*\*\*  
Brigitte Lampert, *Branch Manager*\*  
Bryann Hanks, *Consumer Lender II*  
Chris Chambos, *Branch Manager*\*  
Dawn Hoxie, *Branch Manager*\*\*\*\*  
Delores Siah, *Branch Manager*  
Diana Soliday, *Branch Manager*\*\*  
Donna Fountain, *Call Center Assistant Manager*\*\*  
Erin Gage, *Retail Banking Operations Manager*\*\*\*  
Esther Fouts, *Accounting Supervisor*\*\*\*\*  
Gerlie Monta-Guevarra, *Branch Manager II*\*\*  
Jenn Ludden, *Business Electronic Banking Manager*  
Jill Milham, *Retail Banking Operations Assistant Manager*\*  
Jose Angulo, *Branch Manager*  
Joe Moran, *Construction Loan Officer III*  
Josie Thayer, *Electronic Business Services Manager*\*\*  
Judy Schnese, *Audit Supervisor*\*  
Kelly Reynolds, *Security Manager*\*\*  
Larry Gluck, *Loan Quality Assurance Officer*  
Leary David, *Branch Manager*\*\*  
Marc Guevarra, *Commercial Loan Officer III*\*\*  
Maria Kirksey, *BSA & Deposit Compliance Manager*\*\*  
Marsha Fry, *Commercial Real Estate Loan Officer III*\*\*\*\*  
Oziel Villasenor, *Branch Manager*\*  
Reynold Udarbe, *Branch Manager*\*  
Rick Pinkerton, *Loan Review Officer*\*\*  
Sarah Newhouse, *Branch Manager*  
Seane English, *Credit Administrator*  
Susan Matson, *Branch Manager*  
Tammi Whistler, *Loan Administrative Officer*\*\*\*\*  
Teresa Saaiman, *Branch Manager*  
Terry Lee, *Item Processing Assistant Manager*\*\*\*\*  
Tina Hohnstein, *Special Credits Officer II*\*\*\*\*  
Tori Brandon, *Credit Administration Officer II*\*\*\*\*  
Trevor Bradford, *Consumer & Small Business Loan Manager*  
Veronica Pillans, *Commercial Loan Officer IV*  
Yana Milette, *Consumer Electronic Banking Manager*

AVP and above as of 1/19/2017: \* ≥ Five-year employee, \*\* ≥ Ten-year employee, \*\*\* ≥ Fifteen-year employee, \*\*\*\* ≥ Twenty-year employee, \*\*\*\*\* ≥ Twenty-five-year employee

## MISSION

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

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

## VISION

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### 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

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### 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

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### 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.*

# Information & ADDRESSES

## *Annual Meeting:*

May 25, 2017, 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 Information:*

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

## *Investor Requests:*

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.

Equal Opportunity and Affirmative Action Employer/  
Equal Housing Lender



## *Cautionary note regarding forward-looking statements*

This report contains forward-looking statements which are, in effect, management's attempt to predict future events, and thus are subject to various risks and uncertainties. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. When used herein, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar meaning, are intended to help identify forward-looking statements. Although we believe that management's expectations as reflected in forward-looking statements are reasonable, we cannot assure readers that those expectations will prove to be correct as 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. 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 Securities and Exchange Commission. Forward-looking statements contained herein are made only as of the date of this report, and Northrim does not undertake any obligation to release revisions to these forward-looking statements to reflect events or conditions after the date of this report.

## *Financial Snapshot Endnotes:*

[\*] Refer to the Company's Form 10-K at northrim.com for further discussion of non-GAAP ratios.

- [1] These unaudited schedules provide selected financial information concerning the Company that should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report.
- [2] Tangible book value per share is a non-GAAP ratio defined as shareholders' equity, less intangible assets, divided by common shares outstanding.
- [3] Tangible common equity to tangible assets is a non-GAAP ratio that represents total equity less goodwill and intangible assets divided by total assets less goodwill and intangible assets.
- [4] 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.
- [5] In managing our business, we review the efficiency ratio exclusive of intangible asset amortization, which is a non-GAAP performance measurement. The efficiency ratio is calculated by dividing other operating expense, exclusive of intangible asset amortization, by the sum of net interest income and other operating income.
- [6] Number of banking offices does not include Residential Mortgage Lending locations.
- [7] FTE includes employees of the Bank, Northrim Benefits Group, and in 2016, 2015 and 2014, also includes Residential Mortgage Lending.

ACHIEVE  
MORE

## *ANCHORAGE*

### **Northrim Headquarters**

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

### **Huffman Branch**

1501 E. Huffman Road

### **Jewel Lake Branch**

9170 Jewel Lake Road

### **Lake Otis Community Branch**

2270 E. 37th Avenue

### **Midtown Financial Center & Small Business Center**

3111 C Street

### **Seventh Avenue Branch**

517 W. 7th Avenue, Suite 300

### **SouthSide Financial Center**

8730 Old Seward Highway

### **West Anchorage Branch**

2709 Spenard Road

## *EAGLE RIVER*

### **Eagle River Branch**

12812 Old Glenn Highway, Suite C03

## *WASILLA*

### **Wasilla Financial Center**

850 E. USA Circle, Suite A  
(907) 376-0357

## *FAIRBANKS*

### **Fairbanks Financial Center**

360 Merhar Avenue  
(907) 455-1111

## *JUNEAU*

### **Juneau Financial Center**

2094 Jordan Avenue  
(907) 789-4844

### **Juneau Downtown Branch**

301 North Franklin  
(907) 789-4844

## *SITKA*

### **Sitka Financial Center**

315 Lincoln Street, Suite 206  
(907) 747-8688

## *KETCHIKAN*

### **Ketchikan Financial Center**

2491 Tongass Avenue  
(907) 225-4545

## *BELLEVUE, WASHINGTON*

### **Northrim Funding Services**

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

## *HOME MORTGAGE LENDING*

### **Residential Mortgage, LLC**

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

## *AFFILIATED COMPANIES*

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

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

### **Enroll Alaska**

3111 C Street, Suite 500  
Anchorage, AK 99503  
(907) 770-5100  
enrollingalaska.com

### **Northrim Investment Services**

3111 C Street  
Anchorage, AK 99503  
(907) 562-0062

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

Columbia Center  
701 5th Avenue, Suite 6850  
Seattle, WA 98104  
(206) 623-6641  
pacific-portfolio.com



Northrim BanCorp, Inc.

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