

REFINITIV

DELTA REPORT

10-Q

NRIM - NORTHRIM BANCORP INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1105

■ CHANGES	426
■ DELETIONS	378
■ ADDITIONS	301

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 000-33501

NORTHRIM BANCORP, INC.

(Exact name of registrant as specified in its charter)

Alaska

92-0175752

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

3111 C Street

Anchorage, Alaska 99503

(Address of principal executive offices) (Zip Code)

(907) 562-0062

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

TITLE OF EACH CLASS

TRADING SYMBOL

NAME OF EXCHANGE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

ý Yes " " No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

ý Yes " " No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-accelerated Filer
Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. " "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the issuer's Common Stock, par value \$1 per share, outstanding at **November 3, 2023** **May 3, 2024** was **5,525,436** **5,499,578**.

TABLE OF CONTENTS

Part I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	
	Consolidated Balance Sheets	3
	Consolidated Statements of Income	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Statements of Changes in Shareholders' Equity	6
	Consolidated Statements of Cash Flows	8
	Notes to the Consolidated Financial Statements	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	38-36
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	54-50
Item 4.	Controls and Procedures	55-51
Part II	OTHER INFORMATION	
Item 1.	Legal Proceedings	55-51
Item 1A.	Risk Factors	55-51
Item 2.	Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities	55-51
Item 5.	Other Information	53
Item 6.	Exhibits	56-53
SIGNATURES		57-54

PART I. FINANCIAL INFORMATION

These consolidated financial statements should be read in conjunction with the consolidated financial statements, accompanying notes and other relevant information included in Northrim Bancorp, Inc.'s Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

NORTHRIM BANCORP, INC.

Consolidated Balance Sheets

(Unaudited)

<i>(In Thousands, Except Share Data)</i>	<i>(In Thousands, Except Share Data)</i>	September 30, 2023	December 31, 2022		
ASSETS				March 31, 2024	December 31, 2023
ASSETS					
ASSETS	ASSETS				
Cash and due from banks	Cash and due from banks	\$31,276	\$27,747		
Interest bearing deposits in other banks	Interest bearing deposits in other banks	79,952	231,603		
Investment securities available for sale, at fair value	Investment securities available for sale, at fair value	652,150	677,029		
Marketable equity securities	Marketable equity securities	10,615	10,740		
Investment securities held to maturity, at amortized cost	Investment securities held to maturity, at amortized cost	36,750	36,750		

Investment in Federal Home Loan Bank stock	Investment in Federal Home Loan Bank stock	6,334	3,816
Loans held for sale	Loans held for sale	63,151	27,538
Loans held for sale			
Loans held for sale			
Loans			
Loans			
Loans	Loans	1,720,091	1,501,785
Allowance for credit losses, loans	Allowance for credit losses, loans	(16,491)	(13,838)
Net loans	Net loans	1,703,600	1,487,947
Purchased receivables, net	Purchased receivables, net	34,578	19,994
Mortgage servicing rights, at fair value	Mortgage servicing rights, at fair value	19,396	18,635
Other real estate owned, net		150	—
Premises and equipment, net			
Premises and equipment, net			
Premises and equipment, net	Premises and equipment, net	40,920	37,821
Operating lease right-of-use assets	Operating lease right-of-use assets	9,673	9,868
Goodwill	Goodwill	15,017	15,017
Other intangible assets, net	Other intangible assets, net	956	967
Other assets	Other assets	85,671	68,846
Total assets	Total assets	\$2,790,189	\$2,674,318
LIABILITIES			
Deposits:	Deposits:	LIABILITIES	
Demand	Demand	\$764,647	\$797,434
Interest-bearing demand	Interest-bearing demand	875,814	767,686
Savings	Savings	265,799	320,917
Money market	Money market	230,814	308,317
Certificates of deposit less than \$250,000	Certificates of deposit less than \$250,000	169,797	115,330
Certificates of deposit \$250,000 and greater	Certificates of deposit \$250,000 and greater	121,059	77,527
Total deposits	Total deposits	2,427,930	2,387,211
Borrowings	Borrowings	63,781	14,095
Borrowings			
Borrowings			
Junior subordinated debentures	Junior subordinated debentures	10,310	10,310

Operating lease liabilities	Operating lease liabilities	9,673	9,865
Other liabilities	Other liabilities	53,236	34,208
Total liabilities	Total liabilities	2,564,930	2,455,689
SHAREHOLDERS' EQUITY			
Preferred stock, \$1 par value, 2,500,000 shares authorized, none issued or outstanding			
Preferred stock, \$1 par value, 2,500,000 shares authorized, none issued or outstanding			
Common stock, \$1 par value, 10,000,000 shares authorized, 5,548,436 and 5,700,728 issued and outstanding at September 30, 2023 and December 31, 2022, respectively			
Common stock, \$1 par value, 10,000,000 shares authorized, 5,499,578 and 5,513,459 issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	12,005	17,784
Retained earnings	Retained earnings	232,747	224,225
Accumulated other comprehensive loss, net of tax	Accumulated other comprehensive loss, net of tax	(25,041)	(29,081)
Total shareholders' equity	Total shareholders' equity	225,259	218,629
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$2,790,189	\$2,674,318

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.
Consolidated Statements of Income
(Unaudited)

Three Months Ended

Three Months Ended

Three Months Ended

March 31,

March 31,

March 31,

(In Thousands, Except Per Share Data)

(In Thousands, Except Per Share Data)

(In Thousands, Except Per Share Data)

Interest and Dividend Income

Interest and Dividend Income

Interest and Dividend Income
Interest and fees on loans and loans held for sale
Interest and fees on loans and loans held for sale
Interest and fees on loans and loans held for sale
Interest on investment securities available for sale
Interest on investment securities available for sale
Interest on investment securities available for sale
Interest on investment securities available for sale
Dividends on marketable equity securities
Dividends on marketable equity securities
Dividends on marketable equity securities
Interest on investment securities held to maturity
Interest on investment securities held to maturity
Interest on investment securities held to maturity
Dividends on Federal Home Loan Bank stock
Dividends on Federal Home Loan Bank stock
Dividends on Federal Home Loan Bank stock
Interest on deposits in other banks
Interest on deposits in other banks
Interest on deposits in other banks
<hr/> Total Interest and Dividend Income
<hr/> Total Interest and Dividend Income
<hr/> Total Interest and Dividend Income
Interest Expense
Interest Expense
Interest Expense
Interest expense on deposits
Interest expense on deposits
Interest expense on deposits
<hr/> Interest expense on borrowings
<hr/> Interest expense on borrowings
<hr/> Interest expense on borrowings
Interest expense on junior subordinated debentures
Interest expense on junior subordinated debentures
Interest expense on junior subordinated debentures
<hr/> Total Interest Expense
<hr/> Total Interest Expense
<hr/> Total Interest Expense
Net Interest Income
Net Interest Income
Net Interest Income
Provision for credit losses

Provision for credit losses
Provision for credit losses
Net Interest Income After Provision for Credit Losses
Net Interest Income After Provision for Credit Losses
Net Interest Income After Provision for Credit Losses
Other Operating Income
Other Operating Income
Other Operating Income
Mortgage banking income
Mortgage banking income
Mortgage banking income
Purchased receivable income
Purchased receivable income
Purchased receivable income
Bankcard fees
Bankcard fees
Bankcard fees
Service charges on deposit accounts
Service charges on deposit accounts
Service charges on deposit accounts
Unrealized gain (loss) on marketable equity securities
Unrealized gain (loss) on marketable equity securities
Unrealized gain (loss) on marketable equity securities

(In Thousands, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30,	2023	September 30,	2022
Interest and Dividend Income				
Interest and fees on loans and loans held for sale	\$29,097	\$22,130	\$79,104	\$60,205
Interest on investment securities available for sale	4,012	2,922	11,942	5,983
Dividends on marketable equity securities	199	161	542	386
Interest on investment securities held to maturity	473	413	1,420	1,038
Dividends on Federal Home Loan Bank stock	43	34	114	90
Interest on deposits in other banks	584	1,899	2,901	2,907
Total Interest and Dividend Income	34,408	27,559	96,023	70,609
Interest Expense				
Interest expense on deposits	7,138	1,064	17,835	2,238
Other income				
Interest expense on borrowings	825	88	1,381	260
Interest expense on junior subordinated debentures	95	96	283	284
Total Interest Expense	8,058	1,248	19,499	2,782
Net Interest Income	26,350	26,311	76,524	67,827
Provision (benefit) for credit losses	1,190	(353)	2,957	(40)
Net Interest Income After Provision (Benefit) for Credit Losses	25,160	26,664	73,567	67,867
Other Operating Income				

Mortgage banking income	4,405	5,734	10,326	18,616
Purchased receivable income	1,180	561	3,175	1,529
Bankcard fees	1,022	992	2,916	2,723
Service charges on deposit accounts	550	432	1,512	1,208
Unrealized gain (loss) on marketable equity securities	12	33	(445)	(1,199)
Keyman life insurance proceeds	—	—	—	2,002
Other income				
Other income	Other income	833	920	2,406
Total Other Operating Income	Total Other Operating Income	8,002	8,672	19,890
Total Other Operating Income				27,302
Other Operating Expense				
Other Operating Expense	Other Operating Expense			
Salaries and other personnel expense	Salaries and other personnel expense	15,657	14,510	46,324
Salaries and other personnel expense				44,017
Salaries and other personnel expense				
Data processing expense	Data processing expense			
Data processing expense	Data processing expense	2,589	2,315	7,321
Occupancy expense	Occupancy expense	1,857	1,710	5,611
Occupancy expense				5,184
Occupancy expense				
Professional and outside services	Professional and outside services			
Professional and outside services	Professional and outside services	803	894	2,326
Insurance expense	Insurance expense	640	545	1,844
Insurance expense				1,627
Insurance expense				
Marketing expense	Marketing expense			
Marketing expense	Marketing expense	499	524	1,996
Intangible asset amortization expense	Intangible asset amortization expense	4	7	11
Intangible asset amortization expense				19
Intangible asset amortization expense				
Intangible asset amortization expense				
OREO expense, net rental income and gains on sale	OREO expense, net rental income and gains on sale			
OREO expense, net rental income and gains on sale	OREO expense, net rental income and gains on sale	(784)	109	(766)
OREO expense, net rental income and gains on sale				116
Other operating expense	Other operating expense	1,631	1,672	5,521
Other operating expense				4,957
Other operating expense				
Other operating expense				

Total Other Operating Expense					
Total Other Operating Expense					
Total Other Operating Expense	Total Other Operating Expense	22,896	22,286	70,188	66,625
Income Before Provision for Income Taxes	Income Before Provision for Income Taxes	10,266	13,050	23,269	28,544
Income Before Provision for Income Taxes					
Income Before Provision for Income Taxes					
Provision for income taxes					
Provision for income taxes	Provision for income taxes	1,892	2,925	4,488	6,398
Net Income	Net Income	\$8,374	\$10,125	\$18,781	\$22,146
Net Income					
Net Income					
Earnings Per Share, Basic					
Earnings Per Share, Basic	Earnings Per Share, Basic	\$1.50	\$1.77	\$3.34	\$3.82
Earnings Per Share, Diluted	Earnings Per Share, Diluted	\$1.48	\$1.76	\$3.30	\$3.79
Earnings Per Share, Diluted					
Earnings Per Share, Diluted					
Weighted Average Common Shares Outstanding, Basic					
Weighted Average Common Shares Outstanding, Basic	Weighted Average Common Shares Outstanding, Basic	5,569,238	5,681,089	5,630,948	5,790,000
Weighted Average Common Shares Outstanding, Diluted	Weighted Average Common Shares Outstanding, Diluted	5,624,906	5,740,494	5,688,687	5,848,625
Weighted Average Common Shares Outstanding, Diluted					
Weighted Average Common Shares Outstanding, Diluted					

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(In Thousands)					
(In Thousands)					
(In Thousands)	(In Thousands)	2023	2022	2023	2022
Net income	Net income	\$8,374	\$10,125	\$18,781	\$22,146
Net income					
Net income					
Other comprehensive income (loss), net of tax:					

Other comprehensive income (loss), net of tax:					
Other comprehensive income (loss), net of tax:	Other comprehensive income (loss), net of tax:				
Securities available for sale:	Securities available for sale:				
Unrealized holding gains (losses) arising during the period		\$1,320	(\$17,518)	\$5,025	(\$41,535)
Securities available for sale:	Securities available for sale:				
Unrealized holding gains arising during the period	Unrealized holding gains arising during the period				
Unrealized holding gains arising during the period	Unrealized holding gains arising during the period				
Unrealized holding gains arising during the period	Unrealized holding gains arising during the period				
Derivatives and hedging activities:	Derivatives and hedging activities:				
Unrealized holding gains arising during the period		639	684	621	2,438
Income tax benefit related to unrealized (gains) and losses		(557)	4,786	(1,606)	11,115
Other comprehensive income (loss), net of tax		1,402	(12,048)	4,040	(27,982)
Comprehensive income (loss)		\$9,776	(\$1,923)	\$22,821	(\$5,836)
Derivatives and hedging activities:					
Derivatives and hedging activities:	Derivatives and hedging activities:				
Unrealized holding gains (losses) arising during the period	Unrealized holding gains (losses) arising during the period				
Unrealized holding gains (losses) arising during the period	Unrealized holding gains (losses) arising during the period				
Unrealized holding gains (losses) arising during the period	Unrealized holding gains (losses) arising during the period				
Income tax expense related to unrealized (gains)	Income tax expense related to unrealized (gains)				
Income tax expense related to unrealized (gains)	Income tax expense related to unrealized (gains)				
Income tax expense related to unrealized (gains)	Income tax expense related to unrealized (gains)				
Other comprehensive income, net of tax	Other comprehensive income, net of tax				
Other comprehensive income, net of tax	Other comprehensive income, net of tax				
Other comprehensive income, net of tax	Other comprehensive income, net of tax				
Comprehensive income	Comprehensive income				
Comprehensive income	Comprehensive income				
Comprehensive income	Comprehensive income				

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.
Consolidated Statements of Changes in Shareholders' Equity
(Uaudited)

	Common Stock			Accumulated Other			Common Stock			Accumulated Other		
	Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Other	Retained Earnings	Total	Comprehensive Income (Loss), net of Tax	Total	Additional Paid-in Capital	Retained Earnings	Income (Loss), net of Tax	Total
(In Thousands)	(In Thousands)											
Balance as of January 1, 2022	6,015	\$6,015	\$31,162	Comprehensive Income (Loss), net of Tax	td04,046	(\$3,406)	td37,817					
Cash dividend on common stock (\$0.41 per share)	—	—	—	Income (Loss), net of Tax	(2,471)	—	(2,471)					
(In Thousands)												
(In Thousands)												
Balance as of January 1, 2023												
Balance as of January 1, 2023												

Balance as of January 1, 2023						
Cash dividend on common stock (\$0.60 per share)						
Stock-based compensation expense	Stock-based compensation expense	—	—	187	—	—
Repurchase of common stock	Repurchase of common stock	(133)	(133)	(5,790)	—	—
Other comprehensive loss, net of tax	—	—	—	—	(11,004)	(11,004)
Repurchase of common stock						
Repurchase of common stock						
Other comprehensive gain, net of tax	—	—	—	—	—	—
Net income	Net income	—	—	—	7,226	—
Balance as of March 31, 2022	5,882	\$5,882	\$25,559	\$208,801	(\$14,410)	\$225,832
Cash dividend on common stock (\$0.41 per share)	—	—	—	(2,364)	—	(2,364)
Net income	Net income	—	—	—	—	—
Balance as of March 31, 2023	—	—	—	—	—	—
Cash dividend on common stock (\$0.60 per share)	—	—	—	—	—	—
Stock-based compensation expense	Stock-based compensation expense	—	—	190	—	—
Repurchase of common stock	Repurchase of common stock	—	—	—	—	—
Repurchase of common stock	Repurchase of common stock	—	—	—	—	—
Other comprehensive loss, net of tax	Other comprehensive loss, net of tax	—	—	—	—	(4,930)
Net income	Net income	—	—	—	4,795	—
Balance as of June 30, 2022	5,681	\$5,681	\$17,716	\$211,232	(\$19,340)	\$215,289
Cash dividend on common stock (\$0.50 per share)	—	—	—	(2,858)	—	(2,858)
Stock-based compensation expense	—	—	191	—	—	191
Other comprehensive loss, net of tax	—	—	—	—	(12,048)	(12,048)
Net income	—	—	—	10,125	—	10,125
Balance as of September 30, 2022	5,681	\$5,681	\$17,907	\$218,499	(\$31,388)	\$210,699
Cash dividend on common stock (\$0.50 per share)	—	—	—	(2,869)	—	(2,869)
Balance as of June 30, 2023	—	—	—	—	—	—

Cash dividend on common stock (\$0.60 per share)						
Stock-based compensation expense	Stock-based compensation expense	—	—	174	—	—
Exercise of stock options and vesting of restricted stock units, net	Exercise of stock options and vesting of restricted stock units, net	20	20	(297)	—	—
Repurchase of common stock						
Other comprehensive gain, net of tax	Other comprehensive gain, net of tax	—	—	—	2,307	2,307
Net income	Net income	—	—	—	8,595	—
Balance as of December 31, 2022	5,701	\$5,701	\$17,784		\$224,225	(\$29,081)
Balance as of September 30, 2023						

Cash dividend
on common
stock (\$0.60
per share)

Stock-based
compensation
expense

Exercise of
stock options
and vesting of
restricted stock
units, net

Repurchase of
common stock

Other
comprehensive
gain, net of tax

Net income

**Balance as of
December 31,
2023**

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.
Consolidated Statements of Changes in Shareholders' Equity
(Continued)
(Unaudited)

(In Thousands)	Common Stock				Accumulated Other			Common Stock				Accumulated Other			
	(In Thousands)	Number of Shares	Par Value	Paid-in Capital	Accumulated Other	Retained Earnings	Comprehensive Income (Loss), net of Tax	Total	Additional Capital	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss), net of Tax	Total		
		Common Stock	Additional Capital	Accumulated Other	Retained Earnings	Comprehensive Income (Loss), net of Tax	Total		Additional Capital	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss), net of Tax	Total		
Balance as of January 1, 2023	5,701	\$5,701	td7,784	Comprehensive Income (Loss), net of Tax	—	td24,225	(td9,081)	td18,629							
Cash dividend on common stock (\$0.60 per share)	—	—	—	Income (Loss), net of Tax	(3,444)	—	(3,444)								
(In Thousands)															

(In Thousands)

Balance as of January 1, 2024

Balance as of January 1, 2024

Balance as of January 1, 2024

Cash dividend
on common
stock (\$0.61
per share)

Stock-based compensation expense	Stock-based compensation expense	—	—	140	—	—	140
--	--	---	---	-----	---	---	-----

Exercise of
stock options
and vesting of
restricted
stock units, net

Repurchase of common stock	Repurchase of common stock	(28)	(28)	(1,299)	—	—	(1,327)
-------------------------------	-------------------------------	------	------	---------	---	---	---------

Other comprehensive gain, net of tax	Other comprehensive gain, net of tax	—	—	—	—	5,597	5,597
--	--	---	---	---	---	-------	-------

Net income	Net income	—	—	—	4,830	—	4,830
------------	------------	---	---	---	-------	---	-------

Balance as of March 31, 2023	5,673	\$5,673	\$16,625	\$225,611	(\$23,484)	\$224,425
------------------------------	-------	---------	----------	-----------	------------	-----------

Cash dividend on common stock (\$0.60 per share)	—	—	—	(3,432)	—	(3,432)
---	---	---	---	---------	---	---------

Stock-based compensation expense	—	—	225	—	—	225
-------------------------------------	---	---	-----	---	---	-----

Net income

Net income

Balance as of
March 31, 2024

Repurchase of common stock	(62)	(62)	(2,439)	—	—	(2,501)
----------------------------	------	------	---------	---	---	---------

Other comprehensive loss, net of tax	—	—	—	—	(2,958)	(2,958)
---	---	---	---	---	---------	---------

Net income	—	—	—	5,577	—	5,577
------------	---	---	---	-------	---	-------

Balance as of June 30, 2023	5,611	\$5,611	\$14,411	\$227,756	(\$26,442)	\$221,336
-----------------------------	-------	---------	----------	-----------	------------	-----------

Cash dividend on common stock (\$0.60 per share)	—	—	—	(3,384)	—	(3,384)
---	---	---	---	---------	---	---------

Stock-based compensation expense	—	—	254	—	—	254
-------------------------------------	---	---	-----	---	---	-----

Exercise of stock options and vesting of restricted stock units, net	—	—	(12)	—	—	(12)
--	---	---	------	---	---	------

Repurchase of common stock	(63)	(63)	(2,648)	—	—	(2,711)
----------------------------	------	------	---------	---	---	---------

Other comprehensive gain, net of tax	—	—	—	—	1,402	1,402
---	---	---	---	---	-------	-------

Net income	—	—	—	8,374	—	8,374
------------	---	---	---	-------	---	-------

Balance as of September 30, 2023	5,548	\$5,548	\$12,005	\$232,746	(\$25,040)	\$225,259
-------------------------------------	-------	---------	----------	-----------	------------	-----------

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.
Consolidated Statements of Cash Flows
(Unaudited)

Nine Months Ended
September 30,

Three Months Ended March 31,					Three Months Ended March 31,	
(In Thousands)	(In Thousands)	2023	2022	(In Thousands)	2024	2023
Operating Activities:	Operating Activities:	Operating Activities:				
Net income	Net income	\$18,781	\$22,146			
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:	Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:	Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization of premises and equipment	Depreciation and amortization of premises and equipment	2,430	2,361			
Depreciation and amortization of premises and equipment	Depreciation and amortization of premises and equipment					
Amortization of software	Amortization of software	865	881			
Intangible asset amortization	Intangible asset amortization	11	19			
Amortization of investment security premium, net of discount accretion	Amortization of investment security premium, net of discount accretion	376	496			
Unrealized loss on marketable equity securities	Unrealized loss on marketable equity securities	445	1,199			
Unrealized (gain) loss on marketable equity securities	Unrealized (gain) loss on marketable equity securities					
Stock-based compensation	Stock-based compensation					
Stock-based compensation	Stock-based compensation					
Stock-based compensation	Stock-based compensation	619	568			
Deferred loan fees and amortization, net of costs	Deferred loan fees and amortization, net of costs	(324)	(3,570)			
Provision (benefit) for credit losses	Provision (benefit) for credit losses	2,957	(40)			
Deferred loan fees and amortization, net of costs	Deferred loan fees and amortization, net of costs					
Deferred loan fees and amortization, net of costs	Deferred loan fees and amortization, net of costs					
Provision for credit losses	Provision for credit losses					
Additions to home mortgage servicing rights carried at fair value	Additions to home mortgage servicing rights carried at fair value					
Additions to home mortgage servicing rights carried at fair value	Additions to home mortgage servicing rights carried at fair value					
Additions to home mortgage servicing rights carried at fair value	Additions to home mortgage servicing rights carried at fair value	(2,440)	(3,378)			
Change in fair value of home mortgage servicing rights carried at fair value	Change in fair value of home mortgage servicing rights carried at fair value	1,679	(607)			

Change in fair value of commercial servicing rights carried at fair value	Change in fair value of commercial servicing rights carried at fair value	144	123
Gain on sale of loans	Gain on sale of loans	(6,366)	(12,306)
Proceeds from the sale of loans held for sale	Proceeds from the sale of loans held for sale	267,165	539,984
Origination of loans held for sale	Origination of loans held for sale	(296,412)	(503,384)
Gain on sale of other real estate owned	Gain on sale of other real estate owned	(929)	—
Impairment on other real estate owned		123	—
Proceeds from keyman life insurance		—	(2,002)
Net changes in assets and liabilities:			
Net changes in assets and liabilities:			
Net changes in assets and liabilities:	Net changes in assets and liabilities:		
(Increase) in accrued interest receivable	(Increase) in accrued interest receivable	(3,265)	(1,649)
Decrease in other assets	Decrease in other assets	1,903	5,123
Increase (Decrease) in other liabilities		1,127	(5,123)
(Decrease) in other liabilities			
Net Cash (Used)	Net Cash (Used)		
Provided by Operating Activities	Provided by Operating Activities	(11,111)	40,841
Investing Activities:	Investing Activities:		Investing Activities:
Investment in securities:	Investment in securities:		Investment in securities:
Purchases of investment securities available for sale	Purchases of investment securities available for sale	(6,000)	(274,263)
Purchases of marketable equity securities		(324)	(3,933)
Purchases of FHLB stock	Purchases of FHLB stock	(5,441)	(728)
Purchases of investment securities held to maturity		—	(16,750)
Purchases of FHLB stock			
Purchases of FHLB stock			
Proceeds from sales/calls/maturities of securities available for sale			
Proceeds from sales/calls/maturities of securities available for sale			
Proceeds from sales/calls/maturities of securities available for sale	Proceeds from sales/calls/maturities of securities available for sale	35,528	7,000
Proceeds from redemption of FHLB stock	Proceeds from redemption of FHLB stock	2,923	15

(Increase) decrease in purchased receivables, net	(14,584)	2,202
(Increase) decrease in loans, net	(218,121)	11,230
Proceeds from redemption of FHLB stock		
Proceeds from redemption of FHLB stock		
Increase in purchased receivables, net		
Increase in loans, net		
Proceeds from sale of other real estate owned	Proceeds from sale of other real estate owned	929
		—
Proceeds from keyman life insurance	—	2,002
Purchases of software		
Purchases of software		
Purchases of software	Purchases of software	(104)
		(14)
Purchases of premises and equipment	Purchases of premises and equipment	(5,529)
		(2,128)
Net Cash (Used) by Investing Activities	(210,723)	(275,367)
Purchases of premises and equipment		
Purchases of premises and equipment		
Net Cash Provided (Used) by Investing Activities		
Financing Activities:	Financing Activities:	Financing Activities:
Increase in deposits	40,719	17,704
(Decrease) in deposits		
Increase (decrease) in borrowings	49,686	(309)
(Decrease) in borrowings		
(Decrease) in borrowings		
Repurchase of common stock	Repurchase of common stock	(6,539)
		(14,157)
Cash dividends paid	Cash dividends paid	(10,154)
		(7,618)
Net Cash Provided (Used) by Financing Activities	73,712	(4,380)
Cash dividends paid		
Cash dividends paid		
Net Cash Used by Financing Activities		
Net Change in Cash and Cash Equivalents	Net Change in Cash and Cash Equivalents	(148,122)
		(238,906)
Cash and Cash Equivalents at Beginning of Period	Cash and Cash Equivalents at Beginning of Period	259,350
		645,827
Cash and Cash Equivalents at End of Period	Cash and Cash Equivalents at End of Period	\$111,228
		\$406,921
Supplemental Information:		
Information:	Information:	Supplemental Information:
Income taxes paid	\$2,031	\$640

Interest paid	Interest paid	\$18,340	\$2,678
Noncash commitments to invest in Low Income Housing Tax Credit			
Partnerships		\$14,273	\$—
Interest paid			
Interest paid			
Transfer of loans to other real estate owned			
Transfer of loans to other real estate owned			
Transfer of loans to other real estate owned	Transfer of loans to other real estate owned	\$273	\$—
Non-cash lease liability arising from obtaining right of use assets			
Non-cash lease liability arising from obtaining right of use assets			
Non-cash lease liability arising from obtaining right of use assets	Non-cash lease liability arising from obtaining right of use assets	\$423	\$—
Cash dividends declared but not paid	Cash dividends declared but not paid	\$106	\$75

See notes to consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

The accompanying unaudited consolidated financial statements and corresponding footnotes have been prepared by Northrim BanCorp, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with instructions to Form 10-Q under the Securities Exchange Act of 1934, as amended. The year-end Consolidated Balance Sheet data was derived from the Company's audited financial statements. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The Company owns a 100% interest in Residential Mortgage Holding Company, LLC, the parent company of Residential Mortgage, LLC (collectively "RML" "RML") and consolidates their balance sheets and income statement into its financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The Company determined that it operates in two primary operating segments: Community Banking and Home Mortgage Lending. The Company has evaluated subsequent events and transactions for potential recognition or disclosure. Operating results for the interim period ended **September 30, 2023** **March 31, 2024** are not necessarily indicative of the results anticipated for the year ending **December 31, 2023** **December 31, 2024**. These consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

The Company's significant accounting policies are discussed in Note 1 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. There have been no significant changes in our application of these accounting policies in **2023** **2024**.

Reclassification of Prior Period Presentation

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or total shareholders' equity.

Recent Accounting Pronouncements

Accounting pronouncements implemented in 2023

In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU 2022-02"). The amendments in ASU 2022-02 eliminate the accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs which includes an assessment of whether the creditor has granted a concession, an entity must evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. Additionally, for public business entities, ASU 2022-02 requires that an entity disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments-Credit Losses-Measured at Amortized Cost in the vintage disclosures required by paragraph 326-20-50-6. The Company adopted ASU 2022-02 on January 1, 2023. The Company elected to adopt the updated guidance on TDR recognition and measurement prospectively; therefore the guidance is applied to modifications occurring after the date of adoption. The amendments on TDR disclosures and vintage disclosures must be adopted prospectively. The adoption of ASU 2022-02 did not have a material impact on the Company's consolidated financial position or results of operations.

Accounting pronouncements to be implemented in future periods 2024

In March 2023, the FASB Financial Accounting Standards Board ("FASB") issued ASU 2023-02, Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method ("ASU 2023-02"). Under current GAAP, an entity can only elect to apply the proportional amortization method to investments in low income housing tax credit ("LIHTC") structures. The amendments in ASU 2023-02 allow entities to elect to account for equity investments made primarily for the purpose of receiving income tax credits using the proportional amortization method, regardless of the tax credit program through which the investment earns income tax credits, if certain conditions are met. ASU 2023-02 provides amendments to paragraph ASC Accounting Standards Codification ("ASC") 323-740-25-1, which sets forth the conditions needed to apply the proportional amortization method. The amendments make certain limited changes to those conditions to clarify their application to a broader group of tax credit investment programs. However, the conditions in substance remain consistent with current GAAP. The amendments in this ASU 2023-02 also eliminate certain LIHTC-specific guidance to align the accounting more closely for LIHTCs with the accounting for other equity investments in tax credit structures and require that the delayed equity contribution guidance in paragraph ASC 323-740-25-3 applies only to tax equity investments accounted for using the proportional amortization method. The Company adopted ASU 2023-02 on January 1, 2024. The adoption of ASU 2023-02 did not have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures ("ASU 2023-07"). Under current GAAP, public entities are required to report a measure of segment profit or loss. The amendments in ASU 2023-07 do not change or remove this requirement, nor does it change how an entity identifies its operating segments. The amendments in ASU 2023-07 improve reportable segment disclosure requirement, primarily through enhanced disclosures about significant segment expenses. The Company adopted ASU 2023-07 on January 1, 2024. The adoption of ASU 2023-07 did not have a material impact on the Company's consolidated financial statements.

Accounting pronouncements to be implemented in future periods

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures ("ASU 2023-09"). The amendments in ASU 2023-09 improve transparency of income tax disclosures related to rate reconciliation and income taxes paid disclosures by requiring consistent categories and greater disaggregation of information in rate reconciliation, and by requiring disclosure of income taxes paid disaggregated by jurisdiction. The amendments in ASU 2023-09 allow investors to better assess, in their capital allocation decisions, how an entity's worldwide operations and related tax risks and tax planning and operations opportunities affect its income tax rate and prospects for future cash flow. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2023 December 15, 2024 and must may be applied on either a modified retrospective prospective or a retrospective basis. The Company does not have any equity investments made primarily for the purpose of receiving income tax credits except for LIHTC structures, which it accounts for using the proportional amortization method. The Company does not believe that the adoption of ASU 2023-02 2023-09 will have a material impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, Codification Improvements - Amendments to Remove References to the Concepts Statements ("ASU 2024-02"). ASU 2024-02 contains amendments to the Codification that remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references were used in prior Statements to provide guidance in certain topical areas. FASB Concepts Statement are nonauthoritative. Removing all references to Concepts Statements in the guidance is intended to simplify the Codification and draw a distinction between authoritative and nonauthoritative literature. ASU 2024-02 is effective for the Company for fiscal years beginning after December 15, 2024 and may be applied on a prospective or retrospective basis. The Company does not believe that the adoption of ASU 2024-02 will have a material impact on the Company's consolidated financial statements.

2. Investment Securities

Marketable Equity Securities

The Company held marketable equity securities with fair values of \$10.6 million \$13.5 million and \$10.7 million \$13.2 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The gross realized and unrealized gains (losses) recognized on marketable equity securities in other operating income in the Company's Consolidated Statements of Income were as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
(In Thousands)		

(In Thousands)					
(In Thousands)	(In Thousands)	2023	2022	2023	2022
Unrealized gain (loss) on marketable equity securities	Unrealized gain (loss) on marketable equity securities	\$12	\$33	(\$445)	(\$1,199)
Unrealized gain (loss) on marketable equity securities					
Unrealized gain (loss) on marketable equity securities					
Gain on sale of marketable equity securities, net					
Gain on sale of marketable equity securities, net					
Gain on sale of marketable equity securities, net	Gain on sale of marketable equity securities, net	—	—	—	—
Total	Total	\$12	\$33	(\$445)	(\$1,199)
Total					
Total					

Debt securities

Debt securities have been classified in the financial statements as available for sale or held to maturity. The following table summarizes the amortized cost, estimated fair value, and the Allowance for Credit Losses ("ACL") of debt securities and the corresponding amounts of gross unrealized gains and losses of available-for-sale securities recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses of held to maturity securities at the periods indicated:

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
September 30, 2023					
Securities available for sale					
U.S. Treasury and government sponsored entities	\$614,215	\$—	(\$35,580)	\$—	\$578,635
Municipal securities	820	—	(11)	—	809
Corporate bonds	14,015	50	(587)	—	13,478
Collateralized loan obligations	60,164	—	(936)	—	59,228
Total securities available for sale	\$689,214	\$50	(\$37,114)	\$—	\$652,150
September 30, 2023					
Securities held to maturity					
Corporate bonds		\$36,750	\$—	(\$4,517)	\$32,233
Allowance for credit losses		—	—	—	—
Total securities held to maturity, net of ACL		\$36,750	\$—	(\$4,517)	\$32,233

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
March 31, 2024					
Securities available for sale					
U.S. Treasury and government sponsored entities	\$548,304	\$228	(\$23,751)	\$—	\$524,781
Corporate bonds	9,013	46	(389)	—	8,670
Collateralized loan obligations	59,201	72	(245)	—	59,028
Total securities available for sale	\$616,518	\$346	(\$24,385)	\$—	\$592,479

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
December 31, 2022					
Securities available for sale					
U.S. Treasury and government sponsored entities	\$634,582	\$1	(\$39,422)	\$—	\$595,161
Municipal securities	820	—	(25)	—	795
Corporate bonds	24,281	37	(674)	—	23,644
Collateralized loan obligations	59,434	—	(2,005)	—	57,429
Total securities available for sale	\$719,117	\$38	(\$42,126)	\$—	\$677,029

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2024				
Securities held to maturity				
Corporate bonds	\$36,750	\$—	(\$3,409)	\$33,341
Allowance for credit losses	—	—	—	—
Total securities held to maturity, net of ACL	\$36,750	\$—	(\$3,409)	\$33,341

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Securities held to maturity				
Corporate bonds	\$36,750	\$—	(\$4,111)	\$32,639
Allowance for credit losses	—	—	—	—
Total securities held to maturity, net of ACL	\$36,750	\$—	(\$4,111)	\$32,639

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
December 31, 2023					
Securities available for sale					
U.S. Treasury and government sponsored entities	\$587,639	\$451	(\$23,965)	\$—	\$564,125
Municipal securities	820	—	(4)	—	816
Corporate bonds	14,014	28	(418)	—	13,624
Collateralized loan obligations	59,795	12	(436)	—	59,371
Total securities available for sale	\$662,268	\$491	(\$24,823)	\$—	\$637,936

(In Thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
Securities held to maturity				
Corporate bonds	\$36,750	\$—	(\$3,337)	\$33,413
Allowance for credit losses	—	—	—	—
Total securities held to maturity, net of ACL	\$36,750	\$—	(\$3,337)	\$33,413

Gross unrealized losses on available for sale securities and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** were as follows:

Less Than 12 Months	More Than 12 Months	Total	Less Than 12 Months	More Than 12 Months	Total
Less Than 12 Months			Less Than 12 Months	Months	Total

(In Thousands)	(In Thousands)	Unrealized Fair Value		Unrealized Losses		Unrealized Fair Value		Unrealized Losses		(In Thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses							
<u>September 30, 2023</u>																							
<u>March 31, 2024</u>																							
Securities available for sale																							
Securities available for sale																							
U.S. Treasury and government sponsored entities																							
U.S. Treasury and government sponsored entities																							
U.S. Treasury and government sponsored entities	U.S. Treasury and government sponsored entities	\$42,827	(\$658)	\$535,809	(\$34,922)	\$578,636	(\$35,580)																
Corporate bonds	Corporate bonds	—	—	6,431	(587)	6,431	(587)																
Collateralized loan obligations	Collateralized loan obligations	9,874	(126)	49,354	(810)	59,228	(936)																
Municipal securities		—	—	809	(11)	809	(11)																
<u>Total</u>																							
<u>Total</u>																							
Total	Total	\$52,701	(\$784)	\$592,403	(\$36,330)	\$645,104	(\$37,114)																
<u>December 31, 2022:</u>																							
December 31, 2023:																							
December 31, 2023:																							
Securities available for sale																							
Securities available for sale																							
U.S. Treasury and government sponsored entities																							
U.S. Treasury and government sponsored entities																							
U.S. Treasury and government sponsored entities	U.S. Treasury and government sponsored entities	\$282,319	(\$8,876)	\$302,840	(\$30,546)	\$585,159	(\$39,422)																
Corporate bonds	Corporate bonds	13,216	(43)	4,394	(631)	17,610	(674)																
Collateralized loan obligations	Collateralized loan obligations	22,309	(632)	35,120	(1,373)	57,429	(2,005)																

Municipal securities	Municipal securities	795	(25)	—	—	795	(25)
Total	Total	\$318,639	(\$9,576)	\$342,354	(\$32,550)	\$660,993	(\$42,126)
Total							
Total							

Management evaluates available for sale debt securities in unrealized loss positions to determine whether the impairment is due to credit-related factors or noncredit-related factors. Consideration is given to the extent to which the fair value is less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

At **September 30, 2023** **March 31, 2024**, the Company had **82** **64** available for sale securities in an unrealized loss position without an ACL. At **September 30, 2023** **March 31, 2024**, the Company had five held to maturity securities in an unrealized loss position without an ACL. Management does not have the intent to sell any of these securities and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Accordingly, as of **September 30, 2023** **March 31, 2024**, management believes that the unrealized losses detailed in the previous table are due to noncredit-related factors, primarily changes in interest rates, and therefore no losses have been recognized in the Company's Consolidated Statements of Income.

At **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, carrying amounts of **\$168.4 million** **\$172.6 million** and **\$59.3 million** **\$180.1 million** in securities were pledged for deposits and borrowings, respectively.

The amortized cost and estimated fair values of debt securities at **September 30, 2023** **March 31, 2024**, are distributed by contractual maturity as shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In Thousands)	(In Thousands)	Amortized Cost	Fair Value (In Thousands)	Amortized Cost	Fair Value
US Treasury and government sponsored entities	US Treasury and government sponsored entities				
Within 1 year	Within 1 year	\$134,494	\$132,302		
1-5 years	1-5 years	479,721	446,333		
Total					
Total					
Total	Total	\$614,215	\$578,635		
Corporate bonds	Corporate bonds				
Within 1 year		\$2,000	\$1,981		
Corporate bonds					
1-5 years					
1-5 years					
1-5 years	1-5 years	22,015	20,836		
5-10 years	5-10 years	26,750	25,842		
Total	Total	\$50,765	\$48,659		
Collateralized loan obligations	Collateralized loan obligations				
5-10 years	5-10 years	\$29,670	\$29,450		
5-10 years					
5-10 years					
Over 10 years	Over 10 years	30,494	29,778		
Total	Total	\$60,164	\$59,228		
Municipal securities					

Within 1 year	\$820	\$809
Total	\$820	\$809

There were no proceeds from sales of investment securities for the three or nine-month three-month periods ending September 30, 2023 March 31, 2024 and 2022 2023.

A summary of interest income for the three and nine-month three-month periods ending September 30, 2023 March 31, 2024 and 2022, 2023, on available for sale investment securities are as follows:

		Three Months Ended September 30,	Nine Months Ended September 30,		
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(In Thousands)	(In Thousands)	2023	2022	2023	
(In Thousands)					
(In Thousands)					
US Treasury and government sponsored entities					
US Treasury and government sponsored entities	US Treasury and government sponsored entities	\$2,794	\$2,137	\$8,424	\$4,375
Other	Other	1,214	781	3,505	1,595
Other					
Other					
Total taxable interest income					
Total taxable interest income					
Total taxable interest income	Total taxable interest income	\$4,008	\$2,918	\$11,929	\$5,970
Municipal securities	Municipal securities	\$4	\$4	\$13	\$13
Municipal securities					
Municipal securities					
Total tax-exempt interest income					
Total tax-exempt interest income					
Total tax-exempt interest income	Total tax-exempt interest income	\$4	\$4	\$13	\$13
Total	Total	\$4,012	\$2,922	\$11,942	\$5,983
Total					
Total					

3. Loans and Allowance for Credit Losses

Loans Held for Sale

Loans held for sale are comprised entirely of 1-4 family residential mortgage loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The Company designates loans held for sale as either carried at fair value or the lower of cost or fair value at loan level at origination.

Loans Held for Investment

The following table presents amortized cost and unpaid principal balance of loans, categorized by the segments used in the Company's Current Expected Credit Losses ("CECL") methodology to assess credit risk, for the periods indicated:

	September 30, 2023	December 31, 2022	
	March 31, 2024		March 31, 2024

(In Thousands)	(In Thousands)	Amortized Cost	Unpaid Principal	Amortized Difference	Amortized Cost	Unpaid Principal	Amortized Difference	(In Thousands)	Amortized Cost	Unpaid Principal	Amortized Difference	Amortized Cost	Unpaid Principal	Amortized Difference	
Commercial & industrial loans	Commercial & industrial loans	\$415,898	\$417,695	(\$1,797)	\$358,128	\$359,900	(\$1,772)								
Commercial real estate:	Commercial real estate:														
Owner occupied properties	Owner occupied properties	357,455	359,019	(1,564)	349,973	351,580	(1,607)								
Owner occupied properties	Owner occupied properties														
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	506,256	509,939	(3,683)	482,270	486,021	(3,751)								
Residential real estate:	Residential real estate:														
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	180,849	180,719	130	73,381	73,674	(293)								
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	27,535	27,342	193	20,259	20,103	156								
1-4 family residential construction loans	1-4 family residential construction loans	32,185	32,374	(189)	44,000	44,314	(314)								
Other construction, land development and raw land loans	Other construction, land development and raw land loans	119,716	120,909	(1,193)	99,182	100,075	(893)								
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	30,463	30,465	(2)	32,539	32,540	(1)								

Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	40,923	41,143	(220)	34,099	34,263	(164)
Consumer loans	Consumer loans	5,986	5,930	56	4,335	4,293	42
Other loans	Other loans	2,825	2,842	(17)	3,619	3,632	(13)
Total	Total	1,720,091	1,728,377	(8,286)	1,501,785	1,510,395	(8,610)
Allowance for credit losses	Allowance for credit losses	(16,491)		(13,838)			
		\$1,703,600	\$1,728,377	(\$8,286)	\$1,487,947	\$1,510,395	(\$8,610)
					\$1,793,602		
					\$1,793,602		
					\$1,793,602		

The difference between the amortized cost and unpaid principal balance is net deferred origination fees totaling ~~\$8.3~~ ~~\$8.2~~ million at ~~September 30, 2023~~ ~~March 31, 2024~~ and \$8.6 million at ~~December 31, 2022~~ December 31, 2023.

Accrued interest on loans, which is excluded from the amortized cost of loans held for investment, totaled ~~\$8.0 million~~ ~~\$8.4 million~~ and ~~\$5.5 million~~ ~~\$7.4 million~~ at ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ December 31, 2023, respectively, and is included in other assets in the Consolidated Balance Sheets.

Amortized cost in the above table includes ~~\$3.2 million~~ ~~\$1.9 million~~ and ~~\$7.1~~ ~~\$2.8 million~~ as of ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~December 31, 2022~~ December 31, 2023, respectively, in Paycheck Protection Program loans administered by the U.S. Small Business Administration ("SBA") within the Commercial & industrial loan segment.

Allowance for Credit Losses

The table below presents activity in the ACL related to loans held for investment for the periods indicated. The ACL for loans held for investment increased \$2.7 million from December 31, 2022 primarily due to higher non-government guaranteed loan balances as well as a decrease in estimated prepayment rates in the Company's discounted cash flow model given the current economic environment. These changes were only partially offset by a decrease in the Company's forecasted future unemployment rates.

Three Months Ended September 30,	Beginning Balance	Credit Loss Expense (Benefit)	Charge-offs	Recoveries	Ending Balance
(In Thousands)					
<u>2023</u>					
Commercial & industrial loans	\$3,418	(\$55)	(\$91)	\$181	\$3,453
Commercial real estate:					
Owner occupied properties	2,807	(15)	—	—	2,792
Non-owner occupied and multifamily properties	3,260	(36)	—	—	3,224
Residential real estate:					
1-4 family residential properties secured by first liens	3,206	334	—	—	3,540
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	423	78	—	5	506
1-4 family residential construction loans	206	(31)	—	—	175
Other construction, land development and raw land loans	1,996	480	—	—	2,476
Obligations of states and political subdivisions in the US	88	(11)	—	—	77
Agricultural production, including commercial fishing	162	2	—	—	164
Consumer loans	74	4	—	1	79
Other loans	5	—	—	—	5
Total	\$15,645	\$750	(\$91)	\$187	\$16,491
<u>2022</u>					
Commercial & industrial loans	\$2,961	(\$1,344)	(\$45)	\$1,325	\$2,897
Commercial real estate:					
Owner occupied properties	2,573	132	—	55	2,760
Non-owner occupied and multifamily properties	3,107	120	—	—	3,227
Residential real estate:					

1-4 family residential properties secured by first liens	620	73	—	5	698
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	327	30	—	9	366
1-4 family residential construction loans	231	50	—	—	281
Other construction, land development and raw land loans	1,462	15	—	—	1,477
Obligations of states and political subdivisions in the US	59	4	—	—	63
Agricultural production, including commercial fishing	127	13	—	—	140
Consumer loans	64	3	(3)	2	66
Other loans	6	1	—	—	7
Total	\$11,537	(\$903)	(\$48)	\$1,396	\$11,982

		Credit Loss					
		Beginning	Expense	Charge-offs	Recoveries	Ending	
		Balance	(Benefit)			Balance	
Nine Months Ended September 30,		Beginning Balance	Expense (Benefit)	Charge-offs	Recoveries	Ending Balance	
		<i>(In Thousands)</i>					
2023							
Three Months Ended March 31,							
Three Months Ended March 31,							
Three Months Ended March 31,							
		Beginning Balance	Credit Loss Expense (Benefit)	Charge-offs	Recoveries	Ending Balance	
		<i>(In Thousands)</i>					
2024							
Commercial & industrial loans	Commercial & industrial loans	\$2,914	\$412	(\$140)	\$267	\$3,453	
Commercial real estate:	Commercial real estate:						
Owner occupied properties	Owner occupied properties	3,094	(302)	—	—	2,792	
Owner occupied properties	Owner occupied properties						
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	3,615	(391)	—	—	3,224	
Residential real estate:	Residential real estate:						
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens						
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens						
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	1,413	2,127	—	—	3,540	

1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	389	100	—	17	506
1-4 family residential construction loans	1-4 family residential construction loans	312	(137)	—	—	175
Other construction, land development and raw land loans	Other construction, land development and raw land loans	1,803	673	—	—	2,476
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	79	(2)	—	—	77
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	145	19	—	—	164
Consumer loans	Consumer loans	68	21	(14)	4	79
Other loans	Other loans	6	(1)	—	—	5
Total	Total	\$13,838	\$2,519	(\$154)	\$288	\$16,491

2022

2023

Commercial & industrial loans	Commercial & industrial loans					
Commercial & industrial loans	Commercial & industrial loans	\$3,027	(\$1,065)	(\$506)	\$1,441	\$2,897
Commercial real estate:	Commercial real estate:					
Owner occupied properties	Owner occupied properties	3,176	(471)	—	55	2,760
Owner occupied properties	Owner occupied properties					
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	2,930	297	—	—	3,227
Residential real estate:	Residential real estate:					

1-4 family residential properties secured by first liens						
1-4 family residential properties secured by first liens						
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	439	254	—	5	698
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	215	121	—	30	366
1-4 family residential construction loans	1-4 family residential construction loans	120	161	—	—	281
Other construction, land development and raw land loans	Other construction, land development and raw land loans	1,635	(158)	—	—	1,477
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	32	31	—	—	63
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	91	34	—	15	140
Consumer loans	Consumer loans	67	(1)	(3)	3	66
Other loans	Other loans	7	—	—	—	7
Total	Total	\$11,739	(\$797)	(\$509)	\$1,549	\$11,982

The following table shows gross charge-offs by grade and by year of loan origination for the periods indicated:

Nine Months Ended September 30,							Prior	Total
(In Thousands)		2023	2022	2021	2020	2019	Prior	Total
<u>2023</u>								
Commercial & industrial loans		\$—	\$—	\$49	\$—	\$—	\$91	\$140
Consumer loans		—	1	—	—	—	13	14
Total		\$—	\$1	\$49	\$—	\$—	\$104	\$154

Three Months Ended March 31,

(In Thousands)	2024	2023	2022	2021	2020	Prior	Total
2024							
Agricultural production, including commercial fishing	\$—	\$—	\$25	\$—	\$—	\$—	\$25
Total	\$—	\$—	\$25	\$—	\$—	\$—	\$25

Credit Quality Information

As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management utilizes a loan risk grading system called the Asset Quality Rating ("AQR") system to assign a risk classification to each of its loans. The risk classification is a dual rating system that contemplates both probability of default and risk of loss given default. Loans are graded on a scale of 1 to 10 and, loans graded 1 – 6 are considered "pass" grade loans. Loans graded 7 or higher are considered "classified" loans. A description of the general characteristics of the AQR risk classifications are as follows:

Pass grade loans – 1 through 6: The borrower demonstrates sufficient cash flow to fund debt service, including acceptable profit margins, cash flows, liquidity and other balance sheet ratios. Historic and projected performance indicates that the borrower is able to meet obligations under most economic circumstances. The borrower has competent management with an acceptable track record. The category does not include loans with undue or unwarranted credit risks that constitute identifiable weaknesses.

Classified loans:

Special Mention – 7: A "special mention" credit has weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset at some future date.

Substandard – 8: A "substandard" credit is inadequately protected by the current worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that Northrim Bank will sustain some loss if the deficiencies are not corrected.

Doubtful – 9: An asset classified "doubtful" has all the weaknesses inherent in one that is classified "substandard-8" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable. The loan has substandard characteristics, and available information suggests that it is unlikely that the loan will be repaid in its entirety.

Loss – 10: An asset classified "loss" is considered uncollectible and of such little value that its continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset, even though partial recovery may be affected in the future.

The following tables present the Company's portfolio of risk-rated loans by grade and by year of origination. Management considers the guidance in ASC 310-20 when determining whether a modification, extension, or renewal of loan constitutes a current period origination. Generally, current period renewals of credit are re-underwritten at the point of renewal and considered current period originations for purposes of the table below.

September 30, 2023	2023	2022	2021	2020	2019	Prior	Total	
(In Thousands)								
March 31, 2024								
March 31, 2024								
(In Thousands)								
Commercial & industrial loans	Commercial & industrial loans							
Pass								
Pass								
Pass	Pass	\$96,467	\$123,831	\$58,372	\$24,947	\$14,227	\$48,281	\$366,125
Classified	Classified	3,916	18,880	17,231	7,235	65	2,446	49,773
Total commercial & industrial loans	Total commercial & industrial loans							
Commercial real estate:	Commercial real estate:							
Commercial real estate:								
Commercial real estate:								
Owner occupied properties								

Owner occupied properties	
Owner occupied properties	Owner occupied properties
Pass	Pass \$26,585 \$68,242 \$72,939 \$83,211 \$30,245 \$73,253 \$354,475
Pass	
Pass	
Classified	

Classified		—	—	—	1,152	—	1,828	2,980
Total commercial real estate owner occupied properties	Total commercial real estate owner occupied properties	\$26,585	\$68,242	\$72,939	\$84,363	\$30,245	\$75,081	\$357,455
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties							
Non-owner occupied and multifamily properties								
Pass								
Pass								
Pass	Pass	\$38,234	\$95,181	\$83,998	\$69,550	\$56,536	\$153,324	\$496,823
Classified	Classified	—	—	—	—	—	9,433	9,433
Total commercial real estate non-owner occupied and multifamily properties	Total commercial real estate non-owner occupied and multifamily properties	\$38,234	\$95,181	\$83,998	\$69,550	\$56,536	\$162,757	\$506,256
Residential real estate:	Residential real estate:							
Residential real estate:								
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens							
1-4 family residential properties secured by first liens								
1-4 family residential properties secured by first liens								
Pass								
Pass								
Pass	Pass	\$114,314	\$48,278	\$5,120	\$4,736	\$2,434	\$5,835	\$180,717
Classified	Classified	—	—	—	—	—	—	132
Total residential real estate 1-4 family residential properties secured by first liens	Total residential real estate 1-4 family residential properties secured by first liens	\$114,314	\$48,278	\$5,120	\$4,736	\$2,434	\$5,967	\$180,849
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens							

1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens								
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens								
Pass								
Pass								
Pass	Pass	\$10,648	\$5,283	\$2,446	\$1,452	\$2,324	\$5,053	\$27,206
Classified	Classified	—	—	—	—	—	329	329
Total residential real estate 1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	Total residential real estate 1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	\$10,648	\$5,283	\$2,446	\$1,452	\$2,324	\$5,382	\$27,535
1-4 family residential construction loans	1-4 family residential construction loans							
1-4 family residential construction loans	1-4 family residential construction loans							
Pass								
Pass								
Pass	Pass	\$16,057	\$6,205	\$1,118	\$21	\$—	\$8,675	\$32,076
Classified	Classified	—	—	—	—	—	109	109
Total residential real estate 1-4 family residential construction loans	Total residential real estate 1-4 family residential construction loans	\$16,057	\$6,205	\$1,118	\$21	\$—	\$8,784	\$32,185
Other construction, land development and raw land loans	Other construction, land development and raw land loans							
Other construction, land development and raw land loans	Other construction, land development and raw land loans							
Pass								
Pass								
Pass	Pass	\$18,172	\$53,412	\$33,797	\$3,186	\$1,479	\$7,897	\$117,943
Classified	Classified	—	—	—	—	—	1,773	1,773
Total other construction, land development and raw land loans	Total other construction, land development and raw land loans	\$18,172	\$53,412	\$33,797	\$3,186	\$1,479	\$9,670	\$119,716
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US							
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US							
Pass								
Pass								
Pass	Pass	\$—	\$30,341	\$—	\$—	\$—	\$122	\$30,463
Classified	Classified	—	—	—	—	—	—	—
Total obligations of states and political subdivisions in the US	Total obligations of states and political subdivisions in the US	\$—	\$30,341	\$—	\$—	\$—	\$122	\$30,463
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing							

Agricultural production, including commercial fishing								
Agricultural production, including commercial fishing								
Pass								
Pass								
Pass	Pass	\$7,842	\$9,892	\$17,095	\$3,567	\$589	\$1,938	\$40,923
Classified	Classified	—	—	—	—	—	—	—
Total agricultural production, including commercial fishing	Total agricultural production, including commercial fishing	\$7,842	\$9,892	\$17,095	\$3,567	\$589	\$1,938	\$40,923
Consumer loans	Consumer loans							
Consumer loans								
Consumer loans								
Pass	Pass							
Pass	Pass							
Pass	Pass	\$2,791	\$1,094	\$282	\$394	\$279	\$1,133	\$5,973
Classified	Classified	—	13	—	—	—	—	13
Total consumer loans	Total consumer loans	\$2,791	\$1,107	\$282	\$394	\$279	\$1,133	\$5,986
Other loans	Other loans							
Other loans								
Other loans								
Pass	Pass							
Pass	Pass							
Pass	Pass	\$590	\$190	\$313	\$1,379	\$331	\$22	\$2,825
Classified	Classified	—	—	—	—	—	—	—
Total other loans	Total other loans	\$590	\$190	\$313	\$1,379	\$331	\$22	\$2,825
Total loans	Total loans							
Total loans								
Total loans								
Pass	Pass							
Pass	Pass							
Pass	Pass	\$331,700	\$441,949	\$275,480	\$192,443	\$108,444	\$305,533	\$1,655,549
Classified	Classified	3,916	18,893	17,231	8,387	65	16,050	64,542
Total loans	Total loans	\$335,616	\$460,842	\$292,711	\$200,830	\$108,509	\$321,583	\$1,720,091
Total pass loans	Total pass loans	\$331,700	\$441,949	\$275,480	\$192,443	\$108,444	\$305,533	\$1,655,549
Total pass loans								
Total pass loans								
Government guarantees	Government guarantees	(842)	(8,194)	(19,164)	(2,469)	(12,321)	(7,726)	(50,716)
Total pass loans, net of government guarantees	Total pass loans, net of government guarantees	\$330,858	\$433,755	\$256,316	\$189,974	\$96,123	\$297,807	\$1,604,833
Total classified loans								
Total classified loans								
Total classified loans								
Total classified loans		\$3,916	\$18,893	\$17,231	\$8,387	\$65	\$16,050	\$64,542
Government guarantees	Government guarantees	(3,849)	(16,896)	(15,331)	(7,259)	—	(8,500)	(51,835)

Total classified loans, net net government guarantees	Total classified government guarantees	\$67	\$1,997	\$1,900	\$1,128	\$65	\$7,550	\$12,707
<hr/>								
December 31, 2022	2022	2021	2020	2019	2018	Prior	Total	
<hr/>								
(In Thousands)								
December 31, 2023								
<hr/>								
December 31, 2023	2023	2022	2021	2020	2019	Prior	Total	
<hr/>								
(In Thousands)								
Commercial & industrial loans	Commercial & industrial loans							
<hr/>								
Pass								
Pass								
Pass	Pass	\$157,555	\$86,543	\$37,147	\$17,881	\$9,844	\$40,571	\$349,541
Classified	Classified	137	4,879	397	91	2,737	346	8,587
Total commercial & industrial loans	Total commercial & industrial loans							
Commercial real estate:	Commercial real estate:							
Commercial real estate:	Commercial real estate:							
Owner occupied properties	Owner occupied properties							
Owner occupied properties								
Owner occupied properties								
Pass								
Pass								
Pass	Pass	\$66,955	\$70,777	\$90,496	\$32,564	\$13,233	\$69,701	\$343,726
Classified	Classified	—	—	1,261	—	165	4,821	6,247
Total commercial real estate owner occupied properties	Total commercial real estate owner occupied properties							
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties							
Non-owner occupied and multifamily properties								
Non-owner occupied and multifamily properties								
Pass								
Pass								
Pass	Pass	\$94,412	\$82,352	\$71,407	\$58,033	\$16,905	\$149,223	\$472,332
Classified	Classified	—	—	—	274	3	9,661	9,938

Total	Total
commercial	commercial
real estate	real estate
non-owner	non-owner
occupied	occupied
and	and
multifamily	multifamily
properties	properties
Residential	Residential
real estate:	real estate:

Residential real estate:

Residential real estate:

1-4 family
residential
properties
secured by
first liens

1-4 family residential properties secured by
first liens

1-4 family residential properties secured by
first liens

Pass

Pass

Pass	Pass	\$52,117	\$5,088	\$6,001	\$2,535	\$462	\$6,968	\$73,171
Classified	Classified	—	—	—	—	79	131	210

Total	Total
residential	residential
real estate	real estate 1-
4 family	4 family
residential	residential
properties	properties
secured by	secured by
first liens	first liens
1-4 family	\$52,117
residential	\$5,088
properties	\$6,001
secured by	\$2,535
junior liens	\$462
and	\$6,968
revolving	\$73,171
secured by	

1-4 family
residential
properties
secured by
junior liens
and
revolving
secured by
1-4 family
first liens

1-4 family residential properties secured by junior liens and revolving
secured by 1-4 family first liens

1-4 family residential properties secured by junior liens and revolving
secured by 1-4 family first liens

Pass

Pass

Pass	Pass	\$6,992	\$3,376	\$2,041	\$2,763	\$2,781	\$2,060	\$20,013
Classified	Classified	—	—	—	—	239	7	246

Total	Total
residential	residential
real estate 1- real estate 1-	
4 family	4 family
residential	residential
properties	properties
secured by	secured by
junior liens	junior liens
and	and
revolving	revolving
secured by	secured by
1-4 family	1-4 family
first liens	first liens
	\$6,992 \$3,376 \$2,041 \$2,763 \$3,020 \$2,067 \$20,259
1-4 family	1-4 family
residential	residential
construction	construction
loans	loans

1-4 family residential
construction loans
1-4 family residential
construction loans

Pass

Pass

Pass	Pass	\$26,860	\$3,897	\$61	\$—	\$—	\$13,073	\$43,891
Classified	Classified	—	—	—	—	—	109	109

Total	Total
residential	residential
real estate 1- real estate 1-	
4 family	4 family
residential	residential
construction	construction
loans	loans
	\$26,860 \$3,897 \$61 \$— \$— \$13,182 \$44,000
Other	
construction,	
land	
development	
and raw land	Other construction, land development and
loans	raw land loans

Other construction, land development and raw land

loans

Other construction, land development and raw land

loans

Pass

Pass

Pass	Pass	\$38,673	\$42,448	\$5,740	\$1,713	\$3,675	\$5,112	\$97,361
Classified	Classified	—	—	—	—	369	1,452	1,821

Total other	Total other
construction, construction,	
land land	
development development	
and raw land and raw land	
loans loans	\$38,673 \$42,448 \$5,740 \$1,713 \$4,044 \$6,564 \$99,182
Obligations	
of states and	
political	
subdivisions	Obligations of states and political
in the US	subdivisions in the US

Obligations of states and political subdivisions in the US									
Obligations of states and political subdivisions in the US									
Pass									
Pass									
Pass	Pass	\$32,319	\$—	\$—	\$—	\$219	\$1	\$32,539	
Classified	Classified	—	—	—	—	—	—	—	—
Total obligations of states and political subdivisions in the US	Total obligations of states and political subdivisions in the US								
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing								
Agricultural production, including commercial fishing									
Agricultural production, including commercial fishing									
Pass	Pass								
Pass	Pass								
Pass	Pass	\$9,748	\$17,692	\$3,740	\$604	\$879	\$1,436	\$34,099	
Classified	Classified	—	—	—	—	—	—	—	—
Total agricultural production, including commercial fishing	Total agricultural production, including commercial fishing								
Consumer loans	Consumer loans								
Consumer loans									
Pass	Pass	\$1,513	\$363	\$481	\$345	\$235	\$1,391	\$4,328	
Pass	Pass								
Pass	Pass								
Classified	Classified								
Classified	Classified	—	—	—	—	—	—	—	—
Total consumer loans	Total consumer loans								
Other loans	Other loans								
Other loans	Other loans								
Pass	Pass								
Pass	Pass								
Pass	Pass	\$1,291	\$330	\$1,547	\$384	\$—	\$67	\$3,619	
Classified	Classified	—	—	—	—	—	—	—	—
Total other loans	Total other loans								
Total loans	Total loans								
Total loans	Total loans								
Pass	Pass								
Pass	Pass								

Pass	Pass	\$488,435	\$312,866	\$218,661	\$116,822	\$48,233	\$289,603	\$1,474,620
Classified	Classified	137	4,879	1,658	365	3,592	16,534	27,165
Total loans	Total loans	\$488,572	\$317,745	\$220,319	\$117,187	\$51,825	\$306,137	\$1,501,785
Total pass loans	Total pass loans	\$488,435	\$312,866	\$218,661	\$116,822	\$48,233	\$289,603	\$1,474,620
Total pass loans								
Total pass loans								
Government guarantees	Government guarantees	(25,172)	(36,531)	(9,751)	(12,885)	(2,964)	(5,314)	(92,617)
Total pass loans, net of government guarantees	Total pass loans, net of government guarantees	\$463,263	\$276,335	\$208,910	\$103,937	\$45,269	\$284,289	\$1,382,003
Total classified loans	Total classified loans	\$137	\$4,879	\$1,658	\$365	\$3,592	\$16,534	\$27,165
Total classified loans								
Government guarantees	Government guarantees	—	(4,396)	(1,135)	—	—	(9,293)	(14,824)
Total classified loans, net of government guarantees	Total classified loans, net of government guarantees	\$137	\$483	\$523	\$365	\$3,592	\$7,241	\$12,341

Past Due Loans: The following tables present an aging of contractually past due loans as of the periods presented:

(In Thousands)	(In Thousands)	Greater Than 90 Days Past Due						Due Still Accruing (In Thousands)	Greater Than 90 Days Past Due Still Accruing								
		60-89 Days Past Due		Greater Than 90 Days Past Due		30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days Past Due									
		30-59 Days Past Due	Greater Than 90 Days Past Due	30-59 Days Past Due	Greater Than 90 Days Past Due												
<u>September 30, 2023</u>																	
<u>March 31, 2024</u>																	
Commercial & industrial loans																	
Commercial & industrial loans																	
Commercial & industrial loans	Commercial & industrial loans	\$3,748	\$—	\$297	\$4,045	\$411,853	\$415,898	\$—									
Commercial real estate: real estate:	Commercial real estate: real estate:																
Owner occupied properties	Owner occupied properties	—	—	271	271	357,184	357,455	—									
Owner occupied properties																	
Owner occupied properties																	
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	380	—	—	380	505,876	506,256	—									
Residential real estate:	Residential real estate:																

1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	—	—	28	28	180,821	180,849	28
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	—	—	159	159	27,376	27,535	—
1-4 family residential construction loans	1-4 family residential construction loans	—	—	109	109	32,076	32,185	—
Other construction, land development and raw land loans	Other construction, land development and raw land loans	—	1,545	1,545	118,171	119,716	—	
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	—	—	—	—	30,463	30,463	—
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	—	—	—	—	40,923	40,923	—
Consumer loans	Consumer loans	—	13	—	13	5,973	5,986	—
Other loans	Other loans	—	—	—	—	2,825	2,825	—
Total	Total	\$4,128	\$13	\$2,409	\$6,550	\$1,713,541	\$1,720,091	\$28

December 31, 2022

December 31, 2023

Commercial & industrial loans

Commercial & industrial loans

Commercial & industrial loans	Commercial & industrial loans	\$37	\$521	\$56	\$614	\$357,514	\$358,128	\$—
Commercial real estate:	Commercial real estate:							

Owner occupied properties	Owner occupied properties	—	—	798	798	349,175	349,973	—
Owner occupied properties	Owner occupied properties	—	—	798	798	349,175	349,973	—
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	—	—	274	274	481,996	482,270	—
Residential real estate:	Residential real estate:	—	—	274	274	481,996	482,270	—
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	—	—	274	274	481,996	482,270	—
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	—	—	274	274	481,996	482,270	—
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	60	79	72	211	73,170	73,381	—
1-4 family residential construction loans	1-4 family residential construction loans	—	—	127	239	20,020	20,259	—
Other construction, land development and raw land loans	Other construction, land development and raw land loans	—	—	109	109	43,891	44,000	—
Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	—	—	1,545	1,545	97,637	99,182	—
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	—	—	—	—	32,539	32,539	—
Consumer loans	Consumer loans	6	80	—	86	4,249	4,335	—
Other loans	Other loans	—	—	—	—	3,619	3,619	—

Total	Total	\$215	\$680	\$2,981	\$3,876	\$1,497,909	\$1,501,785	\$—
-------	-------	-------	-------	---------	---------	-------------	-------------	-----

Nonaccrual loans: Nonaccrual loans net of government guarantees totaled **\$5.3 million** and **\$5.0 million** at **March 31, 2024** and **\$6.4 million** at **September 30, 2023** and **December 31, 2022** **December 31, 2023**, respectively. The following table presents loans on nonaccrual status and loans on nonaccrual status for the periods presented for which there was no related ACL. All loans with no ACL are individually evaluated for credit losses in the Company's CECL methodology.

		September 30, 2023				December 31, 2022							
		March 31, 2024								December 31, 2023			
(In Thousands)	(In Thousands)	Nonaccrual		Nonaccrual		(In Thousands)	Nonaccrual		Nonaccrual With No		Nonaccrual With No		
		Nonaccrual	ACL	Nonaccrual	ACL		Nonaccrual	ACL	Nonaccrual	ACL	Nonaccrual	ACL	
Commercial & industrial loans	Commercial & industrial loans	\$4,254		\$4,056		\$3,294		\$3,287					
Commercial & industrial loans	Commercial & industrial loans												
Commercial & industrial loans	Commercial & industrial loans												
Commercial real estate:	Commercial real estate:												
Owner occupied properties	Owner occupied properties												
Owner occupied properties	Owner occupied properties												
Owner occupied properties	Owner occupied properties	306		271		1,457		1,457					
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties												
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	—		—		274		274					
Residential real estate:	Residential real estate:												
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens												
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens												
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	53		—		151		144					
1-4 family residential properties secured by junior liens and revolving secured by	1-4 family residential properties secured by junior liens and revolving secured by												
1-4 family first liens	1-4 family first liens												
1-4 family first liens	1-4 family first liens	225		119		246		198					
1-4 family residential construction loans	1-4 family residential construction loans	109		109		109		109					

Other construction, land development and raw land loans	Other construction, land development and raw land loans	1,545	1,545	1,545	1,545
Total nonaccrual loans	Total nonaccrual loans	6,492	6,100	7,076	7,014
Total nonaccrual loans					
Total nonaccrual loans					
Government guarantees on nonaccrual loans	Government guarantees on nonaccrual loans	(1,455)	(1,455)	(646)	(646)
Net nonaccrual loans	Net nonaccrual loans	\$5,037	\$4,645	\$6,430	\$6,368

There was no interest on nonaccrual loans reversed through interest income during three and nine-month three-month periods ending September 30, 2023. There was no interest on nonaccrual loans reversed through interest income during the three-month period ending September 30, 2022 and \$2,000 interest on nonaccrual loans reversed through interest income during the nine-month period ending September 30, 2022 March 31, 2024 or March 31, 2023.

There was no interest earned on nonaccrual loans with a principal balance during the three and nine-month three-month periods ending September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. However, the Company recognized interest income of \$200,000 \$202,000 and \$1.2 million \$179,000 in the three-month periods ending September 30, 2023 March 31, 2024 and 2022, respectively, and \$584,000 and \$2.1 million in the nine-month periods ending September 30, 2023 and 2022, 2023, respectively, related to interest collected on nonaccrual loans whose principal had been paid down to zero.

Loan Modifications: The Company modifies loans to borrowers experiencing financial difficulty as a normal part of our business. These modifications include providing term extensions/modifications, payment modifications, interest rate modifications, or, on rare occasions, principal forgiveness. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL. The Company may provide multiple types of concessions on one loan.

As discussed in Note 1, the Company adopted ASU 2022-02 effective January 1, 2023. ASU 2022-02 eliminates the accounting guidance for loans classified as TDRs. TDRs totaled \$5.1 million at December 31, 2022.

The following table shows the amortized cost basis of the loans that were both experiencing financial difficulty and modified as of the dates indicated, by class and type of modification. There were no loans experiencing both financial difficulty and modified in the three-month period ending March 31, 2023. The percentage of the amortized cost basis of loans that were modified to borrowers experiencing financial difficulty as compared to the amortized cost basis of each class of financing receivable is also presented below:

Three Months Ended September 30, 2023					
(In Thousands)		Term Modification	Payment modifications	Total Modifications	Percentage of Class of Financing Receivable
Commercial real estate:					
Owner occupied properties		\$—	\$271	\$271	0.08 %
Residential real estate:					
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens		119	—	119	0.43 %
1-4 family residential construction loans		109	—	109	0.34 %
Other construction, land development and raw land loans		968	577	1,545	1.29 %
Total		\$1,196	\$848	\$2,044	0.12 %

Nine Months Ended September 30, 2023					
(In Thousands)		Term Modification	Payment Modification	Term and payment modifications	Percentage of Class of Financing Receivable
Commercial & industrial loans		\$1,511	\$1,985	\$—	\$3,496 0.84 %

Commercial real estate:					
Owner occupied properties	—	—	271	271	0.08 %
Residential real estate:					
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	119	—	—	119	0.43 %
1-4 family residential construction loans	109	—	—	109	0.34 %
Other construction, land development and raw land loans	968	—	577	1,545	1.29 %
Total	\$2,707	\$1,985	\$848	\$5,540	0.32 %

Three Months Ended March 31, 2024					
(In Thousands)	Term Modification	Payment Modification	Term and payment modifications	Total Modifications	Percentage of Class of Financing Receivable
Commercial & industrial loans	\$5,396	\$—	\$265	\$5,661	1.43 %
Total	\$5,396	\$—	\$265	\$5,661	0.31 %

The Company has no outstanding commitments to the borrowers included in the previous table.

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty as of the dates indicated:

Three Months Ended March 31, 2024			
(In Thousands)	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (months)
Commercial & industrial loans	\$—	8 %	7

The following table presents the amortized cost basis of loans that had a payment default during the period indicated and were modified in the twelve months before default to borrowers experiencing financial difficulty:

Three Months Ended September 30, 2023 March 31, 2024		
(In Thousands)	Principal Forgiveness	Term modification
Residential real estate:		
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	—	\$112
1-4 family residential construction loans	—	109
Other construction, land development and raw land loans	—	968

Nine Months Ended September 30, 2023

(In Thousands)	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (months)
Commercial & industrial loans Total	\$ 1,189	— %	5
Owner occupied properties	—	— %	5
Residential real estate:			
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	—	— %	5
1-4 family residential construction loans	—	— %	5
Other construction, land development and raw land loans	—	— %	5

The Company monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the payment performance of such loans as of the dates indicated:

(In Thousands)	September 30, 2023			
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commercial real estate:				
Owner occupied properties	\$—	\$—	\$271	\$271
Residential real estate:				
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	—	—	119	119
1-4 family residential construction loans	—	—	109	109
Other construction, land development and raw land loans	—	—	1,545	1,545
Total	\$—	\$—	\$2,044	\$2,044

The following table presents the amortized cost basis of loans that had a payment default during the three-months ended September 30, 2023 and were have been modified in the last twelve months prior to that default to borrowers experiencing financial difficulty: months:

		September 30, 2023			
		Term and payment modification		March 31, 2024	
				March 31, 2024	
		Greater Than 89 Days Past Due	Term and payment modification	Total	
(In Thousands)		(In Thousands)	(In Thousands)	(In Thousands)	Total
Commercial & industrial loans					
Commercial real estate:	Commercial real estate:				
Owner occupied properties	Owner occupied properties				
Owner occupied properties	Owner occupied properties	\$—	\$271		

Residential real estate:	Residential real estate:		
Residential real estate:			
Residential real estate:			
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens			
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens			
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	119	—
1-4 family residential construction loans	1-4 family residential construction loans	109	—
Other construction, land development and raw land loans	Other construction, land development and raw land loans	968	577
Total	Total \$1,196	\$848	
Total			
Total			

Upon the Company's determination that a modified loan (or a portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The provisions of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act included an election to not apply the guidance on accounting for TDRs to loan modifications, such as extensions or deferrals, related to COVID-19 made between March 1, 2020 and the earlier of (i) January 1, 2022 or (ii) 60 days after the end of the COVID-19 national emergency. The relief can only be applied to modifications for borrowers that were not more than 30 days past due as of December 31, 2019. The Company has elected to adopt these provisions of the CARES Act. As of September 30, 2023, the Company has no loan modifications related to COVID-19, which are not classified as TDRs. At December 31, 2022, the Company had made the following types of loan modifications related to COVID-19 with a principal balance outstanding of:

Loan Modifications due to COVID-19 as of December 31, 2022			
(Dollars in thousands)	Interest Only	Full Payment Deferral	Total
Portfolio loans	\$999	\$—	\$999
Number of modifications	1	—	1

4. Purchased Receivables

Purchased receivables are carried at their principal amount outstanding, net of an ACL, and have a maturity of less than one year. There were no purchased receivables past due at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023, and there were no restructured purchased receivables at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Income on purchased receivables is accrued and recognized on the principal amount outstanding using an effective interest method except when management believes doubt exists as to the collectability of the income or principal. There **were no** was one nonperforming purchased **receivables** **receivable** with a balance of \$183,000 as of **September 30, 2023** or **December 31, 2022**, **March 31, 2024** and \$808,000 as of **December 31, 2023** for which management is not accruing income.

There was no activity and no balance in the ACL for purchased receivables as of **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

The following table summarizes the components of net purchased receivables for the dates indicated:

(In Thousands)	(In Thousands)	September 30, 2023	December 31, 2022	(In Thousands)	March 31, 2024	December 31, 2023
Purchased receivables	Purchased receivables	\$34,578	\$19,994			
Allowance for credit losses - purchased receivables	Allowance for credit losses - purchased receivables	—	—			
Total	Total	\$34,578	\$19,994			

5. Servicing Rights

Mortgage servicing rights

The following table details the activity in the Company's mortgage servicing rights ("MSR" ("MSR") for the three and nine-month three-month periods ended **September 30, 2023** **March 31, 2024** and **2022**; **2023**:

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance, beginning of period	\$18,248	\$16,301	\$18,635	\$13,724
Additions for new MSR capitalized	1,458	1,263	2,440	3,378
Changes in fair value:				
Due to changes in model inputs of assumptions ⁽¹⁾	—	555	(215)	1,522
Other ⁽²⁾	(310)	(410)	(1,464)	(915)
Balance, end of period	\$19,396	\$17,709	\$19,396	\$17,709

(In Thousands)	Three Months Ended March 31,	
	2024	2023
Balance, beginning of period	\$19,564	\$18,635
Additions for new MSR capitalized	516	463
Changes in fair value:		
Due to changes in model inputs of assumptions ⁽¹⁾	289	(212)
Other ⁽²⁾	(314)	(583)
Balance, end of period	\$20,055	\$18,303

⁽¹⁾ Principally reflects changes in discount rates and prepayment speed assumptions, which are primarily affected by changes in interest rates.

⁽²⁾ Represents changes due to collection/realization of expected cash flows over time.

The following table details information related to our serviced mortgage loan portfolio as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

(In Thousands)	(In Thousands)	September 30, 2023	December 31, 2022	(In Thousands)	March 31, 2024	December 31, 2023
-------------------	-------------------	-----------------------	----------------------	----------------	----------------	-------------------

Balance of mortgage loans serviced for others	Balance of mortgage loans serviced for others	\$982,098	\$898,840				
Balance of mortgage loans serviced for others							
Balance of mortgage loans serviced for others							
Weighted average rate of note	Weighted average rate of note	3.82 %	3.47 %	Weighted average rate of note	4.11 %	4.03 %	
MSR as a percentage of serviced loans	MSR as a percentage of serviced loans	1.97 %	2.07 %	MSR as a percentage of serviced loans	1.89 %	1.87 %	

The Company recognized servicing fees of \$937,000 \$1.0 million and \$858,000 \$905,000 during the three-month periods ending September 30, 2023 March 31, 2024 and 2022, respectively, and \$2.7 million and \$2.4 million during the nine-month periods ending September 30, 2023 and 2022, 2023, respectively, which includes contractually specified servicing fees and ancillary fees as a component of other noninterest income in the Company's Consolidated Statements of Income.

The following table outlines the weighted average key assumptions used in measuring the fair value of MSRs and the sensitivity of the current fair value of MSRs to immediate adverse changes in those assumptions as of the dates indicated. See Note 8 for additional information on key assumptions for MSRs.

(In Thousands)	(In Thousands)	September 30, 2023	December 31, 2022	(In Thousands)	March 31, 2024	December 31, 2023
Fair value of MSRs	Fair value of MSRs	\$19,396	\$18,635			
Fair value of MSRs						
Fair value of MSRs						
Expected weighted- average life (in years)	Expected weighted- average life (in years)	10.82	9.46	Expected weighted-average life (in years)		10.23
Key assumptions:	Key assumptions:					
Key assumptions:						
Constant prepayment rate ₁						
Constant prepayment rate ₁						
Constant prepayment rate ₁	Constant prepayment rate ₁	7.88 %	6.64 %		8.35 %	8.48 %
Impact on fair value from 10% adverse change	Impact on fair value from 10% adverse change	(\$536)	(\$518)			
Impact on fair value from 25% adverse change	Impact on fair value from 25% adverse change	(\$984)	(\$1,233)			
Discount rate	Discount rate	10.97 %	11.25 %	Discount rate	10.98 %	10.98 %
Impact on fair value from 100 basis point increase	Impact on fair value from 100 basis point increase	(\$821)	(\$635)			

Impact on fair value from 200 basis point increase	Impact on fair value from 200 basis point increase	(\$1,579)	(\$1,224)
Cost to service assumptions (\$ per loan)	Cost to service assumptions (\$ per loan)	\$82	\$91
Impact on fair value from 10% adverse change	Impact on fair value from 10% adverse change	(\$156)	(\$153)
Impact on fair value from 25% adverse change	Impact on fair value from 25% adverse change	(\$389)	(\$382)

1Prepayment speeds are influenced by mortgage interest rates as well as our estimation of drivers of borrower behavior.

These sensitivities in the preceding table are hypothetical and caution should be exercised when relying on this data. Changes in value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in the value may not be linear. Also, the effect of a variation in a particular assumption on the value of the MSR held is calculated independently without changing any other assumptions. In reality, changes in one factor may result in changes in others, which might magnify or counteract the sensitivities.

Commercial servicing rights

The commercial servicing rights asset ("CSR" ("CSR") has a carrying value of \$2.1 million at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **\$2.2 million December 31, 2023**, respectively, and is included in other assets and carried at fair value on the Company's Consolidated Balance Sheets. Total commercial loans serviced for others were **\$283.7 million** **\$271.2 million** and **\$285.3 million** **\$282.2 million** at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Key assumptions used in measuring the fair value of the CSR as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** include a constant prepayment rate of **10.19%** **11.76%** and a discount rate of **12.00%** **9.50%**.

6. Leases

The Company's lease commitments consist primarily of agreements to lease land and office facilities that it occupies to operate several of its retail branch locations that are classified as operating leases and are recognized on the balance sheet as right-of-use ("ROU") assets and lease liabilities. As of **September 30, 2023** **March 31, 2024**, the Company has operating lease ROU assets of **\$9.7 million** **\$8.9 million** and operating lease liabilities of **\$9.7 million** **\$8.9 million**. As of **December 31, 2022** **December 31, 2023**, the Company had operating lease ROU assets of **\$9.9 million** **\$9.1 million** and operating lease liabilities of **\$9.9 million** **\$9.1 million**. The Company did not have any agreements that are classified as finance leases as of **September 30, 2023** **March 31, 2024** or **December 31, 2022** **December 31, 2023**.

The following table presents additional information about the Company's operating leases for the periods indicated:

Three Months Ended September 30,	Nine Months Ended September 30,	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
(In Thousands)	(In Thousands)	2023	2022	2023

Lease Cost	Lease Cost						
	Operating						
	lease cost ⁽¹⁾	\$708	\$693	\$2,109	\$2,046		
	Short term						
	lease cost ⁽¹⁾	36	9	115	26		
	Total lease						
	cost	\$744	\$702	\$2,224	\$2,072		
	Operating						
	lease cost ⁽¹⁾						
	Operating						
	lease cost ⁽¹⁾						
	Operating						
	lease cost ⁽¹⁾						
	Short						
	term						
	lease						
	cost ⁽¹⁾						
	Total						
	lease						
	cost						
Other	Other						
information	information						
	Operating						
	leases -						
	operating						
	cash flows						
		\$1,966		\$1,901			
	Weighted						
	average						
	lease term -						
	operating						
	leases, in						
	years						
		10.23		10.39			
	Weighted						
	average						
	discount						
	rate -						
	operating						
	leases						
		3.54 %		3.28 %			
Other information							
Other information							
	Operating						
	leases -						
	operating						
	cash flows						
	Operating						
	leases -						
	operating						
	cash flows						
	Operating						
	leases -						
	operating						
	cash flows						

Weighted average lease term - operating leases, in years	Weighted average lease term - operating leases, in years	10.36	10.55
Weighted average discount rate - operating leases	Weighted average discount rate - operating leases	3.60 %	3.39 %
(1)	(1) Expenses are classified within occupancy expense on the Consolidated Statements of Income.		

The table below reconciles the remaining undiscounted cash flows for the next five years for each twelve-month period presented (unless otherwise indicated) and the total of the subsequent remaining years to the operating lease liabilities recorded on the balance sheet:

(In Thousands)	(In Thousands)	Operating Leases (In Thousands)	Operating Leases
2023 (Three months)		\$662	
2024		2,637	
2024 (Nine months)			
2025	2025	2,285	
2026	2026	1,130	
2027	2027	731	
2028			
Thereafter	Thereafter	4,418	
Total minimum lease payments	Total minimum lease payments	\$11,863	
Less: amount of lease payment representing interest	Less: amount of lease payment representing interest	(2,190)	
Present value of future minimum lease payments	Present value of future minimum lease payments	\$9,673	

7. Derivatives

Derivatives swaps related to community banking activities

The Company enters into commercial loan interest rate swap agreements with commercial banking customers which are offset with a corresponding swap agreement with a third party financial institution ("counterparty"). The Company has agreements with its counterparties that contain provisions that provide that if the Company fails to maintain its status as a "well-capitalized" institution under applicable regulatory guidelines, then the counterparty could terminate the derivative positions and the Company would be required to settle its obligations under the agreements. These agreements also require that the Company and the counterparty collateralize any fair value shortfalls that exceed \$250,000 with eligible

collateral, which includes cash and securities backed with the full faith and credit of the federal government. Similarly, the Company could be required to settle its obligations under the agreement if specific regulatory events occur, such as if the Company were issued a prompt corrective action directive or a cease and desist order, or if certain regulatory ratios fall below specified levels. The Company pledged \$552,000 \$564,000 as of **September 30, 2023** **March 31, 2024** and \$553,000 \$566,000 as of **December 31, 2022** **December 31, 2023**, in available for sale securities to collateralize fair value shortfalls on interest rate swap agreements.

The Company had interest rate swaps related to commercial loans with an aggregate notional amount of \$219.8 million \$216.4 million and \$226.2 million \$218.0 million at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. At **September 30, 2023** **March 31, 2024**, the notional amount of interest rate swaps is made up of 20 variable to fixed rate swaps to commercial loan customers totaling \$109.9 million \$108.2 million, and 20 fixed to variable rate swaps with a counterparty totaling \$109.9 million \$108.2 million. Changes in fair value from these 20 interest rate swaps offset each other in the first **nine** **three** months of **2023, 2024**. The Company recognized **no** \$63,000 fee income related to interest rate swaps in the three-month periods ending **September 30, 2023** **March 31, 2024** and **2022**, respectively, and \$61,000 and \$90,000 in **no** fee income related to interest rate swaps in the **nine**-month periods ending **September 30, 2023** and **2022**, **first** quarter of 2023, respectively. Interest rate swap income is recorded in other operating income on the Consolidated Statements of Income. None of these interest rate swaps are designated as hedging instruments.

The Company has an interest rate swap to hedge the variability in cash flows arising out of its junior subordinated debentures, which is floating rate debt, by swapping the cash flows with an interest rate swap which receives floating and pays fixed. The Company has designated this interest rate swap as a hedging instrument. The interest rate swap effectively fixes the Company's interest payments on the \$10.0 million of junior subordinated debentures held under Northrim Statutory Trust 2 at 3.72% through its maturity date. As of **September 30, 2023**, The floating rate that the dealer pays was equal to the three month LIBOR plus 1.37% through September 15, 2023. The floating rate that the dealer pays is now equal to the three month Secured Overnight Financing Rate, also known as CME SOFR plus 1.63% tenor spread adjustment 0.26% plus 1.37%, which reprices quarterly on the payment date. This rate was 7.04% 6.96% as of **September 30, 2023** **March 31, 2024**. The Company pledged \$130,000 in cash to collateralize initial margin and fair value exposure of our counterparty on this interest rate swap as of **September 30, 2023** **March 31, 2024** and \$130,000 as of **December 31, 2022** **December 31, 2023**. Changes in the fair value of this interest rate swap are reported in other comprehensive income on the Consolidated Statements of Income. The unrealized gain, net of tax on this interest rate swap was \$1.5 million \$1.2 million as of **September 30, 2023** **March 31, 2024** and the unrealized gain, net of tax was \$1.0 million as of **December 31, 2022** **December 31, 2023**.

Derivatives related to home mortgage banking activities

The Company also uses derivatives to hedge the risk of changes in the fair values of interest rate lock commitments. The Company enters into commitments to originate residential mortgage loans at specific rates; the value of these commitments are detailed in the table below as "interest rate lock commitments". The Company also hedges the interest rate risk associated with its residential mortgage loan commitments, which are referred to as "retail interest rate contracts" in the table below. Market risk with respect to commitments to originate loans arises from changes in the value of contractual positions due to changes in interest rates. RML had commitments to originate mortgage loans held for sale totaling \$50.1 million \$56.2 million and \$29.1 million \$22.9 million at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Changes in the value of RML's interest rate derivatives are recorded in mortgage banking income on the Consolidated Statements of Income. None of these derivatives are designated as hedging instruments.

The following table presents the fair value of derivatives not designated as hedging instruments at **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

(In Thousands)	(In Thousands)	Asset Derivatives		(In Thousands)	Asset Derivatives	
		September 30, 2023	December 31, 2022			
Balance Sheet Location	Fair Value				March 31, 2024	December 31, 2023
March 31, 2024					March 31, 2024	December 31, 2023
Balance Sheet						
Location					Balance Sheet Location	Fair Value
Interest rate swaps	Interest rate swaps	Other assets	\$15,797	\$12,725		
Interest rate swaps						
Interest rate lock commitments	Interest rate lock commitments	Other assets	518	440		
Retail interest rate contracts	Other assets		145	—		
Total	Total		\$16,460	\$13,165		
Total						
Total						
(In Thousands)	(In Thousands)	Liability Derivatives		(In Thousands)	Liability Derivatives	

March 31, 2024				March 31, 2024	December 31, 2023
Balance Sheet Location		Balance Sheet Location		Fair Value	
	September 30, 2023	December 31, 2022			
	Balance Sheet Location	Fair Value			
Interest rate swaps					
Interest rate swaps					
Interest rate swaps	Interest rate swaps	Other liabilities	\$15,797	\$12,725	
Retail interest rate contracts	Retail interest rate contracts	Other liabilities	—	3	
Total	Total		\$15,797	\$12,728	

The following table presents the net gains (losses) of derivatives not designated as hedging instruments for periods indicated below:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(In Thousands)					
(In Thousands)					
(In Thousands)	(In Thousands)	Income Statement Location		2023	2022
Retail interest rate contracts	Retail interest rate contracts	Mortgage banking income		\$84	\$1,347
Retail interest rate contracts					\$375
Retail interest rate contracts					\$4,297
Retail interest rate contracts					
Interest rate lock commitments					
Interest rate lock commitments					
Interest rate lock commitments	Interest rate lock commitments	Mortgage banking income		(312)	(1,365)
Total	Total			(\$228)	(\$18)
Total					\$421
Total					\$3,281

Our derivative transactions with counterparties under International Swaps and Derivative Association master agreements include "right of set-off" provisions. "Right of set-off" provisions are legally enforceable rights to offset recognized amounts and there may be an intention to settle such amounts on a net basis. We do not offset such financial instruments for financial reporting purposes.

The following table summarizes the derivatives that have a right of offset as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

September 30, 2023		Gross amounts not offset in the Statement of Financial Position	Gross amounts not offset in the Statement of Financial Position
March 31, 2024			
		March 31, 2024	

		Net amounts of assets						Net amounts of assets and liabilities					
		Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments		
(In Thousands)	(In Thousands)	assets and liabilities	Financial Position	Financial Position	Financial Instruments	Collateral Posted	Net Amount	assets and liabilities	Financial Position	Financial Position	Financial Instruments	Collateral Posted	Net Amount
<u>Asset Derivatives</u>	<u>Asset Derivatives</u>												
Interest rate swaps	Interest rate swaps	\$15,797	\$—	\$15,797	\$—	\$—	\$15,797						
Retail interest rate contracts		145	—	145	—	—	145						
<u>Liability Derivatives</u>	<u>Liability Derivatives</u>												
Interest rate swaps	Interest rate swaps	\$15,797	\$—	\$15,797	\$—	\$15,797	\$—						
December 31, 2022													
Gross amounts not offset in the Statement of Financial Position													
		Net amounts of assets						Net amounts of assets and liabilities					
		Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments			Gross amounts offset in the Statement of Financial Instruments		
(In Thousands)		assets and liabilities	Financial Position	Financial Position	Financial Instruments	Collateral Posted	Net Amount	assets and liabilities	Financial Position	Financial Position	Financial Instruments	Collateral Posted	Net Amount
<u>Asset Derivatives</u>													
Interest rate swaps	Interest rate swaps	\$12,725	\$—	\$12,725	\$—	\$—	\$12,725						
<u>Liability Derivatives</u>	<u>Liability Derivatives</u>												
Interest rate swaps													
Interest rate swaps													
Interest rate swaps	Interest rate swaps	\$12,725	\$—	\$12,725	\$—	\$12,725	\$—						
Retail interest rate contracts	Retail interest rate contracts	3	—	3	—	—	3						
December 31, 2023													
December 31, 2023													

		Gross amounts not offset in the Statement of Financial Position					
December 31, 2023							
(In Thousands)		Net					
		Gross amounts of assets and liabilities offset in the Statement of Financial Position	the recognized assets and liabilities of the Statement of Financial Position	the assets and liabilities of the Statement of Financial Position	the assets and liabilities of the Statement of Financial Position	Financial Instruments	Collateral Posted Net Amount
(In Thousands)		(In Thousands)	Liabilities	Position	Position	Net	Amount
<u>Asset Derivatives</u>							
Interest rate swaps							
Interest rate swaps							
Interest rate swaps							
<u>Liability Derivatives</u>							
<u>Liability Derivatives</u>							
<u>Liability Derivatives</u>							
Interest rate swaps							
Interest rate swaps							
Interest rate swaps							
<u>Retail interest rate contracts</u>							

8. Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Investment securities available for sale and marketable equity securities: Fair values are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Servicing rights: MSR and CSR are measured at fair value on a recurring basis. These assets are classified as Level 3 as quoted prices are not available. In order to determine the fair value of MSR and CSR, the present value of net expected future cash flows is estimated. Assumptions used include market discount rates, anticipated prepayment speeds, escrow calculations, delinquency rates, and ancillary fee income net of servicing costs.

Derivative instruments: The fair value of the interest rate lock commitments are estimated using quoted or published market prices for similar instruments, adjusted for factors such as pull-through rate assumptions based on historical information, where appropriate. The pull-through rate assumptions are considered Level 3 valuation inputs and are significant to the interest rate lock commitment valuation; as such, the interest rate lock commitment derivatives are classified as Level 3. Interest rate contracts are valued in a model, which uses as its basis a discounted cash flow technique incorporating credit valuation adjustments to reflect nonperformance risk in the measurement of fair value. Although the Company has determined that the

majority of inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2023 March 31, 2024, the Company has assessed the significance of the impact of these adjustments on the overall valuation of its interest rate positions and has determined that they are not significant to the overall valuation of its interest rate derivatives. As a result, the Company has classified its interest rate derivative valuations in Level 2 of the fair value hierarchy.

Commitments to extend credit and standby letters of credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counterparties at the reporting date.

Assets Subject to Nonrecurring Adjustment to Fair Value

The Company is also required to measure certain assets such as equity method investments, goodwill, intangible assets, impaired loans, and Other Real Estate Owned ("OREO") at fair value on a nonrecurring basis in accordance with GAAP. Any nonrecurring adjustments to fair value usually result from the write-down of individual assets.

The Company uses either in-house evaluations or external appraisals to estimate the fair value of OREO and impaired loans as of each reporting date. In-house appraisals are considered Level 3 inputs and external appraisals are considered Level 2 inputs. The Company's determination of which method to use is based upon several factors. The Company takes into account compliance with legal and regulatory guidelines, the amount of the loan, the size of the assets, the location and type of property to be valued and how critical the timing of completion of the analysis is to the assessment of value. Those factors are balanced with the level of internal expertise, internal experience and market information available, versus external expertise available such as qualified appraisers, brokers, auctioneers and equipment specialists.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimated fair values as of the periods indicated are as follows:

		September 30, 2023		December 31, 2022		March 31, 2024			December 31, 2023		
(In Thousands)	(In Thousands)	Carrying Amount	Carrying Fair Value	Carrying Amount	Carrying Fair Value	(In Thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
<u>Financial assets:</u>	<u>Financial assets:</u>				<u>Financial assets:</u>						
Level 1 inputs:	Level 1 inputs:				Level 1 inputs:						
Cash, due from banks and deposits in other banks	Cash, due from banks and deposits in other banks	\$111,228	\$111,228	\$259,350	\$259,350						
Investment securities available for sale	Investment securities available for sale	327,468	327,468	356,837	356,837						
Marketable equity securities	Marketable equity securities	10,615	10,615	10,740	10,740						
Level 2 inputs:	Level 2 inputs:										
<u>Level 2 inputs:</u>	<u>Level 2 inputs:</u>										
Investment securities available for sale	Investment securities available for sale	324,682	324,682	320,192	320,192						
Investment in Federal Home Loan Bank stock	Investment in Federal Home Loan Bank stock	6,334	6,334	3,816	3,816						
Loans held for sale	Loans held for sale	63,151	63,151	27,538	27,538						
Accrued interest receivable											
Interest rate swaps	Interest rate swaps	17,279	17,279	14,179	14,179						

Retail interest rate contracts	145	145	—	—	
Level 3 inputs:					
Level 3 inputs:					
Level 3 inputs:	Level 3 inputs:				
Investment securities held to maturity	Investment securities held to maturity	36,750	32,233	36,750	32,639
Loans	Loans	1,720,091	1,594,495	1,501,785	1,408,350
Purchased receivables, net	Purchased receivables, net	34,578	34,578	19,994	19,994
Interest rate lock commitments	Interest rate lock commitments	518	518	440	440
Mortgage servicing rights	Mortgage servicing rights	19,396	19,396	18,635	18,635
Commercial servicing rights	Commercial servicing rights	2,118	2,118	2,129	2,129
<u>Financial liabilities:</u>	<u>Financial liabilities:</u>				
Financial liabilities:					
Financial liabilities:					
Level 2 inputs:	Level 2 inputs:				
Deposits	Deposits	\$2,427,930	\$2,424,081	\$2,387,211	\$2,383,975
Accrued interest payable					
Accrued interest payable					
Accrued interest payable					
Borrowings	Borrowings	63,781	61,374	14,095	12,382
Interest rate swaps	Interest rate swaps	15,797	15,797	12,725	12,725
Retail interest rate contracts	Retail interest rate contracts	—	—	3	3
Level 3 inputs:	Level 3 inputs:				
Level 3 inputs:					
Junior subordinated debentures	Junior subordinated debentures	10,310	11,391	10,310	11,266
Junior subordinated debentures					
Junior subordinated debentures					

The following table sets forth the balances as of the periods indicated of assets and liabilities measured at fair value on a recurring basis:

	Quoted Prices in Active Markets			Quoted Prices in Active Markets			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In Thousands)	(In Thousands)	Total	Significant for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	(In Thousands)	Total	for Identical Assets (Level 1)
<u>September 30, 2023</u>								
<u>March 31, 2024</u>								
Assets:	Assets:							
Available for sale securities	Available for sale securities							
Available for sale securities	Available for sale securities							
U.S. Treasury and government sponsored entities	U.S. Treasury and government sponsored entities	\$578,635	\$313,990	\$264,645	\$—			
Municipal securities	Municipal securities	809	—	809	—			
Corporate bonds								
Corporate bonds	Corporate bonds	13,478	13,478	—	—			
Collateralized loan obligations	Collateralized loan obligations	59,228	—	59,228	—			
Total available for sale securities	Total available for sale securities	\$652,150	\$327,468	\$324,682	\$—			
Marketable equity securities	Marketable equity securities	\$10,615	\$10,615	\$—	\$—			
Total marketable equity securities	Total marketable equity securities	\$10,615	\$10,615	\$—	\$—			
Interest rate swaps	Interest rate swaps	\$17,872	\$—	\$17,872	\$—			
Interest rate lock commitments	Interest rate lock commitments	518	—	—	518			
Mortgage servicing rights	Mortgage servicing rights	19,396	—	—	19,396			
Commercial servicing rights	Commercial servicing rights	2,118	—	—	2,118			
Retail interest rate contracts	Retail interest rate contracts	145	—	145	—			
Total other assets	Total other assets	\$40,049	\$—	\$18,017	\$22,032			
Liabilities:	Liabilities:							

Interest rate swaps	Interest rate swaps	\$15,797	\$—	\$15,797	\$—
Interest rate swaps					
Interest rate swaps					
Total other liabilities	Total other liabilities	\$15,797	\$—	\$—	\$—
December 31, 2022					
Total other liabilities					
Total other liabilities					
<u>December 31, 2023</u>	<u>December 31, 2023</u>				
Assets:	Assets:				
Available for sale securities					
Available for sale securities					
Available for sale securities	Available for sale securities				
U.S. Treasury and government sponsored entities	U.S. Treasury and government sponsored entities	\$595,161	\$333,193	\$261,968	\$—
Municipal securities	Municipal securities	795	—	795	—
Corporate bonds					
Corporate bonds					
Corporate bonds	Corporate bonds	23,644	23,644	—	—
Collateralized loan obligations	Collateralized loan obligations	57,429	—	57,429	—
Total available for sale securities	Total available for sale securities	\$677,029	\$356,837	\$320,192	\$—
Marketable equity securities	Marketable equity securities	\$10,740	\$10,740	\$—	\$—
Total marketable securities	Total marketable securities	\$10,740	\$10,740	\$—	\$—
Interest rate swaps	Interest rate swaps	\$14,178	\$—	\$14,178	\$—
Interest rate lock commitments	Interest rate lock commitments	440	—	—	440
Mortgage servicing rights	Mortgage servicing rights	18,635	—	—	18,635
Commercial servicing rights	Commercial servicing rights	2,129	—	—	2,129
Total other assets	Total other assets	\$35,382	\$—	\$14,178	\$21,204
Total other assets					
Total other assets					
Liabilities:	Liabilities:				

Interest rate swaps						
Interest rate swaps						
Interest rate swaps	Interest rate swaps	\$12,725	\$—	\$12,725	\$—	\$—
Retail interest rate contracts	Retail interest rate contracts	3	—	—	—	—
Total other liabilities	Total other liabilities	\$12,728	\$—	\$—	—	—

The following tables provide a reconciliation of the assets and liabilities measured at fair value using significant unobservable inputs (Level 3) on a recurring basis during the three and nine-month three-month periods ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**:

							Net change in unrealized gains (losses) relating to items held at end of period
(In Thousands)		Beginning balance	Change included in earnings	Purchases and issuances	Sales and settlements	Ending balance	
Three Months Ended September 30, 2023							
Interest rate lock commitments		\$851	(\$267)	\$2,021	(\$2,087)	\$518	\$518
Mortgage servicing rights		18,248	(310)	1,458	—	19,396	—
Commercial servicing rights		2,139	(39)	18	—	2,118	—
Total		\$21,238	(\$616)	\$3,497	(\$2,087)	\$22,032	\$518
Three Months Ended September 30, 2022							
Interest rate lock commitments		\$2,567	(\$370)	\$2,976	(\$4,819)	\$354	\$354
Mortgage servicing rights		16,301	145	1,263	—	17,709	—
Commercial servicing rights		1,069	(75)	73	—	1,067	—
Total		\$19,937	(\$300)	\$4,312	(\$4,819)	\$19,130	\$354
(In Thousands)		Beginning balance	Change included in earnings	Net change in unrealized gains (losses) relating to items held at end of period	Change included in purchases relating to items held at end of period	Beginning balance	Net change in unrealized gains (losses) relating to items held at end of period
(In Thousands)		Change included in purchases relating to items held at end of period	Beginning balance	Net change in unrealized gains (losses) relating to items held at end of period	Change included in purchases relating to items held at end of period	Beginning balance	Net change in unrealized gains (losses) relating to items held at end of period
Nine Months Ended September 30, 2023							
Interest rate lock commitments		\$440	(\$819)	\$6,253	(\$5,356)	\$518	\$518
Mortgage servicing rights		18,635	(1,679)	2,440	—	19,396	—

Commercial servicing rights	Commercial servicing rights	2,129	(144)	133	—	2,118	—
Total	Total	\$21,204	(\$2,642)	\$8,826	(\$5,356)	\$22,032	\$518
<u>Nine Months Ended September 30, 2022</u>							
<u>Three Months Ended March 31, 2023</u>							
Interest rate lock commitments							
Interest rate lock commitments							
Interest rate lock commitments	Interest rate lock commitments	\$1,387	(\$1,399)	\$11,189	(\$10,823)	\$354	\$354
Mortgage servicing rights	Mortgage servicing rights	13,724	607	3,378	—	17,709	—
Commercial servicing rights	Commercial servicing rights	1,084	(123)	106	—	1,067	—
Total	Total	\$16,195	(\$915)	\$14,673	(\$10,823)	\$19,130	\$354

There were no changes in unrealized gains and losses for the **three and nine-month** three-month periods ending **September 30, 2023** **March 31, 2024** and **2022** **2023** included in other comprehensive income for recurring Level 3 fair value measurements.

As of and for the periods ending **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, except for certain assets as shown in the following table, no impairment or valuation adjustment was recognized for assets recognized at fair value on a nonrecurring basis. For loans individually measured for credit losses, the Company classifies fair value measurements using observable inputs, such as external appraisals, as Level 2 valuations in the fair value hierarchy, and unobservable inputs, such as in-house evaluations, as Level 3 valuations in the fair value hierarchy.

		Quoted Prices in Active Markets for Identical Assets (Level 1)					
(In Thousands)	(In Thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)			
<u>September 30, 2023</u>							
Other real estate owned							
Other real estate owned	\$150	\$—	\$150	\$—			
Total	\$150	\$—	\$150	\$—			
<u>December 31, 2022</u>							
<u>March 31, 2024</u>				<u>March 31, 2024</u>			
Loans individually measured for credit losses	Loans individually measured for credit losses	\$—	\$—	\$—	\$—		
Total	Total	\$—	\$—	\$—	\$—		
<u>Total</u>							

Total	
December	
31, 2023	December
	31, 2023
Loans	
individually	
measured	
for credit	
losses	
Total	
Total	
Total	

The following table presents the (gains) losses resulting from nonrecurring fair value adjustments for the three and nine-month three-month periods ended September 30, 2023 March 31, 2024 and 2022 2023:

	Three Months Ended March 31,		Three Months Ended March 31,	
	Three Months Ended March 31,			
(In Thousands)				
(In Thousands)				
(In Thousands)				
Loans individually measured for credit losses				
Loans individually measured for credit losses				
Loans individually measured for credit losses				
	Three Months Ended September 30,		Nine Months Ended September 30,	
(In Thousands)	2023	2022	2023	2022
Total loss from nonrecurring measurements				
Other real estate owned	\$123	\$—	\$123	\$—
Total loss from nonrecurring measurements	\$123	\$—	\$123	\$—
Total loss from nonrecurring measurements				

Assets and Liabilities Measured at Fair Value Using Significant Unobservable Inputs (Level 3)

The following tables provide a description of the valuation technique, unobservable input, and qualitative information about the unobservable inputs for the Company's assets and liabilities classified as Level 3 and measured at fair value on a recurring and nonrecurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

Financial Instrument	Valuation Technique - Recurring Basis	Unobservable Input	Weighted Average Rate Range
September 30, 2023 March 31, 2024			
Interest rate lock commitment	External pricing model	Pull through rate	93.62% 92.45 %
Mortgage servicing rights	Discounted cash flow	Constant prepayment rate	7.48% 6.02% -
		Discount rate	15.13% 31.10%
Commercial servicing rights	Discounted cash flow	Constant prepayment rate	3.99% - 18.90%
		Discount rate	9.50 %
December 31, 2023			
Interest rate lock commitment	External pricing model	Pull through rate	89.84 %
Mortgage servicing rights	Discounted cash flow	Constant prepayment rate	6.13% - 25.33%
		Discount rate	9.50% - 11.00%
Commercial servicing rights	Discounted cash flow	Constant prepayment rate	4.19% 3.99% -
		Discount rate	22.87% 18.90%
			12.00 %
December 31, 2022			
Interest rate lock commitment	External pricing model	Pull through rate	93.18 %
Mortgage servicing rights	Discounted cash flow	Constant prepayment rate	6.62% - 7.43%
		Discount rate	11.25%
Commercial servicing rights	Discounted cash flow	Constant prepayment rate	4.19% - 22.87%
		Discount rate	12.00% 9.50 %
Financial Instrument			
Valuation Technique - Nonrecurring Basis			
Unobservable Input			
Weighted Average Rate			
September 30, 2023 March 31, 2024			
Other real estate owned Loans individually measured for credit losses	Fair value In-house valuation of collateral	Estimated capital costs to complete improvements Discount rate	45 35%

9. Segment Information

The Company's operations are managed along two operating segments: Community Banking and Home Mortgage Lending. The Community Banking segment's principal business focus is the offering of loan and deposit products to business and consumer customers in its primary market areas. As of **September 30, 2023 March 31, 2024**, the Community Banking segment operated **19 20** branches throughout Alaska. The Home Mortgage Lending segment's principal business focus is the origination and sale of mortgage loans for 1-4 family residential properties.

Summarized financial information for the Company's reportable segments and the reconciliation to the consolidated financial results is shown in the following tables:

Three Months Ended September 30, 2023					Three Months Ended March 31, 2024			
(In Thousands)	(In Thousands)	Community Banking	Mortgage Lending	Consolidated	(In Thousands)	Community Banking	Home Mortgage Lending	Consolidated
Interest income								
Interest income								
Interest income	Interest income	\$31,341	\$3,067	\$34,408				
Interest expense	Interest expense	7,291	767	8,058				
Net interest income	Net interest income	24,050	2,300	26,350				
Provision for credit losses	Provision for credit losses	1,190	—	1,190				

Other operating income	Other operating income	3,597	4,405	8,002
Salaries and other personnel expense				
Salaries and other personnel expense				
Salaries and other personnel expense				
Other operating expense	Other operating expense	16,945	5,951	22,896
Total other operating expense				
Income before provision for income taxes	Income before provision for income taxes	9,512	754	10,266
Provision for income taxes	Provision for income taxes	1,710	182	1,892
Net income	Net income	\$7,802	\$572	\$8,374

Three Months Ended September 30, 2022

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

(In Thousands)	(In Thousands)	Home Community Banking	Mortgage Lending	Consolidated	(In Thousands)	Community Banking	Home Mortgage Lending	Consolidated
Interest income	Interest income							
Interest income	Interest income	\$26,900	\$659	\$27,559				
Interest expense	Interest expense	1,232	16	1,248				
Net interest income	Net interest income	25,668	643	26,311				
Benefit for credit losses	Benefit for credit losses	(353)	—	(353)				
Other operating income	Other operating income	2,938	5,734	8,672				
Salaries and other personnel expense								
Salaries and other personnel expense								
Salaries and other personnel expense								
Other operating expense	Other operating expense	15,977	6,309	22,286				
Total other operating expense								

Income before provision for income taxes	Income before provision for income taxes	12,982	68	13,050
Provision for income taxes	Provision for income taxes	2,911	14	2,925
Net income	Net income	\$10,071	\$54	\$10,125

Nine Months Ended September 30, 2023			
(In Thousands)	Community Banking	Home Mortgage Lending	Consolidated
Interest income	\$89,509	\$6,514	\$96,023
Interest expense	18,007	1,492	19,499
Net interest income	71,502	5,022	76,524
Provision for credit losses	2,957	—	2,957
Other operating income	9,564	10,326	19,890
Other operating expense	52,168	18,020	70,188
Income (loss) before provision for income taxes	25,941	(2,672)	23,269
Provision for income taxes	5,216	(728)	4,488
Net income (loss)	\$20,725	(\$1,944)	\$18,781

Nine Months Ended September 30, 2022			
(In Thousands)	Community Banking	Home Mortgage Lending	Consolidated
Interest income	\$68,919	\$1,690	\$70,609
Interest expense	2,739	43	2,782
Net interest income	66,180	1,647	67,827
Benefit for credit losses	(40)	—	(40)
Other operating income	8,686	18,616	27,302
Other operating expense	47,223	19,402	66,625
Income before provision for income taxes	27,683	861	28,544
Provision for income taxes	6,157	241	6,398
Net income	\$21,526	\$620	\$22,146

March 31, 2024	Community Banking	Home Mortgage Lending	Consolidated
(In Thousands)			
Total assets	\$2,466,448	\$293,112	\$2,759,560
Loans held for sale	\$—	\$43,818	\$43,818

September 30, 2023	Community Banking	Home Mortgage Lending	Consolidated
(In Thousands)			
Total assets	\$2,528,430	\$261,759	\$2,790,189
Loans held for sale	\$—	\$63,151	\$63,151

December 31, 2022
December 31, 2023

(In Thousands)	Home					
(In Thousands)	Community Banking Mortgage Consolidated				Community Banking	
(In Thousands)	(In Thousands)	Community Banking	Lending	Mortgage		
Total assets	Total assets	\$2,550,578	\$123,740	\$2,674,318		
Total assets					Home Mortgage Lending	
Total assets						Consolidated
Loans held for sale	Loans held for sale	\$—	\$27,538	\$27,538		

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the unaudited consolidated financial statements of Northrim Bancorp, Inc. (the "Company") and the notes thereto presented elsewhere in this report and with the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

Except as otherwise noted, references to "we", "our", "us" or "the Company" refer to Northrim Bancorp, Inc. and its subsidiaries that are consolidated for financial reporting purposes.

Note Regarding Forward Looking-Statements

This quarterly report on Form 10-Q includes "forward-looking statements," as that term is defined for purposes of Section 21E of the Securities Exchange Act of 1934, 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, regarding our financial position, business strategy, management's plans and objectives for future operations are forward-looking statements. 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: potential further increases in interest rates; the value of securities held in our investment portfolio; the impact of the results of government initiatives on the regulatory landscape, natural resource extraction industries, and capital markets; the impact of declines in the value of commercial and residential real estate markets, high unemployment rates, inflationary pressures and slowdowns in economic growth; changes in banking regulation or actions by bank regulators; inflation, supply-chain constraints, and potential geopolitical instability, including the wars in Ukraine and the Middle East; financial stress on borrowers (consumers and businesses) as a result of higher rates or an uncertain economic environment; the general condition of, and changes in, the Alaska economy; our ability to maintain or expand our market share or net interest margin; the sufficiency of our provision for credit losses and the accuracy of the assumptions or estimates used in preparing our financial statements, including those related to current expected credit losses accounting guidance; our ability to maintain asset quality; our ability to implement our marketing and growth strategies; our ability to identify and address cyber-security risks, including security breaches, "denial of service attacks," "hacking," and identity theft; disease outbreaks, such as the COVID-19 pandemic, or similar health threats and measures implemented to combat them; and our ability to execute our business plan. 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. In addition, there are risks inherent in the banking industry relating to collectability of loans and changes in interest rates. Many of these risks, as well as other risks that may have a material adverse impact on our operations and business, are identified in Part II, Item 1A Risk Factors of this report and Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, as well as in our other filings with the Securities and Exchange Commission. 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 forward looking statements are made only as of the date of this report and 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.

Update on Economic Conditions

The Alaska Department of Labor ("DOL") has reported that Alaska's seasonally adjusted unemployment rate in **August** **February** of **2023** **2024** was **3.9%** **4.7%** compared to the U.S. rate of **3.8%** **3.9%**. The total number of payroll jobs in Alaska, not including uniformed military, increased **1.4%** **2.6%** or **4,800** **8,200** jobs between **August** **February** of **2022** **2023** and **August** **February** of **2023**, **2024**.

According to the DOL, **Leisure** **Construction** and **Hospitality** **Health Care** had the largest growth in new jobs through **August** **February** of **2024** compared to the prior year. The **Construction** sector added **2,000** **1,900** positions for a year over year growth rate of **4.8%** **13.3%** in **August** **February**. The **Health Care** sector grew by **1,600** jobs for an annual growth rate of **2023.4%**. The **Oil & Gas** sector grew the quickest as a percentage of growth at **5.7%** increased by **6.8%** or **400** **500** direct new jobs. **Construction** **Trade, Transportation & Utilities** added **600** jobs for a **3.2%** growth rate and **Health Care** grew **2.3%** or **900** jobs between **August** of **2022** and **August** of **2023**. **Manufacturing** decreased **2.2%** or **400** jobs due to a decline in **seafood** processing. The **Information** and **Financial Activities** sectors both declined by **100** **1,500** jobs year over year through **February** of **2024**, up **2.4%**. The **Government** sector grew by **1,400** jobs over the same period for **1.8%** growth, mainly due to more state and local positions in **August** of **2023**, **Alaska**.

Alaska's Gross State Product ("GSP") in the **first** **fourth** quarter of **2023**, was estimated to be **\$63.8 billion** **\$68.7 billion** in current dollars, according to the Federal Bureau of Economic Analysis ("BEA"). Alaska's inflation adjusted "real" GSP grew **1.6%** **5.3%** in all of **2023**, placing Alaska **fourth** best of all 50 states. In the **fourth** quarter of **2023** Alaska **grew** at an annualized rate in the **first** quarter of **2023**, **4.5%**, compared to the average U.S. rate of **2%** **3.4%**. Alaska's real GSP improvement in the **first** **fourth** quarter of **2023** was aided by gains in the **Construction** **Mining, Oil** and **Health Care** sectors. **Gas** **sector**.

The BEA also calculated Alaska's seasonally adjusted personal income at \$52.1 billion \$53.7 billion in the first fourth quarter of 2023. This was an annualized annual improvement of 7.2% 4.3% for Alaska and larger than compared to the national average improvement of 5.1% 5.2%. Alaskans had annualized wage earnings growth of 6.6%, compared to a U.S. average of 4.6% in the first quarter of 2023.

The monthly average price of Alaska North Slope ("ANS") crude oil has been was in a range between \$75.64 and \$95.05 in the first nine months of 2023. The Alaska Department of Revenue ("DOR") calculated ANS crude oil production was 480 thousand 479,000 barrels per day ("bpd") in Alaska's fiscal year ending June 30, 2023. The DOR has forecast production to increase decline slightly to 504 thousand 468,000 bpd in Alaska's fiscal year 2024. That number is projected 2024 and grow to grow by the DOR to 556 thousand 477,000 bpd in 2028, fiscal year 2025. The DOR projects the number to reach 641,000 bpd by fiscal year 2034. This is primarily a result of new production coming on line in and around the NPR-A region west of Prudhoe Bay.

According to the Alaska Multiple Listing Services, the average sales price of a single family home in Anchorage rose 5.4% in 2023 to \$481,181, following a 7.6% increase in 2022 to \$456,544. 2022. This was the fifth sixth consecutive year of price increases, following growth of 6.9% in 2021 and 5.8% in 2020. In the first nine months of 2023, the average sales price in Anchorage continued to increase 5.4% to \$481,360. increases.

Average sales prices for single family homes in the Matanuska Susitna Borough rose 4% in 2023 to \$397,589, after increasing 9.9% in 2022 to \$382,439, continuing 2022. This continues a trend of average price increases for more than a decade. In the first nine months of 2023, the average sales price decade in the Matanuska Susitna Borough has increased 5.3% to \$402,799. region. These two markets represent where the vast majority of the residential lending activity of Northrim Bank (the "Bank") occurs.

However, the Alaska Multiple Listing Services reported there a large decrease in the number of units sold in both communities. There were 1,616 2,162 housing units sold in Anchorage in the first nine months of 2023, down 24.1% compared to 2,274 through September of 2022 for a decline of 28.9%. Anchorage home sales also declined by 21.2% 2,849 in 2022 compared to 2021. For the first nine months of 2023 there were 1,258 homes sales in 2022. In the Matanuska Susitna Borough there were 1,636 homes sold in 2023, compared to 1,670 through September of 2,103 in 2022, for a decrease of 24.7% 22.2%. Matanuska Susitna Borough home sales also declined 11.9% in 2022 compared to the prior year.

The Board of Governors of the Federal Reserve System increased kept its benchmark interest rate target from 4.25%-4.50% as of December 31, 2022 to 5.25%-5.50% as of September 30, 2023 December 31, 2023 and as of March 31, 2024. Similarly, the prime rate of interest has increased from 7.50% as of December 31, 2022 to remained consistent at 8.50% as of September 30, 2023 December 31, 2023 and as of March 31, 2024.

Highlights and Summary of Performance - Third First Quarter of 2023 2024

The Company reported net income and earnings per diluted share of \$8.4 million \$8.2 million and \$1.48, respectively, for the third first quarter of 2023 2024 compared to net income and earnings per diluted share of \$10.1 million \$4.8 million and \$1.76, respectively, for the third quarter of 2022. The Company reported net income and earnings per diluted share of \$18.8 million and \$3.30, \$0.84, respectively, for the first nine months quarter of 2023 compared to net income and earnings per diluted share of \$22.1 million and \$3.79, respectively, for the first nine months of 2022, 2023. The decrease increase in net income for the three-month period ending September 30, 2023 March 31, 2024 compared to the same period last year is primarily attributable to an increase in mortgage banking income, higher net interest income, a higher lower provision for credit losses, due to loan growth, a decrease in net income in the Home Mortgage Lending segment as a result of decreased production unrealized gains on marketable equity securities, and yields on sold loans, and an increase in salaries and other personnel expense that was only partially offset by a gain on an Other Real Estate Owned ("OREO" other real estate ("OREO") sale. The decrease in net income for the nine-month period ending September 30, 2023 compared to the same period last year is primarily the result of decreased mortgage banking income, a higher provision for credit losses, and an increase in salaries and other personnel expense. These changes were only partially offset by increased net interest income, purchased receivable income, unrealized gains on marketable securities and the gain on the OREO sale. The first quarter of 2022 also included \$2.0 million in keyman insurance proceeds. Increases in interest rates drove the decrease in production in the Home Mortgage Lending segment and the increase in net interest income in the first nine months of 2023 as compared to the same period a year ago.

- Net interest income in the third first quarter of 2023 2024 increased slightly 6% to \$26.4 million compared to \$26.3 million in the third quarter of 2022. Net interest income \$25.0 million in the first nine months quarter of 2023 increased 13% to \$76.5 million compared to \$67.8 million in the first nine months of 2022, 2023.
- Net interest margin was 4.15% 4.16% for the third first quarter of 2023, a 7 2024, an 8 basis point decrease from the third first quarter of 2022. Net interest margin was 4.17% for the first nine months of 2023, a 48 basis point increase from the first nine months of 2022, 2023. The decrease in the third first quarter of 2023 2024 compared to the same period in 2022, 2023 was primarily due to lower recoveries of a higher interest income on nonaccrual loans and lower fee income on Paycheck Protection Program loans. These decreases costs which were only partially offset by higher yields on interest-earning earning assets, net a favorable change in the mix of higher costs on interest-bearing deposits. The earning-assets, and an increase in the first nine months of 2023 compared to the same period in 2022 was primarily due to higher yields on all interest-earning asset categories, which were only partially offset by higher costs on interest-bearing deposits. total earning assets.
- The weighted average interest rate for new loans booked in the third first quarter of 2023 2024 was 7.39% 7.15% compared to 5.83% 6.04% in the third first quarter a year ago.
- Loans were \$1.72 billion \$1.81 billion at September 30, 2023 March 31, 2024, up 14% 1% from December 31, 2022 December 31, 2023 primarily as a result of commercial real estate and consumer mortgage loan growth. At September 30, 2023, approximately 74% of loans are variable and 18% of earning assets are subject to rate increases in the fourth quarter of 2023 when prime or other rate indices increase.
- Total deposits were \$2.43 billion at September 30, 2023 March 31, 2024, up down 2% from December 31, 2022 December 31, 2023. Demand deposits decreased 4% 5% at September 30, 2023 March 31, 2024 from December 31, 2022 December 31, 2023 and currently represent 31% 29% of total deposits, deposits at March 31, 2024.
- The average cost of interest-bearing deposits for the quarter was 1.75% 2.13% at September 30, 2023 March 31, 2024, up from 0.28% 1.20% at September 30, 2022 March 31, 2023.
- Total liquid assets and investments and loans maturing within one year were \$517.8 million \$515.6 million and our funds available for borrowing under our existing lines of credit were \$717.2 million \$712.3 million at September 30, 2023 March 31, 2024.

Other financial measures are shown in the table below:

		Three Months Ended September 30,		Nine Months Ended September 30,					
		2023	2022	2023	2022				
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		Three Months Ended March 31,							
		2024							
		2024							
		2024							
Return on average assets, annualized									
Return on average assets, annualized									
Return on average assets, annualized	Return on average assets, annualized	1.22 %	1.52 %	0.95 %	1.13 %				
Return on average shareholders' equity, annualized	Return on average shareholders' equity, annualized	14.67 %	18.18 %	11.11 %	13.02 %				
Return on average shareholders' equity, annualized									
Return on average shareholders' equity, annualized									
Dividend payout ratio	Dividend payout ratio	40.40 %	28.23 %	54.62 %	34.74 %				
Dividend payout ratio									
Dividend payout ratio									

Nonperforming assets: Nonperforming assets, net of government guarantees were \$5.2 million at September 30, 2023 March 31, 2024 and \$6.4 million \$5.8 million at December 31, 2022 December 31, 2023. OREO, net of government guarantees increased to \$150,000 at September 30, 2023, from was zero at December 31, 2022 March 31, 2024 and December 31, 2023. Nonperforming loans, net of government guarantees decreased \$1.3 million, increased \$258,000 or 20% 5% to \$5.1 million \$5.3 million as of September 30, 2023 March 31, 2024 from \$6.4 million \$5.0 million as of December 31, 2022 December 31, 2023, primarily due to the transfer of one nonaccrual purchased receivable relationship to nonaccrual loans which was only partially offset by payoffs and pay downs in the first nine three months of 2023 that were only partially offset by the transfer of two lending relationships to nonaccrual status. \$3.8 million 2024. \$3.3 million, or 73% 61% of nonperforming loans, assets, net of government guarantees at September 30, 2023 March 31, 2024, are nonaccrual loans related to three commercial relationships.

The following table summarizes nonperforming asset activity for the three-month periods ending September 30, 2023 and 2022.

(In Thousands)	Writedowns				Transfers to			Balance at September 30, 2023
	Balance at June 30, 2023	Additions this quarter	Payments this quarter	/Charge-offs this quarter	Transfers to OREO	Performing Status this quarter	Sales this quarter	
Nonperforming loans	\$7,723	\$291	(\$1,403)	(\$91)	\$—	\$—	\$—	\$6,520
Nonperforming loans guaranteed by government	(2,374)	—	919	—	—	—	—	(1,455)
Nonperforming loans, net	5,349	291	(484)	(91)	—	—	—	5,065
Other real estate owned	273	—	—	(123)	—	—	—	150
Total nonperforming assets, net of government guarantees	\$5,622	\$291	(\$484)	(\$214)	\$—	\$—	\$—	\$5,215

(In Thousands)	Writedowns				Transfers to			Balance at September 30, 2022
	Balance at June 30, 2022	Additions this quarter	Payments this quarter	/Charge-offs this quarter	Transfers to OREO	Performing Status this quarter	Sales this quarter	
Nonperforming loans	\$8,001	\$298	(\$1,159)	(\$48)	\$—	\$—	\$—	\$7,092
Nonperforming loans guaranteed by government	(683)	—	64	—	—	—	—	(619)
Nonperforming loans, net	7,318	298	(1,095)	(48)	—	—	—	6,473
Other real estate owned	5,638	—	—	—	—	—	—	5,638
Other real estate owned guaranteed by government	(1,279)	—	—	—	—	—	—	(1,279)
Total nonperforming assets, net of government guarantees	\$11,677	\$298	(\$1,095)	(\$48)	\$—	\$—	\$—	\$10,832

Potential problem assets: Potential problem loans are loans which are currently performing in accordance with contractual terms but that have developed negative indications that the borrower may not be able to comply with present payment terms and which may later be included in nonaccrual, past due, or impaired loans. These loans are closely monitored and their performance is reviewed by management on a regular basis. At **September 30, 2023** **March 31, 2024**, management had identified **\$2.2 million** **\$1.9 million** potential problem loans as compared to potential problem loans of **\$1.6 million** unchanged from **\$1.9 million** at **December 31, 2022** **December 31, 2023**. The increase in potential problem loans from December 31, 2022 to September 30, 2023 is primarily the result of increased line of credit usage on one loan balance and two new potential problem loans which were only partially offset by various loan paydowns and the movement of one potential problem loan to nonaccrual in the first nine months of 2023. Additionally, the Company has **\$1.0 million** in adversely classified purchased receivables. As of September 30, 2023, management believes that these receivables are collectible and no Allowance for Credit Losses ("ACL") is considered necessary at this time; however, negative indications may require an ACL in the future.

RESULTS OF OPERATIONS

Income Statement

Net Income

Net income for the **third first** quarter of **2023** decreased **\$1.8 million** **2024** increased **\$3.4 million** to **\$8.4 million** **\$8.2 million** as compared to **\$10.1 million** **\$4.8 million** for the same period in **2022** **2023**. The **decrease** **increase** in net income in the **third first** quarter of **2023** **2024** as compared to the same quarter a year ago is largely attributable to a **\$1.5 million** **\$2.0 million** increase in the provision for credit losses due to loan growth, a **\$1.3 million** decrease in mortgage banking income, and **\$1.1 million** increase in salaries and other personnel expense that was only partially offset by a gain on OREO sale and lower marketing expenses.

Net income for the first nine months of 2023 decreased \$3.4 million to \$18.8 million as compared to \$22.1 million for the same period in 2022. The decrease in net income in the first nine months of 2023 as compared to the same period a year ago is primarily due to a decrease in mortgage banking income, due to lower production volume, as well as an increase in the provision for credit losses which was only partially offset by an **\$1.4 million** increase in net interest income. Additionally, the Company received \$2.0 million in life insurance proceeds in the nine-month period ended September 30, 2022 in connection with the death of the Company's former Executive Vice President, General Counsel income, and Corporate Secretary who passed away on **November 11, 2021**, OREO sale.

Net Interest Income/Net Interest Margin

Net interest income for the **third first** quarter of **2023** **2024** increased slightly by **\$39,000**, **6%** or **\$1.4 million**, to **\$26.4 million** as compared to **\$26.3 million** **\$25.0 million** for the **third first** quarter of **2022**, **2023**. The net interest margin decreased **78** basis points to **4.15%** **4.16%** in the **third first** quarter of **2023** **2024** as compared to **4.22%** in the **third first** quarter of **2022**. Net interest income for the first nine months of 2023 increased **\$8.7 million**, or **13%**, to **\$76.5 million** as compared to **\$67.8 million** for the first nine months of 2022. The net interest margin increased 48 basis points to **4.17%** in the first nine months of 2023 as compared to **3.69%** in the first nine months of 2022, **2023**.

The increase in net interest income in the **third first** quarter and first nine months of **2023** **2024** compared to the same **periods** period in **2022** **2023** was primarily the result of increased interest on loans which was only partially offset by a decrease in interest income on investments and interest bearing deposits in other banks, which was only partially offset by as well as an increase in interest expense on interest-bearing deposits and borrowings.

The decrease in net interest margin in the **third first** quarter of **2024** as compared to the same period of **2022** **2023** was primarily due to a decrease in recoveries of higher interest income on nonaccrual loans costs which was were only partially offset by higher yields on earning assets, a favorable change in the mix of earning-assets, towards higher loan balances as a percentage of earning-assets. The and an increase in net interest margin in the first nine months of 2023 as compared to the same period of 2022 was primarily the result of higher yields on earning-assets that was only partially offset by increases in interest expense on borrowings and deposits, total earning assets. Changes in net interest margin in the three and nine-month periods three-month period ended **September 30, 2023** **March 31, 2024** as compared to the same **periods** period in the prior year are detailed below:

	Three Months Ended September 30, 2023 March 31, 2024 vs. September 30, 2022 March 31, 2023
Nonaccrual interest adjustments	(0.16)%
Impact of SBA Paycheck Protection Program loans	(0.08) — %
Interest rates on loans and liabilities and loan fees, all other loans	0.01 (0.35)%
Volume and mix of other interest-earning assets and liabilities	0.16 0.27 %
Change in net interest margin	(0.07)%
Nine Months Ended September 30, 2023 vs. September 30, 2022	
Nonaccrual interest adjustments	(0.09)%
Impact of SBA Paycheck Protection Program loans	(0.13)%
Interest rates on loans and liabilities and loan fees, all other loans	0.62 %
Volume and mix of other interest-earning assets and liabilities	0.08 %
Change in net interest margin	0.48 (0.08)%

Components of Net Interest Margin

The following table compares average balances and rates as well as margins on earning assets for the three-month periods ended **September 30, 2023** **March 31, 2024** and **2022, 2023**. Average yields or costs are calculated on a tax-equivalent basis.

(Dollars in Thousands)	Three Months Ended September 30,										(Dollars in Thousands)
	Interest income/ expense					Average Tax Equivalent Yields/Costs ⁶					
	Average Balances		Change	2023	2022	\$	%	2023	2022	Change	
	2023	2022									
Interest income/											
Average Balances											
2024											
Interest-bearing deposits in other banks ¹	Interest-bearing deposits in other banks ¹	\$42,273	\$324,280	(\$282,007) (87)%	\$584	\$1,899	(\$1,315) (69)%	5.39 %	2.29 %	3.10 %	Interest-bearing deposits in other banks ¹
Taxable long-term investments ²	Taxable long-term investments ²	715,767	678,609	37,158 5 %	4,727	3,530	1,197 34 %	2.43 %	1.98 %	0.45 %	Taxable long-term investments ²
Loans held for sale	Loans held for sale										
Loans held for sale	Loans held for sale	62,350	53,769	8,581 16 %	988	656	332 51 %	6.34 %	4.88 %	1.46 %	32,635 20,901 20,901 11,734 11,734 56 56
Loans ^{3,4}	Loans ^{3,4}	1,695,736	1,414,982	280,754 20 %	28,109	21,474	6,635 31 %	6.61 %	6.05 %	0.56 %	Loans ^{3,4} 1,793,425 1,524,130 1,524,130 269,295 269,295
Interest-earning assets ⁵	Interest-earning assets ⁵	2,516,126	2,471,640	44,486 2 %	34,408	27,559	6,849 25 %	5.48 %	4.47 %	1.01 %	Interest-earning assets ⁵ 2,558,558 2,403,570 2,403,570 154,988 154,988
Nonearning assets	Nonearning assets	205,770	174,182	31,588 18 %							
Total	Total	\$2,721,896	\$2,645,822	\$76,074	3 %						
Total											
Interest-bearing demand											
Interest-bearing demand	Interest-bearing demand	\$828,854	\$688,566	\$140,288 20 %	\$3,614	\$562	\$3,052 543 %	1.73 %	0.32 %	1.41 %	\$906,047 \$718,463 \$718,463 \$187,584 \$187,584 26 26
Savings deposits	Savings deposits	270,945	346,306	(75,361) (22)%	322	130	192 148 %	0.47 %	0.15 %	0.32 %	Savings deposits 250,569 301,333 301,333 (50,764) (50,764)
Money market deposits	Money market deposits	232,054	315,049	(82,995) (26)%	766	158	608 385 %	1.31 %	0.20 %	1.11 %	Money market deposits 216,005 293,643 293,643 (77,638) (77,638)
Time deposits	Time deposits	287,625	167,112	120,513 72 %	2,436	214	2,222 1,038 %	3.36 %	0.51 %	2.85 %	Time deposits 359,302 229,998 229,998 129,304 129,304
Total interest-bearing deposits	Total interest-bearing deposits	1,619,478	1,517,033	102,445 7 %	7,138	1,064	6,074 571 %	1.75 %	0.28 %	1.47 %	Total interest-bearing deposits 1,731,923 1,543,437 1,543,437 188,486 188,486
Borrowings	Borrowings	76,681	24,573	52,108 212 %	920	184	736 400 %	4.73 %	2.92 %	1.81 %	Borrowings 23,944 24,366 24,366 (422) (422)
Total interest-bearing liabilities	Total interest-bearing liabilities	1,696,159	1,541,606	154,553 10 %	8,058	1,248	6,810 546 %	1.88 %	0.32 %	1.56 %	Total interest-bearing liabilities 1,755,867 1,567,803 1,567,803 188,064 188,064

Non-interest bearing demand deposits	Non-interest bearing demand deposits	747,147	846,764	(99,617)	(12)%
Other liabilities	Other liabilities	52,078	36,446	15,632	43 %
Other liabilities					
Other liabilities					
Equity					
Equity	Equity	226,512	221,006	5,506	2 %
Total	Total	\$2,721,896	\$2,645,822	\$76,074	3 %
Total					
Net interest income	Net interest income		\$26,350	\$26,311	\$39 — %
Net interest income					
Net interest margin					
Net interest margin	Net interest margin		4.15 %	4.22 %	(0.07)%
Average loans to average interest-earning assets	Average loans to average interest-earning assets	67.39 %	57.25 %		
Average loans to average interest-earning assets					
Average loans to average total deposits					
Average loans to average total deposits	Average loans to average total deposits	71.65 %	59.86 %		
Average non-interest deposits to average total deposits	Average non-interest deposits to average total deposits	31.57 %	35.82 %		
Average non-interest deposits to average total deposits					

Average	Average		
interest-	interest-		
earning	earning		
assets to	assets to		
average	average		
interest-	interest-		
bearing	bearing		
liabilities	liabilities	148.34 %	160.33 %

Average interest-earning

assets to average

interest-bearing liabilities

Journal of Aging Studies 2008, 22, 103–110

Average interest-earning

assets to average

Interest-bearing liabilities

¹Consists of interest bearing deposits in other banks and domestic CDs.

²Consists of investment securities available for sale, investment securities held to maturity, marketable equity securities, and investment in Federal Home Loan Bank stock.

Interest income includes loan fees. Loan fees recognized during the period and included in the yield calculation totaled \$881,000 \$1.0 million and \$2.0 million \$1.3 million in the third first quarter of 2023 2024 and 2022, 2023, respectively.

⁴Nonaccrual loans are included with a zero effective yield. Average nonaccrual loans included in the computation of the average loan balances were \$7.2 million \$5.7 million and \$7.7 million \$7.1 million in the third first quarter of 2023 2024 and 2022, 2023, respectively.

⁵The Company does not have any fed funds sold or securities purchased with agreements to resell to disclose as part of its total interest-earning assets in the periods presented.

⁶Tax-equivalent yields/costs assume a federal tax rate of 21% and state tax rate of 7.43% for a combined tax rate of 28.43%.

The following tables set forth the changes in consolidated net interest income attributable to changes in volume and to changes in interest rates for the three-month periods ending **September 30, 2023** **March 31, 2024** and **2022**. Changes attributable to the combined effect of volume and interest rate have been allocated proportionately to the changes due to volume and the changes due to interest rates. The Company did not have any fed funds sold or securities purchased with agreements to resell for the three-month periods ending **September 30, 2023** **March 31, 2024** and **2022**.

(In Thousands)	(In Thousands)	Three Months Ended September 30, 2023 vs. 2022	(In Thousands)	Three Months Ended March 31, 2024 vs. 2023
		Increase (decrease) due to Volume Rate Total		
		Increase (decrease) due to Volume Volume Volume	Rate	Total
Interest	Interest			
Income:	Income:			
Short-term investments				
Short-term investments				
Short-term investments	Short-term investments	(\$2,497)	\$1,182	(\$1,315)
Taxable long-term investments	Taxable long-term investments	231	966	1,197
Loans held for sale				
Loans held for sale				
Loans held for sale	Loans held for sale	72	260	332

Loans	Loans	4,065	2,570	6,635
Total interest income	Total interest income	\$1,871	\$4,978	\$6,849
Interest Expense:	Interest Expense:			
Interest Expense:	Interest Expense:			
Interest-bearing demand deposits	Interest-bearing demand deposits	\$90	\$2,962	\$3,052
Savings deposits	Savings deposits	(34)	226	192
Money market deposits	Money market deposits	(53)	661	608
Time deposits	Time deposits	27	2,195	2,222
Interest-bearing deposits	Interest-bearing deposits	30	6,044	6,074
Borrowings	Borrowings	724	12	736
Total interest expense	Total interest expense	\$754	\$6,056	\$6,810

The following table compares average balances and rates as well as margins on earning assets for the nine-month periods ended September 30, 2023 and 2022. Average yields or costs are calculated on a tax-equivalent basis.

(Dollars in Thousands)			Nine Months Ended September 30,										
			Interest income/				Average Tax Equivalent						
			Average Balances		Change		expense		Change		Yields/Costs ⁶		
			2023	2022	\$	%	2023	2022	\$	%	2023	2022	Change
Interest-bearing deposits in other banks ¹		\$79,362	\$414,159	(\$334,797)	(81)%		\$2,901	\$2,907	(\$6)	— %	4.82 %	0.93 %	3.89 %
Taxable long-term investments ²		723,693	587,084	136,609	23 %		14,018	7,497	6,521	87 %	2.41 %	1.64 %	0.77 %
Loans held for sale		40,433	55,363	(14,930)	(27)%		1,837	1,682	155	9 %	6.06 %	4.05 %	2.01 %
Loans ^{3,4}		1,608,293	1,397,789	210,504	15 %		77,267	58,523	18,744	32 %	6.46 %	5.62 %	0.84 %
Interest-earning assets ⁵		2,451,781	2,454,395	(2,614)	0 %		96,023	70,609	25,414	36 %	5.30 %	3.88 %	1.42 %
Nonearning assets		192,430	167,835	24,595	15 %								
Total		\$2,644,211	\$2,622,230	\$21,981	1 %								
Interest-bearing demand		\$771,504	\$678,043	\$93,461	14 %		\$8,490	\$844	\$7,646	906 %	1.47 %	0.17 %	1.30 %
Savings deposits		284,841	349,301	(64,460)	(18)%		989	376	613	163 %	0.46 %	0.14 %	0.32 %
Money market deposits		256,937	319,379	(62,442)	(20)%		2,361	363	1,998	550 %	1.23 %	0.15 %	1.08 %
Time deposits		264,026	172,274	91,752	53 %		5,995	655	5,340	815 %	3.04 %	0.51 %	2.53 %
Total interest-bearing deposits		1,577,308	1,518,997	58,311	4 %		17,835	2,238	15,597	697 %	1.51 %	0.20 %	1.31 %
Borrowings		52,075	24,674	27,401	111 %		1,664	544	1,120	206 %	4.23 %	2.91 %	1.32 %
Total interest-bearing liabilities		1,629,383	1,543,671	85,712	6 %		19,499	2,782	16,717	601 %	1.60 %	0.24 %	1.36 %
Non-interest bearing demand deposits		746,251	816,741	(70,490)	(9)%								
Other liabilities		42,596	34,451	8,145	24 %								
Equity		225,981	227,367	(1,386)	(1)%								
Total		\$2,644,211	\$2,622,230	\$21,981	1 %								

Net interest income	\$76,524	\$67,827	\$8,697	13 %
Net interest margin				4.17 % 3.69 % 0.48 %
Average loans to average interest-earning assets	65.60 %	56.95 %		
Average loans to average total deposits	69.22 %	59.84 %		
Average non-interest deposits to average total deposits	32.12 %	34.97 %		
Average interest-earning assets to average interest-bearing liabilities	150.47 %	159.00 %		

¹Consists of interest bearing deposits in other banks and domestic CDs.

²Consists of investment securities available for sale, investment securities held to maturity, marketable equity securities, and investment in Federal Home Loan Bank stock.

³Interest income includes loan fees. Loan fees recognized during the period and included in the yield calculation totaled \$3.2 million and \$7.3 million in the first nine months of 2023 and 2022, respectively.

⁴Nonaccrual loans are included with a zero effective yield. Average nonaccrual loans included in the computation of the average loan balances were \$7.4 million and \$9.2 million in the first nine months of 2023 and 2022, respectively.

⁵The Company does not have any fed funds sold or securities purchased with agreements to resell to disclose as part of its total interest-earning assets in the periods presented.

⁶Tax-equivalent yields/costs assume a federal tax rate of 21% and state tax rate of 7.43% for a combined tax rate of 28.43%.

The following tables set forth the changes in consolidated net interest income attributable to changes in volume and to changes in interest rates for the nine-month periods ending September 30, 2023 and 2022. Changes attributable to the combined effect of volume and interest rate have been allocated proportionately to the changes due to volume and the changes due to interest rates. The Company did not have any fed funds sold or securities purchased with agreements to resell for the nine-month periods ending September 30, 2023 and 2022.

(In Thousands)	Nine Months Ended September 30, 2023 vs. 2022		
	Volume	Rate	Total
Interest Income:			
Short-term investments	(\$3,888)	\$3,882	(\$6)
Taxable long-term investments	2,165	4,356	6,521
Loans held for sale	(531)	686	155
Loans	7,514	11,230	18,744
Total interest income	\$5,260	\$20,154	\$25,414
Interest Expense:			
Interest-bearing demand	\$100	\$7,546	\$7,646
Savings deposits	(81)	694	613
Money market deposits	(85)	2,083	1,998
Time deposits	141	5,199	5,340
Interest-bearing deposits	75	15,522	15,597
Borrowings	1,069	51	1,120
Total interest expense	\$1,144	\$15,573	\$16,717

Provision for Credit Losses

The provision for credit loss expense is the amount of expense that, based on our judgment, is required to maintain the **ACL Allowance for Credit Losses ("ACL")** at an appropriate level under the Current Expected Credit Losses ("CECL") model. The determination of the amount of the ACL is complex and involves a high degree of judgment and subjectivity. The following table presents the major categories of credit loss expense:

(In Thousands)	Three Months Ended September 30,	Nine Months Ended September 30,
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	

(In Thousands)					
(In Thousands)	(In Thousands)	2023	2022	2023	2022
Credit loss expense on loans held for investment	Credit loss expense on loans held for investment	\$750	(\$903)	\$2,519	(\$797)
Credit loss expense on loans held for investment					
Credit loss expense on loans held for investment					
Credit loss expense on unfunded commitments					
Credit loss expense on unfunded commitments					
Credit loss expense on unfunded commitments	Credit loss expense on unfunded commitments	440	550	438	757
Credit loss expense on available for sale debt securities	Credit loss expense on available for sale debt securities	—	—	—	—
Credit loss expense on available for sale debt securities					
Credit loss expense on available for sale debt securities					
Credit loss expense on held to maturity securities					
Credit loss expense on held to maturity securities					
Credit loss expense on held to maturity securities	Credit loss expense on held to maturity securities	—	—	—	—
Credit loss expense on purchased receivables	Credit loss expense on purchased receivables	—	—	—	—
Total credit loss (benefit) expense		\$1,190	(\$353)	\$2,957	(\$40)
Credit loss expense on purchased receivables					
Credit loss expense on purchased receivables					
Total credit loss expense					
Total credit loss expense					
Total credit loss expense					

The **increase** decrease in the **ACL** provision for credit losses for the three and nine-month three-month periods ending **September 30, 2023** **March 31, 2024** as compared to the same **periods** period in **2022** **2023** is primarily the result of **increased** loan and unfunded commitment balances, as well as a decrease in **management's assumptions** estimated loss rates for prepayment both loans and curtailment speeds. These changes are unfunded commitments that was only partially offset by **improvement** growth in **management's** forecasted economic factors. The **ongoing** impacts of outstanding balances and a specific allowance for one individually evaluated loan. Fluctuations in the **CECL** methodology provision for credit losses in the future will be dependent upon changes in economic conditions and forecasts, as well as loan portfolio composition, quality, and duration.

Other Operating Income

Other operating income for the three-month period ended **September 30, 2023** decreased **\$670,000**, **March 31, 2024** increased **\$2.9 million**, or **8% 60%**, to **\$8.0 million** **\$7.8 million** as compared to **\$8.7 million** **\$4.9 million** for the same period in **2022** **2023**, primarily due to a **\$1.3 million** decrease **\$2.0 million** increase in mortgage banking income in the **third** **first** quarter of **2023** **2024** compared to the same quarter a year ago which was only partially offset by as well as a **\$619,000** **\$537,000** increase in the fair value of marketable equity securities and a **\$368,000** increase in purchased receivable income. The **decrease** **increase** in mortgage banking income in the three-month period ended **September 30, 2023** **March 31, 2024** as compared to the same period in **2022** **2023** was primarily due to **decreased** **increased** production volume due **primarily** to **increases** in **stabilizing** mortgage interest rates.

Other operating income for the nine-month period ended **September 30, 2023** decreased **\$7.4 million**, or **27%**, to **\$19.9 million** as compared to **\$27.3 million** for the same period in **2022**, primarily due to a **\$8.3 million** decrease in mortgage banking income in the first nine months of **2023** compared to the same period a year ago, which was only partially offset by a **\$1.6 million** increase in purchased receivable income and a **\$754,000** increase in the fair market value of marketable securities. The decrease in mortgage banking income in the nine-month period ended **September 30, 2023** as compared to the same period in **2022** was primarily due to decreased production volume due largely to increases in mortgage interest rates. Additionally, the Company received **\$2.0 million** in life insurance proceeds in the nine-month period ended **September 30, 2022** in connection with the death of the Company's former Executive Vice President, General Counsel and Corporate Secretary who passed away on November 11, 2021.

Other Operating Expense

Other operating expense for the **third** **first** quarter of **2023** **2024** increased **\$610,000**, **\$129,000**, or **3% 1%**, to **\$22.9 million** **\$23.6 million** as compared to **\$22.3 million** **\$23.5 million** for the same period in **2022** **2023** is primarily due to **increased** salaries a **\$304,000** increase in data processing expense and **other personnel** a **\$222,000** increase in insurance expense, which was only partially offset by a decrease in OREO expense due to subsequent proceeds received in the **third** **first** quarter of **2023** **2024** that are related to a government guarantee on an OREO property sold in December 2022.

Other operating expense for the first nine months of 2023 increased \$3.6 million, or 5%, to \$70.2 million as compared to \$66.6 million for the same period in 2022 primarily due to an increase in salaries and other personnel expense as well as smaller increases in most other expense categories as the Company has grown and

increased its number of branches and mortgage origination offices. The Company opened its 18th branch in Nome in the fourth quarter of 2022, its 19th branch in Kodiak in Income Taxes

For the first quarter of 2023, and a loan production office in Homer in the second quarter of 2023 which contributed to increased salaries and personnel expense for the Community Banking segment.

Income Taxes

For the third quarter and first nine months of 2023, 2024, Northrim recorded a lower higher effective tax rate as compared to the same periods period in 2022 2023 as a result of an increase a decrease in tax credits and tax exempt interest income as a percentage of pre-tax income in 2023, 2024. In the third first quarter of 2023, 2024, Northrim recorded \$1.9 million \$2.3 million in state and federal income tax expense, for an effective tax rate of 18.43% 21.94% compared to \$2.9 million \$1.2 million and 22.41% 20.44% for the same period in 2022. In the first nine months of 2023, Northrim recorded \$4.5 million in state and federal income tax expense, for an effective tax rate of 19.29% compared to \$6.4 million and 22.41% for the same period in 2022, 2023.

FINANCIAL CONDITION

Balance Sheet Overview

Portfolio Investments Investment Securities

Portfolio investments, which Investment Securities include investment securities available for sale, investment securities held to maturity, and marketable equity securities, at September 30, 2023 March 31, 2024 decreased 3% 7% to \$699.5 million \$642.7 million from \$724.5 million \$687.8 million at December 31, 2022 mostly December 31, 2023 primarily due to maturities and calls of available for sale securities during the first nine three months of 2023, 2024.

The table below details portfolio investment balances by portfolio investment type: type for the periods indicated:

		September 30, 2023		December 31, 2022		March 31, 2024				December 31, 2023			
(In Thousands)		Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total	Dollar Amount	Percent of Total
		% of Balance	% of total	% of Balance	% of total								
Balance	Balance					Balance	% of total	Balance	% of total	Balance	% of total	Balance	% of total
U.S. Treasury and government sponsored entities	U.S. Treasury and government sponsored entities	\$578,635	82.7 %	\$595,161	82.2 %	U.S. Treasury and government sponsored entities		\$524,781	81.7 %	\$564,125	82.1 %		
Municipal securities	Municipal securities	809	0.1 %	795	0.1 %	Municipal securities		—	— %	816	0.1 %		
Corporate bonds	Corporate bonds	50,228	7.2 %	60,394	8.3 %								
Corporate bonds	Corporate bonds							45,420	7.1 %	50,374	7.3 %		
Collateralized loan obligations	Collateralized loan obligations	59,228	8.5 %	57,429	7.9 %	Collateralized loan obligations		59,028	9.2 %	59,371	8.6 %		
Preferred stock	Preferred stock	10,615	1.5 %	10,740	1.5 %	Preferred stock		13,467	2.1 %	13,153	1.9 %		
Total portfolio investments		\$699,515		\$724,519									
Total													

The average estimated duration of the investment portfolio at September 30, 2023 March 31, 2024, was approximately 2.8 2.7 years. As of September 30, 2023 March 31, 2024, \$87.7 million \$48.8 million of available for sale securities with a weighted average yield of 1.83% are scheduled to mature in the next six months, \$47.4 million \$40.1 million with a weighted average yield of 0.66% are scheduled to mature in six months to one year, and \$173.9 million \$238.1 million with a weighted average yield of 1.52% are scheduled to mature in the following year, representing a total of \$308.9 million \$326.9 million or 12% 13% of earning assets at September 30, 2023, that are scheduled to mature in the next 24 months.

Loans and Lending Activities

The following table presents the concentration distribution of the loan portfolio, net of deferred fees and costs, as of the dates indicated:

		September 30, 2023				December 31, 2022				March 31, 2024				December 31, 2023			
(In Thousands)		Dollar	Percent	Dollar	Percent					Percent of				Percent of			
		Amount	of Total	Amount	of Total					Dollar Amount	Total	Dollar Amount	Total				
Commercial & industrial loans	Commercial & industrial loans	\$415,898	24.2 %	\$358,128	23.8 %	Commercial & industrial loans				\$396,994	21.9	21.9 %	\$411,387	23.0	23.0 %		
Commercial real estate:	Commercial real estate:																
Owner occupied properties	Owner occupied properties	357,455	20.8 %	349,973	23.3 %												
Owner occupied properties	Owner occupied properties									370,899		20.5 %	366,741		20.5 %		
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	506,256	29.3 %	482,270	32.2 %	Non-owner occupied and multifamily properties				526,269	29.0	29.0 %	515,528	28.8	28.8 %		
Residential real estate:	Residential real estate:																
1-4 family residential properties secured by first liens	1-4 family residential properties secured by first liens	180,849	10.5 %	73,381	4.9 %					218,848	12.1	12.1 %	203,738	11.4	11.4 %		
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	27,535	1.6 %	20,259	1.3 %	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens				35,683	2.0	2.0 %	33,996	1.9	1.9 %		
1-4 family residential construction loans	1-4 family residential construction loans	32,185	1.9 %	44,000	2.9 %	1-4 family residential construction loans				27,538	1.5	1.5 %	30,976	1.7	1.7 %		
Other construction, land development and raw land loans	Other construction, land development and raw land loans	119,716	7.0 %	99,182	6.6 %	Other construction, land development and raw land loans				152,162	8.4	8.4 %	148,373	8.3	8.3 %		

Obligations of states and political subdivisions in the US	Obligations of states and political subdivisions in the US	30,463	1.8 %	32,539	2.2 %	Obligations of states and political subdivisions in the US	30,254	1.7	1.7 %	30,407	1.7	1.7 %
Agricultural production, including commercial fishing	Agricultural production, including commercial fishing	40,923	2.4 %	34,099	2.3 %	Agricultural production, including commercial fishing	43,457	2.4	2.4 %	41,007	2.3	2.3 %
Consumer loans	Consumer loans	5,986	0.3 %	4,335	0.3 %	Consumer loans	6,506	0.4	0.4 %	6,241	0.3	0.3 %
Other loans	Other loans	2,825	0.2 %	3,619	0.2 %	Other loans	2,525	0.1	0.1 %	1,103	0.1	0.1 %
Total loans	Total loans	\$1,720,091		\$1,501,785		Total loans	\$1,811,135			\$1,789,497		

Loans increased by \$218.3 million \$21.6 million, or 15% 1%, to \$1.720 billion \$1.811 billion at September 30, 2023 March 31, 2024 from \$1.502 billion \$1.789 billion at December 31, 2022 December 31, 2023, primarily as a result of increased commercial real estate and consumer mortgage loans.

Information about **loan industry** concentrations

The Company defines "direct exposure" to the oil and gas industry as companies that it has identified as significantly reliant upon activity related to the oil and gas industry, such as oilfield services, lodging, equipment rental, transportation, and other logistic services specific to the industry. The Company estimates that \$100.3 million \$88.0 million, or approximately 6% 5% of loans as of September 30, 2023 March 31, 2024 have direct exposure to the oil and gas industry as compared to \$83.4 million \$96.1 million, or approximately 6% 5% of loans as of December 31, 2022 December 31, 2023. The Company's unfunded commitments to borrowers that have direct exposure to the oil and gas industry were \$34.9 million \$42.6 million and \$51.8 million \$38.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The portion of the

Company's ACL that related to the loans with direct exposure to the oil and gas industry was estimated at \$920,000 \$807,000 as of September 30, 2023 March 31, 2024 and \$786,000 \$884,000 as of December 31, 2022 December 31, 2023.

The following table details loan balances by loan segment and class of financing receivable for loans with direct oil and gas exposure as of the dates indicated:

(In Thousands)	(In Thousands)	September 30, 2023	December 31, 2022	(In Thousands)	March 31, 2024	December 31, 2023
Commercial & industrial loans	Commercial & industrial loans	\$81,713	\$66,864			
Commercial real estate:	Commercial real estate:					
Owner occupied properties						
Owner occupied properties	Owner occupied properties	11,661	9,108			
Non-owner occupied and multifamily properties	Non-owner occupied and multifamily properties	5,582	6,013			
Other loans	Other loans	1,379	1,431			
Other loans						
Total	Total	\$100,335	\$83,416			

The Company monitors other concentrations within the loan portfolio depending on trends in the current and future estimated economic conditions. At September 30, 2023 March 31, 2024, the Company had \$124.3 million \$123.1 million, or 7% of portfolio loans, in the Healthcare sector, \$103.0 million \$108.6 million, or 6% of portfolio loans, in the

Tourism sector, **\$79.6 million** **\$92.6 million**, or 5% of portfolio loans, in the Accommodations sector, **\$78.3 million** **\$74.0 million**, or **5%4%** of portfolio loans, in the Fishing sector, **\$71.8 million** **\$74.0 million**, or 4% of portfolio loans, in the Retail sector, **\$62.5 million** **\$59.6 million**, or **4%3%** of portfolio loans, in the Aviation (non-tourism) sector, and **\$48.4 million** **\$52.5 million**, or 3% in the Restaurant sector.

The portion of the Company's ACL that related to the loans with exposure to these industries is estimated at the following amounts as of **September 30, 2023** **March 31, 2024**:

(In Thousands)	(In Thousands)	Aviation (non-Tourism)							Aviation (non-Retail)						
		Tourism	Healthcare	Retail	Fishing	Restaurant	Accommodations	Total	Tourism	Healthcare	Retail	Fishing	Restaurant	Accommodations	
ACL	ACL	\$588	\$560	\$1,015	\$596	\$503	\$365	\$653	\$4,280						

Credit Quality and Nonperforming Assets

The following table sets forth information regarding our nonperforming loans and total nonperforming assets for the periods indicated:

(In Thousands)	March 31, 2024	December 31, 2023
Nonaccrual loans	\$5,260	\$6,069
Loans 90 days past due and accruing	—	—
Total nonperforming loans	\$5,260	\$6,069
Nonperforming loans guaranteed by government	—	(1,067)
Net nonperforming loans	\$5,260	\$5,002
Nonperforming purchased receivables	183	808
Net nonperforming assets	\$5,443	\$5,810
Nonperforming loans, net of government guarantees / portfolio loans	0.29 %	0.28 %
Nonperforming loans, net of government guarantees / portfolio loans, net of government guarantees	0.31 %	0.30 %
Nonperforming assets, net of government guarantees / total assets	0.20 %	0.21 %
Nonperforming assets, net of government guarantees / total assets net of government guarantees	0.21 %	0.21 %
Adversely classified loans, net of government guarantees	\$7,206	\$7,057
Special mention loans, net of government guarantees	\$9,976	\$6,580
Loans 30-89 days past due and accruing, net of government guarantees / portfolio loans	0.03 %	0.03 %
Loans 30-89 days past due and accruing, net of government guarantees /		
portfolio loans, net of government guarantees	0.04 %	0.03 %
Allowance for credit losses / portfolio loans	0.97 %	0.97 %
Allowance for credit losses / portfolio loans, net of government guarantees	1.03 %	1.02 %
Allowance for credit losses / nonperforming loans, net of government		
guarantees	333 %	345 %
Gross loan charge-offs for the quarter	\$25	\$281
Gross loan recoveries for the quarter	(\$67)	(\$185)
Net loan (recoveries) charge-offs for the quarter	(\$42)	\$96
Net loan (recoveries) charge-offs year-to-date	(\$42)	(\$38)
Net loan (recoveries) charge-offs for the quarter / average loans, for the quarter	— %	0.01 %
Net loan (recoveries) charge-offs year-to-date / average loans,		
year-to-date annualized	— %	— %

Allowance for Credit Losses

The following table sets forth information regarding changes in the ACL for the periods indicated:

Three Months Ended September 30,	Nine Months Ended September 30,
Three Months Ended March 31,	Three Months Ended March 31,
Three Months Ended March 31,	

Three Months Ended March 31,					
(In Thousands)					
(In Thousands)					
(In Thousands)	(In Thousands)	2023	2022	2023	2022
Balance at beginning of period	Balance at beginning of period	\$15,645	\$11,537	\$13,838	\$11,739
Commercial & industrial loans		(91)	(45)	(140)	(506)
Balance at beginning of period					
Balance at beginning of period					
Agricultural production, including commercial fishing					
Agricultural production, including commercial fishing					
Agricultural production, including commercial fishing					
Consumer loans					
Consumer loans					
Consumer loans	Consumer loans	—	(3)	(14)	(3)
Total charge-offs	Total charge-offs	(91)	(48)	(154)	(509)
Total charge-offs					
Total charge-offs					
Recoveries:					
Recoveries:					
Recoveries:	Recoveries:				
Commercial & industrial loans	Commercial & industrial loans	181	1,325	267	1,441
Commercial & industrial loans					
Commercial & industrial loans					
Residential real estate:					
Residential real estate:					
Residential real estate:	Residential real estate:				
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens	5	9	17	30
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens					
1-4 family residential properties secured by junior liens and revolving secured by 1-4 family first liens					
Agricultural production, including commercial fishing		—	—	—	15
Consumer loans					
Consumer loans					
Consumer loans	Consumer loans	1	2	4	3
Total recoveries	Total recoveries	187	1,396	288	1,549
Total recoveries					
Total recoveries					
Net, recoveries	Net, recoveries	96	1,348	134	1,040

Provision (benefit) for credit losses	750	(903)	2,519	(797)
Net, recoveries				
Net, recoveries				
Provision for credit losses				
Provision for credit losses				
Provision for credit losses				
Balance at end of period	Balance at end of period	\$16,491	\$11,982	\$16,491
Balance at end of period				\$11,982
Balance at end of period				

The following table sets forth information regarding changes in the ACL for unfunded commitments for the periods indicated:

		Three Months Ended September 30,	Nine Months Ended September 30,	
		Three Months Ended March 31,		
		Three Months Ended March 31,		
(In Thousands)	(In Thousands)	2023	2022	2023
(In Thousands)	(In Thousands)			2022
Balance at beginning of period				
Balance at beginning of period				
Balance at beginning of period	Balance at beginning of period	\$1,968	\$1,303	\$1,970
Provision for credit losses		440	550	438
(Benefit) provision for credit losses				
(Benefit) provision for credit losses				
(Benefit) provision for credit losses				
Balance at end of period	Balance at end of period	\$2,408	\$1,853	\$2,408
Balance at end of period				\$1,853
Balance at end of period				

The ACL for loans held for investment at March 31, 2024 increased \$263,000 from December 31, 2023 primarily due to higher non-government guaranteed loan balances, changes in management's CECL model assumptions, and an increase in the allowance for loans individually evaluated. These changes were only partially offset by a decrease in the Company's forecasted future economic drivers. While management believes that it uses the best information available to determine the ACL, unforeseen market conditions and other events could result in adjustment to the ACL, and net income could be significantly affected if circumstances differed substantially from the assumptions used in making the final determination of the ACL.

Deposits

Deposits are the Company's primary source of funds. Total deposits increased \$40.7 million decreased \$51.0 million, or 2%, to \$2.428 billion \$2.434 billion as of September 30, 2023 March 31, 2024 compared to \$2.387 billion \$2.485 billion as of December 31, 2022 December 31, 2023, primarily due to seasonality. The following table summarizes the Company's composition of deposits as of the periods indicated:

		September 30, 2023		December 31, 2022							
		March 31, 2024				March 31, 2024				December 31, 2023	
(In thousands)	(In thousands)	Balance	% of total	Balance	% of total	(In thousands)	Balance	% of total	Balance	% of total	(In thousands)
Demand deposits	Demand deposits	\$764,647	31 %	\$797,434	34 %	Demand deposits	\$714,244	29	29 %	\$749,683	31
Interest-bearing demand	Interest-bearing demand	875,814	36 %	767,686	32 %	Interest-bearing demand	889,581	37	37 %	927,291	37

Savings deposits	Savings deposits	265,799	11 %	320,917	13 %	Savings deposits	246,902	10	10 %	255,338	10	10 %
Money market deposits	Money market deposits	230,814	10 %	308,317	13 %	Money market deposits	209,785	9	9 %	221,492	9	9 %
Time deposits	Time deposits	290,856	12 %	192,857	8 %	Time deposits	373,571	15	15 %	331,251	13	13 %
Total deposits	Total deposits	\$2,427,930		\$2,387,211								

The Company's mix of deposits continues to contribute to a low cost of funds with balances in transaction accounts representing 88% 85% of total deposits at September 30, 2023 March 31, 2024 and 92% 87% of total deposits at December 31, 2022 December 31, 2023.

The only deposit category with stated maturity dates is certificates of deposit. At September 30, 2023 March 31, 2024, the Company had \$290.9 million \$373.6 million in certificates of deposit as compared to certificates of deposit of \$192.9 million \$331.3 million at December 31, 2022 December 31, 2023. At September 30, 2023 March 31, 2024, \$182.0 million \$324.2 million, or 61% 87%, of the Company's certificates of deposits are scheduled to mature over the next 12 months as compared to \$128.4 million \$268.5 million, or 67% 81%, of total certificates of deposit at December 31, 2022 December 31, 2023. The aggregate amount of certificates of deposit in amounts of \$250,000 and greater at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, was \$121.1 million \$165.9 million and \$77.5 million \$142.1 million, respectively. The following table sets forth the amount outstanding of deposits in amounts of \$250,000 and greater by time remaining until maturity and percentage of total deposits as of September 30, 2023 March 31, 2024:

		Time Certificates of Deposit of \$250,000 or More		Time Certificates of Deposit of \$250,000 or More			
(In Thousands)	(In Thousands)	Percent of Total Deposits	Amount	Amount	Percent of Total Deposits	Percent of Total Deposits	
Amounts maturing in:	Amounts maturing in:	Amounts maturing in:					
Three months or less	Three months or less	\$30,550	25 %	\$23,280	14	14 %	
Over 3 through 6 months	Over 3 through 6 months	16,919	14 %	32,733	20	20 %	
Over 6 through 12 months	Over 6 through 12 months	22,309	18 %	85,326	51	51 %	
Over 12 months	Over 12 months	51,281	43 %	24,587	15	15 %	
Total	Total	\$121,059	100 %	\$165,926	100	100 %	

At September 30, 2023 March 31, 2024, 71% 70% of total deposits were held in business accounts and 29% 30% of deposit balances were held in consumer accounts. Northrim had approximately 33,000 deposit customers with an average balance of \$73,000 as of September 30, 2023 March 31, 2024. Northrim had 16 19 customers with balances over \$10 million as of September 30, 2023 March 31, 2024 which accounted for \$370.6 million \$459.9 million, or 15% 19%, of total deposits.

Uninsured deposits totaled \$999.5 million approximately \$989.5 million or 41% of total deposits as of September 30, 2023 March 31, 2024 compared to \$1.1 billion \$1.0 billion or 46% 41% of total deposits as of December 31, 2022 December 31, 2023. As Since interest rates continued to increase began increasing in the first nine months of 2023, Northrim has taken a proactive, targeted approach to increase deposit rates. There was no unusual deposit activity during the first nine three months of 2023.

2024.

Borrowings

FHLB: The Bank is a member of the Federal Home Loan Bank of Des Moines (the "FHLB"). As a member, the Bank is eligible to obtain advances from the FHLB. FHLB advances are dependent on the availability of acceptable collateral such as marketable securities or real estate loans, although all FHLB advances are secured by a blanket pledge of the Bank's assets. At September 30, 2023 March 31, 2024, our maximum borrowing line from the FHLB was \$1.248 billion, approximately 45% of the Bank's assets, subject to the FHLB's collateral requirements. Based on the Company's current collateral pledged to the FHLB, less outstanding advances, the Company's borrowing line is \$359.5 million as of March 31, 2024. The Company has outstanding advances of \$14.0 million \$13.6 million as of September 30, 2023 March 31, 2024 which were originated to match fund low income

housing projects that qualify for long term fixed interest rates. These advances have original terms of either 18 or 20 years with 30 year amortization periods and fixed interest rates ranging from 1.23% to 3.25%. Additionally, the Company has a short-term \$50.0 million advance from the FHLB outstanding as of September 30, 2023 at a fixed rate of 5.49% which matures on November 14, 2023.

Federal Reserve Bank: The Federal Reserve Bank of San Francisco (the "Federal Reserve Bank") is holding \$60.0 million \$70.0 million of securities as collateral to secure the Company's ability to take advances through the discount window on September 30, 2023 March 31, 2024. There were no discount window advances outstanding at either September 30, 2023 March 31, 2024 or December 31, 2022. The Federal Reserve Bank is holding \$20.0 million of securities as collateral to secure the Company's ability to take advances through the Federal Reserve Bank's Bank Term Funding Program ("BTFP") on September 30, 2023. There were no BTFP advances outstanding at September 30, 2023 December 31, 2023.

Other Short-term Borrowings: The Company is subject to provisions under Alaska state law, which generally limit the amount of outstanding debt to 35% of total assets or \$970.5 million \$959.4 million at September 30, 2023 March 31, 2024 and \$930.1 million \$975.9 million at December 31, 2022 December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no short-term (original maturity of one year or less) borrowings that exceeded 30% of shareholders' equity.

Long-term Borrowings. The Company had no long-term borrowing outstanding other than the FHLB advances noted above as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Liquidity and Capital Resources

The Company is a single bank holding company and its primary ongoing source of liquidity is from dividends received from the Bank. Such dividends arise from the cash flow and earnings of the Bank. Banking regulations and regulatory authorities may limit the amount of, or require the Bank to obtain certain approvals before paying, dividends to the Company. Given that the Bank currently meets and the Bank anticipates that it will continue to meet, all applicable capital adequacy requirements for a "well-capitalized" institution by regulatory standards, the Company expects to continue to receive dividends from the Bank during the remainder of 2023, 2024. Other available sources of liquidity for the bank holding company include the issuance of debt and the issuance of common or preferred stock. As of September 30, 2023 March 31, 2024, the Company has 10.0 million authorized shares of common stock, of which 5.5 million are issued and outstanding, leaving 4.5 million shares available for issuance. Additionally, the Company has 2.5 million authorized shares of preferred stock available for issuance.

The Bank manages its liquidity through its Asset and Liability Committee. The Bank's primary source of funds are customer deposits. These funds, together with loan repayments, loan sales, maturity of investment securities, borrowed funds, and retained earnings are used to make loans, to acquire securities and other assets, and to fund deposit flows and continuing operations. The primary sources of demands on our liquidity are customer demands for withdrawal of deposits and borrowers' demands that we advance funds against unfunded lending commitments.

The Company had cash and cash equivalents of \$111.2 million \$80.4 million, or 3% of total assets at March 31, 2024 compared to \$118.5 million, or 4% of total assets at September 30, 2023 compared to \$259.4 million, or 10% of total assets as of December 31, 2022 December 31, 2023. The decrease in cash and cash equivalents since the end of 2022 2023 is primarily due to an increase in loans, loans and a decrease in deposits. The Company had other comprehensive income, net of tax, of \$1.4 million \$404,000 for the nine-month three-month period ending September 30, 2023 March 31, 2024 primarily due to unrealized holding gains on available for sale securities. Accumulated unrealized losses, net of income taxes on available for sale securities, which are recorded in total shareholders' equity, are \$26.5 million \$17.2 million as of September 30, 2023 March 31, 2024. Accumulated unrealized losses, net of income taxes on held to maturity securities, which are not recorded in shareholders' equity, are \$3.2 million \$2.4 million as of September 30, 2023 March 31, 2024. Management does not believe that liquidation of these securities, which would result in realized losses, will occur prior to maturity of these securities. As of September 30, 2023 March 31, 2024, the weighted average maturity of available for sale securities is 2.8 2.7 years, compared to 2.8 years at December 31, 2023, and 3.3 years at December 31, 2022 and 4.1 years at December 31, 2021. At September 30, 2023 March 31, 2024, \$135.1 million \$150.9 million available for sale securities mature within one year, \$173.9 million \$156.0 million mature within one to two years, and \$186.8 million \$158.1 million mature within two to three years. Our total unfunded commitments to fund loans and letters of credit at September 30, 2023 March 31, 2024 were \$460.3 million \$483.0 million. We do not expect that all of these loans are likely to be fully drawn upon at any one time. At September 30, 2023 March 31, 2024, certificates of deposit totaling \$182.0 million \$324.2 million are scheduled to mature over the next 12 months and may be withdrawn from the Bank. Similar to loans, we do not expect that these maturing certificates of deposit, or other non-maturity deposits, to be withdrawn from the Bank in a manner that will strain liquidity; however, unforeseen future circumstances or events may cause higher than anticipated withdrawal of deposits or draws of unfunded commitments to fund new loans. At September 30, 2023 the Company has a \$50 million FHLB advance that is due in November 2023. Management believes that cash requirements to fund future non-deposit and non-borrowing liabilities, including operating lease liabilities and other liabilities, as of September 30, 2023 March 31, 2024, are not material to the Company's liquidity position as of September 30, 2023 March 31, 2024.

The Company has other available sources of liquidity to fund unforeseen liquidity requirements. These include borrowings available through our correspondent banking relationships and our credit lines with the Federal Reserve Bank and the FHLB. At September 30, 2023 March 31, 2024, our liquid assets, which include investments and loans maturing within a year, were \$517.8 million \$515.6 million. Our funds available for borrowing under our existing lines of credit based on loans currently pledged and investments available to be pledged as collateral were \$717.2 million \$712.3 million. Additionally, the Company can obtain borrowings under the BTFP as a source of liquidity in order to help assure that banks have the ability to meet the needs of all depositors. The BTFP allows eligible depository institutions to pledge high-quality securities to obtain liquidity and eliminate the need for the financial institution to sell securities quickly in times of stress. Given these sources of liquidity and our expectations for customer demands for cash and for our operating cash needs, we believe our sources of liquidity to be sufficient for the foreseeable future.

As shown in the Consolidated Statements of Cash Flows included in Part I - Item 1 "Financial Statements" of this report, net cash used by operating activities was \$11.1 million \$5.5 million for the first nine three months of 2023, 2024, primarily due to cash used in connection with the origination of loans held for sale, which was only partially offset by cash provided by net income and net proceeds from the sale of loans held for sale. Net cash used provided by investing activities was \$210.7 million \$22.6 million for the same

period, primarily due to an increase in loans which was only partially offset by maturities and calls of available for sale securities. securities which was only partially offset by an increase in loans. Net cash provided used by financing activities in the same period was \$73.7 million \$55.2 million, primarily due to increases a decreases in deposits and borrowings, which were only partially offset to a lesser extent by cash dividends paid to shareholder and repurchases of common stock.

Throughout our history, the Company has periodically repurchased for cash a portion of its shares of common stock in the open market. The Company repurchased 152,887 15,034 shares of its common stock under the Company's previously announced repurchase programs in the first nine three months of 2023, 2024. At September 30, 2023 March 31, 2024, there are 132,113 110,000 shares remaining under the repurchase program. The Company may elect to continue to repurchase our common stock from time-to-time depending upon market conditions, but we can make no assurances that we will continue this program or that we will authorize additional shares for repurchase.

Capital Requirements and Ratios

We are subject to minimum capital requirements. Federal banking agencies have adopted regulations establishing minimum requirements for the capital adequacy of banks and bank holding companies. The requirements address both risk-based capital and leverage capital. We believe as of September 30, 2023 March 31, 2024, that the Company and the Bank met all applicable capital adequacy requirements for a "well-capitalized" institution by regulatory standards.

The table below illustrates the capital requirements in effect for the periods noted for the Company and the Bank and the actual capital ratios for each entity that exceed these requirements. Management intends to maintain capital ratios for the Bank in 2023, 2024, exceeding the FDIC's requirements for the "well-capitalized" classification. The capital ratios for the Company exceed those for the Bank primarily because the \$10 million trust preferred securities offering completed in the fourth quarter of 2005 is included in the Company's capital for regulatory purposes, although they are accounted for as a long-term debt in our financial statements. The trust preferred securities are not accounted for on the Bank's financial statements nor are they included in its capital. As a result, the Company has \$10 million more in regulatory capital than the Bank at September 30, 2023 March 31, 2024, which explains most of the difference in the capital ratios for the two entities.

	Minimum Required Capital	Well-Capitalized Actual Ratio Company	Actual Ratio Bank
	Capital	Capitalized Company	Bank
September 30, 2023			
March 31, 2024			
March 31, 2024			
March 31, 2024			
Total risk-based capital	8.00%	10.00% 12.58% 10.97%	8.00% 10.00% 12.47% 11.02%
Tier 1 risk-based capital	6.00%	8.00% 11.67% 10.06%	6.00% 8.00% 11.55% 10.09%
Common equity tier 1 capital	4.50%	6.50% 11.21% 10.07%	4.50% 6.50% 11.10% 10.09%
Leverage ratio	4.00%	5.00% 9.02% 7.76%	4.00% 5.00% 9.01% 7.87%

See Note 22 of the Consolidated Financial Statements in Part II. Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a detailed discussion of the capital ratios. The requirements for "well-capitalized" come from the Prompt Corrective Action rules. See Part I. Item 1 - Business - Supervision and Regulation in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. These rules apply to the Bank but not to the Company. Under the rules of the Federal Reserve Bank, a bank holding company such as the Company is generally defined to be "well capitalized" if its Tier 1 risk-based capital ratio is 8.0% or more and its total risk-based capital ratio is 10.0% or more.

Critical Accounting Policies

Our critical accounting policies are described in detail in Part II. Item 7, Management's Discussion and Analysis, and in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The SEC defines "critical accounting policies" as those that require application of management's most difficult, subjective or complex judgments as a result of the need to make "critical accounting estimates", which are estimates that involve estimation uncertainty that has had or is reasonably likely to have a material impact on the Company's financial condition or results of operations. The Company's critical accounting policies include allowance for credit losses, valuation of goodwill and other intangible assets, and the valuation of mortgage servicing rights, and fair value rights. There have been no material changes to the valuation techniques or assumptions within the models, that affect our estimates during 2023, 2024 except as noted below.

Allowance for Credit Losses Policy: For loan pools that utilize the discounted cash flow ("DCF") method, the Company utilizes complex models to obtain reasonable and supportable forecasts to calculate two predictive metrics, the probability of default ("PD") and loss given default ("LGD"). The PD measures the probability that a loan will default within a given time horizon and is an assumption derived from regression models which determine the relationship between historical defaults and certain economic variables. As of December 31, 2023, management used a DCF method for eight of its 11 loan pools, which represented 96% of the amortized cost basis of total loan pools at December 31, 2023. The weighted average remaining life method was used for the remaining three loan pools primarily because loan level data constraints preclude the use of the DCF model. As of December 31, 2023, management utilized and forecasted U.S. unemployment as the sole loss driver for all of the loan pools that utilize the DCF method. The Company's regression models for PD as of these time periods utilize peer historical loan level default data. Peers for this purpose include banks in the United States with total assets between \$1 billion and \$5 billion whose loan portfolios share certain characteristics with the Company's loan portfolio. Peers differ by loan segment; a bank is included in the peer group for each loan segment under the following circumstances:

- The percentage the balance of the loan segment compared to total loans over a five year look back period is within 1.5 standard deviations of the Company's data;
- The percentage of total charge offs for the loan segment over a five year look back period is within 1 standard deviation of the Company's data; and
- The percentage of total charge offs for the loan segment during the recessionary period from the fourth quarter of 2008 to the fourth quarter of 2012 is within 1 standard deviation of the Company's data.

As of January 1, 2024, management uses a DCF method for seven of its 11 loan pools, which represented 95% of the amortized cost basis of total loan pools at March 31, 2024. The weighted average remaining life method was used for the remaining four loan pools; management changed the consumer pool to the remaining life method primarily because the regression model under the DCF model for this pool fell outside of acceptable levels for certain statistical tests performed by management to determine the appropriateness of model method selections.

Additionally, as of January 1, 2024, management utilizes and forecasts both U.S. unemployment and U.S. Gross Domestic Product in a multi-loss driver model for all of the loan pools that utilize the DCF method. The Company's regression models for PD as of January 1, 2024 utilize peer historical loan level default data. Peers for this purpose include banks in the United States with total assets between \$1 billion and \$5 billion whose loan portfolios share certain characteristics with the Company's loan portfolio. Peers differ by loan segment; a bank is included in the peer group for each loan segment under the following circumstances:

- The percentage the balance of the loan segment compared to total loans over a five year look back period is within 0.5 standard deviations of the Company's data, and
- The percentage of total charge offs for the loan segment over a five year look back period is within 0.25 standard deviation of the Company's data; and
- The percentage of total charge offs for the loan segment during the recessionary period from the fourth quarter of 2008 to the fourth quarter of 2012 is within 0.25 standard deviation of the Company's data.

There were no other changes to estimates and assumptions used in the Company's Allowance for Credit Losses since December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our assessment of market risk as of September 30, 2023 March 31, 2024 indicates that there are no material changes in the quantitative and qualitative disclosures from those in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934). Our principal executive and financial officers supervised and participated in this evaluation. Based on this evaluation, our principal executive and financial officers each concluded that as of September 30, 2023 March 31, 2024, the disclosure controls and procedures are effective in timely alerting them to material information required to be included in the periodic reports to the Securities and Exchange Commission. The design of any system of controls is based in part upon various assumptions about the likelihood of future events, and there can be no assurance that any of our plans, products, services or procedures will succeed in achieving their intended goals under future conditions.

Changes in Internal Control over Disclosure and Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15-d-15(f) of the Securities Exchange Act of 1934) that occurred during the quarterly period ended September 30, 2023 March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the normal course of its business, the Company is a party to various debtor-creditor legal actions, disputes, claims, and litigation related to the conduct of its banking business. These include cases filed as a plaintiff in collection and foreclosure cases, and the enforcement of creditors' rights in bankruptcy proceedings. Management does not expect that the resolution of these matters will have a material effect on the Company's business, financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

For information regarding risk factors, please refer to Part I. Item 1A in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, as updated by the Company's periodic filings with the SEC. These risk factors have not changed materially as of **September 30, 2023** **March 31, 2024**.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a)-(b) Not applicable

(c) The Company repurchased **63,000** **15,034** shares of its common stock during the three-month period ending **September 30, 2023** **March 31, 2024**.

		Total	Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Number of Shares (or Units) Announced	Part of the Publicly Announced Plans or Programs	Maximum Number (1) (or Units) that May Yet Be Purchased Under the Plans or Programs	Dollar Value of Shares (or Units) Purchased Under the Plans or Programs	Total Number of Shares (or Units) Purchased			
Period	Period	(a)	(b)	(c)	(d)				Period	(a)	(b)	(c)
Month	Month								Month			
No. 1	No. 1								No. 2			
July 1, 2023 - July 31, 2023		20,000	\$42.85	20,000	175,113				August 1, 2023 - August 31, 2023			
January 1, 2024 - January 31, 2024									February 1, 2024 - February 29, 2024			
January 1, 2024 - January 31, 2024									February 1, 2024 - February 29, 2024			
January 1, 2024 - January 31, 2024									February 1, 2024 - February 29, 2024			
Month	Month								Month			
No. 2	No. 2								No. 3			
August 1, 2023 - August 31, 2023		23,000	\$45.74	23,000	152,113							
February 1, 2024 - February 29, 2024												
February 1, 2024 - February 29, 2024												
February 1, 2024 - February 29, 2024												
Month	Month											
No. 3	No. 3											

September 1, 2023 -										
September 30, 2023	20,000	\$40.10	20,000	132,113						
March 1, 2024 -										
March 31, 2024										
March 1, 2024 -										
March 31, 2024										
March 1, 2024 -										
March 31, 2024										
Total	Total	63,000	\$43.03	63,000	132,113	Total	15,034	\$52.46	15,034	15,03

(1) On **January 27, 2023** **January 26, 2024**, the Company publicly announced that its Board of Directors had authorized the repurchase of up to an additional **285,000** **110,000** shares of common stock. **In** The Company intends to continue to repurchase its stock from time to time depending upon market conditions, but we can make no assurances that we will continue this program.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the **first quarter** **ended March 31, 2024**, **none of 2023**, the Company's directors or executive officers adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company repurchased 27,887 shares, bringing securities that was intended to satisfy the total shares remaining available and authorized for repurchase to 257,113. In the **second quarter** affirmative defense conditions of 2023, the Company purchased 62,000 shares, bringing the total shares remaining available and authorized for repurchase to 195,113. In the **third quarter** of 2023, the Company purchased 63,000 shares, bringing the total shares remaining available and authorized for repurchase to 132,113. Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
32.2	Certification of Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	The cover page for the Company's Quarterly Report on 10-Q for the quarter ended September 30, 2023 March 31, 2024 - formatted in Inline XBRL (included in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHRIM BANCORP, INC.

November May 3, 2023 2024

By

/s/ Joseph M. Schierhorn Michael G. Huston

Joseph M. Schierhorn Michael G. Huston

Chairman, President, Chief Executive Officer
and Chief Operating Officer
(Principal Executive Officer)

November May 3, 2023 2024

By

/s/ Jed W. Ballard

Jed W. Ballard

Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)

57 54

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Joseph M. Schierhorn Michael G. Huston, certify that:

1. I have reviewed this report on Form 10-Q of Northrim BanCorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 3, 2024

/s/ Joseph M. Schierhorn Michael G.
Huston

Joseph M. Schierhorn Michael G.
Huston
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jed W. Ballard, certify that:

1. I have reviewed this Quarterly report on Form 10-Q of Northrim BanCorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023 May 3, 2024

/s/ Jed W. Ballard

Jed W. Ballard
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the report of Northrim BanCorp, Inc. (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Joseph M. Schierhorn**, **Michael G. Huston**, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished solely to comply with the requirements of 18 U.S.C. Section 1350, and shall not be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, or otherwise be deemed to be filed as part of the Report or under such Acts.

Date: **November 3, 2023** **May 3, 2024**

/s/ **Joseph M. Schierhorn** **Michael G. Huston**
Joseph M. Schierhorn **Michael G. Huston**
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the report of Northrim BanCorp, Inc. (the "Company") on Form 10-Q for the period ending **September 30, 2023** **March 31, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Jed W. Ballard**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being furnished solely to comply with the requirements of 18 U.S.C. Section 1350, and shall not be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, or otherwise be deemed to be filed as part of the Report or under such Acts.

Date: **November 3, 2023** **May 3, 2024**

/s/ Jed W. Ballard

Jed W. Ballard

Chief Financial Officer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.