

HARVARD BIOSCIENCE INC
Form 10-Q
November 06, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014

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 001-33957

HARVARD BIOSCIENCE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

04-3306140
(IRS Employer
Identification No.)

84 October Hill Road, Holliston, MA
(Address of Principal Executive Offices)

01746
(Zip Code)

(508) 893-8999
(Registrant's telephone number, including area code)

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. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

As of October 31, 2014, there were 32,419,655 shares of common stock, par value \$0.01 per share, outstanding.

HARVARD BIOSCIENCE, INC.

FORM 10-Q

For the Quarter Ended September 30, 2014

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

HARVARD BIOSCIENCE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except share and per share data)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,734	\$ 25,771
Accounts receivable, net of allowance for doubtful accounts of \$312 and \$358, respectively	14,281	13,884
Inventories	18,063	15,777
Deferred income tax assets - current	1,546	1,547
Other receivables and other assets	4,062	3,771
Assets held-for-sale, net	315	-
Total current assets	65,001	60,750
Property, plant and equipment, net	4,109	4,375
Deferred income tax assets - non-current	12,765	13,116
Amortizable intangible assets, net	16,691	19,009
Goodwill	35,938	36,605
Other indefinite lived intangible assets	1,265	1,289
Other assets	359	316
Total assets	\$ 136,128	\$ 135,460
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion, long-term debt	\$ 5,000	\$ 5,000
Accounts payable	5,052	4,682
Deferred revenue	592	640
Accrued income taxes	29	99
Accrued expenses	4,132	5,078
Other liabilities - current	823	586
Total current liabilities	15,628	16,085
Long-term debt, less current installments	18,200	19,750
Deferred income tax liabilities - non-current	119	160
Other long term liabilities	5,405	4,980
Total liabilities	39,352	40,975
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 5,000,000 shares authorized	-	-
	395	390

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Common stock, par value \$0.01 per share, 80,000,000 shares authorized; 40,122,271 and 39,384,974 shares issued and 32,376,764 and 31,639,467 shares outstanding, respectively		
Additional paid-in-capital	205,388	202,446
Accumulated deficit	(92,670)	(95,039)
Accumulated other comprehensive loss	(5,669)	(2,644)
Treasury stock at cost, 7,745,507 common shares	(10,668)	(10,668)
Total stockholders' equity	96,776	94,485
Total liabilities and stockholders' equity	\$ 136,128	\$ 135,460

See accompanying notes to unaudited consolidated financial statements.

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HARVARD BIOSCIENCE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
(Unaudited, in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	\$25,448	\$25,137	\$78,299	\$77,317
Cost of product revenues (exclusive of items shown separately below)	14,006	13,838	42,818	41,669
Gross profit	11,442	11,299	35,481	35,648
Sales and marketing expenses	4,113	4,174	13,102	13,106
General and administrative expenses	4,130	4,646	12,378	13,227
Research and development expenses	1,059	1,101	3,316	3,036
Restructuring charges	97	96	349	51
Amortization of intangible assets	618	600	1,839	1,955
HART transaction costs	-	268	-	1,788
Total operating expenses	10,017	10,885	30,984	33,163
Operating income	1,425	414	4,497	2,485
Other (expense) income:				
Foreign exchange	-	(84)	(148)	(74)
Interest expense	(239)	(276)	(752)	(650)
Interest income	19	10	45	28
Other expense, net	(249)	(7)	(397)	(87)
Other expense, net	(469)	(357)	(1,252)	(783)
Income from continuing operations before income taxes	956	57	3,245	1,702
Income tax expense	323	105	871	725
Income (loss) from continuing operations	633	(48)	2,374	977
Discontinued operations:				
Loss from discontinued operations, net of tax	-	(935)	-	(2,051)
Net income (loss)	\$633	\$(983)	\$2,374	\$(1,074)
Earnings (loss) per share:				
Basic earnings per common share from continuing operations	\$0.02	\$-	\$0.07	\$0.03
Discontinued operations	-	(0.03)	-	(0.07)
Basic earnings (loss) per common share	\$0.02	\$(0.03)	\$0.07	\$(0.04)
Diluted earnings per common share from continuing operations	\$0.02	\$-	\$0.07	\$0.03
Discontinued operations	-	(0.03)	-	(0.06)
Diluted earnings (loss) per common share	\$0.02	\$(0.03)	\$0.07	\$(0.03)
Weighted average common shares:				
Basic	32,342	30,575	32,080	30,155
Diluted	33,415	30,575	33,097	31,762

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Comprehensive (loss) income:

Net income (loss)	\$633	\$(983)	\$2,374	\$(1,074)
Foreign currency translation adjustments	(3,168)	2,381	(2,584)	540
Derivatives qualifying as hedges, net of tax:				
Gain (loss) on derivative instruments designated and qualifying as cash flow hedges	23	(23)	(57)	(69)
Amounts reclassified from accumulated other comprehensive loss to net income	31	29	100	26
Unrealized losses on pension benefit obligation, net of tax	-	-	(484)	-
Total comprehensive (loss) income	\$(2,481)	\$1,404	\$(651)	\$(577)

See accompanying notes to unaudited consolidated financial statements.

Salary

Bonus

Stock Awards (1)

Option Awards (2)

Non-Equity Incentive Plan Compensation (3)

Change in Pension Value and Nonqualified Deferred Compensation Earnings (4)

All Other Compensation (5)

Total

Joseph M. Beedle, Chairman, President and Chief Executive Officer of the Company:

2016

\$290,000

N/A

\$48,332

\$48,328

\$46,690

\$5,209

\$162,104

\$600,663

2015

\$300,675

N/A

\$49,323

\$49,315

\$56,984

\$3,657

\$162,104

\$622,058

2014

\$271,459

N/A

\$42,884

\$42,897

\$47,876

\$1,297

\$151,854

\$558,267

Latosha M. Frye, Executive Vice President, Chief Financial Officer of the Company and the Bank⁽⁶⁾:

2016

\$203,840

N/A

\$43,499

\$14,500

\$34,612

\$172

\$20,871

\$317,495

2015

\$162,560

N/A

\$29,594

\$29,589

\$30,172

\$39

\$17,135

\$269,089

2014

\$134,572

\$7,500

\$19,069

\$19,066

\$18,987

\$—

\$8,519

\$207,713

Joseph M. Schierhorn, Executive Vice President, Chief Operating Officer of the Company and President and Chief Executive Officer of the Bank:

2016

\$290,864

N/A

\$72,498

\$24,167

\$46,829

\$6,087

\$116,568

\$557,014

2015

\$292,709

N/A

\$49,323

\$49,315

\$55,474

\$3,316

\$100,060

\$550,197

2014

\$259,813

N/A

\$33,363

\$33,367

\$42,767

\$1,200

\$105,690

\$476,200

Steven L. Hartung, Executive Vice President, Corporate Development and Affiliate Relations of the Company and the Bank:

2016

\$224,183

N/A

\$43,499

\$14,500

\$33,674

\$6,796

\$66,458

\$389,110

2015

\$216,951

N/A

\$29,594

\$29,589

\$38,375

\$5,111

\$64,749

\$384,369

2014

\$241,480

N/A

\$27,962

\$27,970

\$39,749

\$1,872

\$82,250

\$421,283

Benjamin Craig, Executive Vice President, Chief Information Officer of the Bank⁽⁷⁾:

2016

\$216,363

N/A

\$36,249

\$12,084

\$34,115

\$123

\$24,506

\$323,440

2015

\$192,675

N/A

\$19,729

\$19,726

\$31,647

\$—

\$11,950

\$275,727

Michael Martin, Executive Vice President, Chief Operating Officer of the Bank⁽⁷⁾:

2016

\$190,492

N/A

\$43,499

\$14,500

\$32,346

\$98

\$16,387

\$297,322

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The amounts listed for each named executive officer's stock award represent the aggregate grant date fair value of (1) the awards determined in accordance with FASB ASC Topic 718 and are based on the price of the Company's stock at the close of business on the date of each grant.

The amount listed for each named executive officer's option award represents the aggregate grant date fair value of (2) the awards determined in accordance with FASB ASC Topic 718. See further discussion about the assumptions used in the pricing model at Note 21 in the Company's Annual Report on Form 10-k for the year ended December 31, 2016.

The amount listed for each named executive officer represents the individual's performance based payment earned in such fiscal year, but paid in the following fiscal year, as calculated according to the provisions of the Company's (3) Profit Sharing Plan in 2016, 2015 and 2014 as approved by the Compensation Committee. See Non-Equity Incentive Plan Awards and Employment Agreements contained herein this proxy statement.

The amount listed for each named executive officer under this category is the excess earnings on the named (4) executive officer's account over one-hundred-twenty percent (120%) of the federal rate for each applicable year.

- (5) The amount listed for each named executive officer represents items of compensation not reflected elsewhere in this Summary Compensation Table:

The aggregate total of all other compensation disclosed for Mr. Beedle for 2016 is equal to the amounts of \$14,575 representing contributions to the Company's 401k savings plan for Mr. Beedle as well as the Company's contributions to the SERP and SERDCP for Mr. Beedle in the amounts of \$58,000 and \$89,529, respectively. These amounts contributed to the SERP and SERDCP for Mr. Beedle are disclosed in the footnotes to the Nonqualified Deferred Compensation table.

The aggregate total of all other compensation disclosed for Ms. Frye for 2016 is equal to the amounts of \$12,871 and \$8,000 representing contributions to the Company's 401k savings plan for Ms. Frye and the Company's contribution to the SERP for Ms. Frye.

The aggregate total of all other compensation disclosed for Mr. Schierhorn for 2016 is equal to the amounts of \$14,575 representing contributions to the Company's 401k savings plan for Mr. Schierhorn as well as the Company's contributions to the SERP and SERDCP for Mr. Schierhorn in the amounts of \$57,000 and \$44,993, respectively. These amounts contributed to the SERP and SERDCP for Mr. Schierhorn are disclosed in the footnotes to the Nonqualified Deferred Compensation table.

The aggregate total of all other compensation disclosed for Mr. Hartung for 2016 is equal to the amounts of \$14,436 and \$52,022 representing contributions to the Company's 401k savings plan for Mr. Hartung and the Company's contribution to the SERP for Mr. Hartung. The amount contributed to the SERP for Mr. Hartung is disclosed in the footnotes to the Nonqualified Deferred Compensation table.

The aggregate total of all other compensation disclosed for Mr. Craig for 2016 is equal to the amounts of \$13,641 and \$10,865 representing contributions to the Company's 401k savings plan for Mr. Craig and the Company's contribution to the SERP for Mr. Craig.

The aggregate total of all other compensation disclosed for Mr. Martin for 2016 is equal to the amounts of \$7,668 and \$8,719 representing contributions to the Company's 401k savings plan for Mr. Martin and the Company's contribution to the SERP for Mr. Martin.

- (6) Ms. Frye was appointed the Company's Chief Financial Officer on May 15, 2014.

Mr. Craig was not a named executive officer in 2014 and Mr. Martin was not a named executive officer in 2014 or 2015. Accordingly, as permitted by the rules of the Securities and Exchange Commission, only information

- (7) relating to Mr. Craig's and Mr. Martin's compensation for the fiscal year during which they were named executive officer is disclosed in the Summary Compensation Table and other compensation tables, the footnotes to those tables, and in the related discussions of Mr. Craig's and Mr. Martin's compensation.

Employment Agreements

The Company and the Compensation Committee share the philosophy that employment agreements serve to further strengthen the relationships between the Company, its key executives, and its shareholders, particularly in light of the highly competitive climate in which the Bank and the Company currently operate.

The employment agreements at December 31, 2016 for Messrs. Schierhorn, Beedle, Craig, Martin, Hartung and Ms. Frye included the following entitlements: reasonable health insurance, disability and other employee benefits on a basis at least as favorable as that accorded to any other officer, as well as allowance for adjustments to annual base salary as deemed appropriate by the Compensation Committee.

Messrs. Schierhorn, Beedle, Craig, Martin, and Ms. Frye entered into new employment agreements effective January 1, 2017. The contracts of Mr. Schierhorn and Ms. Frye included nearly identical terms and provisions as their previous employment agreements. Each new employment agreement also provides that in the event of termination of employment by the Company without cause or by the employee for good reason, health and insurance benefits for such employee will be continued for a period of twelve (12) months from the termination date, with the exception of Mr. Craig, who's benefits will be continued for a period of nine (9) months from the termination date.

In addition, Mr. Beedle's new employment agreement provides for an adjustment in Mr. Beedle's base salary to \$199,000 from a base salary of \$290,000. The terms of Mr. Schierhorn's new employment agreement provides for a change in Mr. Schierhorn's title to Chief Executive Officer and President of the Bank. The terms of Ms. Frye's new employment agreement provide for an adjustment in Ms. Frye's base salary to \$237,000 from a base salary of

\$197,000. Each of the new employment agreements has an initial term ending on December 31, 2017, which will be automatically extended for additional one (1) year term unless at least ninety (90) days prior to any January 1, either party gives notice of its intent not to extend such term or the employment agreement is terminated in accordance with its termination provisions.

All of the employment agreements reflect the named executive officer's eligibility to participate in the Company's Profit Sharing Plan with the exception of Mr. Beedle. The employment agreements with the named executive officers also contain a covenant not to compete, which stipulates that for a period of one (1) year following termination of the agreement (or in the case of Mr. Craig, nine (9) months following the termination of his agreement), or one (1) year following the close of a transaction constituting a change of control agreement (or in the case of Mr. Craig, nine (9) months following the close of such a change in control transaction), the named executive officer will not be directly or indirectly employed by or own any business activity that is competitive with the Company or Bank. As defined in each of their employment agreements, each of the named executive officers is also entitled to the severance benefits discussed herein under the heading Potential Payments Upon Termination or Change of Control.

Joseph M. Beedle

The employment agreement dated January 1, 2017, between the Company, the Bank, and Mr. Joseph M. Beedle, our Chairman, President and Chief Executive Officer of the Company and Chairman of the Bank, establishes Mr. Beedle's annual salary at \$199,000. Mr. Beedle received \$290,000 in salary in 2016, which reflected a \$290,000 annual salary specified in his previous employment agreement as distributed in accordance with the Company's biweekly payroll cycle. 2016 included twenty-six (26) pay periods. A profit sharing allocation of \$46,690 was earned by Mr. Beedle in 2016, under the provisions of the Company's Profit Sharing Plan. Mr. Beedle is entitled to receive an annual contribution equal to twenty percent (20%) of annual base salary in accordance with the Company's SERP, which may be adjusted at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions is credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs.

Latosha M. Frye

The employment agreement dated January 1, 2017, between the Company, the Bank, and Ms. Latosha M. Frye, our Executive Vice President and Chief Financial Officer, establishes Ms. Frye's annual salary at \$237,000. Ms. Frye received \$203,840 in salary in 2016, which reflected the \$160,003 annual salary specified in her previous employment agreement combined with salary increases approved by the Compensation Committee in 2016 as distributed in accordance with the Company's biweekly payroll cycle. 2016 included twenty-six (26) pay periods. A profit sharing allocation of \$34,612 was earned by Ms. Frye in 2016, under the provisions of the Company's Profit Sharing Plan. Ms. Frye is entitled to receive an annual contribution equal to ten percent (10%) of annual base salary in accordance with the Company's SERP, which may be adjusted at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions is credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs.

Joseph M. Schierhorn

The employment agreement dated January 1, 2017 between the Company, the Bank, and Joseph M. Schierhorn, our Executive Vice President, Chief Operating Officer of the Company, and President and Chief Executive Officer of the Bank, establishes Mr. Schierhorn's annual salary at \$292,125. Mr. Schierhorn received \$290,864 in salary in 2016, which reflected the \$285,000 annual salary specified in his previous employment agreement combined with a salary increase approved by the Compensation Committee in 2016 as distributed in accordance with the Company's biweekly payroll cycle. 2016 included twenty-six (26) pay periods. A profit sharing allocation of \$46,829 was earned by Mr. Schierhorn in 2016 under the provisions of the Company's Profit Sharing Plan. Mr. Schierhorn is entitled to receive an annual contribution equal to twenty percent (20%) of annual base salary in accordance with the Company's SERP, which may be adjusted at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions is credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs.

Benjamin D. Craig

The employment agreement dated January 1, 2017 between the Bank and Benjamin D. Craig, our Executive Vice President, Chief Information Officer of the Bank, establishes Mr. Craig's annual salary at \$217,300. In 2016, Mr. Craig entered into an employment agreement with the Bank effective April 15, 2016 which established his annual salary at \$217,300. Mr. Craig received \$216,363 in salary in 2016, which reflected a \$212,000 annual salary combined with a salary increase approved by the Compensation Committee in 2016 as distributed in accordance with the Company's biweekly payroll cycle. 2016 included twenty-six (26) pay periods. A profit sharing allocation of \$34,115 was earned

by Mr. Craig in 2016 under the provisions of the Company's Profit Sharing Plan. Mr. Craig is entitled to receive an annual contribution equal to five percent (5%) of annual base salary in accordance with the Company's SERP, which may be adjusted at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions is credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs.

Michael A. Martin

The employment agreement dated January 1, 2017 between the Company, the Bank and Michael A. Martin, our Executive Vice President, General Counsel and Corporate Secretary of the Company, and Executive Vice President, Chief Operating Officer, General Counsel and Corporate Secretary of the Bank, establishes Mr. Martin's annual salary at \$225,000. Mr. Martin entered into an employment agreement with the Company and the Bank effective April 1, 2016 which established his annual salary at \$174,380. Mr. Martin received \$190,492 in salary in 2016, which reflected the \$174,380 annual salary specified in his previous employment agreement combined with a salary increase approved by the Compensation Committee in 2016 as distributed in accordance with the Company's biweekly payroll cycle. 2016 included twenty-six (26) pay periods. A profit sharing allocation of \$32,346 was earned by Mr. Martin in 2016 under the provisions of the Company's Profit Sharing Plan. Mr. Martin is entitled to receive an annual contribution equal to ten percent (10%) of annual base salary in accordance with the Company's SERP, which may be adjusted at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions is credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs.

Steven L. Hartung

The employment agreement dated January 1, 2016 between the Company, the Bank, and Steven L. Hartung, our Executive Vice President, Corporate Development and Affiliate Relations, established Mr. Hartung's annual salary at \$260,110. Mr. Hartung was a participant in the Profit Sharing Plan, Stock Incentive Plan and was entitled to receive an annual contribution equal to twenty percent (20%) of annual base salary in accordance with the Company's SERP, which was subject to adjustment at the Compensation Committee's and the Board's discretion. Interest on the accruing contributions was credited based on the average yield of the Bank's assets less a three (3) year moving average rate of loan charge-offs. Mr. Hartung retired at the end of 2016.

Potential Payments Upon Termination or Change in Control

In accordance with the terms of the Company's 2014 Stock Incentive Plan, which applied to all named executives, if the Company or the Bank is subjected to a change of control, any outstanding stock option grants or stock awards held by the named executive officers would not automatically vest. However, if the awards were not assumed by or replaced with comparable awards by the successor company, the Compensation Committee may, at its sole discretion, immediately vest all shares.

Additionally, the current employment agreements with Messrs. Schierhorn, Beedle, Craig, Martin, and Ms. Frye specify that if the Company or the Bank is subjected to a change of control and either the Company terminates a named executive officer's employment without cause or if a named executive terminates his or her employment for good reason within 730 days of the change in control for Messrs. Schierhorn, Beedle, Martin and Ms. Frye and 365 days for Mr. Craig, the named executive is entitled to:

All base salary earned and all reimbursable expenses incurred through the termination date payable by the Company in a lump sum no later than forty-five (45) days after the day on which employment is terminated;

An amount equal to two (2) times his or her highest base salary over the prior three (3) years for Messrs Schierhorn, Martin and Ms. Frye; one (1) times his highest base salary over the prior three (3) years for Mr. Craig; and one (1) times his base salary for Mr. Beedle, also payable by the Company in a lump sum no later than forty-five (45) days after the day on which employment is terminated;

An amount equal to two (2) times his or her average profit share received over the prior three (3) years for Mr. Schierhorn and Ms. Frye and one (1) times his average profit share received over the prior three (3) years for Messrs. Martin and Craig payable by the Company in a lump sum no later than forty-five (45) days after the day on which employment is terminated (Mr. Beedle's employment agreement does not entitle him to receive an amount of his average profit share);

The continuation of health and insurance benefits for two (2) years following the termination date of his or her agreement for Mr Schierhorn and Ms. Frye and one (1) year for Messrs. Beedle, Martin and Craig; and, Receive age credit and credit for period of service towards all SERP plans for the remaining period of time covered by each named executive officer's individual employment agreement.

For Messrs. Schierhorn, Beedle, Martin, Craig and Ms. Frye, if the Company terminates the named executive officer's employment without cause, or if he or she terminates his or her employment for good reason, the named executive officer's is entitled to:

All base salary earned and all reimbursable expenses incurred under the agreement through his or her termination date payable by the Company in a lump sum no later than forty-five (45) days after the day on which employment is terminated;

An amount equal to one (1) times his or her highest base salary over the prior three (3) years for Messrs. Schierhorn, Martin and Ms. Frye; an amount equal to one (1) times his base salary for Mr. Beedle; and, seventy-five percent (75%) of his highest base salary over the prior three (3) years for Mr. Craig, to be paid on the first (1st) day of the month following a period of six (6) months after the termination;

Continuation of health and insurance benefits for twelve (12) months for Messrs. Schierhorn, Beedle, Martin and Ms. Frye and nine (9) months for Mr. Craig following the termination date of his or her agreement; and, Receive age credit and credit for period of service towards all SERP plans for the remaining period of time covered by each named executive officer's individual employment agreement.

For Messrs. Schierhorn, Beedle, Craig, Martin, and Ms. Frye, in the event the Company terminates the named executive officer's employment for cause or the named executive officer terminates his or her employment without good reason, the named executive officer is entitled only to payment of all base salary earned and all reimbursable expenses incurred through the termination date payable upon the effective date of termination and will have no right to receive compensation or other benefits for any period after termination.

If the Company terminates the employment of Messrs. Schierhorn, Beedle, Craig, Martin, or Ms. Frye on account of any mental or physical disability that prevents him or her from performing his or her duties, then he or she is entitled to one (1) lump sum payment, on the first (1st) day of the month following a period of six (6) months after employment was terminated, of all base salary earned and reimbursable expenses incurred through the termination date, as well as full base salary and health and dental insurance benefits provided, at the Company's expense, for one (1) year following the termination date.

If a named executive officer's employment agreement is terminated due to his or her death, under the terms of the agreement, his or her beneficiaries will receive that portion of his or her base salary that otherwise would have been paid to him or her for the month in which his or her death occurred and any other amounts due him or her pursuant to the Company's SERP, any supplemental deferred compensation plan, and any other death, insurance, employee benefit plan or stock benefit plan provided to him or her by the Company according to the terms of the respective plans.

Mr. Steven L. Hartung received no additional benefits upon his retirement at the end of 2016.

The following table sets forth potential payments payable to our named executive officers in the event of termination of their employment or a change of control of the Company or the Bank as of December 31, 2016 under the provisions of their employment agreements as described above. The value of unvested options and restricted stock units in the discussion below is based on the closing price of the Company's common stock on December 31, 2016 at \$31.60 per share.

Potential Payments Upon Termination/Change of Control

Name	Salary	Cash Severance	Unvested Stock Options	Unvested Restricted Stock Units	Benefits
Joseph M. Beedle					
Termination by Employer Without Cause	\$3,827	\$199,000	\$—	\$—	\$15,110
By Executive For Good Reason	\$3,827	\$199,000	\$—	\$—	\$15,110
Termination by Employer for Cause	\$3,827	\$—	\$—	\$—	\$—
By Executive Without Good Reason	\$3,827	\$—	\$—	\$—	\$—
Change in Control:					
Without Cause	\$3,827	\$199,000	\$—	\$—	\$15,110
For Good Reason within 730 days of change in control	\$3,827	\$199,000	\$—	\$—	\$15,110

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Death	\$3,827	\$—	\$49,306	\$158,221	\$1,403,424
Disability	\$3,827	\$103,000	\$49,306	\$158,221	\$15,110

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Potential Payments Upon Termination/Change of Control

Name	Salary	Cash Severance	Unvested Stock Options	Unvested Restricted Stock Units	Benefits
Latosha M. Frye					
Termination by Employer Without Cause	\$4,558	\$237,000	\$—	\$—	\$26,063
By Executive For Good Reason	\$4,558	\$237,000	\$—	\$—	\$26,063
Termination by Employer for Cause	\$4,558	\$—	\$—	\$—	\$—
By Executive Without Good Reason	\$4,558	\$—	\$—	\$—	\$—
Change in Control:					
Without Cause	\$4,558	\$529,848	\$—	\$—	\$52,125
For Good Reason within 730 days of change in control	\$4,558	\$529,848	\$—	\$—	\$52,125
Death	\$4,558	\$—	\$20,113	\$103,522	\$28,764
Disability	\$4,558	\$141,000	\$20,113	\$103,522	\$26,063

Potential Payments Upon Termination/Change of Control

Name	Salary	Cash Severance	Unvested Stock Options	Unvested Restricted Stock Units	Benefits
Joseph M. Schierhorn					
Termination by Employer Without Cause	\$5,618	\$292,125	\$—	\$—	\$—
By Executive For Good Reason	\$5,618	\$292,125	\$—	\$—	\$—
Termination by Employer for Cause	\$5,618	\$—	\$—	\$—	\$—
By Executive Without Good Reason	\$5,618	\$—	\$—	\$—	\$—
Change in Control:					
Without Cause	\$5,618	\$680,964	\$—	\$—	\$—
For Good Reason within 730 days of change in control	\$5,618	\$680,964	\$—	\$—	\$—
Death	\$5,618	\$—	\$33,866	\$174,369	\$1,148,215
Disability	\$5,618	\$196,125	\$33,866	\$174,369	\$—

Potential Payments Upon Termination/Change of Control

Name	Salary	Cash Severance	Unvested Stock Options	Unvested Restricted Stock Units	Benefits
Benjamin D. Craig					
Termination by Employer Without Cause	\$4,179	\$162,975	\$—	\$—	\$22,665
By Executive For Good Reason	\$4,179	\$162,975	\$—	\$—	\$22,665
Termination by Employer for Cause	\$4,179	\$—	\$—	\$—	\$—
By Executive Without Good Reason	\$4,179	\$—	\$—	\$—	\$—
Change in Control:					
Without Cause	\$4,179	\$250,181	\$—	\$—	\$30,220
For Good Reason within 730 days of change in control	\$4,179	\$250,181	\$—	\$—	\$30,220
Death	\$4,179	\$—	\$12,030	\$101,088	\$24,924
Disability	\$4,179	\$121,300	\$12,030	\$101,088	\$30,220

Potential Payments Upon Termination/Change of Control

Name	Salary	Cash Severance	Unvested Stock Options	Unvested Restricted Stock Units	Benefits
Michael A. Martin					
Termination by Employer Without Cause	\$4,327	\$225,000	\$—	\$—	\$26,063
By Executive For Good Reason	\$4,327	\$225,000	\$—	\$—	\$26,063
Termination by Employer for Cause	\$4,327	\$—	\$—	\$—	\$—
By Executive Without Good Reason	\$4,327	\$—	\$—	\$—	\$—
Change in Control:					
Without Cause	\$4,327	\$482,346	\$—	\$—	\$26,063
For Good Reason within 730 days of change in control	\$4,327	\$482,346	\$—	\$—	\$26,063
Death	\$4,327	\$—	\$13,371	\$102,984	\$16,722
Disability	\$4,327	\$129,000	\$13,371	\$102,984	\$26,063

In addition to the above provisions, the Company's Profit Sharing Plan contains what is commonly referred to as a "claw back provision" with respect to bonuses or profit sharing allocations paid under the plan. Under this provision, if the Company is required to restate the financial statements due to material noncompliance with generally accepted accounting principles, the Company will recover from the named executives any excess incentive compensation that was paid as a result of the restatement during the three (3) years prior to the restatement.

Grants of Plan-Based Awards

The Compensation Committee approved awards under our Profit Sharing Plan and awarded stock options and restricted stock grants under our 2014 Plan to our named executive officers during 2016. Set forth below is information regarding awards granted during 2016:

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Shares Underlying Options	Exercise or Grant Date	
		Threshold	Target	Maximum				Base Price of Option share	Fair Value of Stock Awards per Option
Joseph M. Beedle	11/16/2016	\$37,830	NA	\$54,373	\$—	1,720	7,659	\$28.10	\$96,660
Latosha M. Frye	11/16/2016	\$28,044	NA	\$40,308	\$—	1,548	2,298	\$28.10	\$57,999
Joseph M. Schierhorn	11/16/2016	\$37,942	NA	\$54,535	\$—	2,580	3,830	\$28.10	\$96,665
Steven L. Hartung	11/16/2016	\$27,284	NA	\$39,215	\$—	1,548	2,298	\$28.10	\$57,999
Benjamin Craig	11/16/2016	\$27,641	NA	\$39,728	\$—	1,290	1,915	\$28.10	\$48,333
Michael Martin	11/16/2016	\$26,208	NA	\$37,668	\$—	1,548	2,298	\$28.10	\$57,999

Profit Sharing Plan. The dollar values reflected in the above table as to estimated future payouts under the non-equity incentive plan awards to the named executives are based on a formula driven methodology applied to determine the annual profit sharing allocation to the Company's Profit Sharing Plan participants recommended by the Chief Executive Officer as described above in the section entitled "Performance Based Annual Payment". The Company's Profit Sharing Plan defines minimum threshold and maximum payouts but it does not define a target payout.

2014 Stock Incentive Plan. The provisions of the 2014 Plan under which the above grants were made permit the Compensation Committee flexibility in determining the terms of the stock option agreements and letter agreements for restricted/performance shares and units granted, respectively, as related to the death, disability, retirement, and termination of employment, and in the event of a change in control.

Shares Available for Issuance

The 2014 Plan provides that a total of 350,000 shares may be issued to eligible participants. Additionally, any shares under the 2014 Plan that are forfeited back to the Company and shares that are withheld by the Company to pay for taxes with respect to awards other than options or stock appreciation rights shall again be available for issue pursuant to new awards granted under this plan. For purposes of calculating available shares, stock options or stock appreciation rights granted are counted as one (1) share for every one (1) share granted, and any shares that are subject to awards other than stock options or stock appreciation rights are counted as three (3) shares for every one (1) share granted. As of December 31, 2016 under the 2014 Plan and previous plans, there were a total of 173,757 options, 69,613 shares of restricted stock, and no performance shares or performance units outstanding and there were 110,868 shares available for issuance.

Stock Options

The 2014 Plan provides that the exercise price of stock options or any other awards as set by the Compensation Committee shall in no event be less than one-hundred percent (100%) of the fair market value of the shares at the close of business on the date of grant. Outstanding options may not be repriced without shareholder approval. All options granted under the 2014 Plan will expire not more than ten (10) years from the date of grant. Each option is exercisable subject to the vesting schedule determined by the Compensation Committee. The exercise price for shares purchased upon the exercise of an option must be paid in cash or such other consideration, including shares of the Company's common stock, as the Compensation Committee deems acceptable.

Stock Awards

Stock awards are earned and vest over a period of at least three (3) years and can be governed by conditions, restrictions, and contingencies determined at the discretion of the Compensation Committee such as continuous service and/or the achievement of performance goals. The stock awards will be in the form of restricted stock, restricted units, performance shares, and performance units.

Stock Appreciation Rights

The 2014 Plan also authorizes the grants of stock appreciation rights, which are grants of rights that entitle the holder to payment equal to the difference between the fair market value of a share at the time of grant versus the fair market value at the time the stock appreciation right is exercised. Stock appreciation rights may be granted in connection with options or separately. Similarly, the 2014 Plan authorizes the grant of dividend equivalent rights, either in connection with other awards (particularly stock awards and stock appreciation rights) or separately.

Administration

Historically, it has been the Compensation Committee's overall practice to consider and grant stock based incentives to employees in the fourth (4th) quarter of the Company's fiscal year. In the fourth (4th) quarter of 2016, the Compensation Committee analyzed and considered the estimated impact of proposed grants on the Company's income statement, as well as the potential dilution from options outstanding and available for future grant. The number of shares of the Company's common stock underlying equity awards granted to employees in 2016 under the 2014 Plan as a percent of fully diluted shares outstanding was 0.71% as compared to 0.51% for our peer median. The Company's shares of common stock underlying equity awards granted in 2016 was higher than our peer median mainly due to the promotion of four (4) Senior Vice Presidents to the Executive Vice President level with a larger amount of equity compensation awarded to this group of employees. Peer median data was obtained from data received from FWCC, an independent, nationally recognized compensation consulting firm, in 2016. The banks that were used to obtain this peer group median are seventeen Pacific Northwest and California commercial banks similar in size to Northrim: TriCo Bancshares; F & M Bancorp; Cascade Bancorp; First Financial Northwest, Inc.; Pacific Continental; Heritage Financial; Riverview Bancorp; North Valley Bancorp; Bank of Commerce; Bank of Marin Bancorp; First Northern Community Bancorp; Home Street, Inc.; Intermountain Community Bancorp; Oak Valley Bancorp; and, Pacific Financial.

Amendment and Termination

The 2014 Plan may be modified, amended or terminated by the Board, except that shareholder approval is required for any amendment which increases the number of shares subject to the 2014 Plan other than in the cases of certain automatic adjustments such as changes in capitalization, which increase or expand the category of eligible recipients,

or whenever applicable law requires that a proposed amendment of the 2014 Plan receive shareholder approval. The Compensation Committee may amend the terms and conditions of outstanding stock options as long as such amendments do not terminate the option or otherwise adversely affect the holders of such stock options without the holders' consent. Additional amendments to terms and conditions of outstanding stock options are subject to vote by the Board.

Shares of Common Stock Authorized for Issuance under Equity Compensation Plans

The following table sets forth information regarding securities authorized for issuance under the Company's equity plans as of December 31, 2016:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights (a) ⁽¹⁾	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c)
Equity compensation plans approved by security holders	243,370	\$16.88	110,868

⁽¹⁾Includes 147,878 outstanding awards granted under the 2014 Plan and 95,492 outstanding awards granted under previous stock option plans.

We do not have any equity compensation plans that have not been approved by our shareholders.

Outstanding Equity Awards at Fiscal Year-End

The following table summarizes the outstanding equity award holdings, as adjusted for dividends, held by our named executive officers as of December 31, 2016:

Name	Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested	
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable (1)	Equity Incentive Plan Awards: Number of Shares Underlying Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)		Market Value of Shares or Units of Stock That Have Not Vested (3)
Joseph M. Beedle	—	7,659	—	\$28.10	11/16/2026	5,007	\$158,221	—
	2,345	4,690	—	\$28.76	11/18/2025	—	\$—	—
	4,249	2,125	—	\$27.28	11/19/2024	—	\$—	—
	5,537	—	—	\$23.74	10/23/2023	—	\$—	—
	6,529	—	—	\$20.35	11/14/2022	—	\$—	—
	4,216	—	—	\$18.40	11/16/2021	—	\$—	—
	3,456	—	—	\$18.13	11/16/2020	—	\$—	—
	2,992	—	—	\$16.28	11/18/2019	—	\$—	—

(1) The number of shares underlying unexercised options unexercisable as of December 31, 2016 total 14,474 in the aggregate and vest as follows:

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November 16, 2017	2,553
November 18, 2017	2,345
November 19, 2017	2,125
November 16, 2018	2,553
November 18, 2018	2,345
November 16, 2019	2,553

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 5,007 in the aggregate and vest as follows:

November 19, 2017	1,572
November 18, 2018	1,715
November 16, 2019	1,720

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Name	Option Awards		Equity Incentive Plan Awards:			Stock Awards		Equity Incentive Plan Awards:	
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Number of Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (1)	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Latosha M. Frye	—	2,298	—	\$28.10	11/16/2026	3,276	\$103,522	—	—
	1,407	2,814	—	\$28.76	11/18/2025	—	\$—	—	—
	1,889	944	—	\$27.28	11/19/2024	—	\$—	—	—

(1) The number of shares or units of stock that have not vested as of December 31, 2016 total 6,056 in the aggregate and vest as follows:

November 16, 2017	766
November 18, 2017	1,407
November 19, 2017	944
November 16, 2018	766
November 18, 2018	1,407
November 16, 2019	766

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 3,276 in the aggregate and vest as follows:

November 19, 2017	699
November 18, 2018	1,029
November 16, 2019	1,548

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Name	Option Awards			Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, or Other Rights That Have Not Vested	
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable (1)	Equity Incentive Plan Awards: Number of Shares Underlying Unearned Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)		Market Value of Stock That Have Not Vested (3)
Joseph M. Schierhorn	—	3,830	—	\$28.10	11/16/2026	5,518	\$174,369	—
	2,345	4,690	—	\$28.76	11/18/2025	—	\$—	—
	3,305	1,653	—	\$27.28	11/19/2024	—	\$—	—
	4,707	—	—	\$23.74	10/23/2023	—	\$—	—
	4,452	—	—	\$20.35	11/14/2022	—	\$—	—
	4,216	—	—	\$18.40	11/16/2021	—	\$—	—
	2,910	—	—	\$18.13	11/16/2020	—	\$—	—
	2,992	—	—	\$16.28	11/18/2019	—	\$—	—
	3,341	—	—	\$12.74	11/5/2018	—	\$—	—
	3,922	—	—	\$23.00	11/1/2017	—	\$—	—

(1) The number of shares underlying unexercised options unexercisable as of December 31, 2016 total 10,173 in the aggregate and vest as follows:

November 16, 2017	1,277
November 18, 2017	2,345
November 19, 2017	1,653
November 16, 2018	1,276
November 18, 2018	2,345
November 16, 2019	1,277

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 5,518 in the aggregate and vest as follows:

November 19, 2017	1,223
November 18, 2018	1,715
November 16, 2019	2,580

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Name	Option Awards		Equity Incentive Plan Awards:			Stock Awards		Equity Incentive Plan Awards:	
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable (1)	Number of Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (2)	Market Value of Shares or Units of Stock That Have Not Vested (3)	Equity Incentive Plan Awards: Number of Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested
Steven L. Hartung	—	2,298	—	\$28.10	11/16/2026	3,602	\$113,823	—	—
	1,407	2,814	—	\$28.76	11/18/2025	—	\$—	—	—
	2,771	1,385	—	\$27.28	11/19/2024	—	\$—	—	—
	3,599	—	—	\$23.74	10/23/2023	—	\$—	—	—
	4,452	—	—	\$20.35	11/14/2022	—	\$—	—	—
	4,216	—	—	\$18.40	11/16/2021	—	\$—	—	—
	2,915	—	—	\$18.13	11/16/2020	—	\$—	—	—
	2,992	—	—	\$16.28	11/18/2019	—	\$—	—	—

(1) The number of shares underlying unexercised options unexercisable as of December 31, 2016 total 6,497 in the aggregate and vest as follows:

November 16, 2017	766
November 18, 2017	1,407
November 19, 2017	1,385
November 16, 2018	766
November 18, 2018	1,407
November 16, 2019	766

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 3,602 in the aggregate and vest as follows:

November 19, 2017	1,025
November 18, 2018	1,029
November 16, 2019	1,548

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Name	Option Awards			Stock Awards					
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: Number of Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested
Benjamin D. Craig	—	1,915	—	\$28.10	11/16/2026	3,199	\$101,088	—	—
	938	1,876	—	\$28.76	11/18/2025	—	—	—	—

(1) The number of shares or units of stock that have not vested as of December 31, 2016 total 3,791 in the aggregate and vest as follows:

November 16, 2017	638
November 18, 2017	938
November 16, 2018	639
November 18, 2018	938
November 16, 2019	638

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 3,199 in the aggregate and vest as follows:

November 19, 2017	1,223
November 18, 2018	686
November 16, 2019	1,290

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Name	Option Awards		Equity Incentive Plan Awards:		Option		Stock Awards		Equity Incentive Plan Awards:	
	Number of Shares Underlying Unexercised Options Exercisable	Number of Shares Underlying Unexercised Options Unexercisable	Number of Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Number of Shares, Units or Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested	Other Rights That Have Not Vested
Michael A. Martin	—	2,298	—	\$28.10	11/16/2026	3,259	\$102,984	—	—	—
	938	1,876	—	\$28.76	11/18/2025	—	—	—	—	—

(1) The number of shares or units of stock that have not vested as of December 31, 2016 total 4,174 in the aggregate and vest as follows:

November 16, 2017	766
November 18, 2017	938
November 16, 2018	766
November 18, 2018	938
November 16, 2019	766

(2) The number of shares or units of stock that have not vested as of December 31, 2016 total 3,259 in the aggregate and vest as follows:

November 19, 2017	1,025
November 18, 2018	686
November 16, 2019	1,548

(3) Based on the closing price of \$31.60 per share of our shares of common stock on the Nasdaq Global Select Market on December 31, 2016.

Option Exercises and Stock Vested

The following table summarizes the aggregate options exercised and the value realized thereon held by our named executive officers during 2016.

Restricted Stock Units granted in 2013 became fully vested in 2016. The number of shares listed in the following table represents the number of shares delivered to each named executive officer and valued at the fair market value of the Company's common stock at the close of business on their respective vesting dates.

OPTION EXERCISES AND STOCK VESTED

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Joseph M. Beedle	1,846	\$69,635	2,129	\$54,907
Latosha M. Frye	—	\$—	974	\$25,119
Joseph M. Schierhorn	170	\$6,758	1,809	\$46,654
Steven L. Hartung	1,889	\$70,891	1,384	\$35,693

Benjamin D. Craig	—	\$—	1,418	\$36,570
Michael A. Martin	—	\$—	974	\$25,119

Pension Benefits

The Company does not sponsor or have any provisions under which the named executive officers can participate or have account balances in qualified or non-qualified defined benefit plans.

Nonqualified Deferred Compensation

The following table summarizes the activity related to our nonqualified deferred compensation arrangement during 2016:

Name	Executive Contributions in Last Fiscal Year(1)	Company Contributions in Last Fiscal Year(2)(6)	Aggregate Earnings in Last Fiscal Year (3)(7)	Aggregate Withdrawals/ Distributions (5)	Aggregate Balance at Last Fiscal Year End (4)
Joseph M. Beedle	\$—	\$147,529	\$62,634	\$—	\$1,388,849
Latosha M. Frye	\$—	\$8,000	\$588	\$—	\$15,893
Joseph M. Schierhorn	\$—	\$101,993	\$35,653	\$—	\$1,133,640
Steven L. Hartung	\$—	\$52,022	\$23,200	\$—	\$626,837
Benjamin D. Craig	\$—	\$10,865	\$418	\$—	\$11,283
Michael A. Martin	\$—	\$8,719	\$335	\$—	\$9,054

(1) None of the named executive officers made contributions under the DCP for 2016.

Includes \$58,000, \$8,000, \$57,000, \$52,022, \$10,865, and \$8,719 in contributions to the SERP for Mr. Beedle, Ms. Frye, Mr. Schierhorn, Mr. Hartung, Mr. Craig, and Mr. Martin, respectively, in 2016. Includes \$89,529 and

(2) \$44,993 in contributions to the Company's SERDCP through payment of annual premiums on variable adjustable life insurance policies in 2016 for Messrs. Beedle and Schierhorn, respectively.

Includes earnings of \$17,783, \$588, \$16,083, \$23,200, \$418, and \$335 under the SERP for Mr. Beedle, Ms. Frye,

(3) Mr. Schierhorn, Mr. Hartung, Mr. Craig, and Mr. Martin, respectively for 2016. Includes earnings of \$44,851 and \$19,570 for Mr. Beedle and Mr. Schierhorn, respectively, under the SERDCP for 2016.

Includes \$480,488, \$15,893, \$434,514, and \$626,837, \$11,283, and \$9,054 for Mr. Beedle, Ms. Frye, Mr.

(4) Schierhorn, Mr. Hartung, Mr. Craig, and Mr. Martin, respectively, in plan asset balances under the SERP for 2016. Includes \$908,361 and \$699,126 in plan asset balances for Messrs. Beedle and Schierhorn, respectively, under the SERDCP for 2016.

(5) There were no distributions under the Company's DCP and SERP plans for 2016.

In reference to the amounts reported in the Company Contributions in Last Fiscal Year column above, these

(6) amounts were reported as compensation in the Summary Compensation Table for the fiscal year ended December 31, 2016.

A portion of the named executives' earnings noted in the Aggregate Earnings in Last Fiscal Year column is reported as excess earnings for the fiscal years ended December 31, 2016, 2015, and 2014 under the column in the

(7) Summary Compensation Table, Change in Pension Value and Nonqualified Deferred Compensation Earnings with excess earnings identified by footnote to the table.

Director Compensation

Directors who are Company employees receive no additional fee for service as a director. Except for Messrs. Beedle and Schierhorn, the remaining named directors in 2016 were non-officers of the Company and the Bank.

Effective May 26, 2016, non-officer directors are entitled to the payment of \$1,000 for each Board meeting attended, \$850 for attendance at each meeting of the Compensation Committee and the Governance and Nominating Committee and \$1,000 for attendance at each meeting of the Audit Committee, while the Chairs of the Audit Committee, Compensation Committee and Governance and Nominating Committee are entitled to receive \$1,750, \$1,500, and \$1,500 respectively for each committee meeting attended. In 2016 all non-officer directors except Mr. Swalling received a \$12,500 annual cash retainer. Mr. Swalling, who serves as the Company's lead director, received a \$17,500 annual cash retainer in 2016. Additionally, all non-officer directors received an additional \$20,000 in cash with the

intention that it be used for the purchase of the Company's common stock on the open market.

The Alaska Banking Code requires that each director of a state bank shall own at least an aggregate fair market value of \$1,000 in the common or preferred stock in such state bank or the controlling entity of such state bank. All of the Company's current directors are currently in compliance with the share ownership provisions of the Alaska Banking Code.

Additionally, the Company's Corporate Governance Guidelines include a recommendation that non-officer directors should purchase not less than \$60,000 (3 times their stock retainer) of Company common stock and hold that common stock free of any encumbrances. Effective May 26, 2016, non-officer directors should meet this stock ownership requirement within five (5) years of that date or within five (5) years of their election to the Board, if they are elected to the Board after May 26, 2016.

The following table sets forth a summary of the compensation that was earned by our non-management directors in 2016:

DIRECTOR COMPENSATION

Name	Fees Earned	
	or Paid in Cash	Total
Larry S. Cash	\$42,950	\$42,950
Mark G. Copeland	\$54,350	\$54,350
Anthony Drabek	\$42,100	\$42,100
Karl L. Hanneman	\$45,300	\$45,300
David W. Karp	\$46,900	\$46,900
David J. McCambridge	\$55,100	\$55,100
Krystal M. Nelson	\$44,400	\$44,400
John C. Swalling	\$59,650	\$59,650
Linda C. Thomas	\$51,050	\$51,050
David G. Wight	\$54,900	\$54,900

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the 1934 Act ("Section 16(a)") requires that the Company's officers and directors and persons who own more than 10% of the Company's outstanding shares of common stock file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely upon a review of the copies of these reports and upon written representations by the Company's directors and officers regarding their compliance with the applicable reporting requirements under Section 16(a), the Company believes that all of the Company's directors and officers filed all reports required by Section 16(a) in a timely manner for the year ended December 31, 2016.

INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

Bank Loan Transactions

As prescribed by regulation and specifically incorporated into the Bank's Loan Policy, Regulation O promulgated under the Federal Reserve Act, governs loans made to or guaranteed by directors, executive officers, and principal shareholders or their related interests. As a group, these people and related interests are referred to as "insiders." All loans subject to Regulation O, which include new, modified and/or increased loans to insiders, or loans guaranteed by insiders are further subject to the provisions and procedures of the Bank's Loan Policy. The Bank's Loan Policy requires that loans to insiders, after proper approval by the Bank's Loan Committee, must also be approved by a majority of the Bank's directors who are not members of the Bank's Loan Committee. Director approval of those loans is documented and provided to the Board.

During 2016, certain directors and executive officers of the Company and the Bank and/or their associates were also customers of the Bank. It is anticipated that directors, executive officers, and their associates will continue to be customers of the Bank in the future. All transactions between the Bank and directors, executive officers, and their associates were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons not related to the Bank. These transactions did not involve more than the normal risk of collectability or present other unfavorable features. At December 31, 2016, the Bank had \$90,000 in outstanding loans to directors and their related interests. The Bank did not have any unfunded loan commitments to these directors and their related interests at December 31, 2016.

Other Related Party Transactions

Under the Company's Corporate Governance Guidelines, directors are required to disclose to the Governance and Nominating Committee any financial interest or personal interest that such director may have in any contract or transaction being considered by the Board for approval. The Governance and Nominating Committee is charged with review and approval of all related person transactions. All proposed related person transactions that are not subject to Regulation O must be presented to the Governance and Nominating Committee and ultimately to the Board for review, discussion, and consideration. Neither the Governance and Nominating Committee nor the Board has adopted any specific procedures for conducting reviews of related party transactions not subject to Regulation O and considers each transaction in light of the particular facts and circumstances. In the course of its review, the Governance and Nominating Committee considers the related party nature of a transaction and its relation to the services being rendered to the Company. In addition, any interested director, after full disclosure, does not participate in the discussion related to and abstains from voting on the transaction or issue brought before the Governance and Nominating Committee or the Board.

During 2016, neither the Company nor the Bank participated in any transactions with related persons that had a direct or indirect material interest in an amount exceeding \$120,000. There are no currently proposed transactions with related persons that exceed \$120,000.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of the Company's common stock as of April 13, 2017 by (i) each director and nominee for director of the Company; (ii) the Company's named executive officers; (iii) all executive officers and directors of the Company as a group; and (iv) persons known to management to beneficially own more than 5% of the outstanding common stock (as adjusted for dividends), based solely upon statements made in filings with the Securities and Exchange Commission or other information the Company believes to be reliable:

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficial Ownership ⁽²⁾	Percent of Class ⁽³⁾
Larry S. Cash	3,426	*
Mark G. Copeland	20,504	*
Anthony Drabek	1,445	*
Karl L. Hanneman	3,500	*
David W. Karp	1,066	*
David J. McCambridge	4,365	*
Krystal M. Nelson	1,200	*
John C. Swalling	3,551	*
Linda C. Thomas	1,640	*
David G. Wight	14,000 ⁽⁴⁾	*
Joseph M. Beedle	42,916 ⁽⁵⁾	*
Steven L. Hartung	29,744 ⁽⁶⁾	*
Latosha M. Frye	9,309 ⁽⁷⁾	*
Benjamin D. Craig	4,399 ⁽⁸⁾	*
Michael A. Martin	4,677 ⁽⁹⁾	*
Joseph M. Schierhorn	55,620 ⁽¹⁰⁾	*
All executive officers and directors as a group (16 persons)	201,362	2.9
BlackRock, Inc. 55 East 52nd Street New York, New York 10055	527,024 ⁽¹¹⁾	7.6
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	479,106 ⁽¹²⁾	6.9
Royce & Associates, LLC 745 Fifth Avenue New York, NY 10151	597,426 ⁽¹³⁾	8.6

- (1) Unless otherwise provided, the address for all directors and executive officers of the Company is 3111 C Street, Anchorage, Alaska 99503.
- (2) Unless otherwise indicated, parties named exercise sole voting and investment power over the shares, subject to community property laws (where applicable).
An asterisk indicates that beneficial ownership does not exceed one percent (1%) of all outstanding shares, in which case the percentage is not reflected in the table. The percentages shown are based on 6,909,865 shares of common stock deemed to be outstanding under applicable regulations as of April 13, 2017. Shares of our
- (3) common stock subject to options that are currently exercisable or exercisable within sixty (60) days of April 13, 2017 are deemed to be outstanding and to be beneficially owned by the person holding the option for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.
- (4) Includes 4,000 shares held in trust for the benefit of Mr. Wight's minor children and spouse. Mr. Wight's spouse is trustee of the trust. Mr. Wight disclaims beneficial ownership of the shares held by the trust.
- (5) Includes options for Mr. Beedle to purchase 6,594 shares exercisable within sixty (60) days of the date of this proxy statement and 1,183 shares held in his 401(k).
- (6) Includes options for Mr. Hartung to purchase 12,229 shares exercisable within sixty (60) days of the date of this proxy statement and 1,168 shares held in his 401(k).
- (7) Includes options for Ms. Frye to purchase 3,296 shares exercisable within sixty (60) days of the date of this proxy statement and 503 shares held in her 401(k).
- (8) Includes options for Mr. Craig to purchase 938 shares exercisable within sixty (60) days of the date of this proxy statement and 262 shares held in his 401(k).
- (9) Includes options for Mr. Martin to purchase 938 shares exercisable within sixty (60) days of the date of this proxy statement and 114 shares held in his 401(k).
Includes options to purchase 24,927 shares exercisable within sixty (60) days of the date of this proxy statement,
- (10) 298 shares held by Mr. Schierhorn's spouse to which he disclaims beneficial ownership, and 7,012 shares held in his 401(k).
BlackRock, Inc., in its capacity as an investment adviser, may be deemed to beneficially own 527,024 shares along with its subsidiaries: BlackRock Advisors, LLC; BlackRock Financial Management, Inc.; BlackRock Fund Advisors; BlackRock Institutional Trust Company, N.A.; and, BlackRock Investment Management, LLC with
- (11) shared voting and/or dispositive power over such shares which are held of record by its clients and disclaims any pecuniary interest. Based on Schedule 13G files with the Securities and Exchange Commission on January 30, 2017.
Dimensional Fund Advisors, LP, in its capacity as an investment advisor, may be deemed to beneficially own
- (12) 479,106 shares with sole power to dispose or to direct the disposition of such shares (and sole voting and dispositive power over 465,850 shares) which are held of record by its clients and disclaims any pecuniary interest. Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 9, 2017.
Royce & Associates, LLC, in its capacity as an investment advisor, may be deemed to beneficially own,
- (13) 597,426 shares with sole power to dispose or to direct the disposition of such shares which are held of record by its clients. Based on a Schedule 13G/A filed with the Securities and Exchange Commission on January 11, 2017.

RELATIONSHIP WITH INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The accounting firm of Moss Adams LLP has performed the audit of the financial statements for the Company for and as of the year ended December 31, 2016. Representatives of Moss Adams LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they so desire. They also will be available to respond to appropriate questions.

Fees Billed By Independent Registered Public Accounting Firms During Fiscal Years 2016 and 2015

The following table itemizes fees billed to the Company by Moss Adams LLP for professional services including the audit of the Company's annual financial statements and internal control over financial reporting for fiscal years 2016 and 2015, respectively:

	2016	2015
Audit fees	\$365,000	\$344,000
Audit related fees:		
Audit of Benefit Plan	13,040	14,500
Tax fees:		
Tax return preparation and related matters	94,577	136,181
All other fees ⁽¹⁾	27,204	—
Total Fees Paid	\$499,821	\$494,681

⁽¹⁾ Fees incurred in connection with Securities and Exchange Commission comment letter review.

The Company requires that all non-audit services rendered to the Company by independent registered public accounting firms be pre-approved by the Audit Committee. The Audit Committee has delegated to its chairman the authority to address requests for pre-approval of services in an amount up to an aggregate of \$50,000. The chairman must report any pre-approval decisions to the Audit Committee at its next scheduled meeting. In all cases the Committee considers whether the provision of such services would impair the independence of the Company's external registered public accounting firm.

COMMITTEE REPORTS

The following reports of the Audit Committee and Compensation Committee are made pursuant to the rules of the Securities and Exchange Commission and the listing standards of the Nasdaq Global Select Market. These reports shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the 1934 Act, except to the extent that the Company specifically incorporates the information by reference, and shall not otherwise be deemed filed under such acts.

AUDIT COMMITTEE REPORT

The Audit Committee Charter of the Company and its subsidiaries specifies that the purpose of the Audit Committee is to assist the Board in its oversight of:

The integrity of the Company's financial reporting process, financial statements, and systems of internal controls;

The Company's accounting practices and internal controls;

The independent registered public accounting firm's qualifications, independence, and performance; and,

The performance of the Company's internal audit function.

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2016 with the Company's management and has discussed with Moss Adams LLP the matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB") Auditing Standard 1301

(Communications with Audit Committees). The Audit Committee discussed with the Company's internal and external independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and external independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

The Audit Committee has received the written disclosures and the letter from the Company's independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the Company's independent registered public accounting firm's communications with the Audit Committee concerning independence. The Audit Committee also discussed with the Company's independent registered public accounting firm the independent accountant's independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements for the fiscal year ended December 31, 2016, be included in the Company's Annual Report on Form 10-K for that year for filing with the Securities and Exchange Commission.

The Audit Committee does not believe the non-audit services provided by Moss Adams LLP called into question Moss Adams LLP's independence.

Respectfully submitted by:

Audit Committee:

Mark G. Copeland, Chairman

David J. McCambridge

Linda C. Thomas

David G. Wight

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402 of Regulation S-K with management, and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's 2017 Proxy Statement.

Respectfully submitted by:

Compensation Committee:

David J. McCambridge, Chairman

Karl L. Hanneman

Krystal M. Nelson

John C. Swalling

PROPOSAL 2: APPROVAL OF NORTHRIM BANCORP, INC. 2017 STOCK INCENTIVE PLAN

During 2016, the Compensation Committee engaged the services of independent benefits and compensation consulting firm, FWCC to advise the Company regarding the creation of a new stock incentive plan.

Based on an advisory report by FWCC including preliminary recommendations, a risk assessment overview and the advice of legal counsel in connection with the review, management proposed that the Compensation Committee consider the adoption of a new 2017 Stock Incentive Plan (the "2017 Plan"), which would include provisions essentially similar to the existing 2014 Stock Incentive Plan (the "2014 Plan"), while reflecting certain changes meant to align the 2017 Plan with current best practices for equity compensation plans. Subject to certain equitable adjustments, a total of 350,000 shares will be authorized for awards granted under the 2017 Plan, less one (1) share for every one (1) share that was subject to an option or stock appreciation right granted under any prior plan after December 31, 2016 and prior to the 2017 Plan's effective date and three (3) shares for every one (1) share that was subject to an award other than an option or stock appreciation right granted under any prior plan after December 31, 2016 and prior to the 2017 Plan's effective date. Any shares that are subject to options or stock appreciation rights will be counted against this limit as one (1) share for every one (1) share granted, and any shares that are subject to awards other than options or stock appreciation rights will be counted against this limit as three (3) shares for every one (1) share granted.

The Company's 2014 Plan was adopted by the shareholders of the Company at the Annual Shareholders' Meeting on May 15, 2014. The 2014 Plan reserved 350,000 shares of common stock for issuance upon the exercise or vesting of equity awards under this plan. As of December 31, 2016, there were 110,868 shares available for issuance under the 2014 Plan while 243,370 shares are subject to currently outstanding options previously granted under the 2014 Plan and prior plans. Once the 2017 Plan is approved by shareholders, no awards may be granted under any prior plan, including the 2014 Plan.

The material differences between the proposed 2017 Plan and the existing 2014 Plan are as follows:

The 2017 Plan includes a provision that outlines the effect of a change in control transaction on the outstanding awards granted under the 2017 Plan. Under the terms of the 2017 Plan, in the event of a transaction that results in a change in control of the Company, the Compensation Committee will have the discretion to determine whether, and to what extent, and under what circumstances, outstanding awards under the 2017 Plan are settled, canceled, forfeited, accelerated, exchanged or surrendered in connection with such event. With respect to any restricted stock award, restricted unit award, performance share award or performance unit award that is intended to comply with the performance based exception under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), in the event of a grantee's termination of employment without Cause or for Good Reason (each as defined in the 2017 Plan) within two (2) years following a change in control transaction, all performance goals or other vesting criteria will be deemed achieved at one-hundred percent (100%) of target levels and all other terms and conditions will be deemed met as of the date the grantee's termination of employment if such is provided in the applicable award agreement; and,

The 2017 Plan also includes a recoupment provision, which is commonly referred to as a "claw back provision." Under this provision, if the Company is required to restate its financial statements as a result of material non-compliance with any financial reporting requirements under the federal securities laws, awardees may be required to reimburse or forfeit to the Company all or a portion of any award awarded or received. The amount to be reimbursed or forfeited to the Company under this provision is determined at the discretion of the Board, or a Board committee based upon the restated financial results. This provision applies to awards granted during the three (3) year period preceding the date on which the Company discloses that it is required to restate its financial statements. The Board believes that a stock incentive plan for key employees is desirable to attract and retain the best-qualified people available to assist in the ongoing management of the Company for the long-term. Accordingly, the 2017 Plan was adopted by the Compensation Committee on January 25, 2017 and, as further recommended by the Compensation Committee, approved by the unanimous vote of the Board on February 23, 2017.

If shareholder approval of the 2017 Plan is obtained, the 2014 Plan will no longer be effective for purposes of granting additional awards. Any shares granted under the 2014 or 2017 Plans that are forfeited back to the Company and shares that are withheld by the Company to pay for taxes with respect to awards other than options or stock appreciation

rights shall again be available for issue pursuant to new awards granted under the 2017 Plan. Additionally, as noted above, awards that have not been exercised, forfeited, or canceled prior to expiration shall be automatically exercised if the awards value exceeds the exercise price on the expiration date. The term of the 2017 Plan is ten (10) years. Presently, the Company estimates that approximately 20 persons will be eligible each year to receive awards under the 2017 Plan. Since specific grants under the 2017 Plan are discretionary, they may vary from year to year and participant to participant and are

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not yet determinable. As a result, no information is provided concerning the benefits to be delivered under the 2017 Plan to any individual or group of individuals.

The Board believes that it is in the best interests of the Company and its shareholders to provide for an equity incentive plan under which compensation awards made to the Company's executive officers are eligible to qualify for deductibility by the Company for federal income tax purposes. Accordingly, the 2017 Plan is designed to permit the grant of awards that are intended to qualify as "performance-based compensation" not subject to the \$1,000,000 deductibility cap under Section 162(m) of the Code ("Section 162(m)"). One of the requirements of "performance-based" compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to, and approved by, the Company's shareholders at least once every five (5) years. For purposes of Section 162(m), the material terms include: (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance goal is based, and (iii) the maximum amount of compensation that can be paid to an employee under the performance goals. With respect to the various types of awards under the 2017 Plan, each of these aspects is discussed below, and as noted above, approval of the 2017 Plan itself will constitute approval of each of these aspects of the 2017 Plan for purposes of the approval requirements of Section 162(m).

The following briefly summarizes certain key features of the proposed 2017 Plan, and is qualified in its entirety by reference to the full text of the 2017 Plan, a copy of which is attached hereto this proxy statement as Exhibit A.

Available Shares and Sharing Counting

Subject to certain equitable adjustments, a total of 350,000 shares will be authorized for awards granted under the 2017 Plan, less one (1) share for every one (1) share that was subject to an option or stock appreciation right granted under any prior plan after December 31, 2016 and prior to the 2017 Plan's effective date and three (3) shares for every one (1) share that was subject to an award other than an option or stock appreciation right granted under any prior plan after December 31, 2016 and prior to the 2017 Plan's effective date. Any shares that are subject to options or stock appreciation rights will be counted against this limit as one (1) share for every one (1) share granted, and any shares that are subject to awards other than options or stock appreciation rights will be counted against this limit as three (3) shares for every one (1) share granted.

If any shares subject to an award are forfeited, an award expires or an award is settled for cash (including awards under any prior plan if such forfeiture, expiration or settlement occurs after December 31, 2016), then the shares subject to such award will be added to the number of shares available for awards under the 2017 Plan. Additionally, shares tendered or withheld by the Company in connection with tax withholding liabilities arising from an award (other than an option or stock appreciation right) under either the 2017 Plan or, if after December 31, 2016, any prior plan, will be added to the shares available for awards under the 2017 Plan.

Any shares that again become available for awards under the 2017 Plan will be added as (i) one (1) share for every one (1) share subject to options or stock appreciation rights granted under either the 2017 Plan or any prior plan, and (ii) as three (3) shares for every one (1) share subject to awards other than options or stock appreciation rights granted under either the 2017 Plan or any prior plan.

Stock Options

The 2017 Plan authorizes the Compensation Committee to administer the 2017 Plan and to award options to eligible employees whom the Compensation Committee determines, in its discretion, to be key employees, and to officers of the Company. Each award agreement shall state the number of shares of the Company's common stock available under the option awarded. The option price for the shares available pursuant to the option shall be such price as is determined by the Compensation Committee; however, except in the case of a substitute award (as described in the plan), in no event shall the option price be less than the fair market value of the Company's shares of common stock as of the grant date. The term of each option shall be determined by the Compensation Committee in its discretion, however, in no event will an option be exercisable after the expiration of ten (10) years from the option's grant date. Unless otherwise provided in an award agreement, full payment of the purchase price shall be made at the time of exercise and shall be made in cash or cash equivalents, such as certified check, bank check, wire transfer, or by offering for payment previously acquired shares valued at the then fair market value. Share in a number equal to the then fair value of a share at the time the option is exercised also may be withheld to make the full payment of the

purchase price at the time of exercise.

An option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Compensation Committee. Shares of common stock delivered pursuant to the exercise of an option shall be subject to such conditions, restrictions and contingencies as the Compensation Committee may establish. The Compensation Committee may impose such conditions, restrictions and contingencies with respect to shares acquired pursuant to the exercise of an option as the Compensation Committee determines to be desirable.

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In any calendar year, no grantee shall receive grants for options and stock appreciation rights covering more than 100,000 shares in aggregate.

Other Stock Awards

In addition to options, and consistent with the 2014 Plan, other awards available under the 2017 Plan include grants of restricted stock, restricted units, performance shares and performance units. Restricted stock awards and restricted unit awards will have a vesting period that is determined, in its sole discretion, by the Compensation Committee subject to limitations imposed by the Internal Revenue Service. Vesting periods will be set forth in the applicable award agreement.

Each grant of performance shares and performance units will be subject to the achievement of performance goals designated by the Compensation Committee and the corresponding award agreement. Performance goals require a performance period of one (1) year or more. Grantees who have been awarded grants of restricted stock or performance shares will have the right to vote all the received shares during the restriction or performance period.

In addition to other awards available under the 2017 Plan, the Compensation Committee may grant stock appreciation rights which may be associated with shares subject to a specific option and entitle the optionee to payment equal to the difference between the fair market value of a share at the time of grant versus the fair market value at the time the stock appreciation right is exercised.

The Compensation Committee may grant dividend equivalent rights under this plan, which may be made as discrete and separate awards, or in connection with shares associated with a grant of restricted stock, restricted units, performance shares or performance units. The grantee will be entitled to payment of an amount equal to the dividends that would have been paid on the associated shares, as if the grantee held the shares on which the dividend equivalent rights were based. Any dividend equivalent rights granted in connection with a performance based award shall be subject to the same restrictions as the underlying award.

Award Repricing

The 2017 Plan provides that neither the Board nor the Compensation Committee may, without the approval of the Company's shareholders, cancel an option or stock appreciation right in exchange for cash when the exercise or grant price per share exceeds the fair market value of one (1) share, or take any action with respect to an option or stock appreciation right that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the shares are traded, including a reduction of the exercise price of an option or the grant price of a stock appreciation right or the exchange on which the shares are traded, including a reduction of the exercise price of an option or the grant price of a stock appreciation right or exchange of an option or stock appreciation right for another award.

Transferability

According to the terms of the 2017 Plan, with limited exceptions, no award granted under the 2017 Plan may be sold, transferred, pledged, or assigned.

Performance Goals

Each grant of performance shares, performance units, and restricted stock or restricted units intended to comply with the performance-based exception under Section 162(m) of the Code, shall be subject to the achievement of performance goals designated by the Compensation Committee and the corresponding award agreement. The performance goals that may be used by the Compensation Committee for such awards consist of goals measuring one (1) or any combination of the following factors: revenue, net interest margin, net interest income, non-interest income, net income, pre- or post-tax income, earnings per share, return on equity, return on assets, share price performance, total shareholder return, improvement in or attainment of expense levels, asset growth, loan growth, deposit growth, growth in other components of the Company's balance sheet, asset quality, and regulatory capital levels. Performance goals may be measured solely on a corporate, subsidiary, division or business unit basis and performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities. The 2017 Plan provides that such performance goals shall be set by the Compensation Committee prior to the earlier of (i) 90 days after the commencement of the applicable performance period and the expiration of twenty-five percent (25%) of the performance period, and (ii) otherwise comply with the requirements of Section 162(m) of the Code. Additionally, no grantee shall be granted restricted stock, restricted units, performance shares, or

performance units during any calendar-year that is intended to comply with the performance-based exception under Section 162(m) and are denominated in shares, under which more than 50,000 shares may be earned for each twelve (12) months in the vesting or performance period.

The Compensation Committee has the discretion to adjust the amount payable under a performance based award downwards, but not upwards, and may not waive the achievement of the applicable performance goals except in the case of death or disability of the grantee or as otherwise determined by the Compensation Committee in special circumstances.

Federal Income Tax Consequences

The following discussion is intended to be a summary and is not a comprehensive description of the federal tax laws, regulations and policies affecting awards that may be granted under the 2017 Plan. Any descriptions of the provisions of any law, regulation or policy are qualified in their entirety by reference to the particular law, regulation or policy. Any change in applicable law or regulation or in the policies of various taxing authorities may have a significant effect on this summary. The 2017 Plan is not a qualified plan under Section 401(a) of the Code.

Stock Options. Generally, a participant who is granted an incentive stock option will not recognize income on the grant or exercise of the option. However, the difference between the exercise price and the fair market value of the stock on the date of exercise is an adjustment item for purposes of the alternative minimum tax. If a participant does not exercise an incentive stock option within certain specified periods after termination of employment, the participant will recognize ordinary income on the exercise of the incentive stock option in the same manner as on the exercise of a non-statutory stock option, as described below.

Non-qualified stock options will not create federal income tax consequences when they are granted. When they are exercised, federal income taxes at ordinary income tax rates must be paid on the amount by which the fair market value of the shares acquired by exercising the option exceeds the exercise price. When an option holder sells shares acquired by exercising a non-qualified stock option, he or she must pay federal income taxes on the amount by which the sale price exceeds the purchase price plus the amount included in ordinary income at option exercise. This amount will be taxed at capital gains rates, which will vary depending upon the time that has elapsed since the exercise of the option.

When a non-qualified stock option is exercised, the Company may be allowed a federal income tax deduction for the same amount that the option holder includes in his or her ordinary income. When an incentive stock option is exercised, there is no tax deduction unless the shares acquired are resold sooner than two (2) years after the option was granted or one (1) year after the option was exercised.

Stock Appreciation Rights. Stock appreciation rights do not have federal income tax consequences for recipients or for us when they are granted. When a stock appreciation right is exercised, the amount paid in settlement is included in the recipient's gross income for federal income tax purposes, and we may be entitled to claim a federal tax deduction for a like amount.

Restricted Stock Awards. Generally, restricted stock awards granted under the 2017 Plan do not result in federal income tax consequences to either the Company or the award recipient when they are made. Once the award is vested and the shares subject to the award are distributed, the award recipient will generally be required to include in ordinary income, for the taxable year in which the vesting date occurs, an amount equal to the fair market value of the shares on the vesting date. The Company will generally be allowed to claim a deduction for compensation expense in a like amount. If dividends are paid on unvested shares held under the 2017 Plan, such dividend amounts will also be included in the ordinary income of the recipient. Generally, the Company will be allowed to claim a deduction for compensation expense for this amount as well. In certain cases, a recipient of a restricted stock award may elect to include the value of the shares subject to a restricted stock award in income for federal income tax purposes when the award is made instead of when it vests.

Other Awards. Restricted stock unit awards, performance share and performance unit awards will not create federal income tax consequences when they are granted. Recipients generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery. In the same taxable year, the Company generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery. In the same taxable year, the Company generally will be allowed to claim a deduction for compensation expense in a like amount. If dividends are paid on unvested shares held under the 2017 Plan, such dividend amounts will also be included in the ordinary income of the recipient. The Company will be allowed to claim a deduction for compensation expense for this amounts will also be

included in the ordinary income of the recipient. The Company will be allowed to claim a deduction for compensation expense for this amount as well.

Deduction Limits. Section 162(m) limits the Company's deductions for compensation in excess of \$1,000,000 per year for our chief executive officer and the three (3) most highly paid executives other than our chief executive officer and our chief financial officer. Compensation amounts resulting from "qualified performance-based compensation" are not subject to this limit. Restricted stock awards and other stock-based awards that are not subject to performance goals may be subject to this deduction limitation if the amount of the restricted stock awards plus other compensation of the executive that is subject to the limit exceeds \$1,000,000. We have designated the 2017 Plan so that stock options, stock appreciation rights, restricted stock unit awards, performance shares,

performance unit awards and other stock-based awards that are subject to performance goals may qualify as qualified performance-based compensation that is not subject to the \$1,000,000 deduction limit.

Adoption, Amendment and Termination Provisions

The 2017 Plan shall expire ten (10) years after its effective date, the effective date being the date of shareholder approval of the plan. The Board may terminate this plan at any time and the Board may amend this plan at any time and from time to time when deemed necessary, except for certain revisions or amendments that would require the proper approval of shareholders.

Other Information

On March 31, 2017, the closing price of our shares of common stock as reported by the NASDAQ Global Select Market was \$30.05 per share.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE NORTHRIM BANCORP, INC. 2017 STOCK INCENTIVE PLAN.

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION

Executive compensation is an important matter for our shareholders. The Company's named executive officers are compensated in a manner consistent with the Company's strategy, competitive practice, sound corporate governance principles, and shareholder interests and concerns. We believe our compensation program, with its balance of short and long term incentives, is strongly aligned with the interests of our shareholders. We urge you to read the Compensation Discussion and Analysis section of this proxy statement for additional details on executive compensation, including the Company's compensation philosophy and objectives and the 2016 compensation of the named executive officers.

In accordance with the Dodd-Frank Act and regulations passed by the Securities and Exchange Commission, the Company is providing shareholders with an advisory (nonbinding) vote on compensation programs for our named executive officers (sometimes referred to as "say on pay"). As an advisory vote, this proposal is nonbinding. Although the vote is nonbinding, the Board and the Compensation Committee value the opinions of our shareholders and will consider the outcome of the vote when making future compensation decisions for our named executive officers.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES, AND THE RELATED NARRATIVE DISCLOSURE IN THIS PROXY STATEMENT.

PROPOSAL 4: ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION

In addition to providing shareholders with the opportunity to cast an advisory vote on executive compensation, the Company this year is also providing shareholders with an advisory vote on whether the advisory vote on executive compensation should be held every one (1), two (2) or three (3) years.

The Board believes that a frequency of "every year" for the advisory vote on executive compensation is the optimal interval for conducting and responding to a "say on pay" vote. Although this advisory vote on the frequency of the "say on pay" vote is nonbinding, the Board and the Compensation Committee will take into account the outcome of the vote when considering the frequency of future advisory votes on executive compensation.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE FREQUENCY OF "EVERY YEAR" FOR FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION.

PROPOSAL 5: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Moss Adams LLP currently serves as our independent registered public accounting firm, and that firm conducted the audit of our financial statements for the fiscal years ended December 31, 2016, 2015, and 2014.

Appointment of the Company's independent registered public accounting firm is not required to be submitted to a vote of our shareholders for ratification. However, the Board determined that submitting the appointment of Moss Adams LLP to the shareholders for ratification was a matter of good corporate practice. If the Company's shareholders do not ratify the appointment, the Audit Committee will reconsider whether to retain that firm. However, if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different principal independent registered public accounting firm at any time.

Representatives of Moss Adams LLP are expected to be present at the Annual meeting and will have the opportunity to make a statement, if they desire to do so, and will be available to respond to appropriate questions.

THE BOARD RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF MOSS ADAMS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2017.

INFORMATION CONCERNING SHAREHOLDER PROPOSALS

A shareholder proposing to transact business at the Company's 2018 Annual Shareholders' Meeting must provide notice of such proposal to the Company no later than March 1, 2018. For shareholder proposals to be considered for inclusion in the Company's proxy statement and form of proxy relating to its Annual Shareholders' Meeting, such proposals must be received by the Company no later than December 14, 2017. If the Company receives notice of a shareholder proposal after March 1, 2018, the persons named as proxies in the proxy statement and/or form of proxy will have discretionary authority to vote on such shareholder proposal.

HOUSEHOLDING

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements with respect to two (2) or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as "householding," potentially means extra convenience for shareholders and cost savings for companies. We have not implemented householding rules with respect to our record holders. However, a number of brokers with account holders who are shareholders may be "householding" our proxy materials. If a shareholder receives a householding notification from their broker, a single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from an affected shareholder. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise.

Shareholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker. In addition, if any shareholder that receives a "householding" notification wishes to receive a separate annual report or proxy statement at their address, such shareholder should also contact their broker directly. Shareholders who in the future wish to receive multiple copies may also contact the Company c/o Corporate Secretary, Northrim BanCorp, Inc., 3111 C Street, Anchorage, Alaska 99503.

Shareholders of record sharing an address can request delivery of a single copy of annual reports to security holders, proxy statements, and notices of Internet availability of proxy materials by contacting the Company at: c/o Corporate Secretary, Northrim BanCorp, Inc., 3111 C Street, Anchorage, Alaska 99503.

2016 REPORT TO SHAREHOLDERS AND ANNUAL REPORT — FORM 10-K

The Company's 2016 Annual Report (which is not part of the Company's proxy soliciting materials), and 2016 Annual Report on Form 10-K for the fiscal year ended December 31, 2016, accompanies this proxy statement. These reports are also available on our website at www.northrim.com under "Investor Relations." Additional hard copies will be furnished to shareholders upon request to: c/o Corporate Secretary, Northrim BanCorp, Inc., 3111 C Street, Anchorage, Alaska 99503, or by telephone to (907) 562-0062, or by fax to (907) 562-1758.

OTHER MATTERS

The Board knows of no other matters to be brought before the Annual Meeting. However, if other matters should properly come before the Annual Meeting, it is the intention of the persons named in the proxy to vote the proxy in accordance with the recommendations of management on such matters.

WE URGE YOU TO SIGN AND RETURN THE ENCLOSED PROXY OR VOTE USING THE INTERNET AS PROMPTLY AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. IF YOU ATTEND THE MEETING, YOU MAY THEN WITHDRAW YOUR PROXY AND VOTE AT THE MEETING, IF YOU WISH. THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO ITS EXERCISE.

EXHIBIT A: NORTHRIM BANCORP, INC. 2017 STOCK INCENTIVE PLAN

I.

GENERAL PROVISIONS

1. Purpose. The purpose of this Plan is to provide additional incentives to selected key employees and officers of Northrim BanCorp, Inc. and related entities, thereby helping to attract and retain the best available personnel for positions of responsibility with such corporations and otherwise promoting the success of the business activities of such corporations. The incentives will be in the form of options to purchase shares of the Company's common stock, other awards of the Company's common stock (whether payable or denominated in common stock), and Stock Appreciation Rights.

2. Definitions. As used in this Plan, the following definitions shall apply:

"Award" shall mean any grant of an Option, Restricted Stock, Restricted Unit, Performance Shares, Performance Units, Stock Appreciation Right, or Dividend Equivalent Right.

"Award Agreement" shall mean a written agreement (which may also be in electronic form) that details the terms and conditions of a particular Award.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean, when used in connection with the termination of a Grantee's employment or other service relationship with the Employer, a termination attributable to the Grantee's (a) willful refusal to perform his or her obligations to the Employer, following a reasonable notice and cure period, (b) misappropriation of the Employer's assets or flagrant mistreatment of subordinate employees, (c) commission of a serious criminal act, whether denominated a felony, misdemeanor or otherwise, which is likely to have a detrimental impact on the Employer and its operations, or (d) engaging in activities directly in competition or antithetical to the best interests of the Employer. To the extent a Grantee is a party to an employment agreement or offer letter of employment with the Employer that defines "cause" or a similar term, then the meaning set forth in that agreement shall also be considered "Cause" for purposes of this Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Common Stock" shall mean the Company's common stock.

"Committee" shall mean the Committee appointed by the Board in accordance with Section 4(a) of this Part I.

"Company" shall mean Northrim BanCorp, Inc., a bank holding company headquartered in Anchorage, Alaska.

"Dividend Equivalent Right" shall mean a right awarded to a Grantee pursuant to Part IV of this Plan to receive payment of an amount equivalent to the dividend that would be paid on a specified number of Shares just as if the Grantee owned the Shares. Dividend Equivalent Rights may be granted alone or in connection with any other Award other than an Option or Stock Appreciation Right.

"Effective Date" shall mean May 25, 2017, the date the shareholders of the Company approve this Plan.

"Eligible Participants" shall mean the key employees and officers of the Employer who are eligible to receive Awards under this Plan, in accordance with Section 4(c) of this Part I.

"Employer" shall mean the Company or any Related Entity that now exists or is hereafter organized or acquired by the Company.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or the Nasdaq Small Market of the Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such determination, as reported in The Wall Street Journal or other source as the Committee deems reliable; or

(b) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for such stock on the date of such determination, as reported in The Wall Street Journal or other source as the Committee deems reliable; or

(c) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined by the Committee.

The Company acknowledges that Code Section 409A generally applies to deferred compensation, but provides an exception for stock options and stock appreciation rights with an exercise price no less than the fair market value of the underlying stock as of the time of grant. To satisfy the applicable exception, "Fair Market Value" under this Plan is intended to satisfy the standards of fair market value for purposes of Code Section 409A.

"Good Reason" shall mean, unless otherwise provided in an Award Agreement or other agreement between the Grantee and the Company, the occurrence of one or more of the following without the Grantee's express written consent, which circumstances are not remedied by the Company within thirty (30) days of its receipt of a written notice from the Grantee describing the applicable circumstances (which notice must be provided by the Grantee within ninety (90) days of the Grantee's knowledge of the applicable circumstances): [(i) any material, adverse change in the Grantee's duties, responsibilities, or authority;], [(ii) a material reduction in the Grantee's base salary or bonus opportunity;] or [(iii) a geographical relocation of the Grantee's principal work location by more than fifty (50) miles].

"Grant Date" shall mean the date on which the Committee completes the corporate action relating to the grant of an Award and all conditions to the Grant have been satisfied, provided that conditions relating to exercisability, vesting or similar conditions shall not defer the Grant Date.

"Grantee" shall mean an individual or entity who has received an Award under this Plan.

"Option" shall mean a right to purchase Shares in accordance with the provisions of Part II of this Plan. No Options under this Plan are intended to qualify as "incentive stock options" as defined in Code Section 422.

"Option Price" shall mean the amount to be paid by a Grantee to exercise an Option.

"Performance Shares" shall mean Shares awarded to a Grantee, where the Grantee's continued retention of the Shares is subject to the satisfaction of specific performance-based criteria, pursuant to Part III of this Plan.

"Performance Units" shall mean a right awarded to a Grantee to receive Shares (one Share for each Performance Unit) upon the satisfaction of specified performance-based criteria, pursuant to Part III of this Plan. At the discretion of the Committee, Performance Units may be paid in cash in an amount equivalent to the Fair Market Value of the Shares otherwise payable to the Grantee, or a combination of cash and Shares.

"Plan" shall mean this Northrim Bancorp, Inc. 2017 Stock Incentive Plan.

"Prior Plans" shall mean the Company's 2004 Stock Incentive Plan, the Company's 2010 Stock Incentive Plan, and the Company's 2014 Stock Incentive Plan.

"Related Entity" shall mean any entity that, directly or indirectly, is in control of, or under control with, the Company. For this purpose, the term "control" shall have the meanings assigned such term for the purposes of registration of securities on Form S-8 under the Securities Act.

"Restricted Stock" shall mean Shares awarded to a Grantee, where the Grantee's continued retention of the Shares is subject to various restrictions, such as continued employment for a designated period, etc.

"Restricted Units" shall mean a right awarded to a Grantee to receive Shares (one Share for each Restricted Unit) upon the satisfaction of specified conditions, such as continued employment for a designated period, etc. At the discretion of the Committee, Restricted Units may be paid in cash in amount equivalent to the Fair Market Value of the Shares otherwise payable to the Grantee, or a combination of cash and Shares.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Shares" shall mean shares of Common Stock.

"Stock Appreciation Right" shall mean a right awarded to a Grantee pursuant to Part IV of this Plan to receive a cash payment equal to the appreciation (if any) in the Fair Market Value of a Share from the date of grant until the Stock Appreciation Right is exercised. At the discretion of the Committee, payment may be made by delivering an amount of Shares that have a Fair Market Value equal to the cash otherwise payable to the Grantee, or a combination of cash and Shares.

"Substitute Awards" shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Company subsidiary or with which the Company or any Company subsidiary combines.

3. Shares Subject to the Plan.

(a) Total Shares Available. Subject to adjustment under Section 3(b) below, a total of 350,000 Shares shall be authorized for Awards granted under the Plan, less one Share for every one Share that was subject to an option or stock appreciation right granted under any Prior Plan after December 31, 2016 and prior to the Effective Date and three Shares for every one Share that was subject to an award other than an option or stock appreciation right granted under any Prior Plan after December 31, 2016 and prior to the Effective Date. Any Shares that are subject to Options or Stock Appreciation Rights shall be counted against this limit as one Share for every one Share granted, and any Shares that are subject to Awards other than Options or Stock Appreciation Rights shall be counted against this limit as three Shares for every one Share granted. No awards may be granted under any Prior Plan on or after the Effective Date. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

If (i) any Shares subject to an Award are forfeited, an Award expires or an Award is settled for cash (in whole or in part), or (ii) after December 31, 2016 any Shares subject to an award under any Prior Plan are forfeited, an award under any Prior Plan expires or is settled for cash (in whole or in part), then in each such case the Shares subject to such Award or award under the Prior Plan shall, to the extent of such forfeiture, expiration or cash settlement, be added to the Shares available for Awards under the Plan, as provided below. In the event that withholding tax liabilities arising from an Award other than an Option or Stock Appreciation Right or, after December 31, 2016, an award other than an option or stock appreciation right under any Prior Plan are satisfied by the tendering of Shares (either actually or by attestation) or by the withholding of Shares by the Company, the Shares so tendered or withheld shall be added to the Shares available for Awards under the Plan as provided below. Notwithstanding any other Plan provision to the contrary, the following Shares shall not be added to the Shares authorized for grant under this Section: (i) Shares tendered by the Grantee or withheld by the Company in payment of the purchase price of an Option or, after December 31, 2016, an option under any Prior Plan, (ii) Shares tendered by the Grantee or withheld by the Company to satisfy any tax withholding obligation with respect to Options or Stock Appreciation Rights or, after December 31, 2016, options or stock appreciation rights under any Prior Plan, (iii) Shares subject to a Stock Appreciation Right or, after December 31, 2016, a stock appreciation right under any Prior Plan that are not issued in connection with its stock settlement on exercise thereof, and (iv) Shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Options or, after December 31, 2016, options under any Prior Plan.

Any Shares that again become available for Awards under the Plan pursuant to this Section shall be added as (i) one Share for every one Share subject to Options or Stock Appreciation Rights granted under the Plan or options or stock appreciation rights granted under any Prior Plan, and (ii) as three Shares for every one Share subject to Awards other than Options or Stock Appreciation Rights granted under the Plan or awards other than options or stock appreciation rights granted under any Prior Plan.

Substitute Awards shall not reduce the Shares authorized for grant under the Plan or the limitations on grants to a Grantee under Section 3(c), nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above in this Section 3(a). Additionally, in the event that a company acquired by the Company or any Company subsidiary or with which the Company or any Company subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such

acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company prior to such acquisition or combination.

(b) Adjustments to Shares Available. The number of Shares covered by each outstanding Award, the number of Shares available for grant of additional Awards, the Option Price of outstanding Options (and grant or exercise price of outstanding Stock Appreciation Rights), and the limitations in Section 3(c) shall be proportionately adjusted for any increase or decrease in

the number of issued Shares resulting from any merger, reorganization, recapitalization, stock split, reverse stock split, spin-off, or other subdivision or consolidation of Shares, the payment of any dividend or distribution (whether in cash, Shares or other property, other than a regular cash dividend), any other increase or decrease in the number of Shares which is effected without receipt of consideration by the Company, or other change in corporate structure affecting the Shares or value thereof; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee (taking into consideration the accounting and tax consequences), whose determination in that respect shall be final, binding and conclusive.

(c) Other Plan Limits. Subject to adjustment under Section 3(b), the following additional maximums are established under this Plan. No Grantee shall be granted (i) Options or Stock Appreciation Rights during any calendar year covering more than 100,000 Shares, or (ii) Restricted Stock, Restricted Units, Performance Shares or Performance Units during any calendar year that are intended to comply with the performance-based exception under Code Section 162(m) and are denominated in Shares, under which more than 50,000 Shares may be earned for each 12 months in the vesting or performance period. If an Award is canceled, the canceled Award shall continue to be counted toward the applicable limitation in this Section.

(d) Payment With Shares. Subject to the overall limitation on the number of Shares that may be delivered under this Plan, the Committee may, in addition to granting Awards, use available Shares as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company, including those of any entity acquired by the Company.

4. Plan Administration.

(a) The Committee. This Plan shall be administered by the Compensation Committee of the Board or such other Committee as shall be appointed by the Board. The Committee shall consist solely of two or more non-employee members of the Board, with the intent that the Committee members satisfy any applicable requirements under the NASDAQ rules, the insider trading requirements of Rule 16b issued under the Exchange Act, or Section 162(m) of the Code. If the Committee does not exist, or if the Board chooses to directly exercise its powers under this Plan, then the Board may take any action under this Plan that would otherwise be the responsibility of the Committee. Once appointed, the Committee shall continue to serve until otherwise directed by the Board. From time to time, the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause), appoint new members in substitution for existing members, and fill vacancies (however caused). The Committee shall select one of its members as chairman, and shall hold meetings at such times and places as the chairman or a majority of the Committee may determine.

At least annually, the Committee shall present a written report to the Board indicating the Eligible Participants to whom Awards have been granted since the date of the last such report, and, in each case, the Awards' Grant Dates, the number of Shares covered by the Awards, and the Option Price or Fair Market Value of the shares awarded.

To the extent not inconsistent with applicable law, including Section 162(m) of the Code, with respect to Awards intended to comply with the performance-based compensation exception under Section 162(m), or the rules and regulations of the principal U.S. national securities exchange on which the Shares are traded, the Committee may (i) delegate to a committee of one or more directors of the Company any of the authority of the Committee under the Plan, including the right to grant, cancel or suspend Awards and (ii) authorize one or more executive officers to do one or more of the following with respect to employees who are not directors or executive officers of the Company (A) designate employees to be recipients of Awards, (B) determine the number of Shares subject to such Awards to be received by such employees and (C) cancel or suspend Awards to such employees; provided that (x) any resolution of the Committee authorizing such officer(s) must specify the total number of Shares subject to Awards that such officer(s) may so award and (y) the Committee may not authorize any officer to designate himself or herself as the recipient of an Award.

(b) Powers of the Committee. Subject to the provisions and limitations of this Plan, the Committee shall have the authority and discretion:

(i) to determine the Eligible Participants to whom Awards are to be granted, the times of grant, and the number of Shares covered by each Award;

- (ii) to determine the Option Price, subject to the provisions of Subparagraph 2(b) of Part II of this Plan;
- (iii) to determine the types and other terms and conditions of each Award granted under this Plan (which need not be identical), including performance and/or vesting contingencies;

(iv) to modify, waive, or amend the terms of any Award previously granted, or to grant substitute Awards, subject to Part V;

(v) to interpret this Plan, and all actions of the Committee in connection with the construction, interpretation and administration of the Plan and the Awards shall be final, conclusive, and binding upon all parties;

(vi) Subject to Part V, Section 2, to correct any defect, supply any omission, or reconcile any inconsistency (a) within this Plan, (b) between this Plan and any related agreement, or (c) between this Plan and any rule or regulation promulgated under this Plan, in the manner and to the extent the Committee deems appropriate to carry out this Plan;

(vii) to authorize any person or persons to execute and deliver Award Agreements or to take any other actions deemed by the Committee to be necessary or appropriate to effectuate the grant of Awards by the Committee; and

(viii) to make all other determinations and take all other actions that the Committee deems necessary or appropriate to administer this Plan in accordance with its terms and conditions and applicable law.

All decisions, determinations, and interpretations of the Committee shall be final and binding upon all persons, including all Grantees and any other holders or persons interested in any Award, unless otherwise expressly determined by a vote of the majority of the entire Board. No member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to this Plan or an Award.

(c) **Eligibility.** Awards may be granted to any Eligible Participant whom the Committee determines, in its discretion, to be a key employee or officer of the Employer. Granting of Awards pursuant to this Plan shall be entirely discretionary with the Committee, and the adoption of this Plan shall not confer upon any individual a right to receive any Award, unless and until such Awards are granted by the Committee, in its sole discretion. Neither the adoption of this Plan nor the granting of any Awards shall confer upon any individual any right with respect to continuation of employment, nor shall the same interfere in any way with his or her right (or with the right of the Company or a Related Entity) to terminate his or her employment at any time.

(d) **Transferability of Awards.** Except as provided below, no Award shall be transferable by a Grantee other than (i) by the Grantee's last will and testament, (ii) in accordance with the beneficiary designation in the form approved by the Committee and filed by the Grantee with the Committee during the Grantee's lifetime or (iii) by the applicable laws of descent and distribution. In particular, except as provided below, during a Grantee's lifetime only the Grantee, or his or her guardian or legal representative, may exercise Options possessed by the Grantee. No Shares associated with grants of Restricted Stock, Restricted Units, Performance Shares or Performance Units may be sold, exchanged, transferred, pledged or otherwise disposed of during the corresponding restriction or performance period. Notwithstanding the foregoing, to the extent and under such terms and conditions as determined by the Committee, a Grantee may assign or transfer an Award without consideration (each transferee thereof, a "Permitted Assignee") (i) to the Grantee's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) to a trust for the benefit of one or more of the Grantee or the persons referred to in clause (i), (iii) to a partnership, limited liability company or corporation in which the Grantee or the persons referred to in clause (i) are the only partners, members or shareholders or (iv) for charitable donations; provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Grantee shall remain bound by the terms and conditions of the Plan. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section.

(e) **Tax Withholding.** As described in various provisions of this Plan, the payment of benefits in connection with Awards may impose on the Employer the obligation to withhold taxes. The Employer may delay payment or transfer of Shares until arrangements have been made to satisfy any tax withholding obligations. In addition, tax withholding in connection with all Awards under this Plan may be accomplished through the withholding of Shares, provided that the number of Shares withheld shall be limited to the minimum required tax withholding rate for the Grantee (or Permitted Assignee) or such other rate that will not cause an adverse accounting consequence or cost, otherwise deliverable in connection with the Award and as determined by the Administrator.

(f) **Settlement of Awards; Deferral of Income.** Except to the extent provided otherwise in the corresponding Award Agreement, the Committee has the discretionary authority to determine that any payment or settlement pursuant to an

Award issued under this Plan may be paid or settled in cash or Shares of equivalent value. To the extent available under non-qualified

deferred compensation arrangements maintained by the Employer, the Committee may extend to a Grantee the ability to elect to defer the receipt of cash otherwise payable pursuant to any Awards, except Options and the Stock Appreciation Rights, which deferral elections may serve to delay the recognition of taxable income by the Grantee. The ability of a Grantee to make a deferral election with respect to an Award shall be controlled by the provisions of the particular Award Agreement, which may be modified by the Committee, in its complete discretion, after the initial grant of the Award.

(g) Termination for Cause. Except to the extent provided otherwise in the corresponding Award Agreement, to the extent a Grantee's employment with the Company or a Related Entity is terminated for Cause, the Grantee's outstanding and still contingent Awards shall immediately become null and void. Specifically, any outstanding unexercised Options, whether vested or unvested, shall immediately terminate. Similarly, any grants of Restricted Stock, Restricted Units, Performance Shares, Performance Units, Stock Appreciation Rights or Dividend Equivalent Rights under this Plan, which have not yet been paid to the Grantee, or remain subject to performance or other criteria that the Grantee has not yet fulfilled, shall immediately forfeit and become null and void.

5. Code Section 409A. The Company acknowledges that Code Section 409A applies to deferred compensation, including stock options and stock appreciation rights which do not satisfy an exemption from Code Section 409A. The Company intends for this Plan and the Options and the Stock Appreciation Rights issued hereunder to satisfy an exemption under Code Section 409A (or otherwise to be in compliance), and this Plan and all Award Agreements will be interpreted to that end. The Company reserves the right to amend this Plan and any Award Agreement as necessary to comply with Code Section 409A or an applicable exemption, including (but not limited to) an amendment that adjusts the Option Price associated with an Option or the exercise price associated with a Stock Appreciation Right, which may be necessary for an Option or Stock Appreciation Right to comply with an exemption available for stock options and stock appreciation rights under the regulations issued pursuant to Code Section 409A.

6. Section 16(b) Compliance; Bifurcation of Plan. As long as the Company registers any of its equity securities pursuant to Section 12(b) or 12(g) of the Exchange Act, this Plan and the Awards granted under this Plan shall comply in all respects with Rule 16b-3 under the Exchange Act (or any successor rule). If any Plan provision is later found not to be in compliance with Rule 16b-3, the provision shall be deemed null and void, or if possible construed in favor of its meeting the requirements of Rule 16b-3. Notwithstanding anything in this Plan to the contrary, the Committee, in its absolute discretion, may bifurcate this Plan so as to restrict, limit or condition the use of any provision of this Plan to Grantees who are officers and directors subject to Section 16(b) of the Exchange Act without so restricting, limiting or conditioning other Grantees. This provision shall not obligate the Company to undertake registration of any of the Awards or shares of Common Stock.

7. Applicable Law. This Plan shall be governed and construed in accordance with the laws of the State of Alaska.

II. STOCK OPTIONS

1. Eligibility. Options may be awarded to any Eligible Participant, as determined in the complete discretion of the Committee.

2. Terms and Conditions of Options. All Options granted pursuant to this Plan must be authorized by the Committee or its designees and shall be subject to such terms and conditions, not inconsistent with this Plan, as the Committee shall prescribe. The terms and conditions shall be documented in written Award Agreements in such form as the Committee shall from time to time approve. Unless waived or modified by the Committee, all Options shall be subject to the following terms and conditions:

(a) Number of Shares; Annual Limitation. Each Award Agreement shall state the number of Shares available under the Option. Any number of Options may be granted to a single Grantee at any time and from time to time, subject to Part I, Section 2(c). The Option Price for the Shares available pursuant to the Option shall be such price as is determined by the Committee, but in no event less than the Fair Market Value of the Common Stock as of the Grant Date, except as provided under Section 2(g) of this Part II.

(b) Option Price and Consideration. Unless otherwise provided in an Award Agreement, full payment of such purchase price shall be made at the time of exercise and shall be made (i) in cash or cash equivalents (including

certified check or bank check or wire transfer of immediately available funds), (ii) by tendering previously acquired Shares (either actually or by attestation) valued at their then Fair Market Value, (iii) with the consent of the Committee, by delivery of other consideration having a Fair Market Value on the exercise date equal to the total purchase price, (iv) with the consent of the Committee, by withholding Shares otherwise issuable in connection with the exercise of the Option, (v) through any other method specified in an Award Agreement (including same-day sales through a broker), or (vi) any combination of any of the foregoing.

(c) **Term of Option.** No Stock Option granted pursuant to this Plan shall in any event be exercisable after the expiration of ten (10) years from the Option's Grant Date. Subject to the foregoing and other applicable provisions of this Plan, the term of each Option shall be determined by the Committee in its discretion. Notwithstanding the foregoing, in the event that on the last business day of the term of an Option (i) the exercise of the Option is prohibited by applicable law or (ii) Shares may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Option shall be extended for a period of 30 days following the end of the legal prohibition, black-out period or lock-up agreement.

(d) **Manner of Exercise; Conditions.** An Option shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee. Shares of Common Stock delivered pursuant to the exercise of an Option shall be subject to such conditions, restrictions and contingencies as the Committee may establish. The Committee may impose such conditions, restrictions and contingencies with respect to Shares acquired pursuant to the exercise of an Option as the Committee determines to be desirable. Notwithstanding the foregoing, an Award Agreement may provide that if on the last day of the term of an Option the Fair Market Value of one Share exceeds the option price per Share, the Grantee has not exercised the Option (or a tandem Stock Appreciation Right, if applicable) and the Option has not expired, the Option shall be deemed to have been exercised by the Grantee on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Option. In such event, the Company shall deliver to the Grantee the number of Shares for which the Option was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes; provided, however, any fractional Share shall be settled in cash.

(e) **Conditions Upon Issuance of Shares.** Shares shall not be issued with respect to an Option unless the exercise of such Option and the issuance and delivery of such Shares pursuant thereto complies with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the Alaska Securities Act or applicable securities statutes of other states, the rules and regulations promulgated under all such statutes, and the requirements of any stock exchange upon which the Common Stock may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

The Company will use its best efforts to obtain from the appropriate regulatory agencies any requisite authorization in order to issue the number of shares of its Common Stock as needed to satisfy the requirements of this Plan. The Company's inability to obtain the authority that Company's counsel deems to be necessary for the lawful issuance of any shares under this Plan, or the unavailability of an exemption from registration for the issuance and sale of any shares under this Plan, shall relieve the Company of any liability with respect to the non-issuance of such shares.

As a condition to the exercise of an Option, the Company may require the person exercising the Option to represent and warrant at the time of exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute the Shares if, in the opinion of counsel for the Company, such a representation is required by any applicable law.

(f) **Merger, Sale of Assets, etc.** Except as otherwise provided in the Award Agreement that evidences an Option, in the event of a merger or other reorganization of the Company with and into any other corporation (other than a reorganization where the ownership of the surviving company is substantially the same as that of the Company), or in the event of a sale of substantially all of the assets of the Company, or in the event of a dissolution or liquidation of the Company, the disposition of all outstanding and unexercised Options shall proceed as determined by the Committee, which determination may include (but shall not be limited to) an elimination of all unvested Options and termination of all vested Options following a reasonable period of time during which Grantees may exercise their vested Options and the additional acceleration with respect to the vesting and exercisability of unvested Options upon or after the merger or other transaction. Notwithstanding the foregoing, any acceleration of vesting or exercisability of Options in connection with such merger or other transaction described above, shall be contingent on the consummation of the merger or other transaction.

(g) **Substitute Stock Options.** In connection with the acquisition by the Company or any Related Entity, whether by merger, acquisition of stock or assets, or other reorganization transaction, of a business whose employees have been granted stock options, the Committee is authorized to issue, in substitution of any such unexercised stock option, a

new Option under this Plan that confers upon the Grantee substantially the same benefits as the old option. Notwithstanding Section 2(a) of this Part II, an Option may be granted with an Option Price lower than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option if such Option is granted pursuant to an assumption of or substitution for another option pursuant to such a corporate transaction and in a manner consistent with the provisions of Sections 409A and 424(a) of the Code (whether or not such Option is an "incentive stock option" (within the meaning of Section 422 of the Code), or is otherwise compliant with Section 409A of the Code.

(h) Tax Compliance. The Employer, in its sole discretion, may take any actions reasonably believed by it to be required to comply with any local, state, or federal tax laws relating to the reporting or withholding of taxes attributable to the grant or exercise of any option or the disposition of any Shares issued upon exercise of an Option, including, but not limited to, (i) withholding from any Grantee exercising an Option a number of Shares having a Fair Market Value equal to the amount required to be withheld by the Employer under applicable tax laws (up to the minimum required tax withholding rate for the Grantee (or Permitted Assignee) or such other rate that will not cause an adverse accounting consequence or cost), and (ii) withholding from any form of compensation or other amount due a Grantee or holder of Shares issued upon exercise of an Option any amount required to be withheld by the Employer under applicable tax laws.

(i) Other Provisions. Award Agreements executed pursuant to this Plan may contain such other provisions as the Committee shall deem advisable. The possession of an Option shall not, in and of itself, convey to the Grantee any of the rights or attributes of a shareholder, but only the right (subject to certain conditions) to exercise the Option and receive Shares.

III.

OTHER STOCK AWARDS

1. Types of Awards. In addition to Options, other Awards available under this Plan include grants of Restricted Stock, Restricted Units, Performance Shares and Performance Units. Awards of Restricted Stock, Restricted Units, Performance Shares and Performance Units shall be subject to any vesting and forfeiture provisions set forth in the applicable Award Agreement; provided that the Committee may, in its sole discretion and subject to the limitations imposed under Code Section 162(m) and the regulations thereunder in the case of a Performance Share, Performance Unit, Restricted Stock Award or Restricted Unit Award intended to comply with the performance-based exception under Code Section 162(m), waive the forfeiture period and any other conditions set forth in any Award Agreement under such terms and conditions as the Committee shall deem appropriate. Each grant of Performance Shares, Performance Units, Restricted Stock or Restricted Units intended to comply with the performance-based exception under Code Section 162(m), shall be subject to the achievement of performance goals designated by the Committee and the corresponding Award Agreement. Any performance goals that are financial metrics, may be determined in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), in accordance with accounting principles established by the International Accounting Standards Board ("IASB Principles"), or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP or under IASB Principles. The performance goals that may be used by the Committee for such Awards shall consist of goals measuring one or any combination of the following factors: Revenue; net interest margin; net interest income; non-interest income; net income; pre- or post-tax income; earnings per share; return on equity; return on assets; share price performance; total shareholder return; improvement in or attainment of expense levels; asset growth; loan growth; deposit growth; growth in other components of the Company's balance sheet; asset quality, and regulatory capital levels. Performance goals may be measured solely on a corporate, subsidiary or division or business unit basis, or a combination thereof. Further, performance criteria may reflect absolute entity performance or a relative comparison of entity performance to the performance of a peer group of entities or other external measure of the selected performance criteria. The Committee may also exclude charges related to an event or occurrence which the Committee determines should appropriately be excluded, including (a) restructurings, discontinued operations, other unusual infrequently occurring or non-recurring charges, (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (c) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles. Such performance goals (and any exclusions) shall (i) be set by the Committee prior to the earlier of (i) 90 days after the commencement of the applicable performance period and the expiration of 25% of the performance period, and (ii) otherwise comply with the requirements of Section 162(m) of the Code; and the regulations thereunder.

Notwithstanding any provision of the Plan (other than 5 of this Part III), with respect to any Restricted Stock Award, Restricted Unit Award, Performance Share Award or Performance Unit Award that is intended to comply with the performance-based exception under Code Section 162(m), the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award, and the Committee may not waive the achievement of the applicable

performance goals except in the case of the death or disability of the Grantee or as otherwise determined by the Committee in special circumstances. The Committee must certify, in writing, the amount of the Award for each Grantee for such performance period before payment of the Award is made. The Committee shall have the power to impose such other restrictions on Awards subject to this Section as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m) of the Code.

2. Eligibility. Awards under this Part III may be granted to any Eligible Participant, as determined by the Committee in its complete discretion.

3. Shares Subject to Award. The Shares subject to Awards under this Part III are as described in Section 3 of Part I of this Plan.

4. Voting Rights and Dividends. Grantees who have been awarded grants of Restricted Stock or Performance Shares shall have the right to vote all the received Shares during the restriction or performance period. Whenever such voting rights are to be exercised, the Company shall provide the Grantee with the same notices and other materials as provided to other shareholders, and the Grantee shall be provided adequate opportunity to review the notices and materials and vote the Shares associated with the grants of Restricted Stock and Performance Shares. As provided in the applicable Award Agreements, dividends or Dividend Equivalents Rights authorized by the Company and payable in connection with Shares that are subject to grants of Restricted Stock or Performance Shares may be reinvested in additional Shares, otherwise reinvested, or accumulated and credited to a bookkeeping account, but in any event shall be subject to the same restrictions and risk of forfeiture as the underlying Award and shall not be paid unless and until the underlying Award is vested.

5. Effect of Change in Control Transaction. Except as otherwise provided in an Award Agreement that evidences an Award, in the event of a merger or other reorganization of the Company with and into any other corporation (other than a reorganization where the ownership of the surviving company is substantially the same as that of the Company), or in the event of a sale of substantially all of the assets of the Company, or in the event of a dissolution or liquidation of the Company, the Committee shall have the discretion to determine whether, and to what extent, and under what circumstances an Award may be settled, canceled, forfeited, accelerated, exchanged, or surrendered in connection with such event, including (but not limited to) a cancellation of any outstanding Awards and payment to the holders thereof, in cash or stock, or any combination thereof, the value of such Awards based upon the price per share of Common Stock received or to be received by other shareholders of the Company in the event and the additional acceleration of vesting of unvested Awards upon or after the event. With respect to any Restricted Stock Award, Restricted Unit Award, Performance Share Award or Performance Unit Award that is intended to comply with the performance-based exception under Code Section 162(m), and if so provided in the applicable Award Agreement, in the event of a Grantee's termination of employment without Cause or for Good Reason, in either case, within 2 years following such merger or other transaction described above, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions will be deemed met as of the date of the Grantee's termination of employment. Notwithstanding the foregoing, any acceleration of vesting of Awards in connection with such merger or other transaction described above, shall be contingent on the consummation of the transaction event. In addition, in connection with the acquisition by the Company or any Related Entity, whether by merger, acquisition of stock or assets, or other reorganization transaction, of a business whose employees have been granted stock awards, the Committee is authorized to issue, in substitution of any such award, a new Award under this Plan that confers upon the Grantee substantially the same benefits as the old award.

IV.

STOCK APPRECIATION and dividend equivalent RIGHTS

1. Stock Appreciation Rights. In addition to other Awards available under this Plan, the Committee may grant Stock Appreciation Rights. Any grant of Stock Appreciation Rights may, but need not be, associated with Shares subject to a specific Option. If a grant of Stock Appreciation Rights is associated with Shares subject to a specific Option, then, unless otherwise provided in the applicable Award Agreement, the Stock Appreciation Rights shall terminate upon (a) the expiration, termination, forfeiture or cancellation of the Option or (b) the exercise of such Option. Similarly, if a grant of Stock Appreciation Rights is associated with Shares subject to a specific Option, then, unless otherwise provided in the applicable Award Agreement, the Option associated with the Stock Appreciation Rights shall terminate upon the exercise of the Stock Appreciation Rights. Each grant of Stock Appreciation Rights shall be evidenced by an Award Agreement that specifies the term, which in no event may exceed ten years from the date of grant. In addition, each Award Agreement representing a grant of Stock Appreciation Rights will designate the applicable Fair Market Value of a Share as of the Grant Date (provided that, substitute Stock Appreciation Rights Awards may be granted under terms and circumstances similar to those described in Part II, Section 2(g) with respect to Stock Options). The possession of a Stock Appreciation Right shall not, in and of itself, convey to the Grantee any of the rights or attributes of a shareholder, but only the right (subject to certain conditions) to receive payment in connection with appreciation (if any) of the Shares.

Notwithstanding the foregoing, in the event that on the last business day of the term of a Stock Appreciation Right (i) the exercise of the Stock Appreciation Right is prohibited by applicable law or (ii) Shares may not be purchased or sold by certain employees or directors of the Company due to the "black-out period" of a Company policy or a "lock-up" agreement undertaken in connection with an issuance of securities by the Company, the term of the Stock Appreciation Right shall be extended for a period of 30 days following the end of the legal prohibition, black-out period or lock-up agreement.

2. Dividend Equivalent Rights. In addition to other Awards available under this Plan, the Committee may grant Dividend Equivalent Rights. The grant of Dividend Equivalent Rights may be made as discrete and separate Awards, or in connection with Shares associated with a grant of Restricted Stock, Restricted Units, Performance Shares, or Performance Units. A Grantee holding Dividend Equivalent Rights will be entitled to payment of an amount equivalent to the dividends that would have been paid on the associated Shares, just as if the Grantee held the Shares on which the Dividend Equivalent Rights were based (less

applicable withholding taxes). As provided in the corresponding Award Agreement, the grant of Dividend Equivalent Rights may be subject to various restrictions, which the Grantee must first satisfy before receiving payment pursuant to the Dividend Equivalent Rights. Notwithstanding the foregoing, Dividend Equivalent Rights credited in connection with any Award shall be subject to restrictions and risk of forfeiture to the same extent as the underlying Award and shall not be paid unless and until the underlying Award vests.

3. Eligibility. Awards under this Part IV may be granted to any Eligible Participant, as determined by the Committee in its complete discretion.

4. Shares Subject to Stock Appreciation and Dividend Equivalent Rights. The Shares subject to Awards under this Part IV are as described in Section 3 of Part I of this Plan.

5. Exercise of Stock Appreciation Rights. Upon the exercise of a Stock Appreciation Right, the Grantee shall be entitled to receive a cash payment for each Share covered by the portion of the Stock Appreciation Right being exercised, which payment is equal to the excess of (a) the Fair Market Value of a Share on the exercise date over (b) the Fair Market Value of a Share as of the date the Stock Appreciation Right was granted, as designated in the corresponding Award Agreement, or such greater amount as designated in the Award Agreement. All payments in connection with the exercise of Stock Appreciation Rights shall be made as soon as practicable, but in no event later than seven (7) business days after the effective date of the exercise of the Stock Appreciation Right. Each Stock Appreciation Right may be exercised on such date or dates, and during such period and with respect to a number of Shares, as determined by the Committee and as set forth in the corresponding Award Agreement. The exercise of a Stock Appreciation Right shall also be subject to such terms and conditions as specified in the corresponding Award Agreement, which conditions may include minimum exercise amounts and the ability to elect a partial exercise. Unless provided otherwise in the Award Agreement, each Stock Appreciation Right shall be exercised by delivering notice to the Company's principal office, to the attention of its Secretary, no less than five (5) business days in advance of the effective date of the proposed exercise. The notice shall be accompanied by the applicable Award Agreement and specify the number of Shares with respect to which the Stock Appreciation Right is being exercised and the effective date of the proposed exercise.

Notwithstanding the foregoing, an Award Agreement may provide that if on the last day of the term of a Stock Appreciation Right the Fair Market Value of one Share exceeds the price per Share, the Grantee has not exercised the Stock Appreciation Right, and the Stock Appreciation Right has not expired, the Stock Appreciation Right shall be deemed to have been exercised by the Grantee on such day with payment made by withholding Shares otherwise issuable in connection with the exercise of the Stock Appreciation Right. In such event, the Company shall deliver to the Grantee the number of Shares for which the Stock Appreciation Right was deemed exercised, less the number of Shares required to be withheld for the payment of the total purchase price and required withholding taxes; provided, however, any fractional Share shall be settled in cash.

V.

ADOPTION, AMENDMENT, TERMINATION PROVISIONS, AND RECOUPMENT

1. Term of this Plan. The Plan, as adopted by the Board on [date], shall become effective upon and subject to shareholder approval at the Company's 2017 shareholder annual meeting (the "2017 Annual Meeting"). This Plan shall expire on the tenth (10th) anniversary of the Effective Date, provided that any outstanding Awards at that time will continue for the duration of the Award, in accordance with the terms of this Plan and the applicable Award Agreement. Upon the Board's adoption of this Plan and subject to approval of this Plan by the Company's shareholders at the 2017 Annual Meeting, no new awards shall be granted under the Company's 2014 Stock Incentive Plan. For the avoidance of doubt, if this Plan is not approved by the Company's shareholders at the 2017 Annual Meeting, then the Northrim Bancorp, Inc. 2014 Stock Incentive Plan, as in effect immediately prior to the Board's adoption of this Plan, shall continue to exist and operate according to all of its terms and conditions.

2. Amendment, Early Termination of the Plan, and Modification of Awards.

(a) Amendment or Early Termination. The Board may terminate this Plan at any time. The Board may amend this Plan at any time and from time to time in such respects as the Board may deem advisable, except that, without proper approval of shareholders of the Company, no such revision or amendment shall:

- (i) increase the number of shares of Common Stock subject to the Plan other than in connection with an adjustment under Section 3(b) of Part I,
- (ii) increase the parameters of Eligible Participants, or
- (iii) make any amendment to this Plan that would require shareholder approval under any applicable law or regulation.

(b) Modification and Amendment of Awards; Prohibition on Repricing. Subject to the requirements of the Code and to the terms and conditions and within the limitations of this Plan, the Committee may modify or amend outstanding Options granted under this Plan. The modification or amendment of an outstanding Option shall not, without the consent of the Grantee, impair or diminish any of his or her rights or any of the obligations of the Company under such Option. Except as otherwise provided in this Plan, no outstanding Option shall be terminated without the consent of the Grantee. In addition, Except as provided in Section I. 3(b) or in connection with Section III. Neither the Board nor the Committee may, without the approval of the Company's shareholders, cancel an Option or Stock Appreciation Right in exchange for cash when the exercise or grant price per share exceeds the Fair Market Value of one Share or take any action with respect to an Option or Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded, including a reduction of the exercise price of an Option or the grant price of a Stock Appreciation Right or the exchange of an Option or Stock Appreciation Right for another Award.

3. Shareholder Approval. Continuance of the Plan shall be subject to proper approval of this Plan by the shareholders of the Company at a duly convened meeting of the shareholders of the Company, which approval must occur within twelve (12) months before or after the date of adoption of the Plan by the Board.

4. Recoupment. In the event of any restatement of the financial statements of the Company, by accepting an Award hereunder the Grantee acknowledges that he or she may be required to reimburse or forfeit to the Company the Excess (as defined below) from any Award awarded to or received by such Grantee in the following circumstances: (1) the Company's financial statements are required to be restated as a result of material non-compliance with any financial reporting requirements under the federal securities laws (other than a restatement due to a change in financial accounting rules); and (2) the Board (or Board committee) determines in its discretion that a lower amount of such Award would have been paid to a Grantee based upon the restated financial results such that the Grantee received an excess amount of compensation (the "Excess") as a result of the restatement. This provision shall apply to Awards granted during the three-year period preceding the date on which the Company discloses that it is required to restate its financial statements.

CERTIFICATE OF ADOPTION

I certify that the foregoing Plan was adopted by the Board of Directors of Northrim BanCorp, Inc. on February 23, 2017 and by the shareholders of Northrim BanCorp, Inc. on May 25, 2017.

/s/ Michael Martin

Michael Martin
Corporate Secretary

**EXHIBIT B: AUDIT COMMITTEE CHARTER
NORTHRIM BANCORP, INC. AND SUBSIDIARIES**

Approved by the Board of Directors February 23, 2017

This Audit Committee Charter has been adopted by the Northrim BanCorp, Inc. (the "Company") Board of Directors (the "Board") on recommendation by the Audit Committee of the Board (the "Committee").

PURPOSE

The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Committee's primary duties and responsibilities are to:

• Monitor the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Company and its subsidiaries.

• Review the qualifications, independence and performance of the Company's internal and external auditors.

• Provide a free and open avenue of communication among the external auditors, management, the internal auditing department, and the Board.

COMMITTEE COMPOSITION AND MEETINGS

The Committee shall be comprised of three (3) or more directors as determined by the Board, each of whom shall, in the opinion of the Board, be independent non-executive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. Each Committee member shall meet the requirements of applicable rules and regulations, including the rules of The Nasdaq Stock Market, Inc. or any other exchange on which the Company's securities are traded, and the rules and regulations of the Securities and Exchange Commission (including the requirements of Rule 10A-3 of the Securities Exchange Act of 1934). Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement. At least one (1) member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting or other comparable experience or background that leads to financial sophistication. No member of the Committee can have participated in the preparation of the Company's or any of its subsidiaries' financing statements at any time during the past three (3) years. Committee members shall be appointed by the Board. If an Audit Committee Chairman is not designated or present, the members of the Committee may designate a Chairman by majority vote of the Committee membership. The Committee shall maintain minutes of its meetings and regularly report to the Board on its activities.

The presence of a majority of the members of the Committee shall constitute a quorum for the transaction of business, and the acts of a majority of the members of the Committee at a meeting at which a quorum is present shall be the acts of the Committee. The Committee may, in its discretion, delegate any of its specific duties or responsibilities to individual Committee members or to subcommittees.

The Committee shall meet at least four (4) times annually, or more frequently as the Committee considers necessary. At least once each year, the Committee or Chair shall have a private meeting with the internal and external auditors. The auditors and management may be invited by the Committee to participate in specific portions of Committee meetings to provide information and expertise and to facilitate discussion when appropriate.

RESPONSIBILITIES AND DUTIES

In fulfilling its oversight role, the Committee provides a vehicle for communication between the directors and the external auditors, the internal auditors, and financial management. It establishes a forum for an open exchange of views and information. The external auditors shall report directly to the Committee. The Committee shall report to the Board the matters reviewed and actions taken at each Committee meeting. The general activities of the Committee in carrying out its oversight role are described below. The Committee may consider undertaking additional duties to fulfill its oversight function.

Integrity of Financial Reporting

- Financial Reporting Generally. Meet to review and discuss, prior to filing with the Securities and Exchange Commission, the annual audited financial statements and quarterly financial statements with management, the internal auditors and the external auditors. These discussions shall include any matters raised by the auditors, including any matters required to be discussed under Auditing Standards No. 16 (Communications with Audit
1. Committees) and such other matters as the Committee or the auditors shall deem appropriate. Review other material written communications between the external auditors and management. Review with management and the external auditors the basis for their reports issued under 12 C.F.R. Part 363. Oversee the resolution of any disagreements between management and the external auditors.
 2. Fraud. Review and assess the internal audit function and external auditors' responsibility and procedures for detecting accounting and financial reporting errors, fraud, and noncompliance with the Code of Business Conduct and Ethics and regulatory requirements. Review complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
 3. Appropriate Response. Determine that appropriate actions have been taken to resolve matters reported to the Committee that in the Committee's judgment could materially jeopardize the Company's financial condition, results of operations and accuracy of the Company's financial statements.
 4. Inclusion of Audited Financials in 10-K. Based on the Committee's review of the financial statements and evaluation of the independence and qualifications of the auditors, the Committee shall make its recommendation to the Board as to whether the Company's audited financial statements should be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders, if distributed prior to the filing of the Form 10-K). The Committee shall also review and approve the audit committee report required to be included in the Company's annual proxy statement.
 5. Related Party Information and Audit. Keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and to review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.
- ### Oversight of Auditors
- Retention: Approval of Services. Select, pre-approve, appoint, compensate and determine retention terms for, and oversee, all audit and all permitted non-audit and tax services that may be provided by the Company's external
6. auditors. Such auditors are ultimately accountable to the Board and the Committee, as representatives of the Company's shareholders. Receive and review audit reports, provide the auditors full access to the Committee, and the Board as appropriate.
 7. Auditor Independence. Obtain annually from the external auditors a formal written statement describing all relationships between the auditors and the Company, consistent with Independence Standards Board Standard Number 1 (Independence Discussions with Audit Committees). The Committee shall actively discuss with the external auditors any relationships that may impact the objectivity and independence of the auditors and shall take, or recommend that the Board take, appropriate actions to oversee and satisfy itself as to the auditors' independence.
 8. Accounting Report. Review and discuss with the Company's external auditors (i) all critical accounting policies and practices to be used in the audit; (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the external auditors; and (iii) other material written communication between the external auditors and management.
 9. Evaluation of Internal Controls. Discuss with management, the internal auditors and the external auditors the quality and adequacy of and compliance with the Company's internal controls.
 10. Internal Audit Oversight. Oversee internal audit activities, including discussing with management and the internal auditors the internal audit function within the Company and its independence, objectivity, responsibilities, plans,

results, budgets and staffing. Review significant reports prepared by the internal audit department together with management's response and follow-up to these reports. Approve the appointment and replacement of the Internal Audit Manager. The Internal Audit Manager, together with the internal audit function, shall report functionally to the Committee and administratively to the Chief Operating Officer.

Legal. On at least an annual basis, review with management or Company's counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

11. Committee Report. Issue annually a Report of the Audit Committee to be included in the Company's proxy statement, as required by applicable rules and regulations.

12. Bank Audit Committee. Perform the audit committee functions specified by 12 C.F.R. Part 363 for depository institution subsidiaries of the Company.

13. The Committee's job is one of oversight. Management is responsible for the preparation of the Company's financial statements and the external auditors are responsible for auditing those financial statements. The Committee and the Board recognize that management, the internal audit staff and the external auditors have more resources, time, detailed knowledge and information regarding the Company's accounting, auditing, internal control and financial reporting practices than the Committee does. Accordingly, the Committee's oversight role does not provide any expert or special assurance as to the financial statements and other financial information provided by the Company to its shareholders and others.

COMMITTEE CHARTER AND PERFORMANCE EVALUATION

The Committee shall review and assess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

COMMITTEE RESOURCES

In discharging its oversight responsibilities, the Committee is authorized to retain and obtain advice from legal, accounting, or other consultants or experts at its discretion and at the Company's expense without prior permission of the Board or management. The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities. It has direct access to the internal and external auditors as well as anyone in the Company or its subsidiaries. The Committee also will receive appropriate funding, as determined by the Committee, to accomplish its duties.

EXHIBIT C: COMPENSATION COMMITTEE CHARTER

NORTHRIM BANCORP, INC.

Approved by the Board of Directors January 26, 2017

This Charter of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Northrim Bancorp, Inc. (the "Company") was adopted by the Board.

The membership of the Committee shall consist of at least three (3) members of the Board, each of whom is not an employee of or service provider to the Company and is free of any other relationship that, in the opinion of the Board, may interfere with such member's individual exercise of independent judgment. Each member of the Committee must qualify as "outside directors" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, the income tax regulations promulgated thereunder, and as "non-employee directors" for the purposes of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, each Committee member shall also be independent in accordance with the provisions of Rule 10C-1(b)(1) under the Exchange Act and meet the requirements of any other applicable rules and regulations, including the rules of The Nasdaq Stock Market or any other exchange on which the Company's securities are traded.

The operation of the Committee shall be subject to the Company's Bylaws and Alaska General Corporation Law as well as applicable banking and other law. The Board shall appoint one member of the Committee as its Chair. In the absence of the Chair, a quorum of the members may select an interim Chair. The Chair shall report to the Board from time to time or whenever requested by the Board.

The Committee shall have at least three (3) regular meetings each year and shall have such additional meetings as the Committee members deem appropriate. Officers of the Company may attend these meetings at the invitation of the Committee, except that (i) only Committee members may be present during any deliberations regarding the compensation of the Company's Chief Executive Officer, and (ii) the Chief Executive Officer may be present (but cannot vote) during any deliberations regarding the compensation of any other officer (as such term is defined in Rule 16a-1 promulgated under the Exchange Act).

Committee Responsibilities

A. In addition to such other duties as the Board may from time to time assign to it, the Committee shall perform the following functions:

Review and approve annually the Company's stated compensation strategy and The Compensation Discussion and Analysis included in the Company's Proxy Statement.

Review and recommend for approval by the Board the individual elements of total compensation for the Chief Executive Officer, President, Chief Operating Officer and Chief Financial Officer of Northrim Bank and the Company. In reviewing and recommending compensation of the Company's Chief Executive Officer, President, Chief Operating Officer and Chief Financial Officer, the Committee shall consider the results of the most recent shareholder advisory vote on executive compensation required by Section 14A of the Exchange Act.

Review and recommend for approval by the Board the frequency with which the Company will conduct a shareholder advisory vote on executive compensation, taking into account the results of the most recent shareholder advisory vote on the frequency of shareholder advisory votes on executive compensation required by Section 14A of the Exchange Act, and review and approve the proposals regarding the shareholder advisory vote on executive compensation and the frequency of the shareholder advisory vote on executive compensation to be included in the Company's proxy statement.

Approve for submission to the Board and shareholders all new equity-related incentive plans for management and require that such plans be administered in a manner consistent with their terms.

Fix the terms and awards of stock compensation, if any, for key employees in accordance with the rules in effect under Section 16 of the Exchange Act.

Review the Company's employee benefit programs and approve changes subject, where appropriate, to Board or shareholder approval.

Administer, construe and interpret the Deferred Compensation Plan, Supplemental Executive Retirement Deferred Compensation Plan, and Supplemental Executive Retirement Plan.

Oversee the Company's 401(k) Plan and recommend for Board approval, the amount of any discretionary matches or contributions to participants.

Oversee the Northrim Bancorp, Inc. Profit Sharing Plan, determine participants, establish performance criteria, assess achievement of criteria, determine and authorize aggregate and individual award amounts subject to the requirements of the Profit Sharing Plan.

Review with the Chief Executive Officer revisions to the Company's salary range structure, salary increase guidelines, and approve annual salaries for officers Senior Vice President and above.

Approve, subject to ratification by the Board, officer promotions to Senior Vice President and above.

Recommend to the Board key employees the Company should have under contract and negotiate (or, subject to the Committee's review, delegate to the proper executive officers the negotiation of) terms of such contracts, subject to Board ratification.

To the extent deemed appropriate by the Committee in its sole discretion, retain independent compensation consultants for advice on executive compensation and other compensation matters. The Committee shall set the compensation, and oversee the work, of the compensation consultants. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors it has retained. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors.

However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the compensation committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The Committee shall evaluate whether any independent compensation consultant retained by it has any conflict of interest in accordance with Item 407(e) (3) (iv) of Regulation S-K.

Keep minutes of each meeting of the Committee, and distribute those minutes to each Committee member, each Board member who is not a Committee member, and the Secretary of the Company.

B. In addition to performing the duties outlined above, the Committee shall have the authority to perform any and all other actions as it may deem necessary or appropriate in order to discharge its duties hereunder.

EXHIBIT D: GOVERNANCE AND NOMINATING COMMITTEE CHARTER

NORTHRIM BANCORP, INC.

Adopted by the Board of Directors on February 23, 2017

This Governance and Nominating Committee Charter (the "Charter") has been adopted by the Northrim BanCorp, Inc. (the "Company") Board of Directors.

Purpose

The Governance and Nominating Committee (the "Committee") is appointed by the Board of Directors (the "Board") to: (a) assist the Board in identifying individuals qualified to become Board members and Board committee members; (b) make recommendation to the Board of Director nominees at each annual meeting of shareholders; (c) make recommendations for the Board committee appointments; (d) develop and recommend to the Board corporate governance principles applicable to the Company; and, (e) take such other actions within the scope of this Charter as the Committee deems necessary or appropriate.

Committee Membership

The Committee shall consist of at least three (3) members, each of whom shall be independent Directors. The term "independent directors" describes Directors: (a) who qualify as independent Directors pursuant to the applicable provisions of the Securities Exchange Act of 1934, as amended, the rules promulgated thereunder and the rules and regulations of the Nasdaq Stock Market, LLC.; and, (b) who, in the Board's judgment, do not have a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) which, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Members of the Committee shall be appointed and may be removed by the Board.

Committee Chairman

The Chairman of the Committee shall be as appointed by the Board from time to time. The Chairman shall preside over meetings of the Committee. The Chairman shall also serve as Lead Director with respect to non-management Board member duties. The Lead Director's responsibilities shall be: (a) to preside over executive sessions of non-management directors conducted pursuant to the Corporate Governance Guidelines; (b) to conduct Director interviews annually including a discussion of each individual Director's self-assessment of his/her contribution, prior to nomination for election at the next annual meeting; (c) to discuss any proposed changes to committee assignments with each affected Director annually in advance of the Committee making its committee recommendations to the Board; and, (d) such other duties as described in the Corporate Governance Guidelines.

Specific Responsibilities and Duties

The Board delegates to the Committee responsibility to review and make recommendations to the Board as to: Board Composition. In accordance with the Company's Articles of Incorporation, Bylaws and Corporate Governance Guidelines, evaluate the size and composition of the Board, develop criteria for Board membership, and evaluate the independence of existing and prospective directors.

Board Compensation. Recommend for approval by the Board changes in Board compensation and insurance.

Selection of New Director Nominees. The Chairman of the Board shall consult with the Committee and shall cause the Committee to be provided with such support as the Committee may request. The Committee shall actively identify, recruit, interview and evaluate individuals qualified to become Board members. The Committee shall recommend to the Board the persons to be nominated by the Board for elections as Directors at the annual meeting of shareholders and the persons to be elected by the Board to fill any vacancies on the Board.

Shareholder Director Nominees. In accordance with the procedures set forth in the Company's Bylaws, the Committee shall also consider director nominations from the Company's shareholders and recommend to the Board whether or not to include such candidates for nomination in the Company's proxy materials. Nominations from shareholders submitted for the Board's consideration shall be considered and evaluated using the same criteria as all other nominations.

Criteria for Selecting Directors. The Board's criteria for selecting Directors are set forth in the Company's Corporate Governance Guidelines. Such criteria shall guide the Committee when selecting Director Nominees. The Committee

shall review, on an annual basis, the requisite skills and criteria for new Board members as well as the composition of the Board as a whole. This review shall include consideration of age, expertise, and diversity of knowledge, skills, and experience in the context of the needs of the Board.

Committees. The Committee shall periodically review the Board's Committee structure and recommend to the Board the Directors to be appointed to each of the Board's Committees. This review shall include assessment of independence of the members of the Board's Committees under applicable federal securities laws and the rules and regulations of the Nasdaq Stock Market, LLC.

- Related Party Transactions. The Committee shall review and approve the related party nature of all "related party" transactions, as defined under applicable federal securities laws.

Independence of the Board. The Committee shall monitor the independence of the Board, assuring that the majority of the Board consists of independent Directors (as defined in the Committee Membership section above) and review and assess any potential conflicts of interest between Directors and the Company.

Corporate Governance Guidelines. The Committee shall periodically review and reassess the adequacy of the Company's Corporate Governance Guidelines and recommend any proposed changes to the Board for approval.

Code of Business Conduct and Ethics. The Committee shall periodically review and reassess the adequacy of the Company's Code of Business Conduct and Ethics and recommend any proposed changes to the Board for approval.

Charter. On at least an annual basis, the Committee shall review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

General Authority. The Committee shall perform any other activities consistent with this Charter, the Company's Bylaws, and governing law as the Board or the Committee deems necessary or appropriate.

Powers

Search Firms. The Committee shall have the sole authority to retain and terminate any search firm used to identify director nominees. The Committee shall have the sole authority to approve the terms of any such engagement, including fees. The Committee is empowered to cause the Company to pay the compensation of any search firm engaged by the Committee.

Independent Advisors. The Committee shall have the authority to retain independent advisors (including legal and accounting advisors) to assist in carrying out its responsibilities and duties. The Committee shall have the sole authority to approve the terms of any such engagement, including fees. The Committee is empowered to cause the Company to pay the compensation of any such advisors engaged by the Committee.

Procedures and Administration

Meetings. The Committee shall meet at such times as it deems necessary or appropriate but not less than semiannually. Meetings may be held in person or telephonically. Members of management and/or consultants or advisors may be invited by the Committee to participate in meetings to provide information and expertise and to facilitate discussion when appropriate.

- Quorum. A simple majority of the members of the Committee shall constitute a quorum for the taking of any action by the Committee.

Notice. Notice of any meeting shall be deemed given and received if transmitted at a time and in the manner set forth in the Company's Bylaws for a notice of meetings of directors generally, and if so transmitted shall be deemed effective as set forth in the Bylaws.

Minutes. The Committee shall maintain written minutes of each Committee meeting. Such minutes shall be distributed to each member of the Committee and to the other members of the Board.

Reports. The Committee shall report to the Board concerning each meeting of the Committee and as otherwise requested by the Chairman of the Board.

Self-Evaluation. The Committee shall evaluate its own performance at least annually.

