

NORTHRIM BANCORP INC
Form 10-Q
August 07, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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

For the transition period from _____ to _____

Commission File Number 000-33501

NORTHRIM BANCORP, INC.

(Exact name of registrant as specified in its charter)

Alaska

(State or other jurisdiction of incorporation or organization)

92-0175752

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

3111 C Street

Anchorage, Alaska 99503

(Address of principal executive offices) (Zip Code)

(907) 562-0062

(Registrant's telephone number, including area code)

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

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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 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

The number of shares of the issuer's Common Stock, par value \$1 per share, outstanding at August 6, 2013 was 6,515,414.

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PART I. FINANCIAL INFORMATION

These consolidated financial statements should be read in conjunction with the financial statements, accompanying notes and other relevant information included in Northrim BanCorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012.

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ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

NORTHRIM BANCORP, INC.

Consolidated Balance Sheets

(In Thousands, Except Share Data)	June 30, 2013	December 31, 2012
ASSETS		
Cash and due from banks	\$ 29,216	\$ 40,834
Interest bearing deposits in other banks	78,269	113,979
Investment securities available for sale	222,825	203,918
Investment securities held to maturity	2,746	2,749
Total portfolio investments	225,571	206,667
Investment in Federal Home Loan Bank stock	1,932	1,967
Loans held for sale	15,811	11,705
Loans	718,157	704,213
Allowance for loan losses	(16,528)	(16,408)
Net loans	717,440	699,510
Purchased receivables, net	26,546	19,022
Accrued interest receivable	2,729	2,618
Other real estate owned, net	4,293	4,543
Premises and equipment, net	28,200	27,908
Goodwill and intangible assets, net	8,053	8,170
Other assets	42,601	34,889
Total assets	\$ 1,164,850	\$ 1,160,107
LIABILITIES		
Deposits:		
Demand	\$ 344,978	\$ 361,167
Interest-bearing demand	137,788	146,262
Savings	93,714	87,241
Alaska CDs	105,568	101,165
Money market	185,654	181,598
Certificates of deposit less than \$100,000	36,384	39,343
Certificates of deposit greater than \$100,000	54,846	53,353

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Total deposits	958,932	970,129
Securities sold under repurchase agreements	20,321	19,038
Borrowings	6,629	4,479
Junior subordinated debentures	18,558	18,558
Other liabilities	20,356	11,550
Total liabilities	1,024,796	1,023,754

SHAREHOLDERS' EQUITY

Preferred stock, \$1 par value, 2,500,000 shares authorized, none issued or outstanding		
Common stock, \$1 par value, 10,000,000 shares authorized, 6,515,414 and 6,511,649 shares issued and outstanding at June 30, 2013 and December 31, 2012, respectively	6,515	6,512
Additional paid-in capital	53,886	53,638
Retained earnings	78,939	74,742
Accumulated other comprehensive income	639	1,368
Total Northrim BanCorp shareholders' equity	139,979	136,260
Noncontrolling interest	75	93
Total shareholders' equity	140,054	136,353
Total liabilities and shareholders' equity	\$ 1,164,850	\$ 1,160,107

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.

Consolidated Statements of Income

(In Thousands, Except Per Share Data)	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest Income				
Interest and fees on loans	\$ 10,734	\$ 10,305	\$ 21,076	\$ 20,530
Interest on investment securities available for sale	630	718	1,289	1,467
Interest on investment securities held to maturity	30	37	59	75
Interest on deposits in other banks	46	63	108	103
Total Interest Income	11,440	11,123	22,532	22,175
Interest Expense				
Interest expense on deposits, borrowings and junior subordinated debentures	511	627	1,041	1,325
Net Interest Income	10,929	10,496	21,491	20,850
Provision for loan losses	-	89	150	178
Net Interest Income After Provision for Loan Losses	10,929	10,407	21,341	20,672
Other Operating Income				
Purchased receivable income	768	712	1,470	1,424
Employee benefit plan income	632	616	1,201	1,156
Service charges on deposit accounts	539	569	1,064	1,137
Electronic banking income	536	493	1,040	976
Equity in earnings from RML	538	405	780	706
Gain on sale of securities	100	246	318	273
Rental income	27	204	55	402
Other income	562	480	913	858
Total Other Operating Income	3,702	3,725	6,841	6,932
Other Operating Expense				
Salaries and other personnel expense	5,586	5,154	11,321	10,860
Occupancy expense	858	920	1,746	1,916
Marketing expense	445	435	892	872
Professional and outside services	309	287	658	676
Equipment expense	301	342	579	636
Software expense	267	270	532	521
Amortization of low income housing tax investments	247	234	492	462
Internet banking expense	189	185	373	357

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Insurance expense	261	301	405	419
Reserve for (recovery from) purchased receivables	(115)	-	(31)	-
Intangible asset amortization expense	59	65	117	129
OREO expense, net rental income and gains on sale	12	118	6	215
Other operating expense	972	984	1,998	1,990
Total Other Operating Expense	9,391	9,295	19,088	19,053
Income Before Provision for Income Taxes	5,240	4,837	9,094	8,551
Provision for income taxes	1,635	1,551	2,725	2,577
Net Income	3,605	3,286	6,369	5,974
Less: Net income attributable to the noncontrolling interest	109	144	199	256
Net Income Attributable to Northrim BanCorp	\$ 3,496	\$ 3,142	\$ 6,170	\$ 5,718
Earnings Per Share, Basic	\$ 0.54	\$ 0.49	\$ 0.95	\$ 0.88
Earnings Per Share, Diluted	\$ 0.53	\$ 0.48	\$ 0.94	\$ 0.87
Weighted Average Shares Outstanding, Basic	6,515,414	6,469,909	6,513,935	6,468,724
Weighted Average Shares Outstanding, Diluted	6,591,003	6,573,729	6,590,899	6,570,094

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.

Consolidated Statements of Comprehensive Income

(In Thousands)	Three Months		Six Months Ended	
	Ended June 30, 2013	2012	June 30, 2013	2012
Net income	\$ 3,605	\$ 3,286	\$ 6,369	\$ 5,974
Other comprehensive income, net of tax:				
Securities available for sale:				
Unrealized gains (losses) arising during the period	\$ (1,070)	\$ (62)	\$ (919)	\$ 1,463
Reclassification of net gains included in net income (net of tax expense of \$41,000 and \$101,000 for the second quarter of 2013 and 2012, respectively, and \$131,000 and \$112,000 for the first six months of 2013 and 2012, respectively)	(59)	(145)	(187)	(161)
Income tax benefit (expense) related to unrealized (losses) gains	440	26	377	(601)
Total other comprehensive income (loss)	(689)	(181)	(729)	701
Comprehensive income	2,916	3,105	5,640	6,675
Less: comprehensive income attributable to the noncontrolling interest	(109)	(144)	(199)	(256)
Total comprehensive income attributable to Northrim BanCorp	\$ 2,807	\$ 2,961	\$ 5,441	\$ 6,419

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity

(In Thousands)	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income		Non- controlling Interest	Total
	Number of Shares	Par Value						
Balance as of January 1, 2012	6,467	\$ 6,467	\$ 53,164	\$ 65,469	\$ 283	\$ 52	\$ 125,435	
Cash dividend declared	-	-	-	(3,673)	-	-	(3,673)	
Stock based compensation expense	-	-	454	-	-	-	454	
Exercise of stock options	45	45	(213)	-	-	-	(168)	
Excess tax benefits from share-based payment arrangements	-	-	233	-	-	-	233	
Distributions to noncontrolling interest	-	-	-	-	-	(471)	(471)	
Other comprehensive income	-	-	-	-	1,085	-	1,085	
Net income attributable to the noncontrolling interest	-	-	-	-	-	512	512	
Net income attributable to Northrim BanCorp	-	-	-	12,946	-	-	12,946	
Twelve Months Ended December 31, 2012	6,512	\$ 6,512	\$ 53,638	\$ 74,742	\$ 1,368	\$ 93	\$ 136,353	
Cash dividend declared	-	-	-	(1,973)	-	-	(1,973)	
Stock based compensation expense	-	-	227	-	-	-	227	
Exercise of stock options	3	3	(9)	-	-	-	(6)	
Excess tax benefits from share-based payment arrangements	-	-	30	-	-	-	30	
Distributions to noncontrolling interest	-	-	-	-	-	(217)	(217)	
Other comprehensive income	-	-	-	-	(729)	-	(729)	
Net income attributable to the noncontrolling interest	-	-	-	-	-	199	199	
Net income attributable to Northrim BanCorp	-	-	-	6,170	-	-	6,170	
Six Months Ended June 30, 2013	6,515	\$ 6,515	\$ 53,886	\$ 78,939	\$ 639	\$ 75	\$ 140,054	

See notes to consolidated financial statements

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NORTHRIM BANCORP, INC.

Consolidated Statements of Cash Flows

(In Thousands)	Six Months Ended June 30,	
	2013	2012
Operating Activities:		
Net income	\$ 6,369	\$ 5,974
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Gain on sale of securities, net	(318)	(273)
Depreciation and amortization of premises and equipment	893	821
Amortization of software	94	98
Intangible asset amortization	117	129
Amortization of investment security premium, net of discount accretion	41	145
Deferred tax liability	(44)	(240)
Stock-based compensation	227	225
Excess tax benefits from share-based payments	(30)	(28)
Deferral of loan fees and costs, net	(16)	253
Provision for loan losses	150	178
Reserve for (recovery from) purchased receivables	(31)	-
Purchases of loans held for sale	(75,680)	(86,576)
Proceeds from the sale of loans held for sale	71,574	91,769
Gain on sale of other real estate owned	(129)	(26)
Impairment on other real estate owned	87	81
Equity in undistributed earnings from mortgage affiliate	17	37
Net changes in assets and liabilities:		
(Increase) decrease in accrued interest receivable	(111)	97
Proceeds from refund of prepaid FDIC premiums	3,405	-
(Increase) decrease in other assets	65	(784)
Increase (decrease) in other liabilities	(1,842)	(535)
Net Cash Provided by Operating Activities	4,838	11,345
Investing Activities:		
Investment in securities:		
Purchases of investment securities available for sale	(78,197)	(39,603)
Proceeds from sales/maturities of securities available for sale	58,333	73,760
Proceeds from calls/maturities of securities held to maturity	-	215
Purchases of domestic certificates of deposit	(3,500)	(1,500)
Proceeds from maturities of domestic certificates of deposit	3,500	-
Proceeds from redemption of FHLB stock	35	-
(Increase) decrease in purchased receivables, net	(7,493)	6,559
(Increase) in loans, net	(14,323)	(13,231)

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Proceeds from sale of other real estate owned	634	199
Investment in other real estate owned	-	(18)
(Increase) decrease in loan to Elliott Cove, net	(66)	93
Purchases of premises and equipment	(1,185)	(625)
Net Cash (Used) by Investing Activities	(42,262)	25,849
Financing Activities:		
(Decrease) in deposits	(11,197)	(16,475)
Increase (decrease) in securities sold under repurchase agreements	1,283	(1,083)
Increase (decrease) in borrowings	2,150	(73)
Distributions to noncontrolling interest	(217)	(231)
Excess tax benefits from share-based payments	30	28
Cash dividends paid	(1,953)	(1,686)
Net Cash (Used) by Financing Activities	(9,904)	(19,520)
Net Increase (Decrease) in Cash and Cash Equivalents	(47,328)	17,674
Cash and Cash Equivalents at Beginning of Period	141,313	79,530
Cash and Cash Equivalents at End of Period	\$ 93,985	\$ 97,204
Supplemental Information:		
Income taxes paid	\$ 2,196	\$