

NORTHRIM BANCORP INC
Form 10-Q
November 06, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 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 000-33501

NORTHRIM BANCORP, INC.

(Exact name of registrant as specified in its charter)

Alaska

92-0175752

(State or other jurisdiction of incorporation or
organization)

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

3111 C Street

Anchorage, Alaska 99503

(Address of principal executive offices) (Zip Code)

(907) 562-0062

(Registrant's telephone number, including area code)

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 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 November 5, 2014 was 6,834,101.

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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, 2013.

ITEM 1. FINANCIAL STATEMENTS

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CONSOLIDATED FINANCIAL STATEMENTS

NORTHRIM BANCORP, INC.

Consolidated Balance Sheets

(Unaudited)

(In Thousands, Except Share Data)	September 30, 2014	December 31, 2013
ASSETS		
Cash and due from banks	\$44,312	\$33,112
Interest bearing deposits in other banks	85,029	65,979
Investment securities available for sale	237,562	248,688
Investment securities held to maturity	2,202	2,208
Total portfolio investments	239,764	250,896
Investment in Federal Home Loan Bank stock	3,440	1,896
Loans held for sale	10,325	11,301
Loans	936,659	770,016
Allowance for loan losses	(16,243	) (16,282
Net loans	930,741	765,035
Purchased receivables, net	14,328	16,025
Accrued interest receivable	3,483	2,729
Other real estate owned, net	4,732	2,402
Premises and equipment, net	34,720	28,324
Goodwill and intangible assets, net	8,349	7,942
Other assets	51,767	40,666
Total assets	\$1,420,665	\$1,215,006
LIABILITIES		
Deposits:		
Demand	\$438,805	\$363,969
Interest-bearing demand	176,030	143,703
Savings	119,002	94,518
Alaska CDs	112,667	112,702
Money market	237,235	202,606
Certificates of deposit less than \$100,000	49,358	35,432
Certificates of deposit greater than \$100,000	59,270	50,793
Total deposits	1,192,367	1,003,723
Securities sold under repurchase agreements	19,931	21,143
Borrowings	2,175	6,527
Junior subordinated debentures	18,558	18,558
Other liabilities	28,363	20,737
Total liabilities	1,261,394	1,070,688
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, 6,834,101 and 6,537,652 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	6,834	6,538
Additional paid-in capital	61,573	54,089
Retained earnings	90,063	82,855
Accumulated other comprehensive income	646	669

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Total Northrim BanCorp shareholders' equity	159,116	144,151
Noncontrolling interest	155	167
Total shareholders' equity	159,271	144,318
Total liabilities and shareholders' equity	\$1,420,665	\$1,215,006

See notes to consolidated financial statements

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

(In Thousands, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Interest Income				
Interest and fees on loans	\$13,437	\$10,803	\$37,390	\$31,879
Interest on investment securities available for sale	696	635	2,176	1,924
Interest on investment securities held to maturity	24	29	69	88
Interest on deposits in other banks	55	57	145	165
Total Interest Income	14,212	11,524	39,780	34,056
Interest Expense				
Interest expense on deposits, borrowings and junior subordinated debentures	487	502	1,411	1,543
Net Interest Income	13,725	11,022	38,369	32,513
Provision (Benefit) for loan losses	—	(785)	(1,136)	(635)
Net Interest Income After Provision (Benefit) for Loan Losses	13,725	11,807	39,505	33,148
Other Operating Income				
Gain on sale of premises and equipment	1,115	—	1,115	—
Employee benefit plan income	899	541	2,653	1,742
Service charges on deposit accounts	599	549	1,682	1,613
Electronic banking income	590	567	1,694	1,607
Purchased receivable income	582	757	1,547	2,227
Equity in earnings from RML	384	336	608	1,116
Gain on sale of securities, net	15	—	461	318
Other income	750	493	2,014	1,461
Total Other Operating Income	4,934	3,243	11,774	10,084
Other Operating Expense				
Salaries and other personnel expense	7,107	6,108	19,866	17,429
Merger and acquisition expense	1,031	158	1,736	160
Occupancy expense	1,041	851	3,030	2,597
Marketing expense	417	473	1,425	1,365
Equipment expense	405	321	1,062	900
Software expense	383	257	997	789
Amortization of low income housing tax investments	331	240	1,003	732
Insurance expense	319	205	788	610
Professional and outside services	323	321	947	977
Internet banking expense	264	207	677	580
Reserve for (recovery from) purchased receivables	241	—	447	(31)
Intangible asset amortization expense	81	58	214	175
OREO (income) expense, net rental income and gains on sale	(68)	(18)	(315)	(12)
Other operating expense	1,235	895	3,494	2,893
Total Other Operating Expense	13,110	10,076	35,371	29,164
Income Before Provision for Income Taxes	5,549	4,974	15,908	14,068
Provision for income taxes	1,651	1,510	4,845	4,235
Net Income	3,898	3,464	11,063	9,833
Less: Net income (loss) attributable to the noncontrolling interest	191	(10)	329	189
Net Income Attributable to Northrim BanCorp	\$3,707	\$3,474	\$10,734	\$9,644

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Earnings Per Share, Basic	\$0.54	\$0.53	\$1.59	\$1.48
Earnings Per Share, Diluted	\$0.53	\$0.53	\$1.57	\$1.46
Weighted Average Shares Outstanding, Basic	6,831,976	6,515,455	6,733,175	6,514,441
Weighted Average Shares Outstanding, Diluted	6,919,993	6,607,201	6,822,288	6,594,482

See notes to consolidated financial statements

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NORTHRIM BANCORP, INC.
 Consolidated Statements of Comprehensive Income
 (Unaudited)
 2010

(In Thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	\$3,898	\$3,464	\$11,063	\$9,833
Other comprehensive income, net of tax:				
Securities available for sale:				
Unrealized gains (loss) arising during the period	(\$307)	\$156	\$400	(\$763)
Reclassification of net gains included in net income (net tax expense of \$6 and \$0 for the third quarter of 2014 and 2013, respectively and \$190 and \$131 for the first nine months of 2014 and 2013, respectively)	(9)	—	(271)	(187)
Income tax expense (benefit) related to unrealized gains	108	(46)	(152)	331
Other comprehensive income (loss)	(208)	110	(23)	(619)
Comprehensive income	3,690	3,574	11,040	9,214
Less: comprehensive income (loss) attributable to the noncontrolling interest	191	(10)	329	189
Comprehensive income attributable to Northrim BanCorp	\$3,499	\$3,584	\$10,711	\$9,025

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)

(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, 2013	6,512	\$6,512	\$53,638	\$74,742	\$1,368	\$93	\$136,353
Cash dividend declared	—	—	—	(4,212)	—	—	(4,212)
Stock based compensation expense	—	—	506	—	—	—	506
Exercise of stock options	26	26	(155)	—	—	—	(129)
Excess tax benefits from share-based payment arrangements	—	—	100	—	—	—	100
Distributions to noncontrolling interest	—	—	—	—	—	(13)	(13)
Change in unrealized holding (loss) on available for sale securities, net of tax	—	—	—	—	(699)	—	(699)
Net income attributable to the noncontrolling interest	—	—	—	—	—	87	87
Net income attributable to Northrim BanCorp	—	—	—	12,325	—	—	12,325
Twelve Months Ended December 31, 2013	6,538	\$6,538	\$54,089	\$82,855	\$669	\$167	\$144,318
Purchase of Alaska Pacific	290	290	7,156	—	—	—	7,446
Cash dividend declared	—	—	—	(3,526)	—	—	(3,526)
Stock based compensation expense	—	—	254	—	—	—	254
Exercise of stock options	6	6	69	—	—	—	75
Excess tax benefits from share-based payment arrangements	—	—	5	—	—	—	5
Distributions to noncontrolling interest	—	—	—	—	—	(341)	(341)
Change in unrealized holding (loss) on available for sale securities, net of tax	—	—	—	—	(23)	—	(23)
Net income attributable to the noncontrolling interest	—	—	—	—	—	329	329
Net income attributable to Northrim BanCorp	—	—	—	10,734	—	—	10,734
Nine Months Ended September 30, 2014	6,834	\$6,834	\$61,573	\$90,063	\$646	\$155	\$159,271

See notes to consolidated financial statements

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

(In Thousands)	Nine Months Ended	
	September 30, 2014	2013
Operating Activities:		
Net income	\$11,063	\$9,833
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Gain on sale of securities, net	(461	) (318
Gain on sale of premises and equipment	(1,115) —
Depreciation and amortization of premises and equipment	1,355	1,336
Amortization of software	136	137
Intangible asset amortization	214	175
Amortization of investment security premium, net of discount accretion	(126	) 34
Deferred tax liability	(1,503	) (306
Stock-based compensation	254	391
Excess tax benefits from share-based payment arrangements	(5	) (31
Deferral of loan fees and costs, net	627	377
Provision (benefit) for loan losses	(1,136	) (635
Reserve for (recovery from) purchased receivables	447	(31
Purchases of loans held for sale	(117,225	) (125,497
Proceeds from the sale of loans held for sale	118,201	123,301
Gain on sale of other real estate owned	(470	) (190
Impairment on other real estate owned	45	70
Equity in undistributed earnings from mortgage affiliate	(239	) 76
Net changes in assets and liabilities:		
(Increase) in accrued interest receivable	(754	) (144
Decrease in other assets	1,685	514
Increase (decrease) in other liabilities	(2,606	) 1,352