

NORTHRIM BANCORP INC
Form 10-Q
May 08, 2015

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 March 31, 2015

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 May 8, 2015 was 6,854,189.

TABLE OF CONTENTS

Part I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	
	<u>Consolidated Balance Sheets</u>	<u>3</u>
	<u>Consolidated Statements of Income</u>	<u>4</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>5</u>
	<u>Consolidated Statements of Changes in Shareholders' Equity</u>	<u>6</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>7</u>
	<u>Notes to the Consolidated Financial Statements</u>	<u>9</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>37</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
Item 4.	<u>Controls and Procedures</u>	<u>49</u>
Part II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	<u>49</u>
Item 1A.	<u>Risk Factors</u>	<u>49</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>49</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>49</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>49</u>
Item 5.	<u>Other Information</u>	<u>50</u>
Item 6.	<u>Exhibits</u>	<u>50</u>
	<u>SIGNATURES</u>	<u>51</u>

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, 2014.

ITEM 1. FINANCIAL STATEMENTS

2

CONSOLIDATED FINANCIAL STATEMENTS

NORTHRIM BANCORP, INC.

Consolidated Balance Sheets

(Unaudited)

(In Thousands, Except Share Data)	March 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$32,957	\$36,036
Interest bearing deposits in other banks	13,115	36,020
Investment securities available for sale	254,772	281,730
Investment securities held to maturity	2,199	2,201
Total portfolio investments	256,971	283,931
Investment in Federal Home Loan Bank stock	3,367	3,404
Loans held for sale	61,873	43,866
Loans	960,564	924,504
Allowance for loan losses	(16,947)	(16,723)
Net loans	943,617	907,781
Purchased receivables, net	15,332	15,254
Accrued interest receivable	3,784	3,373
Other real estate owned, net	4,209	4,607
Premises and equipment, net	36,449	35,643
Goodwill	22,334	22,334
Other intangible assets, net	1,628	1,701
Other assets	52,348	55,399
Total assets	\$1,447,984	\$1,449,349
LIABILITIES		
Deposits:		
Demand	\$410,464	\$403,523
Interest-bearing demand	179,124	185,114
Savings	127,708	122,588
Alaska CDs	99,120	99,736
Money market	227,345	226,574
Certificates of deposit less than \$100,000	57,938	58,249
Certificates of deposit greater than \$100,000	89,314	83,963
Total deposits	1,191,013	1,179,747
Securities sold under repurchase agreements	17,820	19,843
Borrowings	22,569	26,304
Junior subordinated debentures	18,558	18,558
Other liabilities	30,640	40,456
Total liabilities	1,280,600	1,284,908
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, 6,854,189 and 6,854,189 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	6,854	6,854
Additional paid-in capital	61,847	61,729

Edgar Filing: NORTHRIM BANCORP INC - Form 10-Q

Retained earnings	97,809	95,493
Accumulated other comprehensive income	747	247
Total Northrim BanCorp shareholders' equity	167,257	164,323
Noncontrolling interest	127	118
Total shareholders' equity	167,384	164,441
Total liabilities and shareholders' equity	\$1,447,984	\$1,449,349
See notes to consolidated financial statements		

3

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

(In Thousands, Except Per Share Data)	Three Months Ended	
	March 31, 2015	2014
Interest Income		
Interest and fees on loans	\$13,467	\$10,871
Interest on investment securities available for sale	885	730
Interest on investment securities held to maturity	23	23
Interest on deposits in other banks	11	49
Total Interest Income	14,386	11,673
Interest Expense		
Interest expense on deposits, borrowings and junior subordinated debentures	754	440
Net Interest Income	13,632	11,233
Provision for loan losses	326	—
Net Interest Income After Provision for Loan Losses	13,306	11,233
Other Operating Income		
Mortgage banking income	7,283	—
Employee benefit plan income	777	876
Electronic banking income	622	500
Purchased receivable income	589	481
Service charges on deposit accounts	490	476
Gain on sale of securities, net	114	97
Equity in earnings from RML	—	(131)
Other income	660	435
Total Other Operating Income	10,535	2,734
Other Operating Expense		