

NORTHRIM BANCORP INC  
Form 10-Q  
November 07, 2018

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, 2018

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  Emerging Growth Company

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

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

Yes  No

The number of shares of the issuer's Common Stock, par value \$1 per share, outstanding at November 7, 2018 was 6,884,386.



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>42</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>57</u>
Item 4.	<u>Controls and Procedures</u>	<u>57</u>
Part II	OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>	<u>57</u>
Item 1A.	<u>Risk Factors</u>	<u>57</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>57</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>57</u>
Item 5.	<u>Other Information</u>	<u>58</u>
Item 6.	<u>Exhibits</u>	<u>58</u>
	<u>SIGNATURES</u>	<u>59</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, 2017.

**ITEM 1. FINANCIAL STATEMENTS**

2

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## CONSOLIDATED FINANCIAL STATEMENTS

## NORTHRIM BANCORP, INC.

## Consolidated Balance Sheets

(Unaudited)

(In Thousands, Except Share Data)	September 30, 2018	December 31, 2017
<b>ASSETS</b>		
Cash and due from banks	\$37,651	\$25,016
Interest bearing deposits in other banks	32,528	52,825
Investment securities available for sale, at fair value	264,193	307,019
Marketable equity securities	6,035	5,731
Investment in Federal Home Loan Bank stock	2,103	2,115
Loans held for sale	56,636	43,979
Loans	982,007	954,953
Allowance for loan losses	(20,160	) (21,461
Net loans	961,847	933,492
Purchased receivables, net	12,706	22,231
Mortgage servicing rights, at fair value	9,695	7,305
Other real estate owned, net	8,707	8,651
Premises and equipment, net	38,637	37,867
Goodwill	15,017	15,017
Other intangible assets, net	1,154	1,207
Other assets	55,764	56,141
Total assets	\$1,502,673	\$1,518,596
<b>LIABILITIES</b>		
Deposits:		
Demand	\$450,409	\$414,686
Interest-bearing demand	240,974	252,009
Savings	233,611	247,458
Money market	208,614	243,603
Certificates of deposit less than \$250,000	66,831	69,283
Certificates of deposit \$250,000 and greater	32,829	31,244
Total deposits	1,233,268	1,258,283
Securities sold under repurchase agreements	32,429	27,746
Borrowings	7,282	7,362
Junior subordinated debentures	10,310	10,310
Other liabilities	16,142	22,093
Total liabilities	1,299,431	1,325,794
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, \$1 par value, 2,500,000 shares authorized, none issued or outstanding	—	—
Common stock, \$1 par value, 10,000,000 shares authorized, 6,884,386 and 6,871,963 issued and outstanding at September 30, 2018 and December 31, 2017, respectively	6,884	6,872
Additional paid-in capital	62,512	61,793
Retained earnings	134,487	124,407
Accumulated other comprehensive loss, net of tax	(641	) (270
Total shareholders' equity	203,242	192,802
Total liabilities and shareholders' equity	\$1,502,673	\$1,518,596
See notes to consolidated financial statements		



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

(In Thousands, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Interest Income				
Interest and fees on loans and loans held for sale	\$14,992	\$14,341	\$42,291	\$41,180
Interest on investment securities available for sale	1,314	956	3,870	3,158
Dividends on marketable equity securities	86	87	252	259
Interest on investment securities held to maturity	—	11	—	31
Dividends on Federal Home Loan Bank stock	19	6	45	18
Interest on deposits in other banks	169	118	512	230
Total Interest Income	16,580	15,519	46,970	44,876
Interest Expense				
Interest expense on deposits	595	429	1,413	1,325
Interest expense on securities sold under agreements to repurchase	9	9	26	25
Interest expense on borrowings	59	54	174	130
Interest expense on junior subordinated debentures	98	110	286	402
Total Interest Expense	761	602	1,899	1,882
Net Interest Income	15,819	14,917	45,071	42,994
(Benefit) provision for loan losses	—	2,500	(300)	3,200
Net Interest Income After Provision for Loan Losses	15,819	12,417	45,371	39,794
Other Operating Income				
Mortgage banking income	5,903	6,219	16,325	18,020
Purchased receivable income	767	752	2,474	2,217
Bankcard fees	724	664	2,056	1,903
Service charges on deposit accounts	407	406	1,137	1,254
Gain on sale of Northrim Benefits Group	—	4,443	—	4,443
Employee benefit plan income	—	609	—	2,506
Gain (loss) on sale of securities, net	—	(3)	—	11
Other income	872	765	2,457	2,168
Total Other Operating Income	8,673	13,855	24,449	32,522
Other Operating Expense				
Salaries and other personnel expense	11,261	11,115	33,208	33,750
Occupancy expense	1,687	1,706	4,407	4,991
Data processing expense	1,503	1,509	4,374	4,209
Impairment of equity method investment	804	—	804	—
Professional and outside services	727	674	1,780	1,908
Marketing expense	367	332	1,461	1,733
Insurance expense	171	475	645	922
OREO expense, net rental income and gains on sale	43	(44)	157	216
Intangible asset amortization expense	18	26	53	79
Compensation expense - RML acquisition payments	—	149	—	323
Other operating expense	1,518	1,749	4,611	4,685
Total Other Operating Expense	18,099	17,691	51,500	52,816
Income Before Provision for Income Taxes	6,393	8,581	18,320	19,500
Provision for income taxes	1,129	2,980	3,164	6,236

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Net Income	5,264	5,601	15,156	13,264
Less: Net income attributable to the noncontrolling interest	—	78	—	327
Net Income Attributable to Northrim BanCorp, Inc.	\$5,264	\$5,523	\$15,156	\$12,937
Earnings Per Share, Basic	\$0.77	\$0.80	\$2.21	\$1.88
Earnings Per Share, Diluted	\$0.75	\$0.79	\$2.17	\$1.85
Weighted Average Shares Outstanding, Basic	6,877,194	6,872,273	6,873,843	6,897,577
Weighted Average Shares Outstanding, Diluted	6,990,633	6,959,035	6,978,679	6,983,778
See notes to consolidated financial statements				

4

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

(In Thousands)	Three Months		Nine Months	
	Ended September 30, 2018	2017	Ended September 30, 2018	2017
Net income	\$5,264	\$5,601	\$15,156	\$13,264
Other comprehensive income (loss), net of tax:				
Securities available for sale:				
Unrealized (losses) gains arising during the period	(\$218 )	\$197	(\$1,325 )	\$884
Reclassification of net (gains) losses included in net income (net of tax (benefit) expense) of \$0 and (\$1) for the third quarter of 2018 and 2017, respectively, and \$0 and \$5 for the nine months ended September 30, 2018 and 2017, respectively)	—	2	—	(6 )
Derivatives and hedging activities:				
Unrealized gains arising during the period	234	127	855	127
Income tax benefit (expense) related to unrealized gains and losses	44	(80 )	290	(334 )
Other comprehensive income (loss), net of tax	60	246	(180 )	671
Comprehensive income	5,324	5,847	14,976	13,935
Less: comprehensive income attributable to the noncontrolling interest	—	78	—	327
Comprehensive income attributable to Northrim BanCorp, Inc.	\$5,324	\$5,769	\$14,976	\$13,608

See notes to consolidated financial statements

NORTHRIM BANCORP, INC.

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(In Thousands)	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance as of January 1, 2017	6,898						