

BANCORP RHODE ISLAND INC

Form 10-Q

November 04, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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, 2010
or**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1937

For the transition period from _____ to _____

Commission File No. 001-16101

BANCORP RHODE ISLAND, INC.

(Exact name of Registrant as specified in its charter)

Rhode Island

05-0509802

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

ONE TURKS HEAD PLACE, PROVIDENCE, RI 02903

(Address of principal executive offices)

(401) 456-5000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post 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 Act). Yes No

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of November 1, 2010:

Common Stock - Par Value \$0.01
(class)

4,674,092 shares
(outstanding)

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Quarterly Report on Form 10-Q
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Special Note Regarding Forward Looking Statements

We make certain forward looking statements in this Quarterly Report on Form 10-Q and in other documents that we incorporate by reference into this report that are based upon our current expectations and projections about future events. We intend these forward looking statements to be covered by the safe harbor provisions for forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and we are including this statement for purposes of these safe harbor provisions. You can identify these statements by reference to a future period or periods by our use of the words estimate, project, may, believe, intend, anticipate, plan, seek, expect and similar terms or variations. Actual results may differ materially from those set forth in forward looking statements as a result of risks and uncertainties, including those detailed from time to time in our filings with the Federal Deposit Insurance Corporation (FDIC) and the Securities and Exchange Commission (SEC). Our forward looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not assume any obligation to update any forward looking statements.

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BANCORP RHODE ISLAND, INC.
Consolidated Balance Sheets (unaudited)

	<i>September 30, 2010</i>	<i>December 31, 2009</i>
	<i>(In thousands)</i>	
ASSETS:		
Cash and due from banks	\$ 15,828	\$ 18,866
Overnight investments	451	1,964
Total cash and cash equivalents	16,279	20,830
Available for sale securities (amortized cost of \$334,074 and \$380,108, respectively)	342,080	381,839
Stock in Federal Home Loan Bank of Boston	16,274	16,274
Loans and leases receivable:		
Commercial loans and leases	771,754	732,397
Residential mortgage loans	161,106	173,294
Consumer and other loans	202,367	206,156
Total loans and leases receivable	1,135,227	1,111,847
Allowance for loan and lease losses	(18,212)	(16,536)
Net loans and leases receivable	1,117,015	1,095,311
Premises and equipment, net	12,072	12,378
Goodwill, net	12,262	12,239
Accrued interest receivable	4,648	4,964
Investment in bank-owned life insurance	30,964	30,010
Prepaid expenses and other assets	21,729	16,101
Total assets	\$ 1,573,323	\$ 1,589,946
LIABILITIES:		
Deposits:		
Demand deposit accounts	\$ 242,628	\$ 204,281
NOW accounts	66,166	74,558
Money market accounts	82,151	65,076
Savings accounts	364,160	367,225
Certificate of deposit accounts	360,578	387,144
Total deposits	1,115,683	1,098,284
Overnight and short-term borrowings	36,028	40,171
Wholesale repurchase agreements	20,000	20,000
Federal Home Loan Bank of Boston borrowings	232,024	277,183
Subordinated deferrable interest debentures	13,403	13,403
Other liabilities	25,416	20,244
Total liabilities	1,442,554	1,469,285

SHAREHOLDERS EQUITY:

Common stock, par value \$0.01 per share, authorized 11,000,000 shares: Issued: 5,047,942 and 4,969,444 shares, respectively	50	50
Additional paid-in capital	73,697	72,783
Treasury stock, at cost: 373,850 and 364,750 shares, respectively	(12,527)	(12,309)
Retained earnings	64,345	59,012
Accumulated other comprehensive income, net	5,204	1,125
Total shareholders equity	130,769	120,661
Total liabilities and shareholders equity	\$ 1,573,323	\$ 1,589,946

See accompanying notes to unaudited consolidated financial statements

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BANCORP RHODE ISLAND, INC.
Consolidated Statements of Operations (unaudited)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>(In thousands, except per share data)</i>			
Interest and dividend income:				
Overnight investments	\$ 1	\$ 1	\$ 6	\$ 10
Mortgage-backed securities	2,764	3,336	9,034	10,099
Investment securities	462	540	1,502	1,527
Loans and leases	14,927	15,123	44,600	44,716
Total interest and dividend income	18,154	19,000	55,142	56,352
Interest expense:				
Deposits	1,910	3,308	6,352	12,026
Overnight and short-term borrowings	16	19	53	67
Wholesale repurchase agreements	139	141	421	408
Federal Home Loan Bank of Boston borrowings	2,438	2,691	7,621	7,966
Subordinated deferrable interest debentures	173	175	503	564
Total interest expense	4,676	6,334	14,950	21,031
Net interest income	13,478	12,666	40,192	35,321
Provision for loan and lease losses	1,275	1,900	4,425	6,110
Net interest income after provision for loan and lease losses	12,203	10,766	35,767	29,211
Noninterest income:				
Total other-than-temporary impairment losses on available for sale securities	5	(696)	54	(696)
Non-credit component of other-than-temporary losses recognized in other comprehensive income	(422)	626	(1,086)	626
Credit component of other-than-temporary impairment losses on available for sale securities	(417)	(70)	(1,032)	(70)
Service charges on deposit accounts	1,337	1,396	3,949	3,973
Gain on sale of available for sale securities	465		1,043	61
Income from bank-owned life insurance	320	313	953	906
Loan related fees	162	75	484	703
Commissions on nondeposit investment products	144	322	529	589
Net gains on lease sales and commissions on loans originated for others	44	13	86	61
Other income	234	192	877	589
Total noninterest income	2,289	2,241	6,889	6,812

Noninterest expense:				
Salaries and employee benefits	5,829	5,224	17,418	15,303
Occupancy	827	864	2,517	2,652
Data processing	667	659	1,975	1,949
Professional services	549	609	1,718	1,953
FDIC insurance	475	502	1,425	2,065
Marketing	333	327	974	974
Equipment	266	226	776	709
Loan workout and other real estate owned	196	219	869	496
Loan servicing	133	174	480	522
Other expenses	1,075	1,008	3,116	2,957
Total noninterest expense	10,350	9,812	31,268	29,580
Income before income taxes	4,142	3,195	11,388	6,443
Income tax expense	1,334	992	3,680	2,037
Net income	2,808	2,203	7,708	4,406
Preferred stock dividends		(142)		(892)
Prepayment charges and accretion of preferred stock discount		(1,282)		(1,405)
Net income applicable to common shares	\$ 2,808	\$ 779	\$ 7,708	\$ 2,109
Per share data:				
Basic earnings per common share	\$ 0.60	\$ 0.17	\$ 1.65	\$ 0.46
Diluted earnings per common share	\$ 0.60	\$ 0.17	\$ 1.65	\$ 0.46
Cash dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.51	\$ 0.51
Weighted average common shares outstanding basic	4,674	4,606	4,653	4,599
Weighted average common shares outstanding diluted	4,703	4,634	4,682	4,620

See accompanying notes to unaudited consolidated financial statements

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BANCORP RHODE ISLAND, INC.
Consolidated Statements of Changes in Shareholders' Equity (unaudited)

Nine months ended September 30,	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Total
<i>(In thousands, except per share data)</i>							
2009							
Balance at December 31, 2008	\$ 28,595	\$ 49	\$ 73,323	\$ (12,055)	\$ 58,763	\$ 415	\$ 149,090
Cumulative effect of a change in accounting principle, net of taxes of (\$77)					137	(137)	
Net income					4,406		4,406
Other comprehensive income:							
Unrealized holding gains on securities available for sale, net of taxes of (\$1,682)						3,124	3,124
Reclassification adjustment for net gains included in net income, net of taxes of \$21						(40)	(40)
Non-credit portion OTTI, net of taxes of \$220						(406)	(406)
Total comprehensive income							7,084
Exercise of stock options		1	438				439
Macrolease acquisition			78				78
Repurchase of warrant			(1,400)				(1,400)
Redemption of preferred stock	(30,000)						(30,000)
Treasury stock acquisitions				(254)			(254)
Share-based compensation			80				80
Tax benefit from exercise of stock options			81				81
Preferred stock discount accretion	123				(123)		
Prepayment charge on preferred stock discount	1,282				(1,282)		
Dividends on preferred stock (\$29.73 per preferred share)					(892)		(892)
Dividends on common stock (\$0.51 per common share)					(2,345)		(2,345)
Balance at September 30, 2009	\$	\$ 50	\$ 72,600	\$ (12,309)	\$ 58,664	\$ 2,956	\$ 121,961
2010							
Balance at December 31, 2009	\$	\$ 50	\$ 72,783	\$ (12,309)	\$ 59,012	\$ 1,125	\$ 120,661
Net income					7,708		7,708

Other comprehensive income:			
Unrealized holding gains on securities available for sale, net of taxes of (\$2,181)		4,051	4,051
Reclassification adjustment for net gains included in net income, net of taxes of \$365		(678)	(678)
Non-credit portion OTTI, net of taxes of (\$380)		706	706
Total comprehensive income			11,787
Exercise of stock options	297		297
Macrolease acquisition	211		211
Share repurchases		(218)	(218)
Share-based compensation	410		410
Tax benefit from exercise of stock options	(4)		(4)
Dividends on common stock (\$0.51 per common share)		(2,375)	(2,375)
Balance at September 30, 2010	\$	\$ 50	\$ 73,697
		\$ (12,527)	\$ 64,345
		\$ 5,204	\$ 130,769

See accompanying notes to unaudited consolidated financial statements

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**BANCORP RHODE ISLAND, INC.
Consolidated Statements of Cash Flows (unaudited)**

*Nine Months Ended
September 30,
2010 2009
(In thousands)*

Cash flows from operating activities: