

BANCORP RHODE ISLAND INC

Form 10-Q

May 05, 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 March 31, 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 May 3, 2010:

Common Stock Par Value \$0.01

4,670,582 shares

(class)

(outstanding)

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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>March 31, 2010</i>	<i>December 31, 2009</i>
	<i>(In thousands)</i>	
ASSETS:		
Cash and due from banks	\$ 16,845	\$ 18,866
Overnight investments	600	1,964
Total cash and cash equivalents	17,445	20,830
Available for sale securities (amortized cost of \$361,410 and \$380,108, respectively)	365,110	381,839
Stock in Federal Home Loan Bank of Boston	16,274	16,274
Loans and leases receivable:		
Commercial loans and leases	752,193	732,397
Residential mortgage loans	170,200	173,294
Consumer and other loans	201,445	206,156
Total loans and leases receivable	1,123,838	1,111,847
Allowance for loan and lease losses	(16,625)	(16,536)
Net loans and leases receivable	1,107,213	1,095,311
Premises and equipment, net	12,230	12,378
Goodwill, net	12,262	12,239
Accrued interest receivable	4,863	4,964
Investment in bank-owned life insurance	30,325	30,010
Prepaid expenses and other assets	21,056	16,101
Total assets	\$ 1,586,778	\$ 1,589,946
LIABILITIES:		
Deposits:		
Demand deposit accounts	\$ 203,193	\$ 204,281
NOW accounts	68,724	74,558
Money market accounts	78,824	65,076
Savings accounts	378,228	367,225
Certificate of deposit accounts	378,102	387,144
Total deposits	1,107,071	1,098,284
Overnight and short-term borrowings	37,851	40,171
Wholesale repurchase agreements	20,000	20,000
Federal Home Loan Bank of Boston borrowings	270,090	277,183
Subordinated deferrable interest debentures	13,403	13,403
Other liabilities	14,684	20,244
Total liabilities	1,463,099	1,469,285

SHAREHOLDERS EQUITY:

Common stock, par value \$0.01 per share, authorized 11,000,000 shares: Issued: 5,007,190 and 4,969,444 shares, respectively	50	50
Additional paid-in capital	73,306	72,783
Treasury stock, at cost:373,850 and 364,750 shares, respectively	(12,527)	(12,309)
Retained earnings	60,445	59,012
Accumulated other comprehensive income, net	2,405	1,125
Total shareholders equity	123,679	120,661
Total liabilities and shareholders equity	\$ 1,586,778	\$ 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>March 31,</i>	
	<i>2010</i>	<i>2009</i>
	<i>(In thousands, except per share data)</i>	
Interest and dividend income:		
Overnight investments	\$ 5	\$ 9
Mortgage-backed securities	3,229	3,403
Investment securities	550	451
Loans and leases	14,568	14,697
Total interest and dividend income	18,352	18,560
Interest expense:		
Deposits	2,278	4,494
Overnight and short-term borrowings	18	27
Wholesale repurchase agreements	139	133
Federal Home Loan Bank of Boston borrowings	2,665	2,625
Subordinated deferrable interest debentures	164	199
Total interest expense	5,264	7,478
Net interest income	13,088	11,082
Provision for loan and lease losses	1,600	1,610
Net interest income after provision for loan and lease losses	11,488	9,472
Noninterest income:		
Total other-than-temporary impairment losses on available for sale securities	(1,592)	
Non-credit component of other-than-temporary losses recognized in other comprehensive income	1,021	
Credit component of other-than-temporary impairment losses on available for sale securities	(571)	
Service charges on deposit accounts	1,264	1,210
Gain on sale of available for sale securities	475	61
Income from bank-owned life insurance	315	289
Commissions on nondeposit investment products	237	156
Loan related fees	189	399
Net gains on lease sales and commissions on loans originated for others	36	29
Other income	370	213
Total noninterest income	2,315	2,357
Noninterest expense:		
Salaries and employee benefits	5,843	5,153

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Occupancy	861	956
Data processing	654	620
Professional services	632	698
FDIC insurance	475	387
Loan workout and other real estate owned	336	128
Marketing	258	315
Equipment	255	241
Loan servicing	176	159
Other expenses	998	966
Total noninterest expense	10,488	9,623
Income before income taxes	3,315	2,206
Income tax expense	1,096	743
Net income	2,219	1,463
Preferred stock dividends		(375)
Prepayment charges and accretion of preferred stock discount		(61)
Net income applicable to common shares	\$ 2,219	\$ 1,027
Per share data:		
Basic earnings per common share	\$ 0.48	\$ 0.22
Diluted earnings per common share	\$ 0.48	\$ 0.22
Cash dividends declared per common share	\$ 0.17	\$ 0.17
Weighted average common shares outstanding basic	4,622	4,590
Weighted average common shares outstanding diluted	4,650	4,610

See accompanying notes to unaudited consolidated financial statements

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

Three months ended March 31,	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive 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
Net income					1,463		1,463
Other comprehensive income:							
Unrealized holding gains on securities available for sale, net of taxes of \$(370)						688	688
Reclassification adjustment for net gains included in net income, net of taxes of \$21						(40)	(40)
Total comprehensive income							2,111
Exercise of stock options		1	412				413
Macrolease acquisition			78				78
Share repurchases				(254)			(254)
Share-based compensation			77				77
Tax benefit from exercise of stock options			88				88
Preferred stock discount accretion	61				(61)		
Dividends on preferred stock (\$12.50 per preferred share)					(375)		(375)
Dividends on common stock (\$0.17 per common share)					(781)		(781)
Balance at March 31, 2009	\$ 28,656	\$ 50	\$ 73,978	\$ (12,309)	\$ 59,009	\$ 1,063	\$ 150,447
2010							
Balance at December 31, 2009	\$	\$ 50	\$ 72,783	\$ (12,309)	\$ 59,012	\$ 1,125	\$ 120,661
Net income					2,219		2,219
Other comprehensive income:							
Unrealized holding gains on securities available for sale, net of taxes of \$(1,213)						2,252	2,252
Reclassification adjustment for net gains included in net income, net of taxes of \$166						(309)	(309)
Non-credit portion OTTI, net of taxes of \$358						(663)	(663)

Total comprehensive income								3,499					
Exercise of stock options			220					220					
Macrolease acquisition			211					211					
Share repurchases				(218)				(218)					
Share-based compensation			92					92					
Dividends on common stock (\$0.17 per common share)					(786)			(786)					
Balance at March 31, 2010	\$	\$	50	\$	73,306	\$	(12,527)	\$	60,445	\$	2,405	\$	123,679

See accompanying notes to unaudited consolidated financial statements

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

	<i>Three Months Ended</i>	
	<i>March 31,</i>	
	<i>2010</i>	<i>2009</i>
	<i>(In thousands)</i>	
Cash flows from operating activities:		
Net income	\$ 2,219	\$ 1,463
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation, amortization and accretion, net	(1,444)	(1,367)
Provision for loan and lease losses	1,600	1,610
Income from bank-owned life insurance	(315)	(289)
Share-based compensation expense	92	77
Net gains on lease sales	(17)	(22)
Gain on sale of available for sale securities	(475)	(61)
Credit component of other-than-temporary impairment losses on available for sale securities	571	
Loss (gain) on sale of other real estate owned	56	(17)
Proceeds from sales of leases	907	1,122
Leases originated for sale	(890)	(944)
Decrease in accrued interest receivable	101	406
Decrease (increase) in prepaid expenses and other assets	146	(444)
Decrease in other liabilities	(5,372)	(593)
Net cash (used in) provided by operating activities	(2,821)	941
Cash flows from investing activities:		
Available for sale securities:		
Purchases	(31,313)	(76,520)
Maturities and principal repayments	41,081	50,411
Proceeds from sales	3,311	1,880
Net increase in loans and leases	(12,368)	(26,964)
Capital expenditures for premises and equipment	(210)	(135)
Proceeds from sale of other real estate owned	345	332
Net cash provided by (used in) investing activities	846	(50,996)
Cash flows from financing activities:		
Net increase in deposits	8,787	13,669
Net decrease in overnight and short-term borrowings	(2,320)	(13,936)
Proceeds from long-term borrowings	33,700	15,190
Repayment of long-term borrowings	(40,793)	(752)
Exercise of stock options	220	413
Repurchase of common stock	(218)	(254)
Tax benefit from exercise of stock options		88

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Dividends on preferred stock		(375)
Dividends on common stock	(786)	(781)
Net cash (used in) provided by financing activities	(1,410)	13,262
Net decrease in cash and cash equivalents	(3,385)	(36,793)
Cash and cash equivalents at beginning of period	20,830	55,457
Cash and cash equivalents at end of period	\$ 17,445	\$ 18,664
Supplementary Disclosures:		
Cash paid for interest	\$ 5,749	\$ 7,598
Cash paid for income taxes	43	167
Non-cash investing and financing transactions:		
Change in accumulated other comprehensive income, net of taxes	1,943	648
Sale (purchase) of available for sale securities not yet settled	5,467	(5,000)
Macrolease acquisition	23	78
Transfer of loans to other real estate owned	724	
Non-credit component of other-than-temporary impairment, net of taxes	663	155

See accompanying notes to unaudited consolidated financial statements

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BANCORP RHODE ISLAND, INC.

Notes to Consolidated Financial Statements (unaudited)

(1) Basis of Presentation

Bancorp Rhode Island, Inc. (the Company), a Rhode Island corporation, is the holding company for Bank Rhode Island (the Bank). The Company has no significant assets other than the common stock of the Bank. For this reason, substantially all of the discussion in this Quarterly Report on Form 10-Q relates to the operations of the Bank and its subsidiaries.