

BANCORP RHODE ISLAND INC

Form 10-Q

August 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 June 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 August 2, 2010:

Common Stock Par Value \$0.01

4,674,091 shares

(class)

(outstanding)



**BANCORP RHODE ISLAND, INC.**  
**Quarterly Report on Form 10-Q**  
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Exhibit 32.1

Exhibit 32.2

**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>June 30, 2010</i>	<i>December 31, 2009</i>
	<i>(In thousands)</i>	
<b>ASSETS:</b>		
Cash and due from banks	\$ 23,857	\$ 18,866
Overnight investments	30,224	1,964
<b>Total cash and cash equivalents</b>	<b>54,081</b>	<b>20,830</b>
Available for sale securities (amortized cost of \$336,707 and \$380,108, respectively)	345,566	381,839
Stock in Federal Home Loan Bank of Boston	16,274	16,274
Loans and leases receivable:		
Commercial loans and leases	764,374	732,397
Residential mortgage loans	164,750	173,294
Consumer and other loans	207,400	206,156
<b>Total loans and leases receivable</b>	<b>1,136,524</b>	<b>1,111,847</b>
Allowance for loan and lease losses	(17,396)	(16,536)
<b>Net loans and leases receivable</b>	<b>1,119,128</b>	<b>1,095,311</b>
Premises and equipment, net	12,127	12,378
Goodwill, net	12,262	12,239
Accrued interest receivable	4,704	4,964
Investment in bank-owned life insurance	30,644	30,010
Prepaid expenses and other assets	18,734	16,101
<b>Total assets</b>	<b>\$ 1,613,520</b>	<b>\$ 1,589,946</b>
<b>LIABILITIES:</b>		
Deposits:		
Demand deposit accounts	\$ 290,794	\$ 204,281
NOW accounts	73,501	74,558
Money market accounts	83,315	65,076
Savings accounts	366,087	367,225
Certificate of deposit accounts	360,323	387,144
<b>Total deposits</b>	<b>1,174,020</b>	<b>1,098,284</b>
Overnight and short-term borrowings	37,338	40,171
Wholesale repurchase agreements	20,000	20,000
Federal Home Loan Bank of Boston borrowings	223,396	277,183
Subordinated deferrable interest debentures	13,403	13,403
Other liabilities	16,236	20,244
<b>Total liabilities</b>	<b>1,484,393</b>	<b>1,469,285</b>

**SHAREHOLDERS EQUITY:**

Common stock, par value \$0.01 per share, authorized 11,000,000 shares: Issued: 5,047,941 and 4,969,444 shares, respectively	50	50
Additional paid-in capital	73,514	72,783
Treasury stock, at cost: 373,850 and 364,750 shares, respectively	(12,527)	(12,309)
Retained earnings	62,332	59,012
Accumulated other comprehensive income, net	5,758	1,125
<b>Total shareholders equity</b>	<b>129,127</b>	<b>120,661</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 1,613,520</b>	<b>\$ 1,589,946</b>

*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>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 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	\$	\$	\$ 5	\$ 9
Mortgage-backed securities	3,041	3,360	6,270	6,763
Investment securities	490	536	1,040	987
Loans and leases	15,105	14,896	29,673	29,593
<b>Total interest and dividend income</b>	<b>18,636</b>	<b>18,792</b>	<b>36,988</b>	<b>37,352</b>
Interest expense:				
Deposits	2,164	4,224	4,442	8,718
Overnight and short-term borrowings	19	21	37	48
Wholesale repurchase agreements	143	134	282	267
Federal Home Loan Bank of Boston borrowings	2,518	2,650	5,183	5,275
Subordinated deferrable interest debentures	166	190	330	389
<b>Total interest expense</b>	<b>5,010</b>	<b>7,219</b>	<b>10,274</b>	<b>14,697</b>
<b>Net interest income</b>	<b>13,626</b>	<b>11,573</b>	<b>26,714</b>	<b>22,655</b>
Provision for loan and lease losses	1,550	2,600	3,150	4,210
<b>Net interest income after provision for loan and lease losses</b>	<b>12,076</b>	<b>8,973</b>	<b>23,564</b>	<b>18,445</b>
Noninterest income:				
Total other-than-temporary impairment losses on available for sale securities	(49)		49	
Non-credit component of other-than-temporary losses recognized in other comprehensive income	5		(664)	
Credit component of other-than-temporary impairment losses on available for sale securities	(44)		(615)	
Service charges on deposit accounts	1,348	1,367	2,612	2,577
Income from bank-owned life insurance	318	304	633	593
Commissions on nondeposit investment products	148	111	385	267
Loan related fees	133	229	322	628
Gain on sale of available for sale securities	103		578	61
Net gains on lease sales and commissions on loans originated for others	6	19	42	48
Other income	273	184	643	397
<b>Total noninterest income</b>	<b>2,285</b>	<b>2,214</b>	<b>4,600</b>	<b>4,571</b>

Noninterest expense:				
Salaries and employee benefits	5,746	4,926	11,589	10,079
Occupancy	829	832	1,690	1,788
Data processing	654	670	1,308	1,290
Professional services	537	646	1,169	1,344
FDIC insurance	475	1,176	950	1,563
Marketing	383	332	641	647
Loan workout and other real estate owned	337	149	673	277
Equipment	255	242	510	483
Loan servicing	171	189	347	348
Other expenses	1,043	983	2,041	1,949
<b>Total noninterest expense</b>	<b>10,430</b>	<b>10,145</b>	<b>20,918</b>	<b>19,768</b>
<b>Income before income taxes</b>	<b>3,931</b>	<b>1,042</b>	<b>7,246</b>	<b>3,248</b>
Income tax expense	1,250	302	2,346	1,045
<b>Net income</b>	<b>2,681</b>	<b>740</b>	<b>4,900</b>	<b>2,203</b>
Preferred stock dividends		(375)		(750)
Prepayment charges and accretion of preferred stock discount		(62)		(123)
<b>Net income applicable to common shares</b>	<b>\$ 2,681</b>	<b>\$ 303</b>	<b>\$ 4,900</b>	<b>\$ 1,330</b>
<b>Per share data:</b>				
Basic earnings per common share	\$ 0.57	\$ 0.07	\$ 1.05	\$ 0.29
Diluted earnings per common share	\$ 0.57	\$ 0.07	\$ 1.05	\$ 0.29
Cash dividends declared per common share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34
Weighted average common shares outstanding basic	4,664	4,602	4,643	4,596
Weighted average common shares outstanding diluted	4,690	4,620	4,670	4,615

*See accompanying notes to unaudited consolidated financial statements*

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Six months ended June 30,	Preferred Stock	Common Stock	Additional Paid-in Capital <i>(In thousands, except per share data)</i>	Treasury Stock	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Total
<b>2009</b>							
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					2,203		2,203
Other comprehensive income:							
Unrealized holding losses on securities available for sale, net of taxes of \$303						(564)	(564)
Reclassification adjustment for net gains included in net income, net of taxes of \$21						(40)	(40)
Total comprehensive income							1,599
Exercise of stock options		1	413				414
Macrolease acquisition			78				78
Share repurchases				(254)			(254)
Share-based compensation			(19)				(19)
Tax benefit from exercise of stock options			78				78
Preferred stock discount accretion	123				(123)		
Dividends on preferred stock (\$25.00 per preferred share)					(750)		(750)
Dividends on common stock (\$0.34 per common share)					(1,562)		(1,562)
Balance at June 30, 2009	\$ 28,718	\$ 50	\$ 73,873	\$ (12,309)	\$ 58,668	\$ (326)	\$ 148,674
<b>2010</b>							
Balance at December 31, 2009	\$	\$ 50	\$ 72,783	\$ (12,309)	\$ 59,012	\$ 1,125	\$ 120,661
Net income					4,900		4,900
Other comprehensive income:							
						4,578	4,578

Unrealized holding gains on securities available for sale, net of taxes of (\$2,465)							
Reclassification adjustment for net gains included in net income, net of taxes of \$202						(376)	(376)
Non-credit portion OTTI, net of taxes of (\$233)						431	431
Total comprehensive income							9,533
Exercise of stock options		297					297
Macrolease acquisition		211					211
Share repurchases			(218)				(218)
Share-based compensation		228					228
Tax benefit from exercise of stock options		(5)					(5)
Dividends on common stock (\$0.34 per common share)					(1,580)		(1,580)
Balance at June 30, 2010	\$	\$ 50	\$ 73,514	\$ (12,527)	\$ 62,332	\$ 5,758	\$ 129,127

*See accompanying notes to unaudited consolidated financial statements*

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

	<i>Six Months Ended</i>	
	<i>June 30,</i>	
	<i>2010</i>	<i>2009</i>
	<i>(In thousands)</i>	
Cash flows from operating activities:		
Net income	\$ 4,900	\$ 2,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	(2,778)	(2,878)
Provision for loan and lease losses	3,150	4,210
Income from bank-owned life insurance	(633)	(593)
Share-based compensation expense	228	(19)
Net gains on lease sales	(19)	(24)
Gain on sale of available for sale securities	(578)	(61)
Credit component of other-than-temporary impairment losses on available for sale securities	615	