

NORTHWEST BANCORPORATION INC
Form 10-Q
November 12, 2010
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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, 2010.**

**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 000-24151

NORTHWEST BANCORPORATION, INC.

(Exact name of registrant as specified in its charter)

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Washington
(State or other jurisdiction of
incorporation or organization)
421 West Riverside, Spokane, WA 99201-0403
(Address of principal executive offices)
(509) 456-8888
(Registrant's telephone number, including area code)

91-1574174
(I.R.S. Employer
identification No.)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 (Do not check if a smaller reporting company) 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 Registrant has a single class of common stock, of which there were 3,072,498 shares issued and outstanding as of November 10, 2010.

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NORTHWEST BANCORPORATION, INC.

FORM 10-Q

For the three-month and nine-month periods ended September 30, 2010

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NORTHWEST BANCORPORATION, INC. AND SUBSIDIARY****Consolidated Statements of Financial Condition**

(unaudited)

(dollars in thousands)

	September 30, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 12,365	\$ 13,789
Interest bearing deposits at other financial institutions	36	28
Federal funds sold	8,790	4,302
Total cash and cash equivalents	21,191	18,119
Securities available for sale	41,761	24,808
Federal Home Loan Bank stock, at cost	1,261	1,261
Loans receivable, net of allowance for loan losses \$7,429 on September 30, 2010 and \$7,082 on December 31, 2009	289,059	314,153
Loans held for sale	6,145	3,112
Premises and equipment, net	17,498	18,098
Accrued interest receivable	1,586	1,467
Foreclosed real estate and other repossessed assets	4,037	3,672
Bank owned life insurance	3,762	3,670
Other assets	3,415	5,342
TOTAL ASSETS	\$ 389,715	\$ 393,702
LIABILITIES		
Noninterest bearing demand deposits	\$ 65,353	\$ 63,850
Money market accounts	33,368	23,005
NOW accounts	62,947	35,507
Savings accounts	43,064	42,321
Time certificates of deposit, \$100,000 and over	66,398	75,983
Time certificates of deposit, under \$100,000	64,747	97,111
TOTAL DEPOSITS	335,877	337,777
Securities sold under agreements to repurchase	194	291
Borrowed funds	7,123	13,177
Capital lease liability	595	599
Junior subordinated debentures	5,155	5,155
Accrued interest payable	465	658
Other liabilities	2,713	2,239

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TOTAL LIABILITIES	352,122	359,896
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SHAREHOLDERS EQUITY

Preferred stock - Series A Cumulative Perpetual; \$1,000 par value; \$1,000 liquidation value; 10,500 shares authorized and issued	10,101	10,012
Preferred stock - Series B Cumulative Perpetual; \$0.01 par value; \$1,000 liquidation value; 525 shares authorized and issued	570	580
Common stock, no par, 5,000,000 shares authorized; issued and outstanding 3,072,498 on September 30, 2010 and 2,380,793 on December 31, 2009	25,902	23,269
Retained earnings (accumulated deficit)	432	(443)
Accumulated other comprehensive income, net of tax effect of \$302 and \$199, respectively	588	388
TOTAL SHAREHOLDERS EQUITY	37,593	33,806

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 389,715	\$ 393,702
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Table of Contents**NORTHWEST BANCORPORATION, INC. AND SUBSIDIARY****Consolidated Statements of Operations**

(unaudited)

(dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Interest income:				
Loans, including fees	\$ 4,868	\$ 5,272	\$ 14,730	\$ 15,718
Investment securities	356	225	1,063	699
Federal funds sold and interest bearing deposits	5	8	18	12
Total interest income	5,229	5,505	15,811	16,429
Interest expense:				
Deposits	1,345	1,758	4,377	5,456
Securities sold under agreements to repurchase				7
Borrowed funds	108	285	474	884
Total interest expense	1,453	2,043	4,851	6,347
Net interest income	3,776	3,462	10,960	10,082
Provision for loan losses	600	2,405	2,050	5,400
Net interest income after provision for loan losses	3,176	1,057	8,910	4,682
Noninterest income:				
Service charges on deposits	399	395	1,032	1,100
Gain from sale of loans, net	237	148	553	514
Gains on sales of securities	64		382	
Gain from sale of foreclosed real estate and other property owned	68	3	187	57
Other noninterest income	263	218	956	782
Total noninterest income	1,031	764	3,110	2,453
Noninterest expense:				
Salaries and employee benefits	1,619	1,555	4,719	4,955
Occupancy and equipment	305	346	918	1,010
Depreciation and amortization	289	247	859	741
Advertising and promotion	65	67	227	251
Loss on foreclosed real estate and other property owned	154		476	300
Other noninterest expenses	1,009	943	2,868	3,005
Total noninterest expense	3,441	3,158	10,067	10,262
Income (loss) before income taxes	766	(1,337)	1,953	(3,127)
Income tax expense (benefit)	238	(706)	570	(1,394)

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Net income (loss)	\$ 528	(\$ 631)	\$ 1,383	(\$ 1,733)
Preferred stock dividends	144	146	429	365
Preferred stock discount accretion, net	26	27	79	66
Net income (loss) applicable to common shares	\$ 358	(\$ 804)	\$ 875	(\$ 2,164)
Earnings (loss) per common share - basic	\$ 0.12	\$ (0.34)	\$ 0.34	\$ (0.91)
Earnings (loss) per common share - diluted	\$ 0.12	\$ (0.34)	\$ 0.34	\$ (0.91)
Weighted average shares outstanding - basic	2,967,984	2,376,539	2,579,769	2,371,540
Weighted average shares outstanding - diluted	2,970,334	2,376,539	2,581,447	2,371,540

Table of Contents**NORTHWEST BANCORPORATION, INC. AND SUBSIDIARY****Consolidated Statements of Changes in Shareholders Equity and Comprehensive Income (Loss)**

(unaudited)

(dollars in thousands)

	Total	Preferred Stock	Common Stock	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Income	Comprehensive Income (Loss)
Balance, December 31, 2008	\$ 26,919	\$	\$ 23,211	\$ 3,429	\$ 279	
Net loss	(3,277)			(3,277)		(\$ 3,277)
Stock issued to directors	22		22			
Issuance of preferred stock series A	9,909	9,909				
Issuance of preferred stock series B	591	591				
Cash dividends declared on preferred stock	(503)			(503)		
Accretion of preferred stock discount, net		92		(92)		
Equity-based compensation expense, net	75		75			
Tax effect of vested stock grants	(39)		(39)			
Unrealized holding gain on securities transferred from held to maturity to available for sale, net of taxes	224				224	224
Net change in unrealized gain on securities available for sale, net of taxes	(115)				(115)	(115)
Comprehensive loss						(\$ 3,168)
Balance December 31, 2009	33,806	10,592	23,269	(443)	388	
Net income	1,383			1,383		1,383
Stock issued to directors	22		22			
Issuance of common stock, net of issuance costs of \$162	2,585		2,585			
Dividends on preferred stock	(429)			(429)		
Accretion of preferred stock discount, net		79		(79)		
Equity-based compensation expense, net	26		26			
Change in unrealized gain on securities available for sale, net of taxes	200				200	200
Comprehensive income						\$ 1,583
Balance, September 30, 2010	\$ 37,593	\$ 10,671	\$ 25,902	\$ 432	\$ 588	
Disclosure of 2010 reclassification amount:						
Net change in unrealized holding gains on available for sale securities	(\$ 79)					
Reclassification adjustment for net gains realized in income	382					
Net change in unrealized gains	303					

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Tax effect	(103)
Net of tax amount	\$ 200

Table of Contents**NORTHWEST BANCORPORATION, INC. AND SUBSIDIARY****Consolidated Statements of Cash Flows**

(unaudited)

(dollars in thousands)

	Nine months ended September 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 1,383	(\$ 1,733)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Amortization (accretion) of securities premiums and discounts, net	(25)	(57)
Gain on sale of securities, net	(382)	
Amortization of deferred loan fees	165	289
Provision for loan losses	2,050	5,400
Originations of loans held for sale	(31,368)	(37,177)
Proceeds from sales of loans held for sale	28,888	35,205
Gain on sale of loans, net	(553)	(514)
Depreciation and amortization	859	741
Loss on sale of premises and equipment		9
Provision for losses and impairment of foreclosed real estate and other property owned	439	300
Gain on sale of foreclosed real estate and other property owned, net	(150)	(57)
Net increase in bank owned life insurance	(92)	(95)
Gain on redemption of bank owned life insurance		(145)
Net increase in deferred income taxes	(94)	(425)
Equity-based compensation expense	26	33
Issuance of common stock under directors' compensation arrangements	22	22
Change in assets and liabilities:		
Accrued interest receivable	(119)	55
Other assets	1,670	(436)
Interest payable	(193)	(18)
Other liabilities	116	(352)
Net cash provided (used) by operating activities	2,642	1,045
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale:		
Purchases	(45,120)	(7,961)
Proceeds from maturities, calls and principal repayments	22,409	13,499
Proceeds from sale	6,529	
Securities held to maturity:		
Purchases		(2,216)
Proceeds from maturities, calls and principal repayments		100
Purchases of FHLB stock		(155)
Proceeds from sale of equity security	189	
Net decrease (increase) in loans	20,439	7,514
Purchase of premises and equipment	(460)	(1,138)
Proceeds from sale of premises and equipment		4
Proceeds from sale of foreclosed real estate and other repossessed assets	1,986	738

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Proceeds from redemption of bank owned life insurance		291
Net cash provided by investing activities	5,972	10,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (decrease) increase in deposits	(1,900)	10,007
Net decrease in securities sold under agreement to repurchase	(97)	(21,307)
Net decrease in federal funds purchased		(3,465)
Proceeds from borrowed funds		5,000
Repayment of borrowed funds	(6,058)	(5,855)
Proceeds from issuance of preferred stock		10,500
Proceeds from issuance of common stock, net of expenses	2,585	
Cash dividend paid	(72)	(289)
Net cash (used) provided by financing activities	(5,542)	(5,409)
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,072	6,312
Cash and cash equivalents, beginning of period	18,119	11,414
Cash and cash equivalents, end of period	\$ 21,191	\$ 17,726
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 5,044	\$ 6,365
Income taxes	\$ 574	\$
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net change in fair value of securities available for sale	\$ 200	\$ 305
Acquisition of real estate and other repossessed assets in settlement of loans	\$ 2,539	\$ 3,567
Foreclosed real estate financed in-house	\$ 99	\$ 409
Preferred stock dividend accrued but not paid	\$ 358	\$ 76

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of Northwest Bancorporation, Inc. (the Company) and its wholly-owned subsidiary, Inland Northwest Bank (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation.

The foregoing unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X as promulgated by the Securities and Exchange Commission (the SEC). Accordingly, these financial statements do not include all of the disclosures required by accounting principles generally accepted in the United States of America for complete financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the annual report on Form 10-K for the year ended December 31, 2009. In the opinion