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Bank of Marin Bancorp
Form 10-Q
August 07, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 June 30, 2017

OR

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 001-33572

Bank of Marin Bancorp
(Exact name of Registrant as specified in its charter)
California 20-8859754
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

504 Redwood Blvd., Suite 100, Novato, CA 94947
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: (415) 763-4520

Indicate by check mark whether the registrant (1) has filed all reports 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

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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 if the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act.

Yes No

As of July 31, 2017, there were 6,165,751 shares of common stock outstanding.

TABLE OF CONTENTS

PART I	<u>FINANCIAL INFORMATION</u>	<u>Page-3</u>
ITEM 1.	<u>Financial Statements</u>	<u>Page-3</u>
	<u>Consolidated Statements of Condition</u>	<u>Page-3</u>
	<u>Consolidated Statements of Comprehensive Income</u>	<u>Page-4</u>
	<u>Consolidated Statements of Changes in Stockholders' Equity</u>	<u>Page-5</u>
	<u>Consolidated Statements of Cash Flows</u>	<u>Page-6</u>
	<u>Notes to Consolidated Financial Statements</u>	<u>Page-7</u>
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>Page-30</u>
ITEM 3.	<u>Quantitative and Qualitative Disclosure about Market Risk</u>	<u>Page-44</u>
ITEM 4.	<u>Controls and Procedures</u>	<u>Page-45</u>
PART II	<u>OTHER INFORMATION</u>	<u>Page-45</u>
ITEM 1.	<u>Legal Proceedings</u>	<u>Page-45</u>
ITEM 1A.	<u>Risk Factors</u>	<u>Page-45</u>
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>Page-46</u>
ITEM 3.	<u>Defaults Upon Senior Securities</u>	<u>Page-46</u>
ITEM 4.	<u>Mine Safety Disclosures</u>	<u>Page-47</u>
ITEM 5.	<u>Other Information</u>	<u>Page-47</u>
ITEM 6.	<u>Exhibits</u>	<u>Page-48</u>
	<u>SIGNATURES</u>	<u>Page-49</u>

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF CONDITION
at June 30, 2017 and December 31, 2016

(in thousands, except share data; unaudited)	June 30, 2017	December 31, 2016
Assets		
Cash and due from banks	\$137,906	\$ 48,804
Investment securities		
Held-to-maturity, at amortized cost	163,018	44,438
Available-for-sale, at fair value	238,870	372,580
Total investment securities	401,888	417,018
Loans, net of allowance for loan losses of \$15,232 and \$15,442 at June 30, 2017 and December 31, 2016, respectively	1,476,253	1,471,174
Bank premises and equipment, net	8,390	8,520
Goodwill	6,436	6,436
Core deposit intangible	2,344	2,580
Interest receivable and other assets	67,499	68,961
Total assets	\$2,100,716	\$2,023,493
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Non-interest bearing	\$892,988	\$ 817,031
Interest bearing		
Transaction accounts	87,866	100,723
Savings accounts	165,596	163,516
Money market accounts	546,586	539,967
Time accounts	147,504	151,463
Total deposits	1,840,540	1,772,700
Subordinated debentures	5,666	5,586
Interest payable and other liabilities	13,777	14,644
Total liabilities	1,859,983	1,792,930
Stockholders' Equity		
Preferred stock, no par value, Authorized - 5,000,000 shares, none issued	—	—
Common stock, no par value, Authorized - 15,000,000 shares; Issued and outstanding - 6,160,952 and 6,127,314 at June 30, 2017 and December 31, 2016, respectively	88,949	87,392
Retained earnings	152,883	146,464
Accumulated other comprehensive loss, net	(1,099)	(3,293)
Total stockholders' equity	240,733	230,563
Total liabilities and stockholders' equity	\$2,100,716	\$2,023,493

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

Page-3

BANK OF MARIN BANCORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands, except per share amounts; unaudited)	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest income				
Interest and fees on loans	\$16,423	\$16,097	\$32,272	\$33,238
Interest on investment securities				
Securities of U.S. government agencies	1,534	1,191	3,052	2,543
Obligations of state and political subdivisions	553	588	1,121	1,174
Corporate debt securities and other	36	77	73	182
Interest on Federal funds sold and short-term investments	157	40	217	51
Total interest income	18,703	17,993	36,735	37,188
Interest expense				
Interest on interest-bearing transaction accounts	21	28	50	55
Interest on savings accounts	16	14	31	28
Interest on money market accounts	114	107	227	218
Interest on time accounts	139	193	285	389
Interest on Federal Home Loan Bank ("FHLB") and other borrowings	—	378	—	478
Interest on subordinated debentures	109	107	217	216
Total interest expense	399	827	810	1,384
Net interest income	18,304	17,166	35,925	35,804
Provision for loan losses	—	—	—	—
Net interest income after provision for loan losses	18,304	17,166	35,925	35,804
Non-interest income				
Service charges on deposit accounts	447	441	899	897
Wealth Management and Trust Services	504	527	1,007	1,093
Debit card interchange fees	384	381	756	719
Merchant interchange fees	112	128	208	241
Earnings on bank-owned life insurance	210	209	419	410
Dividends on FHLB stock	176	185	408	354
Gains on investment securities, net	10	284	10	394
Other income	253	266	504	476
Total non-interest income	2,096	2,421	4,211	4,584
Non-interest expense				
Salaries and related benefits	7,287	6,724	14,762	13,472
Occupancy and equipment	1,380	1,175	2,699	2,456
Depreciation and amortization	463	441	944	894
Federal Deposit Insurance Corporation insurance	162	246	323	507
Data processing	963	916	1,902	1,772
Professional services	522	554	1,044	1,052
Directors' expense	224	116	382	305
Information technology	186	165	384	358
(Reversal) provision for losses on off-balance sheet commitments	(208))150	(43))150
Other expense	1,652	1,530	3,245	3,061
Total non-interest expense	12,631	12,017	25,642	24,027
Income before provision for income taxes	7,769	7,570	14,494	16,361
Provision for income taxes	2,583	2,733	4,760	5,878

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Net income	\$5,186	\$4,837	\$9,734	\$10,483
Net income per common share:				
Basic	\$0.85	\$0.80	\$1.60	\$1.73
Diluted	\$0.84	\$0.79	\$1.58	\$1.72
Weighted average shares:				
Basic	6,110	6,078	6,101	6,063
Diluted	6,174	6,109	6,173	6,100
Dividends declared per common share	\$0.27	\$0.25	\$0.54	\$0.50
Comprehensive income:				
Net income	\$5,186	\$4,837	\$9,734	\$10,483
Other comprehensive income				
Change in net unrealized gain or loss on available-for-sale securities	1,961	2,119	3,635	5,042
Amortization of net unrealized loss on available for sale securities transferred to held-to-maturity securities	124	—	165	—
Reclassification adjustment for gains on available-for-sale securities included in net income	(10)	(284)	(10)	(394)
Net change in unrealized loss on available-for-sale securities, before tax	2,075	1,835	3,790	4,648
Tax effect	892	776	1,596	1,950
Other comprehensive income, net of tax	1,183	1,059	2,194	2,698
Comprehensive income	\$6,369	\$5,896	\$11,928	\$13,181

The accompanying notes are an integral part of these consolidated financial statements (unaudited).

BANK OF MARIN BANCORP

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

for the year ended December 31, 2016 and the six months ended June 30, 2017

(in thousands, except share data; unaudited)	Common Stock		Retained Earnings	Accumulated	Total
	Shares	Amount		Other Comprehensive Income (Loss), Net of Taxes	
Balance at December 31, 2015	6,068,543	\$84,727	\$129,553	\$ 193	\$214,473
Net income	—	—	23,134	—	23,134
Other comprehensive loss	—	—	—	(3,486)(3,486)
Stock options exercised	36,117	1,227	—	—	1,227
Excess tax benefit - stock-based compensation	—	161	—	—	161
Stock issued under employee stock purchase plan	621	32	—	—	32
Restricted stock granted	16,910	—	—	—	—
Stock-based compensation - stock options	—	347	—	—	347
Stock-based compensation - restricted stock	—	638	—	—	638
Cash dividends paid on common stock	—	—	(6,223)—	(6,223)
Stock purchased by directors under director stock plan	516	26	—	—	—