

Edgar Filing: First Financial Northwest, Inc. - Form 10-Q

First Financial Northwest, Inc.
Form 10-Q
May 08, 2014

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, 2014

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: 001-33652

FIRST FINANCIAL NORTHWEST, INC.
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of incorporation or organization)

26-0610707
(I.R.S. Employer Identification Number)

201 Wells Avenue South, Renton, Washington
(Address of principal executive offices)

98057
(Zip Code)

Registrant's telephone number, including area code: (425) 255-4400

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 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

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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 Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 2, 2014, 16,552,079 shares of the issuer's common stock, \$0.01 par value per share, were outstanding.

FIRST FINANCIAL NORTHWEST, INC.
FORM 10-Q
TABLE OF CONTENTS

	Page
<u>PART I</u> - FINANCIAL INFORMATION	
Item 1. Financial Statements	<u>3</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>31</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>43</u>
Item 4. Controls and Procedures	<u>45</u>
<u>PART II</u> - OTHER INFORMATION	
Item 1. Legal Proceedings	<u>46</u>
Item 1A. Risk Factors	<u>46</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>46</u>
Item 3. Defaults upon Senior Securities	<u>46</u>
Item 4. Mine Safety Disclosures	<u>46</u>
Item 5. Other Information	<u>46</u>
Item 6. Exhibits	<u>46</u>
SIGNATURES	<u>48</u>

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands, except share data)

(Unaudited)

Part I. Financial Information

Item 1. Financial Statements

Assets	March 31, 2014	December 31, 2013
Cash on hand and in banks	\$5,440	\$6,074
Interest-earning deposits	28,073	49,501
Investments available-for-sale, at fair value	139,868	144,364
Loans receivable, net of allowance of \$12,093 and \$12,994	671,848	663,153
Premises and equipment, net	17,139	17,291
Federal Home Loan Bank ("FHLB") stock, at cost	6,952	7,017
Accrued interest receivable	3,509	3,698
Deferred tax assets, net	13,124	14,835
Other real estate owned ("OREO")	11,609	11,465
Prepaid expenses and other assets	3,917	3,581
Total assets	\$901,479	\$920,979
 Liabilities and Stockholders' Equity		
Interest-bearing deposits	\$578,237	\$601,446
Noninterest-bearing deposits	8,810	10,619
Advances from the FHLB	119,000	119,000
Advance payments from borrowers for taxes and insurance	3,722	1,846
Accrued interest payable	91	88
Other liabilities	3,791	3,625
Total liabilities	713,651	736,624
 Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or or outstanding	—	—
Common stock, \$0.01 par value; authorized 90,000,000 shares; issued and outstanding		
16,454,139 shares at March 31, 2014 and 16,392,139 shares at December 31, 2013	165	164
Additional paid-in capital	167,568	166,866
Retained earnings, substantially restricted	31,098	29,220
Accumulated other comprehensive loss, net of tax	(1,410) (2,020
Unearned Employee Stock Ownership Plan ("ESOP") shares	(9,593) (9,875
Total stockholders' equity	187,828	184,355
Total liabilities and stockholders' equity	\$901,479	\$920,979
See accompanying selected notes to consolidated financial statements.		

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Income Statements

(Dollars in thousands, except share data)

(Unaudited)

	Three Months Ended March 31,		
	2014	2013	
Interest income			
Loans, including fees	\$9,026	\$9,044	
Investments available-for-sale	604	473	
Interest-earning deposits	20	21	
Dividends on FHLB stock	2	—	
Total interest income	\$9,652	\$9,538	
Interest expense			
Deposits	1,347	1,893	
FHLB advances	251	256	
Total interest expense	\$1,598	\$2,149	
Net interest income	8,054	7,389	
Recapture of loan loss provision	(500) —	
Net interest income after recapture for loan loss provision	\$8,554	\$7,389	
Noninterest income			
Other	68	104	
Total noninterest income	\$68	\$104	
Noninterest expense			
Salaries and employee benefits	2,900	3,614	
Occupancy and equipment	351	354	
Professional fees	357	356	
Data processing	173	162	
Loss (gain) on sale of OREO property, net	71	(632)
OREO market value adjustments	196	145	
OREO-related expenses, net	61	334	
Regulatory assessments	78	283	
Insurance and bond premiums	88	114	
Marketing	25	18	
Prepayment penalty on FHLB advances	—	679	
Other general and administrative	224	451	
Total noninterest expense	\$4,524	\$5,878	
Income before provision for federal income tax	4,098	1,615	
Federal income tax provision	1,453	59	
Net income	\$2,645	\$1,556	
Basic earnings per share	\$0.17	\$0.09	
Diluted earnings per share	\$0.17	\$0.09	

See accompanying selected notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net income	\$2,645	\$1,556
Other comprehensive income, before tax:		
Unrealized holding gains (loss) on available-for-sale securities	939	(636)
Other comprehensive income (loss), before tax	939	(636)
Income tax provision related to items of other comprehensive income	329	—
Other comprehensive income (loss), net of tax	\$610	\$(636)
Total comprehensive income	\$3,255	\$920

See accompanying selected notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

For the Three Months Ended March 31, 2014

(Dollars in thousands, except share data)

(Unaudited)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net of tax	Unearned ESOP Shares	Total Stockholders' Equity
Balances at December 31, 2013	16,392,139	164	\$ 166,866	\$ 29,220	\$ (2,020)	\$ (9,875)	\$ 184,355
Other comprehensive income, net of tax	—	—	—	2,645	610	—	3,255
Cash dividend declared and paid (\$0.05 per share)	—	—	—	(767)	—	—	(767)
Exercise of stock options	62,000	1	605	—	—	—	606
Compensation related to stock options and restricted stock awards	—	—	85	—	—	—	85
Allocation of 28,213 ESOP shares	—	—	12	—	—	282	294
Balances at March 31, 2014	16,454,139	165	\$ 167,568	\$ 31,098	\$ (1,410)	\$ (9,593)	\$ 187,828

See accompanying selected notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three Months Ended March 31,		
	2014	2013	
Cash flows from operating activities:			
Net income	\$2,645	\$1,556	
Adjustments to reconcile net income to net cash provided by operating activities:			
Recapture of loan loss provision	(500) —	
OREO market value adjustments	196	145	
Loss (gain) on sale of OREO property, net	71	(632)
Depreciation of premises and equipment	191	207	
Net amortization of premiums and discounts on investments	394	419	
Deferred federal income taxes	1,382	—	
ESOP expense	294	227	
Compensation expense related to stock options and restricted stock awards	85	481	
Changes in operating assets and liabilities:			
Prepaid expenses and other assets	(336) 24	
Net increase in advance payments from borrowers for taxes and insurance	1,876	1,360	
Accrued interest receivable	189	(39)
Accrued interest payable	3	(162)
Other liabilities	166	(356)
Net cash provided by operating activities	\$6,656	\$3,230	
Cash flows from investing activities:			
Capitalized improvements in OREO	—	(33)
Proceeds from sales of OREO properties	780	4,933	
Principal repayments on investments	5,041	5,735	
Purchases of investments	—	(8,974)
Net increase in loans receivable	(9,386) (2,277)
FHLB stock redemption	65	66	
Net proceeds from sale or disposal of premises and equipment	11	—	
Purchases of premises and equipment	(50) (1)
Net cash used by investing activities	\$(3,539) \$(551)
Cash flows from financing activities:			
Net decrease in deposits	(25,018) (15,663)
Advances from the FHLB	—	34,000	
Repayments of advances from the FHLB	—	(83,066)
Proceeds from exercise of stock options	606	—	
Dividends paid	(767) —	
Net cash used by financing activities	\$(25,179) \$(64,729)
Net decrease in cash	(22,062) (62,050)
Cash and cash equivalents:			
Beginning of period	55,575	87,741	
End of period	\$33,513	\$25,691	