

First Financial Northwest, Inc.
Form 10-Q
May 08, 2018

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, 2018

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 26-0610707
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification Number)
organization)

201 Wells Avenue South, Renton, Washington 98057
(Address of principal executive offices) (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 X 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 X 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

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filer”, “smaller reporting company”, and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer _____ Accelerated filer Non-accelerated filer _____

Smaller reporting company _____ 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 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 6, 2018, 10,779,424 shares of the issuer’s common stock, \$0.01 par value per share, were outstanding.

FIRST FINANCIAL NORTHWEST, INC.
FORM 10-Q
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FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(Dollars in thousands, except share data)

Part 1. Financial Information

Item 1. Financial Statements

	March 31, 2018 (Unaudited)	December 31, 2017
Assets		
Cash on hand and in banks	\$6,595	\$9,189
Interest-earning deposits with banks	13,954	6,942
Investments available-for-sale, at fair value	142,872	132,242
Loans receivable, net of allowance of \$13,136 and \$12,882	991,138	988,662
Federal Home Loan Bank ("FHLB") stock, at cost	9,450	9,882
Accrued interest receivable	3,981	4,084
Deferred tax assets, net	1,362	1,211
Other real estate owned ("OREO")	483	483
Premises and equipment, net	21,208	20,614
Bank owned life insurance ("BOLI"), net	29,276	29,027
Prepaid expenses and other assets	3,922	5,738
Goodwill	889	889
Core deposit intangible	1,228	1,266
Total assets	\$1,226,358	\$1,210,229
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing deposits	\$48,135	\$45,434
Interest-bearing deposits	815,094	794,068
Total deposits	863,229	839,502
FHLB Advances	200,000	216,000
Advance payments from borrowers for taxes and insurance	4,478	2,515
Accrued interest payable	270	326
Other liabilities	9,626	9,252
Total liabilities	1,077,603	1,067,595
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.01 par value; authorized 10,000,000 shares; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; authorized 90,000,000 shares; issued and outstanding 10,779,424 shares at March 31, 2018, and 10,748,437 shares at December 31, 2017	108	107
Additional paid-in capital	94,527	94,173
Retained earnings, substantially restricted	60,767	54,642
Accumulated other comprehensive loss, net of tax	(1,568)	(928)
Unearned Employee Stock Ownership Plan ("ESOP") shares	(5,079)	(5,360)
Total stockholders' equity	148,755	142,634
Total liabilities and stockholders' equity	\$1,226,358	\$1,210,229

See accompanying selected notes to consolidated financial statements.

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FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Income Statements

(Dollars in thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2018	2017
Interest income		
Loans, including fees	\$13,042	\$ 10,027
Investments available-for-sale	929	845
Interest-earning deposits with banks	38	44
Dividends on FHLB stock	104	82
Total interest income	14,113	10,998
Interest expense		
Deposits	2,276	1,691
FHLB advances and other borrowings	853	445
Total interest expense	3,129	2,136
Net interest income	10,984	8,862
(Recapture of provision) provision for loan losses	(4,000)) 200
Net interest income after (recapture of provision) provision for loan losses	14,984	8,662
Noninterest income		
BOLI income	249	201
Wealth management revenue	99	140
Deposit related fees	161	71
Loan related fees	134	120
Other	3	3
Total noninterest income	646	535
Noninterest expense		
Salaries and employee benefits	4,662	4,285
Occupancy and equipment	769	480
Professional fees	328	439
Data processing	324	240
OREO related expenses, net	1	40
Regulatory assessments	155	96
Insurance and bond premiums	106	99
Marketing	107	48
Other general and administrative	575	341
Total noninterest expense	7,027	6,068
Income before federal income tax provision	8,603	3,129
Federal income tax provision	1,761	785
Net income	\$6,842	\$ 2,344
Basic earnings per common share	\$0.67	\$ 0.23
Diluted earnings per common share	\$0.66	\$ 0.22
Basic weighted average number of common shares outstanding	10,210,828	10,319,722
Diluted weighted average number of common shares outstanding	10,336,566	10,504,046
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,	
	2018	2017
Net income	\$6,842	\$2,344
Other comprehensive income, before tax:		
Unrealized holding (losses) gains on investments available-for-sale	(1,473)	377
Tax benefit (provision)	309	(132)
Gain on cash flow hedge	663	63
Tax provision	(139)	(22)
Other comprehensive (loss) income, net of tax	\$(640)	\$286
Total comprehensive income	\$6,202	\$2,630

See accompanying selected notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

(Dollars in thousands except share data)

(Unaudited)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, net of tax	Unearned ESOP Shares	Total Stockholders' Equity
Balances at December 31, 2016	10,938,251	\$ 109	\$ 96,852	\$ 48,981	\$ (1,328)	\$ (6,489)	\$ 138,125
Net income	—	—	—	2,344	—	—	2,344
Other comprehensive income	—	—	—	—	286	—	286
Exercise of stock options	97,540	1	953	—	—	—	954
Compensation related to stock options and restricted stock awards	—	—	110	—	—	—	110
Allocation of 28,214 ESOP shares	—	—	271	—	—	282	553
Cash dividend declared and paid (\$0.06 per share)	—	—	—	(623)	—	—	(623)
Balances at March 31, 2017	11,035,791	\$ 110	\$ 98,186	\$ 50,702	\$ (1,042)	\$ (6,207)	\$ 141,749
	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, net of tax	Unearned ESOP Shares	Total Stockholders' Equity
Balances at December 31, 2017	10,748,437	\$ 107	\$ 94,173	\$ 54,642	\$ (928)	\$ (5,360)	\$ 142,634
Net income	—	—	—	6,842	—	—	6,842
Other comprehensive (loss) income	—	—	—	—	(640)	—	(640)
Exercise of stock options	10,000	—	98	—	—	—	98
Issuance of common stock - restricted stock awards, net	20,987	1	—	—	—	—	1
Compensation related to stock options and restricted stock awards	—	—	83	—	—	—	83
Allocation of 28,213 ESOP shares	—	—	173	—	—	281	454
Cash dividend declared and paid (\$0.07 per share)	—	—	—	(717)	—	—	(717)
Balances at March 31, 2018	10,779,424	\$ 108	\$ 94,527	\$ 60,767	\$ (1,568)	\$ (5,079)	\$ 148,755

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,
2018 2017