

PEAPACK GLADSTONE FINANCIAL CORP
Form 10-Q
May 08, 2018

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 Quarter 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 No. 001-16197

PEAPACK-GLADSTONE FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey 22-3537895
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
500 Hills Drive, Suite 300
Bedminster, New Jersey 07921-0700
(Address of principal executive offices, including zip code)

(908)234-0700
(Registrant's telephone number, including area code)

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 requirement 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 or Regulations 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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company",

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and “emerging growth company” in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) 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

Number of shares of Common Stock outstanding as of May 1, 2018:

18,923,914

1

PEAPACK-GLADSTONE FINANCIAL CORPORATION

PART 1 FINANCIAL INFORMATION

Item 1	<u>Financial Statements</u>	
	<u>Consolidated Statements of Condition at March 31, 2018 and December 31, 2017</u>	3
	<u>Consolidated Statements of Income for the three months ended March 31, 2018 and 2017</u>	4
	<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017</u>	5
	<u>Consolidated Statement of Changes in Shareholders' Equity for the three months ended March 31, 2018</u>	6
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8
Item 2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
Item 3	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	61
Item 4	<u>Controls and Procedures</u>	63

PART 2 OTHER INFORMATION

Item 1	<u>Legal Proceedings</u>	63
Item 1A	<u>Risk Factors</u>	63
Item 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	64
Item 3	<u>Defaults Upon Senior Securities</u>	64
Item 4	<u>Mine Safety Disclosures</u>	64
Item 5	<u>Other Information</u>	64
Item 6	<u>Exhibits</u>	64

2

Index

Item 1. Financial Statements (Unaudited)

PEAPACK-GLADSTONE FINANCIAL CORPORATION**CONSOLIDATED STATEMENTS OF CONDITION****(Dollars in thousands, except share and per share data)**

	(unaudited) March 31, 2018	(audited) December 31, 2017
ASSETS		
Cash and due from banks	\$4,223	\$ 4,415
Federal funds sold	101	101
Interest-earning deposits	149,192	108,931
Total cash and cash equivalents	153,516	113,447
Securities available for sale	342,553	327,633
Equity Security	4,746	—
FHLB and FRB stock, at cost	23,703	13,378
Loans held for sale, at fair value	344	984
Loans held for sale, at lower of cost or fair value	3,075	187
Loans	3,708,297	3,704,440
Less: Allowance for loan and lease losses	37,696	36,440
Net loans	3,670,601	3,668,000
Premises and equipment	28,923	29,476
Other real estate owned	2,090	2,090
Accrued interest receivable	7,306	9,452
Bank owned life insurance	44,779	44,586
Deferred tax assets, net	629	552
Goodwill	17,107	17,107
Other intangible assets	6,549	6,729
Other assets	30,573	26,926
TOTAL ASSETS	\$4,336,494	\$ 4,260,547
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	\$536,054	\$ 539,304
Interest-bearing deposits:		
Interest-bearing deposits checking	1,089,980	1,152,483
Savings	126,026	119,556
Money market accounts	1,006,540	1,091,385
Certificates of deposit - Retail	540,942	543,035
Subtotal deposits	3,299,542	3,445,763

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Interest-bearing demand – Brokered	180,000	180,000
Certificates of deposit - Brokered	72,614	72,591
Total deposits	3,552,156	3,698,354
Overnight borrowings	216,000	—
Federal Home Loan Bank advances	22,898	37,898
Capital lease obligation	8,900	9,072
Subordinated debt, net	83,079	83,024
Accrued expenses and other liabilities	31,055	28,521
TOTAL LIABILITIES	3,914,088	3,856,869
SHAREHOLDERS' EQUITY		
Preferred stock (no par value; authorized 500,000 shares; liquidation preference of \$1,000 per share)	—	—
Common stock (no par value; stated value \$0.83 per share; authorized 21,000,000 shares; issued shares, 19,329,292 at March 31, 2018 and 19,027,812 at December 31, 2017; outstanding shares, 18,921,114 at March 31, 2018 and 18,619,634 at December 31, 2017)	16,111	15,858
Surplus	293,830	283,552
Treasury stock at cost, 408,178 shares at both March 31, 2018 and December 31, 2017	(8,988)	(8,988)
Retained earnings	124,295	114,468
Accumulated other comprehensive loss, net of income tax	(2,842)	(1,212)
TOTAL SHAREHOLDERS' EQUITY	422,406	403,678
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$4,336,494	\$ 4,260,547

See accompanying notes to consolidated financial statements

Index**PEAPACK-GLADSTONE FINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF INCOME****(Dollars in thousands, except share data)****(Unaudited)**

	Three Months Ended	
	March 31,	
	2018	2017
INTEREST INCOME		
Interest and fees on loans	\$34,667	\$29,492
Interest on investments:		
Taxable	1,925	1,504
Tax-exempt	109	121
Interest on loans held for sale	10	4
Interest on interest-earning deposits	357	264
Total interest income	37,068	31,385
INTEREST EXPENSE		
Interest on savings and interest-bearing deposit		
accounts	3,719	1,812
Interest on certificates of deposit	2,149	1,570
Interest on borrowed funds	370	303
Interest on capital lease obligation	107	115
Interest on subordinated debt	1,221	783
Subtotal - interest expense	7,566	4,583
Interest on interest-bearing demand – brokered	680	720
Interest on certificates of deposits – brokered	429	491
Total Interest expense	8,675	5,794
NET INTEREST INCOME BEFORE		
PROVISION FOR LOAN AND LEASE LOSSES	28,393	25,591
Provision for loan and lease losses	1,250	1,600
NET INTEREST INCOME AFTER		
PROVISION FOR LOAN AND LEASE LOSSES	27,143	23,991
OTHER INCOME		
Wealth management fee income	8,367	4,818
Service charges and fees	831	771
Bank owned life insurance	336	322
Gains on loans held for sale at fair value (mortgage		
banking)	94	47
Fee income related to loan level, back-to-back swaps	252	456
Gain on sale of SBA loans	31	155
Other income	382	450
Securities losses, net	(78) —
Total other income	10,215	7,019
OPERATING EXPENSES		
Compensation and employee benefits	14,579	11,913

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Premises and equipment	3,270	2,816
FDIC insurance expense	580	686
Other operating expense	4,908	3,889
Total operating expenses	23,337	19,304
INCOME BEFORE INCOME TAX EXPENSE	14,021	11,706
Income tax expense	3,214	3,724
NET INCOME	\$10,807	\$7,982
EARNINGS PER SHARE		
Basic	\$0.58	\$0.47
Diluted	\$0.57	\$0.46
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	18,608,309	17,121,631
Diluted	18,908,692	17,438,907

See accompanying notes to consolidated financial statements

Index**PEAPACK-GLADSTONE FINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Dollars in thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2018	2017
Net income	\$ 10,807	\$ 7,982
Comprehensive income:		
Unrealized gains/(losses) on available for sale securities:		
Unrealized holding gains/(losses) arising during the period	(2,934)	636
	(2,934)	636
Tax effect	676	(239)
Net of tax	(2,258)	397
Unrealized gains on cash flow hedges:		
Unrealized holding gains arising during the period	741	865
Reclassification adjustment for gains included in net income	(31)	—
	710	865
Tax effect	(209)	(353)
Net of tax	501	512
Total other comprehensive income/(loss)	(1,757)	909
Total comprehensive income	\$ 9,177	\$ 8,891

See accompanying notes to consolidated financial statements

Index

PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

Three Months Ended March 31, 2018

(In thousands, except per share data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2018						