

PEAPACK GLADSTONE FINANCIAL CORP

Form 10-Q

November 09, 2015

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 September 30, 2015

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 07921-1538

(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 x No o.

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 x No o.

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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 definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting 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 ☐

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 October 30, 2015:

15,808,875

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

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Item 1. Financial Statements (Unaudited)

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

	(unaudited) September 30, 2015	(audited) December 31, 2014
ASSETS		
Cash and due from banks	\$ 10,695	\$ 6,621
Federal funds sold	101	101
Interest-earning deposits	65,402	24,485
Total cash and cash equivalents	76,198	31,207
Securities available for sale	220,930	332,652
FHLB and FRB stock, at cost	11,737	11,593
Loans held for sale, at fair value	501	839
Loans held for sale, at lower of cost or fair value	27,023	—
Loans	2,855,227	2,250,267
Less: Allowance for loan losses	24,374	19,480
Net loans	2,830,853	2,230,787
Premises and equipment	31,310	32,258
Other real estate owned	330	1,324
Accrued interest receivable	6,839	5,371
Bank owned life insurance	32,727	32,634
Deferred tax assets, net	14,613	10,491
Other assets	15,902	13,241
TOTAL ASSETS	\$ 3,268,963	\$ 2,702,397
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	\$ 399,200	\$ 366,371
Interest-bearing deposits:		
Interest-bearing deposits checking	829,970	600,889
Savings	117,665	112,878
Money market accounts	792,685	700,069
Certificates of deposit - Retail	411,335	198,819
Subtotal deposits	2,550,855	1,979,026
Interest-bearing demand – Brokered	243,000	188,000
Certificates of deposit - Brokered	93,690	131,667
Total deposits	2,887,545	2,298,693
Overnight borrowings with Federal Home Loan Bank	—	54,600

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Federal Home Loan Bank advances	83,692	83,692
Capital lease obligation	10,350	10,712
Accrued expenses and other liabilities	19,448	12,433
Due to brokers, securities settlements	1,528	—
TOTAL LIABILITIES	3,002,563	2,460,130
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, 16,213,993 at September 30, 2015 and 15,563,895 at December 31, 2014; outstanding shares, 15,805,815 at September 30, 2015 and 15,155,717 at December 31, 2014)	13,497	12,954
Surplus	207,788	195,829
Treasury stock at cost, 408,178 shares at September 30, 2015 and December 31, 2014	(8,988)	(8,988)
Retained earnings	54,570	41,251
Accumulated other comprehensive(loss)/ income, net of income tax	(467)	1,221
TOTAL SHAREHOLDERS' EQUITY	266,400	242,267
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 3,268,963	\$ 2,702,397

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
INTEREST INCOME				
Interest and fee on loans	\$24,663	\$17,969	\$68,274	\$51,059
Interest on securities available for sale:				
Taxable	959	960	3,178	2,998
Tax-exempt	128	162	395	555
Interest on loans held for sale	10	10	44	35
Interest-earning deposits	46	109	128	142
Total interest income	25,806	19,210	72,019	54,789
INTEREST EXPENSE				
Interest on savings and interest-bearing deposit accounts	919	677	2,546	1,620
Interest on certificates of deposit	1,296	357	3,010	1,081
Interest on borrowed funds	399	377	1,219	1,149
Interest on capital lease obligation	125	117	379	354
Subtotal - interest expense	2,739	1,528	7,154	4,204
Interest-bearing demand – brokered	857	84	1,700	198
Interest on certificates of deposits – brokered	504	550	1,532	845
Total Interest expense	4,100	2,162	10,386	5,247
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	21,706	17,048	61,633	49,542
Provision for loan losses	1,600	1,150	5,150	3,625
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	20,106	15,898	56,483	45,917
OTHER INCOME				
Wealth management fee income	4,169	3,661	12,732	11,420
Service charges and fees	832	829	2,474	2,231
Bank owned life insurance	260	276	1,045	818
Gain on loans held for sale at fair value (Mortgage banking)	102	87	411	310
Gain on loans held for sale at lower of cost or fair value	—	(7)	—	169
Other income	164	167	802	356
Securities gains, net	83	39	527	216
Total other income	5,610	5,052	17,991	15,520
OPERATING EXPENSES				
Salaries and employee benefits	10,322	9,116	29,619	27,053
Premises and equipment	2,785	2,564	8,179	7,336
Other operating expense	3,792	3,013	11,135	9,573

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Total operating expenses	16,899	14,693	48,933	43,962
INCOME BEFORE INCOME TAX EXPENSE	8,817	6,257	25,541	17,475
Income tax expense	3,434	2,393	9,912	6,797
NET INCOME	\$5,383	\$3,864	\$15,629	\$10,678
EARNINGS PER SHARE				
Basic	\$0.35	\$0.33	\$1.04	\$0.91
Diluted	\$0.35	\$0.32	\$1.02	\$0.90
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic	15,253,009	11,841,777	15,083,006	11,723,873
Diluted	15,435,939	11,956,356	15,293,747	11,833,507

See accompanying notes to consolidated financial statements

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$ 5,383	\$ 3,864	\$ 15,629	\$ 10,678
Other comprehensive income:				
Unrealized gains/(losses) on available for sale securities:				
Unrealized holding gains/(losses) arising during the period	751	(477)	849	1,972
Less: Reclassification adjustment for net gains included in net income	83	39	527	216
	668	(516)	322	1,756
Tax effect	(252)	190	(111)	(675)
Net of tax	416	(326)	211	1,081
Unrealized loss on cash flow hedges:				
Unrealized holding loss	(2,849)	—	(3,210)	—
Reclassification adjustment for losses included in net income	—	—	—	—
	(2,849)	—	(3,210)	—
Tax effect	1,163	—	1,311	—
Net of tax	(1,686)	—	(1,899)	—
Total other comprehensive (loss)/income	(1,270)	(326)	(1,688)	1,081
Total comprehensive income	\$ 4,113	\$ 3,538	\$ 13,941	\$ 11,759

See accompanying notes to consolidated financial statements

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PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

Nine Months Ended September 30, 2015

					Accumulated Other Comprehensive Income/(Loss)
(In thousands, except per share data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	