

BROOKLINE BANCORP INC

Form 10-Q

November 04, 2016

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 September 30, 2016

Commission file number 0-23695

Brookline Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-3402944

(I.R.S. Employer Identification No.)

131 Clarendon Street, Boston, MA

(Address of principal executive offices)

02116

(Zip Code)

(617) 425-4600

(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 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, or a smaller reporting company.

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

At November 4, 2016, the number of shares of common stock, par value \$0.01 per share, outstanding was 70,532,995.

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PART I — FINANCIAL INFORMATION

Item 1. Unaudited Consolidated Financial Statements

BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Balance Sheets

	At September 30, 2016	At December 31, 2015
(In Thousands Except Share Data)		
ASSETS		
Cash and due from banks	\$ 32,196	\$ 28,753
Short-term investments	32,351	46,736
Total cash and cash equivalents	64,547	75,489
Investment securities available-for-sale	524,295	513,201
Investment securities held-to-maturity (fair value of \$78,079 and \$93,695)	77,094	93,757
Total investment securities	601,389	606,958
Loans and leases held-for-sale	21,109	13,383
Loans and leases:		
Commercial real estate loans	2,883,428	2,664,394
Commercial loans and leases	1,470,866	1,374,296
Indirect automobile loans	7,607	13,678
Consumer loans	970,399	943,172
Total loans and leases	5,332,300	4,995,540
Allowance for loan and lease losses	(58,892)	(56,739)
Net loans and leases	5,273,408	4,938,801
Restricted equity securities	65,683	66,117
Premises and equipment, net of accumulated depreciation of \$57,032 and \$51,722, respectively	75,462	78,156
Deferred tax asset	22,894	26,817
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of \$31,028 and \$29,149, respectively	8,754	10,633
Other real estate owned ("OREO") and repossessed assets, net	1,152	1,343
Other assets	108,024	86,751
Total assets	\$ 6,380,312	\$ 6,042,338
LIABILITIES AND EQUITY		
Deposits:		
Non-interest-bearing deposits:		
Demand checking accounts	\$ 889,278	\$ 799,117
Interest-bearing deposits:		
NOW accounts	298,629	283,972
Savings accounts	591,156	540,788
Money market accounts	1,679,797	1,594,269
Certificate of deposit accounts	1,106,046	1,087,872
Total interest-bearing deposits	3,675,628	3,506,901
Total deposits	4,564,906	4,306,018
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	900,971	861,866
Subordinated debentures and notes	83,043	82,936
Other borrowed funds	38,639	38,227

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Total borrowed funds	1,022,653	983,029
Mortgagors' escrow accounts	8,166	7,516
Accrued expenses and other liabilities	81,670	72,289
Total liabilities	5,677,395	5,368,852

Commitments and contingencies (Note 12)

Stockholders' Equity:

Brookline Bancorp, Inc. stockholders' equity:

Common stock, \$0.01 par value; 200,000,000 shares authorized; 75,744,445 shares issued	757	757
Additional paid-in capital	616,142	616,899
Retained earnings, partially restricted	129,740	109,675
Accumulated other comprehensive income/(loss)	4,896	(2,476)
Treasury stock, at cost; 4,734,512 shares and 4,861,554 shares, respectively	(54,151)	(56,208)
Unallocated common stock held by the Employee Stock Ownership Plan ("ESOP"); 185,787 shares and 213,066 shares, respectively	(1,013)	(1,162)
Total Brookline Bancorp, Inc. stockholders' equity	696,371	667,485
Noncontrolling interest in subsidiary	6,546	6,001
Total stockholders' equity	702,917	673,486
Total liabilities and stockholders' equity	\$ 6,380,312	\$ 6,042,338

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	\$57,858	\$ 52,725	\$ 167,474	\$ 157,790
Debt securities	2,822	2,866	8,829	8,480
Marketable and restricted equity securities	804	1,079	2,213	2,094
Short-term investments	47	17	149	98
Total interest and dividend income	61,531	56,687	178,665	168,462
Interest expense:				
Deposits	5,112	4,326	14,875	12,926
Borrowed funds	4,069	3,774	11,980	11,249
Total interest expense	9,181	8,100	26,855	24,175
Net interest income	52,350	48,587	151,810	144,287
Provision for credit losses	2,215	1,755	7,138	5,931
Net interest income after provision for credit losses	50,135	46,832	144,672	138,356
Non-interest income:				
Deposit fees	2,289	2,261	6,650	6,522
Loan fees	330	205	977	818
Loan level derivative income, net	858	900	3,697	1,841
Gain on sales of loans and leases	588	446	1,986	1,594
Other	1,264	972	3,893	3,346
Total non-interest income	5,329	4,784	17,203	14,121
Non-interest expense:				
Compensation and employee benefits	20,369	17,875	58,179	52,484
Occupancy	3,411	3,535	10,328	10,444
Equipment and data processing	3,826	3,600	11,468	11,300
Professional services	997	984	2,925	3,241
FDIC insurance	956	929	2,677	2,627
Advertising and marketing	844	878	2,558	2,449
Amortization of identified intangible assets	623	725	1,879	2,187
Other	2,362	2,744	7,707	8,316
Total non-interest expense	33,388	31,270	97,721	93,048
Income before provision for income taxes	22,076	20,346	64,154	59,429
Provision for income taxes	7,804	6,897	22,868	21,116
Net income before noncontrolling interest in subsidiary	14,272	13,449	41,286	38,313
Less net income attributable to noncontrolling interest in subsidiary	655	561	2,203	1,857
Net income attributable to Brookline Bancorp, Inc.	\$ 13,617	\$ 12,888	\$ 39,083	\$ 36,456

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Earnings per common share:

Basic	\$0.19	\$ 0.18	\$0.56	\$ 0.52
Diluted	0.19	0.18	0.56	0.52

Weighted average common shares outstanding during the period:

Basic	70,299,727	70,129,056	70,228,127	70,071,999
Diluted	70,450,760	70,240,020	70,394,465	70,207,983

Dividends declared per common share	\$0.090	\$ 0.090	\$0.270	\$ 0.265
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See accompanying notes to the unaudited consolidated financial statements.

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Unaudited Consolidated Statements of Comprehensive Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	\$14,272	\$13,449	\$41,286	\$38,313
Other comprehensive (loss) income, net of taxes:				
Investment securities available-for-sale:				
Unrealized securities holding (losses) gains	(1,672)	4,608	11,486	4,495
Income tax expense (benefit)	599	(1,642)	(4,114)	(1,682)
Net unrealized securities holding (losses) gains	(1,073)	2,966	7,372	2,813
Postretirement benefits:				
Adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Income tax expense	—	—	—	—
Net adjustment of accumulated obligation for postretirement benefits	—	—	—	—
Other comprehensive (loss) income, net of taxes	(1,073)	2,966	7,372	2,813
Comprehensive income	13,199	16,415	48,658	41,126
Net income attributable to noncontrolling interest in subsidiary	655	561	2,203	1,857
Comprehensive income attributable to Brookline Bancorp, Inc.	\$12,544	\$15,854	\$46,455	\$39,269

See accompanying notes to the unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Equity

Nine Months Ended September 30, 2016 and 2015

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Unallocated Common Stock Held by ESOP	Total Brookline Bancorp, Inc. Stockholders' Equity	Noncontrolling Interest in Subsidiary	Controlling Total Equity
(In Thousands Except Share Data)									
Balance at December 31, 2015	\$757	\$616,899	\$109,675	\$ (2,476)	\$(56,208)	\$(1,162)	\$ 667,485	\$ 6,001	\$673,486
Net income attributable to Brookline Bancorp, Inc.	—	—	39,083	—	—	—	39,083	—	39,083
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,203	2,203
Issuance of noncontrolling units	—	—	—	—	—	—	—	76	76
Other comprehensive income	—	—	—	7,372	—	—	7,372	—	7,372