

BROOKLINE BANCORP INC  
Form 10-Q  
May 03, 2007

## **UNITED STATES**

## **SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

### **FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

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 0-23695

### **Brookline Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

**04-3402944**  
(I.R.S. Employer Identification No.)

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(State or other jurisdiction of incorporation or organization)

**160 Washington Street, Brookline, MA**  
(Address of principal executive offices)

**02447-0469**  
(Zip Code)

**(617) 730-3500**  
(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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**BROOKLINE BANCORP, INC. AND SUBSIDIARIES**

**FORM 10-Q**

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**Part I - Financial Information**  
**Item 1. Financial Statements**

**BROOKLINE BANCORP, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands except share data)

	March 31, 2007 (unaudited)	December 31, 2006
<b><u>ASSETS</u></b>		
Cash and due from banks	\$ 16,314	\$ 18,237
Short-term investments	140,320	134,417
Securities available for sale	298,776	335,246
Securities held to maturity (market value of \$234 and \$242, respectively)	224	233
Restricted equity securities	26,563	28,567
Loans	1,807,053	1,792,062
Allowance for loan losses	(23,097 )	(23,024 )
Net loans	1,783,956	1,769,038
Accrued interest receivable	9,584	10,310
Bank premises and equipment, net	9,192	9,335
Deferred tax asset	10,362	11,036
Prepaid income taxes	1,314	1,801
Goodwill	42,545	42,545
Identified intangible assets, net of accumulated amortization of \$5,108 and \$4,604, respectively	7,844	8,348
Other assets	4,500	3,927
Total assets	\$ 2,351,494	\$ 2,373,040
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
Retail deposits	\$ 1,235,274	\$ 1,210,206
Brokered deposits	77,990	78,060
Borrowed funds	430,591	463,806
Subordinated debt	12,060	12,092
Mortgagors' escrow accounts	5,427	5,114
Accrued expenses and other liabilities	21,139	19,494
Total liabilities	1,782,481	1,788,772
Minority interest in subsidiary	1,419	1,375
Stockholders' equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; none issued		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 63,054,715 shares and 62,989,384 shares issued, respectively	631	630
Additional paid-in capital	509,428	508,248
Retained earnings, partially restricted	83,388	96,229
Accumulated other comprehensive loss	(200 )	(640 )
Treasury stock, at cost 1,740,611 shares and 1,405,611 shares, respectively	(22,297 )	(18,144 )
Unallocated common stock held by ESOP 615,554 shares and 629,081 shares, respectively	(3,356 )	(3,430 )
Total stockholders' equity	567,594	582,893
Total liabilities and stockholders' equity	\$ 2,351,494	\$ 2,373,040

See accompanying notes to the unaudited consolidated financial statements.

**BROOKLINE BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Income****(In thousands except share data)**

	<b>Three months ended</b>	
	<b>March 31,</b>	<b>2006</b>
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	
<b>Interest income:</b>		
Loans	\$ 29,594	\$ 24,050
Debt securities	3,780	3,620
Short-term investments	1,684	1,112
Restricted equity securities	481	309
Marketable equity securities	28	33
Total interest income	35,567	29,124
<b>Interest expense:</b>		
Retail deposits	10,718	7,446
Brokered deposits	1,027	
Borrowed funds	5,456	4,843
Subordinated debt	233	207
Total interest expense	17,434	12,496
Net interest income	18,133	16,628
Provision for loan losses	1,249	748
Net interest income after provision for loan losses	16,884	15,880
<b>Non-interest income:</b>		
Fees and charges	1,019	573
Gains on sales of securities, net		558
Other income	30	69
Total non-interest income	1,049	1,200
<b>Non-interest expense:</b>		
Compensation and employee benefits	5,239	4,346
Occupancy	855	793
Equipment and data processing	1,520	1,417
Professional services	479	311
Advertising and marketing	141	187
Amortization of identified intangible assets	503	526
Other	1,093	675
Total non-interest expense	9,830	8,255
Income before income taxes and minority interest	8,103	8,825
Provision for income taxes	3,118	3,428
Net income before minority interest	4,985	5,397
Minority interest in earnings of subsidiary	44	
Net income	\$ 4,941	\$ 5,397
<b>Earnings per common share:</b>		
Basic	\$ 0.08	\$ 0.09
Diluted	0.08	0.09
<b>Weighted average common shares outstanding during the period:</b>		
Basic	60,534,234	60,309,532
Diluted	61,182,972	61,051,157

See accompanying notes to the unaudited consolidated financial statements.



**BROOKLINE BANCORP, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(In thousands)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	
Net income	\$ 4,941	\$ 5,397
Other comprehensive income (loss), net of taxes:		
Unrealized holding gains (losses)	695	(745 )
Income tax expense (benefit)	255	(281 )
Net unrealized holding gains (losses)	440	(464 )
Less reclassification adjustment for gains included in net income:		
Realized gains		558
Income tax expense		200
Net reclassification adjustment		358
Net other comprehensive income (loss)	440	(822 )
Comprehensive income	\$ 5,381	\$ 4,575

See accompanying notes to the unaudited consolidated financial statements.

**BROOKLINE BANCORP, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**

**Three Months Ended March 31, 2007 and 2006 (Unaudited)**  
**(Dollars in thousands)**

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Unearned compensation- recognition and retention plans	Unallocated common stock held by ESOP	Total stockholders equity
Balance at December 31, 2005	\$ 630	\$ 512,338	\$ 121,042	\$ (1,577 )	\$ (18,144 )	\$ (8,103 )	\$ (3,736 )	\$ 602,450
Net income			5,397					5,397
Other comprehensive loss				(822 )				(822 )
Common stock dividends of \$0.285 per share			(17,231 )					(17,231 )
Dividend equivalent rights			(363 )					(363 )
Income tax benefit from dividend payments on unexercised stock options and allocated ESOP shares		224						224
Transfer of unearned compensation under the recognition and retention plans to additional paid-in capital		(8,103 )				8,103		
Compensation under recognition and retention plans		674						674
Common stock held by ESOP committed to be released (14,019 shares)		134					77	211
Balance at March 31, 2006	\$ 630	\$ 505,267	\$ 108,845	\$ (2,399 )	\$ (18,144 )	\$	\$ (3,659 )	\$ 590,540

(Continued)

**BROOKLINE BANCORP, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders Equity (Continued)**  
**Three Months Ended March 31, 2007 and 2006 (Unaudited)**  
**(Dollars in thousands)**

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Unallocated common stock held by ESOP	Total stockholders equity
Balance at December 31, 2006	\$ 630	\$ 508,248	\$ 96,229	\$ (640 )	\$ (18,144 )	\$ (3,430 )	\$ 582,893
Net income			4,941				4,941
Other comprehensive income				440			440
Common stock dividends of \$0.285 per share			(17,297 )				(17,297 )
Payment of dividend equivalent rights			(485 )				(485 )
Exercise of stock options (84,531 shares)	1	357					358