

PEAPACK GLADSTONE FINANCIAL CORP
Form 10-Q
August 07, 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 June 30, 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”, and “emerging growth company” in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer	Smaller reporting company
(do not check if a 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 August 1, 2018:

19,011,212

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 and per share data)

	(unaudited) June 30, 2018	(audited) December 31, 2017
ASSETS		
Cash and due from banks	\$4,458	\$ 4,415
Federal funds sold	101	101
Interest-earning deposits	62,231	108,931
Total cash and cash equivalents	66,790	113,447
Securities available for sale	346,790	327,633
Equity security	4,710	—
FHLB and FRB stock, at cost	21,533	13,378
Loans held for sale, at fair value	996	984
Loans held for sale, at lower of cost or fair value	3,000	187
Loans	3,722,905	3,704,440
Less: Allowance for loan and lease losses	38,066	36,440
Net loans	3,684,839	3,668,000
Premises and equipment	28,404	29,476
Other real estate owned	1,608	2,090
Accrued interest receivable	7,202	9,452
Bank owned life insurance	44,980	44,586
Goodwill	17,107	17,107
Other intangible assets	6,370	6,729
Other assets	30,845	27,478
TOTAL ASSETS	\$4,265,174	\$ 4,260,547
LIABILITIES		
Deposits:		
Noninterest-bearing demand deposits	\$527,453	\$ 539,304
Interest-bearing deposits:		
Interest-bearing deposits checking	1,053,004	1,152,483
Savings	120,986	119,556
Money market accounts	1,051,893	1,091,385
Certificates of deposit - retail	431,679	344,652
Certificates of deposit - listing service	96,644	198,383
Subtotal deposits	3,281,659	3,445,763
Interest-bearing demand - brokered	180,000	180,000
Certificates of deposit - brokered	61,254	72,591
Total deposits	3,522,913	3,698,354
Overnight borrowings	127,350	—
Federal Home Loan Bank advances	52,898	37,898
Capital lease obligation	8,728	9,072
Subordinated debt, net	83,133	83,024

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Accrued expenses and other liabilities	33,133	28,521
TOTAL LIABILITIES	3,828,155	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, 19,415,490 at June 30, 2018 and 19,027,812 at December 31, 2017; outstanding shares, 19,007,312 at June 30, 2018 and 18,619,634 at December 31, 2017	16,183	15,858
Surplus	297,318	283,552
Treasury stock at cost, 408,178 shares at both June 30, 2018 and December 31, 2017	(8,988)	(8,988)
Retained earnings	135,260	114,468
Accumulated other comprehensive loss, net of income tax	(2,754)	(1,212)
TOTAL SHAREHOLDERS' EQUITY	437,019	403,678
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$4,265,174	\$ 4,260,547

See accompanying notes to consolidated financial statements

PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Interest and fees on loans	\$37,102	\$31,637	\$71,769	\$61,129
Interest on investments:				
Taxable	2,072	1,477	3,997	2,981
Tax-exempt	99	115	208	236
Interest on loans held for sale	6	7	16	11
Interest on interest-earning deposits	395	176	752	440
Total interest income	39,674	33,412	76,742	64,797
INTEREST EXPENSE				
Interest on savings and interest-bearing deposit accounts	4,416	2,320	8,135	4,132
Interest on certificates of deposit	2,330	1,650	4,479	3,220
Interest on borrowed funds	1,155	354	1,525	657
Interest on capital lease obligation	106	114	213	229
Interest on subordinated debt	1,221	783	2,442	1,566
Subtotal - interest expense	9,228	5,221	16,794	9,804
Interest on interest-bearing demand - brokered	804	726	1,484	1,446
Interest on certificates of deposits - brokered	399	493	828	984
Total Interest expense	10,431	6,440	19,106	12,234
NET INTEREST INCOME BEFORE PROVISION FOR LOAN AND				
LEASE LOSSES	29,243	26,972	57,636	52,563
Provision for loan and lease losses	300	2,200	1,550	3,800
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND				
LEASE LOSSES	28,943	24,772	56,086	48,763
OTHER INCOME				
Wealth management fee income	8,126	5,086	16,493	9,904
Service charges and fees	873	815	1,704	1,586
Bank owned life insurance	345	350	681	672
Gains on loans held for sale at fair value (mortgage banking)	79	91	173	138
Fee income related to loan level, back-to-back swaps	900	1,291	1,152	1,747
Gain on sale of SBA loans	814	142	845	297
Other income	639	396	1,021	846
Securities losses, net	(36)	—	(114)	—
Total other income	11,740	8,171	21,955	15,190

OPERATING EXPENSES

Compensation and employee benefits	15,826	12,751	30,405	24,664
Premises and equipment	3,406	3,033	6,676	5,849
FDIC insurance expense	625	602	1,205	1,288
Other operating expense	5,084	3,709	9,992	7,598
Total operating expenses	24,941	20,095	48,278	39,399
INCOME BEFORE INCOME TAX EXPENSE	15,742	12,848	29,763	24,554
Income tax expense	3,832	4,908	7,046	8,632
NET INCOME	\$11,910	\$7,940	\$22,717	\$15,922

EARNINGS PER SHARE

Basic	\$0.63	\$0.45	\$1.21	\$0.92
Diluted	\$0.62	\$0.45	\$1.20	\$0.91

WEIGHTED AVERAGE NUMBER OF SHARES
OUTSTANDING

Basic	18,930,893	17,505,638	18,770,492	17,314,695
Diluted	19,098,838	17,756,390	18,996,979	17,588,816

See accompanying notes to consolidated financial statements

PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$11,910	\$7,940	\$22,717	\$15,922
Comprehensive income:				
Unrealized gains/(losses) on available for sale securities:				
Unrealized holding gains/(losses) arising during the period	(653)	199	(3,587)	835
Tax effect	159	(77)	835	(316)
Net of tax	(494)	122	(2,752)	519
Unrealized gains on cash flow hedges:				
Unrealized holding gains/(losses) arising during the period	828	(64)	1,569	801
Reclassification adjustment for amounts included in net				
income	(31)	—	(62)	—
	797	(64)	1,507	801
Tax effect	(215)	26	(424)	(327)
Net of tax	582	(38)	1,083	474
Total other comprehensive income/(loss)	88	84	(1,669)	993
Total comprehensive income	\$11,998	\$8,024	\$21,048	\$16,915

See accompanying notes to consolidated financial statements

PEAPACK-GLADSTONE FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands)

(Unaudited)

Six Months Ended June 30, 2018

(In thousands, except per share data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2018 18,619,634 common						
shares outstanding	\$ 15,858	\$ 283,552	\$ (8,988)	\$ 114,468	\$ (1,212)	\$ 403,678
Net income	—	—	—	22,717	—	22,717
Comprehensive loss	—	—	—	—	(1,669)	(1,669)
Cumulative adjustment for equity security (ASU						
2016-01)	—	—	—	(127)	127	—
Restricted stock units issued 85,242 shares	71	(71)				