

BROOKLINE BANCORP INC
Form 10-Q
November 03, 2017

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, 2017

Commission file number 0-23695

Brookline Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware 04-3402944
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

131 Clarendon Street, Boston, MA 02116
(Address of principal executive offices) (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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b-2 of the Exchange Act.

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.

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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 3, 2017, the number of shares of common stock, par value \$0.01 per share, outstanding was 76,652,372.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

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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, 2017	At December 31, 2016
	(In Thousands Except Share Data)	
ASSETS		
Cash and due from banks	\$35,392	\$ 36,055
Short-term investments	27,971	31,602
Total cash and cash equivalents	63,363	67,657
Investment securities available-for-sale	522,910	523,634
Investment securities held-to-maturity (fair value of \$107,220 and \$85,271, respectively)	107,738	87,120
Total investment securities	630,648	610,754
Loans held-for-sale	2,973	13,078
Loans and leases:		
Commercial real estate loans	3,029,009	2,918,567
Commercial loans and leases	1,585,296	1,495,408
Consumer loans	1,025,135	984,889
Total loans and leases	5,639,440	5,398,864
Allowance for loan and lease losses	(65,413)	(53,666)
Net loans and leases	5,574,027	5,345,198
Restricted equity securities	62,135	64,511
Premises and equipment, net of accumulated depreciation of \$61,716 and \$58,790, respectively	81,159	76,176
Deferred tax asset	28,093	25,247
Goodwill	137,890	137,890
Identified intangible assets, net of accumulated amortization of \$33,219 and \$31,649, respectively	6,563	8,133
Other real estate owned ("OREO") and repossessed assets, net	4,398	1,399
Other assets	95,035	88,086
Total assets	\$6,686,284	\$ 6,438,129
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand checking accounts	\$905,472	\$ 900,474
Interest-bearing deposits:		
NOW accounts	318,284	323,160
Savings accounts	665,558	613,061
Money market accounts	1,749,040	1,733,359
Certificate of deposit accounts	1,167,329	1,041,022
Total interest-bearing deposits	3,900,211	3,710,602
Total deposits	4,805,683	4,611,076
Borrowed funds:		
Advances from the Federal Home Loan Bank of Boston ("FHLBB")	872,579	910,774
Subordinated debentures and notes	83,229	83,105
Other borrowed funds	30,087	50,207
Total borrowed funds	985,895	1,044,086

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Mortgagors' escrow accounts	8,151	7,645
Accrued expenses and other liabilities	74,019	72,573
Total liabilities	5,873,748	5,735,380
Commitments and contingencies (Note 12)		
Stockholders' Equity:		
Brookline Bancorp, Inc. stockholders' equity:		
Common stock, \$0.01 par value; 200,000,000 shares authorized; 81,695,695 shares issued and 75,744,445 shares issued, respectively	817	757
Additional paid-in capital	697,888	616,734
Retained earnings, partially restricted	160,225	136,671
Accumulated other comprehensive loss	(1,893) (3,818
Treasury stock, at cost; 4,572,954 shares and 4,707,096 shares, respectively	(51,452) (53,837
Unallocated common stock held by Employee Stock Ownership Plan ("ESOP"); 150,921 shares and 176,688 shares, respectively	(823) (963
Total Brookline Bancorp, Inc. stockholders' equity	804,762	695,544
Noncontrolling interest in subsidiary	7,774	7,205
Total stockholders' equity	812,536	702,749
Total liabilities and stockholders' equity	\$6,686,284	\$ 6,438,129

See accompanying notes to 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,	
	2017	2016	2017	2016
	(In Thousands Except Share Data)			
Interest and dividend income:				
Loans and leases	\$63,054	\$ 57,858	\$182,750	\$ 167,474
Debt securities	3,154	2,822	9,310	8,829
Marketable and restricted equity securities	788	804	2,311	2,213
Short-term investments	180	47	342	149
Total interest and dividend income	67,176	61,531	194,713	178,665
Interest expense:				
Deposits	5,984	5,112	16,607	14,875
Borrowed funds	4,349	4,069	12,582	11,980
Total interest expense	10,333	9,181	29,189	26,855
Net interest income	56,843	52,350	165,524	151,810
Provision for credit losses	2,911	2,215	17,186	7,138
Net interest income after provision for credit losses	53,932	50,135	148,338	144,672
Non-interest income:				
Deposit fees	2,547	2,289	7,508	6,650
Loan fees	282	330	772	977
Loan level derivative income, net	844	858	1,432	3,697
Gain on sales of investment securities, net	—	—	11,393	—
Gain on sales of loans and leases held-for-sale	1,049	588	1,709	1,986
Other	1,251	1,264	3,544	3,893
Total non-interest income	5,973	5,329	26,358	17,203
Non-interest expense:				
Compensation and employee benefits	21,067	20,369	61,761	58,179
Occupancy	3,650	3,411	10,952	10,328
Equipment and data processing	4,210	3,826	12,437	11,468
Professional services	973	997	3,115	2,925
FDIC insurance	842	956	2,648	2,677
Advertising and marketing	839	844	2,513	2,558
Amortization of identified intangible assets	519	623	1,570	1,879
Merger and acquisition expense	205	—	205	—
Other	3,103	2,362	8,758	7,707
Total non-interest expense	35,408	33,388	103,959	97,721
Income before provision for income taxes	24,497	22,076	70,737	64,154
Provision for income taxes	8,330	7,804	24,924	22,868
Net income before noncontrolling interest in subsidiary	16,167	14,272	45,813	41,286
Less net income attributable to noncontrolling interest in subsidiary	801	655	2,122	2,203
Net income attributable to Brookline Bancorp, Inc.	\$ 15,366	\$ 13,617	\$ 43,691	\$ 39,083
Earnings per common share:				
Basic	\$0.20	\$ 0.19	\$0.59	\$ 0.56
Diluted	0.20	0.19	0.59	0.56
Weighted average common shares outstanding during the year:				
Basic	76,452,530	70,299,722	73,743,658	70,228,127

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Diluted	76,759,430	70,450,760	74,117,180	70,394,465
Dividends declared per common share	\$0.09	\$ 0.09	\$0.27	\$ 0.27

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Comprehensive Income

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	2017	2016	2017	2016
	(In Thousands)			
Net income before noncontrolling interest in subsidiary	\$16,167	\$14,272	\$45,813	\$41,286
Investment securities available-for-sale:				
Unrealized securities holding gains (losses)	439	(1,672)	3,002	11,486
Income tax (benefit) expense	(157)	599	(1,077)	(4,114)
Net unrealized securities holding gains (losses) before reclassification adjustments, net of taxes	282	(1,073)	1,925	7,372
Comprehensive income	16,449	13,199	47,738	48,658
Net income attributable to noncontrolling interest in subsidiary	801	655	2,122	2,203
Comprehensive income attributable to Brookline Bancorp, Inc.	\$15,648	\$12,544	\$45,616	\$46,455

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Stockholders' Equity

Nine Months Ended September 30, 2017 and 2016

	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	Total Stockholders' Equity
	(In Thousands)								
Balance at December 31, 2016	\$757	\$616,734	\$136,671	\$ (3,818)	\$ (53,837)	\$ (963)	\$ 695,544	\$ 7,205	\$ 702,749
Net income attributable to Brookline Bancorp, Inc.	—	—	43,691	—	—	—	43,691	—	43,691
Net income attributable to noncontrolling interest in subsidiary	—	—	—	—	—	—	—	2,122	2,122
Issuance of common stock	60	81,943	—	—	—	—	82,003	—	82,003
Issuance of noncontrolling units	—	—	—	—	—	—	—	118	118
Other comprehensive income	—	—	—	1,925	—	—	1,925	—	1,925
Common stock dividends of \$0.27 per share	—	—	(20,137)	—	—	—	(20,137)	—	(20,137)
Dividend distribution to owners of noncontrolling interest in subsidiary	—	—	—	—	—	—	—	(1,671)	(1,671)
Compensation under recognition and retention plan	—	(1,016)	—	—	2,385	—	1,369	—	1,369
Common stock held by ESOP committed to be released (25,767 shares)	—	227	—	—	—	140	367	—	367
Balance at September 30, 2017	\$817	\$697,888	\$160,225	\$ (1,893)	\$ (51,452)	\$ (823)	\$ 804,762	\$ 7,774	\$ 812,536

See accompanying notes to unaudited consolidated financial statements.

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BROOKLINE BANCORP, INC. AND SUBSIDIARIES

Unaudited Consolidated Statements of Changes in Stockholders' Equity (Continued)

Nine Months Ended September 30, 2017 and 2016

	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. Stockholder Equity	Noncontrol Interest in Subsidiary	Total Stockholders' Equity
	(In Thousands)								
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