

BROOKLINE BANCORP INC
Form 10-Q
August 07, 2018

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 June 30, 2018

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 August 7, 2018, the number of shares of common stock, par value \$0.01 per share, outstanding was 80,416,221.

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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 June 30, 2018 | At December 31, 2017 |
|--|-------------------------------------|----------------------------|
| | (In Thousands Except Share Data) | |
| ASSETS | | |
| Cash and due from banks | \$32,724 | \$ 25,622 |
| Short-term investments | 22,754 | 35,383 |
| Total cash and cash equivalents | 55,478 | 61,005 |
| Investment securities available-for-sale | 558,602 | 540,124 |
| Investment securities held-to-maturity (fair value of \$113,903 and \$108,523, respectively) | 116,670 | 109,730 |
| Total investment securities | 675,272 | 649,854 |
| Loans held-for-sale | 1,034 | 2,628 |
| Loans and leases: | | |
| Commercial real estate loans | 3,264,166 | 3,075,777 |
| Commercial loans and leases | 1,736,144 | 1,624,111 |
| Consumer loans | 1,170,964 | 1,030,791 |
| Total loans and leases | 6,171,274 | 5,730,679 |
| Allowance for loan and lease losses | (57,981) | (58,592) |
| Net loans and leases | 6,113,293 | 5,672,087 |
| Restricted equity securities | 68,343 | 59,369 |
| Premises and equipment, net of accumulated depreciation of \$66,991 and \$63,423, respectively | 79,194 | 80,283 |
| Deferred tax asset | 20,826 | 15,061 |
| Goodwill | 160,427 | 137,890 |
| Identified intangible assets, net of accumulated amortization of \$34,744 and \$33,738, respectively | 7,160 | 6,044 |
| Other real estate owned ("OREO") and repossessed assets, net | 4,352 | 4,419 |
| Other assets | 100,331 | 91,609 |
| Total assets | \$7,285,710 | \$ 6,780,249 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Demand checking accounts | \$1,002,954 | \$ 942,583 |
| Interest-bearing deposits: | | |
| NOW accounts | 346,936 | 350,568 |
| Savings accounts | 603,079 | 646,359 |
| Money market accounts | 1,704,652 | 1,724,363 |
| Certificate of deposit accounts | 1,540,659 | 1,207,470 |
| Total interest-bearing deposits | 4,195,326 | 3,928,760 |
| Total deposits | 5,198,280 | 4,871,343 |
| Borrowed funds: | | |
| Advances from the Federal Home Loan Bank of Boston ("FHLBB") | 991,091 | 889,909 |
| Subordinated debentures and notes | 83,352 | 83,271 |
| Other borrowed funds | 36,480 | 47,639 |
| Total borrowed funds | 1,110,923 | 1,020,819 |

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| | | |
|--|-------------|--------------|
| Mortgagors' escrow accounts | 8,122 | 7,686 |
| Accrued expenses and other liabilities | 82,017 | 67,818 |
| Total liabilities | 6,399,342 | 5,967,666 |
| Commitments and contingencies (Note 12) | | |
| Stockholders' Equity: | | |
| Brookline Bancorp, Inc. stockholders' equity: | | |
| Common stock, \$0.01 par value; 200,000,000 shares authorized; 85,177,172 shares issued and 81,695,695 shares issued, respectively | 852 | 817 |
| Additional paid-in capital | 756,254 | 699,976 |
| Retained earnings, partially restricted | 185,734 | 161,217 |
| Accumulated other comprehensive loss | (13,415 |) (5,950) |
| Treasury stock, at cost; 4,409,501 shares and 4,440,665 shares, respectively | (51,454 |) (51,454) |
| Unallocated common stock held by Employee Stock Ownership Plan ("ESOP"); 126,144 shares and 142,332 shares, respectively | (688 |) (776) |
| Total Brookline Bancorp, Inc. stockholders' equity | 877,283 | 803,830 |
| Noncontrolling interest in subsidiary | 9,085 | 8,753 |
| Total stockholders' equity | 886,368 | 812,583 |
| Total liabilities and stockholders' equity | \$7,285,710 | \$ 6,780,249 |

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 June 30, | | Six Months Ended June 30, | |
|---|----------------------------------|------------|------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In Thousands Except Share Data) | | | |
| Interest and dividend income: | | | | |
| Loans and leases | \$73,329 | \$ 61,138 | \$140,601 | \$ 119,696 |
| Debt securities | 3,563 | 3,156 | 6,886 | 6,156 |
| Marketable and restricted equity securities | 1,003 | 797 | 1,927 | 1,523 |
| Short-term investments | 179 | 95 | 299 | 162 |
| Total interest and dividend income | 78,074 | 65,186 | 149,713 | 127,537 |
| Interest expense: | | | | |
| Deposits | 9,219 | 5,543 | 16,318 | 10,623 |
| Borrowed funds | 6,138 | 4,060 | 11,187 | 8,233 |
| Total interest expense | 15,357 | 9,603 | 27,505 | 18,856 |
| Net interest income | 62,717 | 55,583 | 122,208 | 108,681 |
| Provision for credit losses | 1,470 | 873 | 2,111 | 14,275 |
| Net interest income after provision for credit losses | 61,247 | 54,710 | 120,097 | 94,406 |
| Non-interest income: | | | | |
| Deposit fees | 2,620 | 2,552 | 5,083 | 4,961 |
| Loan fees | 330 | 229 | 620 | 490 |
| Loan level derivative income, net | 571 | 186 | 1,437 | 588 |
| Gain on sales of investment securities, net | — | — | 1,162 | 11,393 |
| Gain on sales of loans and leases held-for-sale | 722 | 307 | 1,021 | 660 |
| Other | 1,283 | 1,203 | 2,371 | 2,293 |
| Total non-interest income | 5,526 | 4,477 | 11,694 | 20,385 |
| Non-interest expense: | | | | |
| Compensation and employee benefits | 22,565 | 20,910 | 44,879 | 40,694 |
| Occupancy | 3,879 | 3,657 | 7,838 | 7,302 |
| Equipment and data processing | 4,368 | 4,164 | 8,986 | 8,227 |
| Professional services | 1,055 | 1,036 | 2,199 | 2,142 |
| FDIC insurance | 514 | 951 | 1,149 | 1,806 |
| Advertising and marketing | 1,118 | 857 | 2,175 | 1,674 |
| Amortization of identified intangible assets | 539 | 519 | 1,006 | 1,051 |
| Merger and acquisition expense | 334 | — | 3,239 | — |
| Other | 3,330 | 2,701 | 6,169 | 5,655 |
| Total non-interest expense | 37,702 | 34,795 | 77,640 | 68,551 |
| Income before provision for income taxes | 29,071 | 24,392 | 54,151 | 46,240 |
| Provision for income taxes | 7,342 | 8,759 | 12,994 | 16,594 |
| Net income before noncontrolling interest in subsidiary | 21,729 | 15,633 | 41,157 | 29,646 |
| Less net income attributable to noncontrolling interest in subsidiary | 898 | 753 | 1,693 | 1,321 |
| Net income attributable to Brookline Bancorp, Inc. | \$20,831 | \$ 14,880 | \$39,464 | \$ 28,325 |
| Earnings per common share: | | | | |
| Basic | \$0.26 | \$ 0.20 | \$0.50 | \$ 0.39 |
| Diluted | 0.26 | 0.20 | 0.50 | 0.39 |
| Weighted average common shares outstanding during the year: | | | | |
| Basic | 80,184,977 | 77,325,013 | 79,038,041 | 72,366,769 |
| Diluted | 80,505,617 | 77,810,088 | 79,342,463 | 72,837,971 |

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| | | | | |
|-------------------------------------|--------|---------|--------|---------|
| Dividends declared per common share | \$0.10 | \$ 0.09 | \$0.19 | \$ 0.18 |
|-------------------------------------|--------|---------|--------|---------|

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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| | (In Thousands) | | | |
| Net income before noncontrolling interest in subsidiary | \$21,729 | \$15,633 | \$41,157 | \$29,646 |
| Investment securities available-for-sale: | | | | |
| Unrealized securities holding (losses) gains | (2,244) | 1,693 | (9,645) | 2,563 |
| Income tax expense (benefit) | 495 | (607) | 2,127 | (920) |
| Net unrealized securities holding (losses) gains before reclassification adjustments, net of taxes | (1,749) | 1,086 | (7,518) | 1,643 |
| Less reclassification adjustments for securities gains included in net income: | | | | |
| Loss on sales of securities, net | — | — | (68) | — |
| Income tax benefit | — | — | 15 | — |
| Net reclassification adjustments for securities gains included in net income | — | — | (53) | — |
| Net unrealized securities holding (losses) gains | (1,749) | 1,086 | (7,465) | 1,643 |
| Comprehensive income | 19,980 | 16,719 | 33,692 | 31,289 |
| Net income attributable to noncontrolling interest in subsidiary | 898 | 753 | 1,693 | 1,321 |
| Comprehensive income attributable to Brookline Bancorp, Inc. | \$19,082 | \$15,966 | \$31,999 | \$29,968 |

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

Six Months Ended June 30, 2018 and 2017

| | 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, 2017 | \$817 | \$699,976 | \$161,217 | \$(5,950) | \$(51,454) | \$(776) | \$803,830 | \$8,753 | \$812,583 |
| Net income attributable to Brookline Bancorp, Inc. | — | — | 39,464 | — | — | — | 39,464 | — | 39,464 |
| Net income attributable to noncontrolling interest in subsidiary | — | — | — | — | — | — | — | 1,693 | 1,693 |
| Common stock issued for acquisition | 35 | 55,146 | — | — | — | — | 55,181 | — | 55,181 |
| Issuance of noncontrolling units | — | — | — | — | — | — | — | 129 | 129 |
| Other comprehensive income | — | — | — | (7,465) | — | — | (7,465) | — | (7,465) |
| Common stock dividends of \$0.19 per share | — | — | (14,947) | — | — | — | (14,947) | — | (14,947) |
| Dividend distribution to owners of noncontrolling interest in subsidiary | — | — | — | — | — | — | — | (1,490) | (1,490) |
| Restricted stock awards, net of awards surrendered | — | 946 | — | — | — | — | 946 | — | 946 |
| Common stock held by ESOP committed to be released (16,188 shares) | — | 186 | — | — | — | 88 | 274 | — | 274 |
| Balance at June 30, 2018 | \$852 | \$756,254 | \$185,734 | \$(13,415) | \$(51,454) | \$(688) | \$877,283 | \$9,085 | \$886,368 |

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| | 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 | Noncontrolling Interest in Subsidiary | Total Stockholders' Equity |
|--|-----------------|----------------------------------|----------------------|---|-------------------|---|---|---|----------------------------------|
|--|-----------------|----------------------------------|----------------------|---|-------------------|---|---|---|----------------------------------|

(In Thousands)

Balance at December 31,
2016

\$757 \$