

PEAPACK GLADSTONE FINANCIAL CORP  
Form 10-Q  
May 09, 2016

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 March 31, 2016**

**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 07921-1538**  
(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).

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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" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer (do not check if a smaller reporting company)  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

Number of shares of Common Stock outstanding as of April 30, 2016:

16,324,747

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**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 data)**

	(unaudited) March 31, 2016	(audited) December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$ 15,872	\$ 11,550
Federal funds sold	101	101
Interest-earning deposits	61,946	58,509
Total cash and cash equivalents	77,919	70,160
Securities available for sale	214,050	195,630
FHLB and FRB stock, at cost	13,254	13,984
Residential mortgage loans held for sale, at fair value	3,537	1,558
Multifamily mortgage loans held for sale, at lower of cost or fair value	38,066	82,200
Loans	3,027,701	2,913,242
Less: Allowance for loan losses	27,321	25,856
Net loans	3,000,380	2,887,386
Premises and equipment	29,609	30,246
Other real estate owned	861	563
Accrued interest receivable	7,497	6,820
Bank owned life insurance	43,101	42,885
Deferred tax assets, net	17,952	15,582
Goodwill	1,573	1,573
Other intangible assets	1,691	1,708
Other assets	16,507	14,364
<b>TOTAL ASSETS</b>	<b>\$3,465,997</b>	<b>\$ 3,364,659</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand deposits	\$ 457,730	\$ 419,887
Interest-bearing deposits:		
Interest-bearing deposits checking	905,479	861,697
Savings	119,149	115,007
Money market accounts	820,757	810,709
Certificates of deposit - Retail	446,833	434,450
Subtotal deposits	2,749,948	2,641,750

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Interest-bearing demand – Brokered	200,000	200,000
Certificates of deposit - Brokered	93,630	93,720
Total deposits	3,043,578	2,935,470
Overnight borrowings with Federal Home Loan Bank	21,100	40,700
Federal Home Loan Bank advances	83,692	83,692
Capital lease obligation	10,092	10,222
Accrued expenses and other liabilities	24,030	18,899
<b>TOTAL LIABILITIES</b>	<b>3,182,492</b>	<b>3,088,983</b>
<b>SHAREHOLDERS' EQUITY</b>		
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, 16,735,018 at March 31, 2016 and 16,476,297 at December 31, 2015; outstanding shares, 16,326,840 at March 31, 2016 and 16,068,119 at December 31, 2015)	13,932	13,717
Surplus	217,766	213,203
Treasury stock at cost, 408,178 shares at March 31, 2016 and December 31, 2015	(8,988 )	(8,988 )
Retained earnings	62,809	58,123
Accumulated other comprehensive loss, net of income tax	(2,014 )	(379 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>283,505</b>	<b>275,676</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$3,465,997</b>	<b>\$ 3,364,659</b>

*See accompanying notes to consolidated financial statements*

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	Three Months Ended March 31,	
	2016	2015
<b>INTEREST INCOME</b>		
Interest and fees on loans	\$26,753	\$20,986
Interest on securities available for sale:		
Taxable	926	1,182
Tax-exempt	121	140
Interest on loans held for sale	11	10
Interest on interest-earning deposits	87	43
Total interest income	27,898	22,361
<b>INTEREST EXPENSE</b>		
Interest on savings and interest-bearing deposit accounts	1,160	791
Interest on certificates of deposit	1,489	663
Interest on borrowed funds	479	392
Interest on capital lease obligation	122	128
Subtotal - interest expense	3,250	1,974
Interest on interest-bearing demand – brokered	741	280
Interest on certificates of deposits – brokered	497	524
Total Interest expense	4,488	2,778
<b>NET INTEREST INCOME BEFORE     PROVISION FOR LOAN LOSSES</b>	<b>23,410</b>	<b>19,583</b>
Provision for loan losses	1,700	1,350
<b>NET INTEREST INCOME AFTER     PROVISION FOR LOAN LOSSES</b>	<b>21,710</b>	<b>18,233</b>
<b>OTHER INCOME</b>		
Wealth management fee income	4,295	4,031
Service charges and fees	807	805
Bank owned life insurance	342	537
Gain on loans held for sale at fair value (Mortgage banking)	121	148
Gain on loans held for sale at lower of cost or fair value	124	—
Other income	473	93
Securities gains, net	101	268
Total other income	6,263	5,882
<b>OPERATING EXPENSES</b>		
Salaries and employee benefits	10,908	9,425
Premises and equipment	2,864	2,616
Other operating expense	5,434	3,727

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Total operating expenses	19,206	15,768
INCOME BEFORE INCOME TAX EXPENSE	8,767	8,347
Income tax expense	3,278	3,339
NET INCOME	\$5,489	\$5,008
EARNINGS PER SHARE		
Basic	\$0.35	\$0.34
Diluted	\$0.34	\$0.33
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING		
Basic	15,858,278	14,909,722
Diluted	16,016,972	15,070,352

*See accompanying notes to consolidated financial statements*

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	Three Months Ended March 31,	
	2016	2015
Net income	\$ 5,489	\$ 5,008
Other comprehensive income:		
Unrealized gains on available for sale securities:		
Unrealized holding gains arising during the period	1,106	1,232
Less: Reclassification adjustment for net gains included in net income	101	268
	1,005	964
Tax effect	(380 )	(359 )
Net of tax	625	605
Unrealized loss on cash flow hedges:		
Unrealized holding loss	(3,820 )	(992 )
Reclassification adjustment for losses included in net income	—	—
	(3,820 )	(992 )
Tax effect	1,560	405
Net of tax	(2,260 )	(587 )
Total other comprehensive (loss)/income	(1,635 )	18
Total comprehensive income	\$ 3,854	\$ 5,026

*See accompanying notes to consolidated financial statements*



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(In thousands, except per share data)	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2016 16,068,119 common shares outstanding	\$ 13,717	\$ 213,203	\$ (8,988 )	\$ 58,123	\$ (379 )	\$ 275,676
Net income	—	—	—	5,489	—	5,489
Net change in accumulated other comprehensive income	—	—	—	—	(1,635 )	(1,635 )
Issuance of restricted stock, net of forfeitures, (823) shares	(1 )	1	—	—	—	—
Restricted stock repurchased on vesting to pay taxes, (21,739) shares	(18 )	(434 )	—	—	—	(452 )
Amortization of restricted stock	—	589	—	—	—	589
Cash dividends declared on common stock (\$0.05 per share)	—	—	—	(803 )	—	(803 )
Common stock option expense	—	20	—	—	—	20
Common stock options exercised and related tax benefits, 4,615 shares	4	58	—	—	—	62
Sales of shares (Dividend Reinvestment Program), 267,124 shares	222	4,163	—	—	—	4,385
Issuance of shares for Employee Stock Purchase Plan, 9,544 shares	8	166	—	—	—	174
Balance at March 31, 2016 16,326,840 common shares						