

LAKELAND BANCORP INC
Form 10-Q
August 08, 2017
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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 quarterly period ended June 30, 2017

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 000-17820

LAKELAND BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey

22-2953275

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

250 Oak Ridge Road, Oak Ridge, New Jersey

07438

(Address of principal executive offices)

(Zip Code)

(973) 697-2000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed
since last report.)

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 (Section 232.405 of this chapter) during the preceding 12 months (or 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, a 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 12b-2 of the Exchange Act: (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 31, 2017, there were 47,352,725 outstanding shares of Common Stock, no par value.

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LAKELAND BANCORP, INC.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Lakeland Bancorp, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

| | June 30, 2017 (unaudited) | December 31, 2016 |
|---|---------------------------------|---------------------|
| | (dollars in thousands) | |
| ASSETS | | |
| Cash | \$ 169,109 | \$ 169,149 |
| Interest-bearing deposits due from banks | 16,573 | 6,652 |
| Total cash and cash equivalents | 185,682 | 175,801 |
| Investment securities available for sale, at fair value | 673,164 | 606,704 |
| Investment securities held to maturity; fair value of \$138,619 at June 30, 2017 and \$146,990 at December 31, 2016 | 138,468 | 147,614 |
| Federal Home Loan Bank and other membership bank stock, at cost | 18,899 | 15,099 |
| Loans, net of deferred costs (fees) | 4,050,731 | 3,870,598 |
| Less: allowance for loan and lease losses | 32,823 | 31,245 |
| Net loans | 4,017,908 | 3,839,353 |
| Loans held for sale | 877 | 1,742 |
| Premises and equipment, net | 50,411 | 52,236 |
| Accrued interest receivable | 13,192 | 12,557 |
| Goodwill | 136,433 | 135,747 |
| Other identifiable intangible assets | 2,631 | 3,344 |
| Bank owned life insurance | 89,339 | 72,384 |
| Other assets | 35,183 | 30,550 |
| TOTAL ASSETS | \$ 5,362,187 | \$ 5,093,131 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | \$ 978,668 | \$ 927,270 |
| Savings and interest-bearing transaction accounts | 2,682,291 | 2,620,657 |
| Time deposits \$250 thousand and under | 408,228 | 404,680 |
| Time deposits over \$250 thousand | 158,017 | 140,228 |
| Total deposits | 4,227,204 | 4,092,835 |
| Federal funds purchased and securities sold under agreements to repurchase | 118,487 | 56,354 |
| Other borrowings | 312,251 | 260,866 |

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| | | |
|---|---------------------|---------------------|
| Subordinated debentures | 104,842 | 104,784 |
| Other liabilities | 31,858 | 28,248 |
| TOTAL LIABILITIES | 4,794,642 | 4,543,087 |
| STOCKHOLDERS EQUITY | | |
| Common stock, no par value; authorized shares, 70,000,000; issued 47,352,725 shares at June 30, 2017 and 47,222,914 shares at December 31, 2016 | 511,967 | 510,861 |
| Retained earnings | 54,969 | 38,590 |
| Accumulated other comprehensive income | 609 | 593 |
| TOTAL STOCKHOLDERS EQUITY | 567,545 | 550,044 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | \$ 5,362,187 | \$ 5,093,131 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Lakeland Bancorp, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|---------------------------------------|---------------|-----------------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in thousands, except per share data) | | | |
| INTEREST INCOME | | | | |
| Loans, leases and fees | \$ 42,740 | \$ 35,800 | \$ 83,151 | \$ 69,921 |
| Federal funds sold and interest-bearing deposits with banks | 132 | 124 | 408 | 199 |
| Taxable investment securities and other | 3,818 | 2,696 | 7,417 | 5,658 |
| Tax-exempt investment securities | 522 | 417 | 1,032 | 830 |
| TOTAL INTEREST INCOME | 47,212 | 39,037 | 92,008 | 76,608 |
| INTEREST EXPENSE | | | | |
| Deposits | 3,784 | 2,404 | 7,118 | 4,609 |
| Federal funds purchased and securities sold under agreements to repurchase | 98 | 9 | 108 | 47 |
| Other borrowings | 1,909 | 1,522 | 4,038 | 3,000 |
| TOTAL INTEREST EXPENSE | 5,791 | 3,935 | 11,264 | 7,656 |
| NET INTEREST INCOME | 41,421 | 35,102 | 80,744 | 68,952 |
| Provision for loan and lease losses | 1,827 | 1,010 | 3,045 | 2,085 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES | 39,594 | 34,092 | 77,699 | 66,867 |
| NONINTEREST INCOME | | | | |
| Service charges on deposit accounts | 2,674 | 2,523 | 5,129 | 4,965 |
| Commissions and fees | 1,135 | 1,099 | 2,291 | 2,078 |
| Gains (losses) on sales of investment securities | (15) | | 2,524 | 370 |
| Gains on sales of loans | 471 | 425 | 869 | 845 |
| Income on bank owned life insurance | 500 | 414 | 926 | 822 |
| Other income | 1,346 | 424 | 2,466 | 672 |
| TOTAL NONINTEREST INCOME | 6,111 | 4,885 | 14,205 | 9,752 |
| NONINTEREST EXPENSE | | | | |
| Salaries and employee benefits | 15,096 | 13,091 | 30,513 | 27,176 |
| Net occupancy expense | 2,507 | 2,341 | 5,343 | 5,029 |
| Furniture and equipment | 1,996 | 2,082 | 4,093 | 4,028 |
| Stationery, supplies and postage | 572 | 416 | 1,015 | 859 |
| Marketing expense | 508 | 385 | 909 | 694 |
| FDIC insurance expense | 425 | 681 | 743 | 1,271 |

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| | | | | |
|--|------------------|------------------|------------------|------------------|
| Data processing expense | 502 | 459 | 1,055 | 979 |
| Telecommunications expense | 372 | 386 | 776 | 810 |
| ATM and debit card expense | 517 | 383 | 958 | 729 |
| Expenses on other real estate owned and other repossessed assets | 4 | 26 | 41 | 65 |
| Long-term debt prepayment fee | | | 2,828 | |
| Merger related expenses | | 685 | | 2,406 |
| Core deposit intangible amortization | 190 | 164 | 385 | 331 |
| Other expenses | 2,677 | 2,616 | 5,177 | 4,762 |
| TOTAL NONINTEREST EXPENSE | 25,366 | 23,715 | 53,836 | 49,139 |
| Income before income tax expense | 20,339 | 15,262 | 38,068 | 27,480 |
| Income tax expense | 6,969 | 5,132 | 12,386 | 9,242 |
| NET INCOME | \$ 13,370 | \$ 10,130 | \$ 25,682 | \$ 18,238 |
| PER SHARE OF COMMON STOCK | | | | |
| Basic earnings | \$ 0.28 | \$ 0.24 | \$ 0.54 | \$ 0.44 |
| Diluted earnings | \$ 0.28 | \$ 0.24 | \$ 0.53 | \$ 0.44 |
| Dividends | \$ 0.100 | \$ 0.095 | \$ 0.195 | \$ 0.180 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Lakeland Bancorp, Inc. and Subsidiaries**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (in thousands) | | (in thousands) | |
| NET INCOME | \$ 13,370 | \$ 10,130 | \$ 25,682 | \$ 18,238 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX: | | | | |
| Unrealized gains on securities available for sale | 1,029 | 1,697 | 1,763 | 5,854 |
| Reclassification for securities losses (gains) included in net income | 9 | | (1,640) | (233) |
| Unrealized losses on derivatives | (121) | (126) | (107) | (126) |
| Change in pension liability, net | | 6 | | 44 |
| Other comprehensive income | 917 | 1,577 | 16 | 5,539 |
| TOTAL COMPREHENSIVE INCOME | \$ 14,287 | \$ 11,707 | \$ 25,698 | \$ 23,777 |

The accompanying notes are an integral part of these consolidated financial statements.

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Lakeland Bancorp, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

For the Six Months Ended June 30, 2017 and 2016