

INDEPENDENT BANK CORP

Form 10-Q

August 07, 2013

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

Commission File Number: 1-9047

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Independent Bank Corp.

(Exact name of registrant as specified in its charter)

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Massachusetts

04-2870273

(State or other jurisdiction of  
incorporation or organization)

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

Office Address: 2036 Washington Street, Hanover Massachusetts 02339

Mailing Address: 288 Union Street, Rockland, Massachusetts 02370

(Address of principal executive offices, including zip code)

(781) 878-6100

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer

Non-accelerated Filer  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

As of August 1, 2013, there were 22,583,713 shares of the issuer's common stock outstanding, par value \$0.01 per share.

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## PART 1. FINANCIAL INFORMATION

## Item 1. Financial Statements

## INDEPENDENT BANK CORP.

## CONSOLIDATED BALANCE SHEETS

(Unaudited—Dollars in thousands)

	June 30, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 139,672	\$ 98,144
Interest earning deposits with banks	197,266	117,330
Securities		
Securities available for sale	303,855	329,286
Securities held to maturity (fair value \$225,851 and \$185,824)	225,278	178,318
Total securities	529,133	507,604
Loans held for sale (at fair value)	32,497	48,187
Loans		
Commercial and industrial	742,343	687,511
Commercial real estate	2,150,833	2,122,153
Commercial construction	231,719	188,768
Small business	77,283	78,594
Residential real estate	509,185	604,668
Residential construction	4,366	8,213
Home equity—1st position	481,542	487,246
Home equity—2nd position	310,908	314,903
Other consumer	21,932	26,955
Total loans	4,530,111	4,519,011
Less: allowance for loan losses	(52,976)	(51,834)
Net loans	4,477,135	4,467,177
Federal Home Loan Bank stock	38,674	41,767
Bank premises and equipment, net	56,344	55,227
Goodwill	150,391	150,391
Identifiable intangible assets	10,698	11,753
Cash surrender value of life insurance policies	98,893	97,261
Other real estate owned & other foreclosed assets	9,387	12,150
Other assets	112,505	149,994
Total assets	\$ 5,852,595	\$ 5,756,985
Liabilities and Stockholders' Equity		
Deposits		
Demand deposits	\$ 1,283,301	\$ 1,248,394
Savings and interest checking accounts	1,798,495	1,691,187
Money market	884,696	853,971
Time certificates of deposit of \$100,000 and over	292,046	317,438
Other time certificates of deposits	417,925	435,687
Total deposits	4,676,463	4,546,677
Borrowings		
Federal Home Loan Bank and other borrowings	261,456	283,569
Wholesale repurchase agreements	50,000	50,000



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Customer repurchase agreements	141,826	153,359
Junior subordinated debentures	74,018	74,127
Subordinated debentures	30,000	30,000
Total borrowings	557,300	591,055
Other liabilities	75,227	89,933
Total liabilities	5,308,990	5,227,665
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$.01 par value. authorized: 1,000,000 shares, outstanding: none	—	—
Common stock, \$.01 par value. authorized: 75,000,000 shares, issued and outstanding: 22,904,284 shares at June 30, 2013 and 22,774,009 shares at December 31, 2012 (includes 271,390 and 264,124 shares of unvested participating restricted stock awards, respectively)	226	225
Shares held in rabbi trust at cost 175,618 shares at June 30, 2013 and 179,814 shares at December 31, 2012	(3,294	) (3,179
Deferred compensation obligation	3,294	3,179
Additional paid in capital	272,165	269,950
Retained earnings	278,611	263,671
Accumulated other comprehensive loss, net of tax	(7,397	) (4,526
Total stockholders' equity	543,605	529,320
Total liabilities and stockholders' equity	\$5,852,595	\$5,756,985

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

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## INDEPENDENT BANK CORP.

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited—Dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
Interest income				
Interest on loans	\$47,720	\$43,813	\$94,699	\$86,891
Taxable interest and dividends on securities	3,506	4,415	7,035	8,942
Nontaxable interest and dividends on securities	11	23	22	52
Interest on loans held for sale	237	156	505	286
Interest on federal funds sold	21	19	55	51
Total interest and dividend income	51,495	48,426	102,316	96,222
Interest expense				
Interest on deposits	2,543	2,687	5,208	5,426
Interest on borrowings	3,337	3,111	6,630	6,316
Total interest expense	5,880	5,798	11,838	11,742
Net interest income	45,615	42,628	90,478	84,480
Provision for loan losses	3,100	8,500	4,400	10,100
Net interest income after provision for loan losses	42,515	34,128	86,078	74,380
Noninterest income				
Deposit account fees	4,343	3,923	8,559	7,812
Interchange and ATM fees	2,761	2,399	5,089	4,767
Investment management	4,357	3,827	8,242	7,390
Mortgage banking income	1,669	1,463	3,951	2,793
Increase in cash surrender value of life insurance policies	786	741	1,531	1,454
Loan level derivative income	816	1,371	1,348	1,699
Other noninterest income	1,960	1,259	3,694	2,978
Total noninterest income	16,692	14,983	32,414	28,893
Noninterest expenses				
Salaries and employee benefits	21,594	19,775	44,309	41,211
Occupancy and equipment expenses	4,919	4,234	10,169	8,534
Advertising expense	1,479	1,473	2,652	2,210
Data processing & facilities management	1,201	1,099	2,385	2,274
FDIC assessment	934	830	1,755	1,579
Debit card expense	773	637	1,443	1,196
Merger and acquisition expense	754	672	2,099	672
Mortgage operations expense	715	60	1,059	102
Consulting expense	666	583	1,377	1,209
Telecommunication expense	548	666	1,203	1,284
Other noninterest expenses	8,581	6,970	16,632	14,085
Total noninterest expenses	42,164	36,999	85,083	74,356
Income before income taxes	17,043	12,112	33,409	28,917
Provision for income taxes	4,285	3,238	8,399	7,860
Net income	\$12,758	\$8,874	\$25,010	\$21,057
Basic earnings per share	0.56	0.41	1.09	0.98
Diluted earnings per share	0.56	0.41	1.09	0.97
Weighted average common shares (basic)	22,888,155	21,623,827	22,856,132	21,592,416

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Common shares equivalents	52,144	20,377	49,104	22,251
Weighted average common shares (diluted)	22,940,299	21,644,204	22,905,236	21,614,667
Cash dividends declared per common share	0.22			