

SUSSEX BANCORP  
Form 10-Q  
November 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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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 September 30, 2013

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 0-29030

SUSSEX BANCORP

(Exact name of registrant as specified in its charter)

New Jersey 22-3475473

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

200 Munsonhurst Rd., Franklin, NJ 07416  
(Address of principal executive offices) (Zip Code)

(973) 827-2914

(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 and 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 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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

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As of November 7, 2013 there were 4,629,113 shares of common stock, no par value, outstanding.

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SUSSEX BANCORP

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## FORWARD-LOOKING STATEMENTS

We may, from time to time, make written or oral “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (the “SEC”), our reports to shareholders and in other communications by us. This Report on Form 10-Q contains “forward-looking statements” which may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operation and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

- § changes in the interest rate environment that reduce margins;
- § changes in the regulatory environment;
- § the highly competitive industry and market area in which we operate;
- § general economic conditions, either nationally or regionally, resulting in, among other things, a deterioration in credit quality;
- § changes in business conditions and inflation;
- § changes in credit market conditions;
- § changes in the securities markets which affect investment management revenues;
- § increases in Federal Deposit Insurance Corporation (“FDIC”) deposit insurance premiums and assessments could adversely affect our financial condition;
- § changes in technology used in the banking business;
- § the soundness of other financial services institutions which may adversely affect our credit risk;
- § our controls and procedures may fail or be circumvented;
- § new lines of business or new products and services which may subject us to additional risks;
- § changes in key management personnel which may adversely impact our operations;
- § the effect on our operations of recent legislative and regulatory initiatives that were or may be enacted in response to the ongoing financial crisis;
- § severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact our business; and
- § other factors detailed from time to time in our filings with the SEC.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



## PART I – FINANCIAL INFORMATION

## Item 1 – Financial Statements

SUSSEX BANCORP  
CONSOLIDATED BALANCE SHEETS

| (Dollars In Thousands)   | September 30,<br>2013<br>(Unaudited) | December<br>31, 2012 |
|--|--------------------------------------|----------------------|
| <b>ASSETS</b>  |                                      |                      |
| Cash and due from banks  | \$ 7,784                             | \$ 6,268             |
| Interest-bearing deposits with other banks   | 3,256                                | 5,400                |
| Cash and cash equivalents  | 11,040                               | 11,668               |
| Interest bearing time deposits with other banks  | 100                                  | 100                  |
| Securities available for sale, at fair value   | 95,378                               | 118,881              |
| Securities held to maturity, at cost (fair value of \$5,856 and \$5,472 at September 30, 2013 and December 31, 2012, respectively) | 5,824                                | 5,221                |
| Federal Home Loan Bank Stock, at cost  | 2,480                                | 1,980                |
| Loans receivable, net of unearned income   | 392,300                              | 347,736              |
| Less: allowance for loan losses  | 5,655                                | 4,976                |
| Net loans receivable   | 386,645                              | 342,760              |
| Foreclosed real estate   | 3,077                                | 5,066                |
| Premises and equipment, net  | 6,556                                | 6,476                |
| Accrued interest receivable  | 1,695                                | 1,741                |
| Goodwill   | 2,820                                | 2,820                |
| Bank-owned life insurance  | 11,803                               | 11,536               |
| Other assets   | 7,468                                | 6,485                |
| Total Assets   | \$ 534,886                           | \$ 514,734           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                      |                      |
| Liabilities:   |                                      |                      |
| Deposits:  |                                      |                      |
| Non-interest bearing   | \$ 59,438                            | \$ 48,375            |
| Interest bearing   | 377,536                              | 384,061              |
| Total Deposits   | 436,974                              | 432,436              |
| Long-term borrowings   | 36,000                               | 26,000               |
| Accrued interest payable and other liabilities   | 3,012                                | 3,039                |

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|  |            |            |
|--|------------|------------|
| Junior subordinated debentures   | 12,887     | 12,887     |
| Total Liabilities  | 488,873    | 474,362    |
| Stockholders' Equity:  |            |            |
| Preferred stock, no par value, 1,000,000 shares authorized; none issued  | -          | -          |
| Common stock, no par value, 10,000,000 shares authorized;<br>4,640,296 and 3,409,056 shares issued and 4,629,113 and 3,397,873 shares<br>outstanding at September 30, 2013 and December 31, 2012, respectively | 35,187     | 28,117     |
| Treasury stock, at cost; 11,183 shares   | (59)       | (59)       |
| Retained earnings  | 12,765     | 11,958     |
| Accumulated other comprehensive (loss) income  | (1,880)    | 356        |
| Total Stockholders' Equity   | 46,013     | 40,372     |
| Total Liabilities and Stockholders' Equity   | \$ 534,886 | \$ 514,734 |

See Notes to Unaudited Consolidated Financial Statements



SUSSEX BANCORP  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
(LOSS)  
(Unaudited)

| (Dollars in thousands except per share data)        | Three Months             |          | Nine Months Ended  |           |
|---|--------------------------|----------|--------------------|-----------|
|   | Ended September 30, 2013 | 2012     | September 30, 2013 | 2012      |
| <b>INTEREST INCOME</b>                              |                          |          |                    |           |
| Loans receivable, including fees                    | \$ 4,599                 | \$ 4,467 | \$ 13,360          | \$ 13,292 |
| Securities:   |                          |          |                    |           |
| Taxable   | 130                      | 241      | 410                | 994       |
| Tax-exempt  | 254                      | 292      | 762                | 827       |
| Interest bearing deposits                           | 2                        | 4        | 9                  | 30        |
| Total Interest Income                               | 4,985                    | 5,004    | 14,541             | 15,143    |
| <b>INTEREST EXPENSE</b>                             |                          |          |                    |           |
| Deposits  | 419                      | 587      | 1,410              | 1,938     |
| Borrowings  | 293                      | 268      | 828                | 797       |
| Junior subordinated debentures                      | 54                       | 60       | 163                | 183       |
| Total Interest Expense                              | 766                      | 915      | 2,401              | 2,918     |
| Net Interest Income                                 | 4,219                    | 4,089    | 12,140             | 12,225    |
| <b>PROVISION FOR LOAN LOSSES</b>                    | 500                      | 1,104    | 2,342              | 2,922     |
| Net Interest Income after Provision for Loan Losses | 3,719                    | 2,985    | 9,798              | 9,303     |
| <b>OTHER INCOME</b>                                 |                          |          |                    |           |
| Service fees on deposit accounts                    | 283                      | 292      | 840                | 842       |
| ATM and debit card fees                             | 181                      | 165      | 519                | 453       |
| Bank-owned life insurance                           |                          |          |                    |           |