

Waterstone Financial, Inc.
Form 10-Q
August 01, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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, 2014

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 001-36271
WATERSTONE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland 90-1026709
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

11200 W. Plank Court Wauwatosa, Wisconsin 53226
(Address of principal executive offices) (Zip Code)

(414) 761-1000
(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 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 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

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(Do not check if 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

The number of shares outstanding of the issuer's common stock, \$0.01 par value per share, was 34,415,900 at July 31, 2014

WATERSTONE FINANCIAL, INC.

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PART I — FINANCIAL INFORMATION

Item 1. Financial StatementsWATERSTONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	(Unaudited)	
	June 30, 2014	December 31, 2013
	(In Thousands, except share data)	
Assets		
Cash	\$69,228	428,832
Federal funds sold	39,962	93
Interest-earning deposits in other financial institutions and other short term investments	3,376	244
Cash and cash equivalents	112,566	429,169
Securities available for sale (at fair value)	278,701	213,418
Loans held for sale (at fair value)	168,470	97,021
Loans receivable	1,120,657	1,092,676
Less: Allowance for loan losses	21,227	24,264
Loans receivable, net	1,099,430	1,068,412
Office properties and equipment, net	26,936	27,090
Federal Home Loan Bank stock (at cost)	17,500	17,500
Cash surrender value of life insurance	50,010	39,378
Real estate owned	22,117	22,663
Prepaid expenses and other assets	26,662	32,388
Total assets	\$1,802,392	1,947,039
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	\$87,718	93,275
Money market and savings deposits	121,695	513,716
Time deposits	639,225	637,750
Total deposits	848,638	1,244,741
Short-term borrowings	20,686	21,197
Long-term borrowings	434,000	434,000
Advance payments by borrowers for taxes	16,610	2,482
Other liabilities	24,449	30,147
Total liabilities	1,344,383	1,732,567
Shareholders' equity:		
Preferred stock (par value \$.01 per share)		
Authorized - 50,000,000 shares in 2014 and 20,000,000 in 2013, no shares issued	-	-
Common stock (par value \$.01 per share)		
Authorized - 100,000,000 shares in 2014 and 200,000,000 in 2013		
Issued - 34,413,705 in 2014 and 34,073,670 in 2013		
Outstanding - 34,413,705 in 2014 and 31,349,317 in 2013	344	341

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Additional paid-in capital	313,803	110,480
Retained earnings	153,409	151,195
Unearned ESOP shares	(10,292)	(854)
Accumulated other comprehensive income (loss), net of taxes	745	(1,429)
Treasury shares (0 in 2014 and 2,724,353 in 2013), at cost	-	(45,261)
Total shareholders' equity	458,009	214,472
Total liabilities and shareholders' equity	\$1,802,392	1,947,039

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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WATERSTONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(In Thousands, except per share amounts)			
Interest income:				
Loans	\$ 14,568	14,862	28,236	30,075
Mortgage-related securities	748	419	1,307	856
Debt securities, federal funds sold and short-term investments	825	617	1,651	1,153
Total interest income	16,141	15,898	31,194	32,084
Interest expense:				
Deposits	1,125	1,353	2,185	2,819
Borrowings	4,406	4,624	8,699	9,198
Total interest expense	5,531	5,977	10,884	12,017
Net interest income	10,610	9,921	20,310	20,067
Provision for loan losses	285	1,200	535	2,960
Net interest income after provision for loan losses	10,325	8,721	19,775	17,107
Noninterest income:				
Service charges on loans and deposits	333	348	587	713
Increase in cash surrender value of life insurance	305	261	452	401
Mortgage banking income	22,188	25,455	36,690	47,443
Loss on sale of available for sale securities	-	-	—	(9)
Other	370	643	2,526	1,192
Total noninterest income	23,196	26,707	40,255	49,740
Noninterest expenses:				
Compensation, payroll taxes, and other employee benefits	18,190	19,944	33,249	36,426
Occupancy, office furniture, and equipment	2,621	1,862	5,306	3,778
Advertising	838	796	1,574	1,620
Data processing	559	484	1,118	961
Communications	398	342	820	750
Professional fees	522	730	1,030	1,135
Real estate owned	705	12	1,253	153
FDIC insurance premiums	304	380	710	1,053
Other	3,466	2,897	6,174	5,442
Total noninterest expenses	27,603	27,447	51,234	51,318
Income before income taxes	5,918	7,981	8,796	15,529
Income tax expense	2,148	3,054	3,142	5,977
Net income	\$3,770	4,927	5,654	9,552
Income per share:				
Basic	\$0.11	0.14	0.17	0.28
Diluted	\$0.11	0.14	0.16	0.28
Weighted average shares outstanding:				
Basic	34,021	34,175	34,143	34,163
Diluted	34,252	34,420	34,385	34,402

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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WATERSONE FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	(In Thousands)			
Net income	\$3,770	4,927	5,654	9,552
Other comprehensive (loss) income, net of tax:				
Net unrealized holding (loss) gain on available for sale securities:				
Net unrealized holding (loss) gain arising during the period, net of tax benefit (expense) of (\$476), \$1,895, (\$1,399), \$2,120, respectively	738	(2,881)	2,164	(3,222)
Reclassification adjustment for net loss (gain) included in net income during the period, net of tax (benefit) expense of (\$7), \$0, (\$7), (\$4), respectively	10	-	10	5
Total other comprehensive (loss) income	748	(2,881)	2,174	(3,217)
Comprehensive income	\$4,518	2,046	7,828	6,335

See Accompanying Notes to Unaudited Consolidated Financial Statements.

WATERSONE FINANCIAL, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 (Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Total Shareholders' Equity
	Shares (In Thousands)	Amount	Capital	Earnings	Shares	(Loss)	Shares	Equity
Balances at December 31, 2012	31,348	\$ 341	110,490	136,487				