

Waterstone Financial, Inc.
Form 10-Q
May 02, 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 March 31, 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 34,403,083 at April 30, 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)	
	March 31, 2014	December 31, 2013
	(In Thousands, except share data)	
Assets		
Cash	\$ 174,004	428,832
Federal funds sold	55,042	93
Interest-earning deposits in other financial institutions and other short term investments	247	244
Cash and cash equivalents	229,293	429,169
Securities available for sale (at fair value)	215,589	213,418
Loans held for sale (at fair value)	106,849	97,021
Loans receivable	1,102,576	1,092,676
Less: Allowance for loan losses	23,391	24,264
Loans receivable, net	1,079,185	1,068,412
Office properties and equipment, net	26,952	27,090
Federal Home Loan Bank stock (at cost)	17,500	17,500
Cash surrender value of life insurance	39,524	39,378
Real estate owned	22,543	22,663
Prepaid expenses and other assets	27,323	32,388
Total assets	\$ 1,764,758	1,947,039
Liabilities and Shareholders' Equity		
Liabilities:		
Demand deposits	\$ 89,810	93,275
Money market and savings deposits	121,204	513,716
Time deposits	618,385	637,750
Total deposits	829,399	1,244,741
Short-term borrowings	10,063	21,197
Long-term borrowings	434,000	434,000
Advance payments by borrowers for taxes	8,271	2,482
Other liabilities	16,507	30,147
Total liabilities	1,298,240	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 - 34,389,916 in 2014 and 34,073,670 in 2013		
Outstanding - 34,389,916 in 2014 and 31,349,317 in 2013	344	341

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Additional paid-in capital	313,738	110,480
Retained earnings	153,078	151,195
Unearned ESOP shares	(640)	(854)
Accumulated other comprehensive loss, net of taxes	(2)	(1,429)
Treasury shares (0 in 2014 and 2,724,353 in 2013), at cost	-	(45,261)
Total shareholders' equity	466,518	214,472
Total liabilities and shareholders' equity	\$1,764,758	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 March 31,	
	2014	2013
	(In Thousands, except per share amounts)	
Interest income:		
Loans	\$13,669	15,213
Mortgage-related securities	559	437
Debt securities, federal funds sold and short-term investments	825	536
Total interest income	15,053	16,186
Interest expense:		
Deposits	1,060	1,466
Borrowings	4,293	4,574
Total interest expense	5,353	6,040
Net interest income	9,700	10,146
Provision for loan losses	250	1,760
Net interest income after provision for loan losses	9,450	8,386
Noninterest income:		
Service charges on loans and deposits	254	365
Increase in cash surrender value of life insurance	146	140
Mortgage banking income	14,503	21,988
Loss on sale of available for sale securities	-	(9)
Other	2,155	549
Total noninterest income	17,058	23,033
Noninterest expenses:		
Compensation, payroll taxes, and other employee benefits	15,059	16,482
Occupancy, office furniture, and equipment	2,685	1,916
Advertising	736	824
Data processing	559	477
Communications	422	408
Professional fees	508	405
Real estate owned	548	141
FDIC insurance premiums	406	673
Other	2,709	2,545
Total noninterest expenses	23,632	23,871
Income before income taxes	2,876	7,548
Income tax expense	993	2,923
Net income	\$1,883	4,625
Income per share:		
Basic	\$0.05	0.14
Diluted	\$0.05	0.13
Weighted average shares outstanding:		
Basic	34,264	34,152
Diluted	34,503	34,383

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 March 31, 2014 2013 (In Thousands)	
Net income	\$1,883	4,625
Other comprehensive income, net of tax:		
Net unrealized holding gain (loss) on available for sale securities:		
Net unrealized holding gain (loss) arising during the period, net of tax (expense) benefit of \$(922) and \$225 respectively	1,427	(341)
Reclassification adjustment for net loss included in net income during the period, net of tax benefit of \$0 and \$4, respectively	-	5
Total other comprehensive income (loss)	1,427	(336)
Comprehensive income	\$3,310	4,289

See Accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Common Stock		Additional	Retained	Unearned	Accumulated	Treasury	Total
	Shares	Amount	Paid-In	Earnings	ESOP	Other	Shares	Shareholders'
	(In Thousands)		Capital		Shares	Comprehensive		Equity
						Income		
						(Loss)		
Balances at December 31, 2012	31,348	\$ 341	110,490	136,487	(1,708)	2,285	(45,261)	202,634
Comprehensive income:								
Net income	-	-	-	4,625	-	-	-	4,625
Other comprehensive income	-	-	-	-	-	(336)	-	(336)
Total comprehensive income								4,289
ESOP shares committed to be released to Plan participants	-	-	(64)	-	214	-	-	150
Stock based compensation	-	-	32	-	-	-	-	32
Balances at March 31, 2013	31,348	\$ 341	110,458	141,112	(1,494)	1,949	(45,261)	207,105
Balances at December 31, 2013	31,349	\$ 341	110,480	151,195	(854)			