

Simplicity Bancorp, Inc.
Form 10-Q
May 09, 2013
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UNITED STATES
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: March 31, 2013

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: 001-34979

SIMPLICITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of incorporation)

26-1500698
(I.R.S. Employer Identification No.)

1359 N. Grand Avenue, Covina, CA
(Address of principal executive offices)

91724
(Zip Code)

(800) 524-2274

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Sections 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. (Check one):

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

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

Common Stock, \$.01 par value 8,268,515 shares outstanding as of May 7, 2013.

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	March 31, 2013	June 30, 2012
ASSETS		
Cash and due from banks	\$ 8,886	\$ 9,783
Federal funds sold	63,805	56,235
Total cash and cash equivalents	72,691	66,018
Securities available-for-sale, at fair value	58,217	53,397
Securities held-to-maturity, fair value of \$629 and \$1,229 at March 31, 2013 and June 30, 2012, respectively	612	1,197
Federal Home Loan Bank stock, at cost	6,599	8,525
Loans held for sale	15,060	
Loans receivable, net of allowance for loan losses of \$6,438 and \$7,502 at March 31, 2013 and June 30, 2012, respectively	700,420	764,717
Accrued interest receivable	2,540	2,778
Premises and equipment, net	3,064	2,850
Goodwill	3,950	3,950
Bank-owned life insurance	13,676	13,334
Real estate owned (REO)	264	1,280
Other assets	5,237	5,284
Total assets	\$ 882,330	\$ 923,330
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits		
Noninterest bearing	\$ 66,150	\$ 71,319
Interest bearing	603,855	611,570
Total deposits	670,005	682,889
Federal Home Loan Bank advances, short-term		20,000
Federal Home Loan Bank advances, long-term	60,000	60,000
Accrued expenses and other liabilities	5,969	6,293
Total liabilities	735,974	769,182
Commitments and contingent liabilities		
Stockholders equity		
Nonredeemable serial preferred stock, \$.01 par value; 25,000,000 shares authorized; issued and outstanding	none	
Common stock, \$.01 par value; 100,000,000 authorized; March 31, 2013 8,960,366 shares issued	83	90
Additional paid-in capital	82,155	92,197
Retained earnings	68,662	66,723
Accumulated other comprehensive loss, net of tax	(162)	(169)

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Unearned employee stock ownership plan (ESOP) shares	(4,382)	(4,693)
Total stockholders' equity	146,356	154,148
Total liabilities and stockholders' equity	\$ 882,330	\$ 923,330

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

Table of Contents**SIMPLICITY BANCORP, INC. AND SUBSIDIARY****Consolidated Statements of Income****(Unaudited)****(Dollars in thousands, except per share data)**

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Interest income				
Interest and fees on loans	\$ 8,559	\$ 9,652	\$ 27,171	\$ 29,835
Interest on securities, taxable	165	187	334	521
Federal Home Loan Bank dividends	44	12	112	26
Other interest	34	73	115	235
Total interest income	8,802	9,924	27,732	30,617
Interest expense				
Interest on deposits	1,556	1,847	4,976	5,927
Interest on borrowings	243	713	1,140	2,227
Total interest expense	1,799	2,560	6,116	8,154
Net Interest Income	7,003	7,364	21,616	22,463
Provision for loan losses	400		1,850	
Net interest income after provision for loan losses	6,603	7,364	19,766	22,463
Service charges and fees	346	362	1,195	1,253
ATM fees and charges	524	576	1,579	1,649
Referral commissions	77	77	244	231
Bank-owned life insurance	112	117	342	361
Net gain on sales of loans	435		1,762	
Other noninterest income	122	7	130	16
Total noninterest income	1,616	1,139	5,252	3,510
Noninterest expense				
Salaries and benefits	2,942	2,942	9,630	8,401
Occupancy and equipment	740	647	2,180	1,995
ATM expense	564	492	1,668	1,529
Advertising and promotional	227	92	639	283
Professional services	505	615	1,551	1,582
Federal deposit insurance premiums	169	147	483	413
Postage	52	63	186	194
Telephone	211	211	658	604
REO foreclosure expenses and sales gains/losses, net	29	162	14	138
Loss on equity investment	85	45	192	185
Other operating expense	402	468	1,611	1,440

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Total noninterest expense	5,926	5,884	18,812	16,764
Income before income tax expense	2,293	2,619	6,206	9,209
Income tax expense	864	972	2,277	3,461
Net income	\$ 1,429	\$ 1,647	\$ 3,929	\$ 5,748
Earnings per common share:				
Basic	\$ 0.18	\$ 0.18	\$ 0.48	\$ 0.63
Diluted	\$ 0.18	\$ 0.18	\$ 0.48	\$ 0.63

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

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SIMPLICITY BANCORP, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

(Unaudited)

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2013	2012	2013	2012
Net income	\$ 1,429	\$ 1,647	\$ 3,929	\$ 5,748
Other comprehensive income (loss):				
Unrealized gain (loss) on securities available for sale	(218)	143	12	(35)
Income tax effect	90	(59)	(5)	15
Other comprehensive income (loss), net of tax	(128)	84	7	(20)
Comprehensive income	\$ 1,301	\$ 1,731	\$ 3,936	\$ 5,728

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

Table of Contents**SIMPLICITY BANCORP, INC. AND SUBSIDIARY****Consolidated Statements of Stockholders' Equity****(Unaudited)****(Dollars in thousands, except per share data)**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Unearned ESOP Shares	Total
	Shares	Amount					
Balance, July 1, 2011	9,574,960	\$ 96	\$ 100,599	\$ 61,832	\$ (21)	\$ (5,107)	\$ 157,399
Net income				5,748			5,748
Other comprehensive loss - unrealized loss on securities, net of tax					(20)		(20)
Dividends declared (\$0.19 per share)				(1,727)			(1,727)
Repurchase of common stock	(435,075)	(4)	(5,883)				(5,887)
Stock options earned			45				45
Stock options exercised	7,194		78				78
Allocation of stock awards			112				112
Issuance of stock awards	33,664						
Forfeiture of stock awards	(8,000)						
Allocation of ESOP common stock (31,066 shares allocated)			77			311	388
Balance, March 31, 2012	9,172,743	\$ 92	\$ 95,028	\$ 65,853	\$ (41)	\$ (4,796)	\$ 156,136
Balance, July 1, 2012	8,960,366	\$ 90	\$ 92,197	\$ 66,723	\$ (169)	\$ (4,693)	\$ 154,148
Net income				3,929			3,929
Other comprehensive income unrealized gain on securities, net of tax					7		7
Dividends declared (\$0.24 per share)				(1,990)			(1,990)
Repurchase of common stock	(700,770)	(7)	(10,492)				(10,499)
Stock options earned			28				28
Stock options exercised	6,475		70				70
Allocation of stock awards			200				200
Issuance of stock awards	34,154						
Forfeiture of stock awards	(7,565)						
Allocation of ESOP common stock (31,066 shares allocated)			152			311	463
Balance, March 31, 2013	8,292,660	\$ 83	\$ 82,155	\$ 68,662	\$ (162)	\$ (4,382)	\$ 146,356

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

Table of Contents**SIMPLICITY BANCORP, INC. AND SUBSIDIARY****Consolidated Statements of Cash Flows****(Unaudited)****(Dollars in thousands)**

	Nine Months Ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 3,929	\$ 5,748
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of net premiums on securities	621	467
Amortization of net premiums on loan purchases	333	173
Accretion of net loan origination costs	(196)	(5)
Provision for loan losses	1,850	
Net gain on sale of REO	(94)	(55)
Net gain on sales of loans held for sale	(1,762)	
Loans originated for sale	(66,729)	
Proceeds from sales of loans held for sale	53,431	306
Depreciation and amortization	790	610
Amortization of core deposit intangible	13	22
Loss on equity investment	192	185
Earnings on cash surrender value of bank-owned life insurance	(342)	(361)
Allocation of ESOP common stock	463	388
Allocation of stock awards	200	112
Stock options earned	28	45
Net change in accrued interest receivable	238	112
Net change in other assets	(167)	264
Net change in accrued expenses and other liabilities	(324)	1,612
Net cash (used in) provided by operating activities	(7,526)	9,623
INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(20,686)	(57,271)
Proceeds from maturities and principal repayments of available-for-sale securities	15,257	14,822
Proceeds from maturities and principal repayments of held-to-maturity securities	585	727
Net change in interest earning time deposits with other financial institutions		11,669
Purchases of loans		(49,409)
Net change in loans	61,789	36,817
Proceeds from sale of real estate owned	1,635	1,173
Redemption of FHLB stock	1,926	1,366
Purchases of premises and equipment	(1,004)	(1,060)
Net cash provided by (used in) investing activities	59,502	(41,166)