

Edgar Filing: Sound Financial Bancorp, Inc. - Form 10-Q

Sound Financial Bancorp, Inc.  
Form 10-Q  
November 13, 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 September 30, 2014

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 001-35633

Sound Financial Bancorp, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Maryland 45-5188530  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2005 5th Avenue, Suite 200, Seattle, Washington 98121  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (206) 448-0884

None  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by checkmark 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 checkmark whether the registrant has submitted electronically and posted on its corporate website, 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting Company. See definition of "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if smaller reporting company)

Edgar Filing: Sound Financial Bancorp, Inc. - Form 10-Q

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES [ ] NO [X]

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

As of November 13, 2014, there were 2,518,033 shares of the registrant's common stock outstanding.

---

SOUND FINANCIAL BANCORP, INC.  
 FORM 10-Q  
 TABLE OF CONTENTS

	Page Number
<b>PART I FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013 (unaudited)	3
Condensed Consolidated Statements of Income for the Three and Nine Month Periods Ended September 30, 2014 and 2013 (unaudited)	4
Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Month Periods Ended September 30, 2014 and 2013 (unaudited)	5
Condensed Consolidated Statement of Stockholders' Equity for the Nine Months Ended September 30, 2014 and 2013 (unaudited)	6
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013 (unaudited)	7
Selected Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3. Quantitative and Qualitative Disclosures About Market Risk	38
Item 4. Controls and Procedures	38
<b>PART II OTHER INFORMATION</b>	
Item 1. Legal Proceedings	39
Item 1A Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3. Defaults Upon Senior Securities	39
Item 4. Mine Safety Disclosures	39
Item 5. Other Information	39
Item 6. Exhibits	40

SIGNATURES

EXHIBITS

2

---

## SOUND FINANCIAL BANCORP, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets (unaudited)

(In thousands, except share amounts)

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,139	\$ 15,334
Available-for-sale securities, at fair value	12,944	15,421
Loans held for sale	2,490	130
Loans	417,351	390,926
Allowance for loan losses	(4,230 )	(4,177 )
Total loans, net	413,121	386,749
Accrued interest receivable	1,446	1,366
Bank-owned life insurance ("BOLI"), net	11,321	11,068
Other real estate owned ("OREO") and repossessed assets, net	259	1,178
Mortgage servicing rights, at fair value	3,115	2,984
Federal Home Loan Bank ("FHLB") stock, at cost	2,247	2,314
Premises and equipment, net	5,621	2,138
Other assets	4,002	3,929
Total assets	478,705	442,611
<b>LIABILITIES</b>		
Deposits		
Interest-bearing	358,955	313,745
Noninterest-bearing demand	44,219	34,594
Total deposits	403,174	348,339
Borrowings	20,738	43,221
Accrued interest payable	72	82
Other liabilities	4,534	4,103
Advance payments from borrowers for taxes and insurance	778	362
Total liabilities	429,296	396,107
<b>COMMITMENTS AND CONTINGENCIES (NOTE 7)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued or outstanding	-	-
Common stock, \$0.01 par value, 40,000,000 shares authorized, 2,516,395 and 2,510,810 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	25	25
Additional paid-in capital	23,218	23,829
Unearned shares - Employee Stock Ownership Plan ("ESOP")	(1,369 )	(1,369 )
Retained earnings	27,348	24,288
Accumulated other comprehensive income (loss), net of tax	187	(269 )
Total stockholders' equity	49,409	46,504
Total liabilities and stockholders' equity	\$ 478,705	\$ 442,611

See notes to condensed consolidated financial statements

3

SOUND FINANCIAL BANCORP, INC. AND SUBSIDIARY  
Condensed Consolidated Statements of Income (unaudited)  
(In thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>INTEREST INCOME</b>				
Loans, including fees	\$5,339	\$4,926	\$15,687	\$14,268
Interest and dividends on investments, cash and cash equivalents	56	59	151	239
Total interest income	5,395	4,985	15,838	14,507
<b>INTEREST EXPENSE</b>				
Deposits	580	528	1,692	1,527
Borrowings	32	50	126	164
Total interest expense	612	578	1,818	1,691
Net interest income	4,783	4,407	14,020	12,816
<b>PROVISION FOR LOAN LOSSES</b>				
Net interest income after provision for loan losses	4,583	3,957	13,420	11,666
<b>NONINTEREST INCOME</b>				
Service charges and fee income	805	564	2,040	1,714
Earnings on cash surrender value of bank-owned life insurance	87	78	253	230
Mortgage servicing income	202	76	235	387
Fair value adjustment on mortgage servicing rights	153	271	437	656
Other-than-temporary impairment losses on securities	-	-	-	(30 )
Net gain on sale of loans	184	37	371	794
Total noninterest income	1,431	1,026	3,336	3,751
<b>NONINTEREST EXPENSE</b>				