

BankFinancial CORP
Form 10-Q
November 08, 2012
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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, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For transition period from _____ to _____
Commission File Number 0-51331

BANKFINANCIAL CORPORATION
(Exact Name of Registrant as Specified in Charter)

Maryland
(State or Other Jurisdiction
of Incorporation)

75-3199276
(I.R.S. Employer
Identification No.)

15W060 North Frontage Road, Burr Ridge, Illinois
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (800) 894-6900

Not Applicable

(Former name or former address, if changed since last report)

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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or 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

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Non-accelerated filer

Smaller reporting company

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

21,072,966 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of November 5, 2012.

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BANKFINANCIAL CORPORATION
Form 10-Q Quarterly Report
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PART I

BANKFINANCIAL CORPORATION
 CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
 (Dollars in thousands, except per share data) – (Unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from other financial institutions	\$ 19,619	\$ 24,247
Interest-bearing deposits in other financial institutions	217,110	96,457
Cash and cash equivalents	236,729	120,704
Securities, at fair value	81,748	92,832
Loans held-for-sale	551	1,918
Loans receivable, net of allowance for loan losses: September 30, 2012, \$20,588 and December 31, 2011, \$31,726	1,080,489	1,227,391
Other real estate owned	14,994	22,480
Stock in Federal Home Loan Bank, at cost	9,067	16,346
Premises and equipment, net	38,555	39,155
Accrued interest receivable	4,395	5,573
Core deposit intangible	3,195	3,671
Bank owned life insurance	21,562	21,207
FDIC prepaid expense	3,118	4,351
Income tax receivable	461	1,809
Other assets	5,008	6,138
Total assets	\$ 1,499,872	\$ 1,563,575
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	\$ 134,474	\$ 142,084
Interest-bearing	1,143,722	1,190,468
Total deposits	1,278,196	1,332,552
Borrowings	6,946	9,322
Advance payments by borrowers taxes and insurance	7,327	10,976
Accrued interest payable and other liabilities	9,406	10,868
Total liabilities	1,301,875	1,363,718
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred Stock, \$0.01 par value, 25,000,000 shares authorized, none issued or outstanding	—	—
Common Stock, \$0.01 par value, 100,000,000 shares authorized; 21,072,966 shares issued at September 30, 2012 and December 31, 2011	211	211
Additional paid-in capital	193,754	193,801
Retained earnings	15,226	17,946
Unearned Employee Stock Ownership Plan shares	(12,479	) (13,212
Accumulated other comprehensive income	1,285	1,111
Total stockholders' equity	197,997	199,857
Total liabilities and stockholders' equity	\$ 1,499,872	\$ 1,563,575

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per share data) – (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest and dividend income				
Loans, including fees	\$ 13,978	\$ 17,350	\$ 45,402	\$ 49,915
Securities	342	566	1,171	2,156
Other	148	74	353	267
Total interest income	14,468	17,990	46,926	52,338
Interest expense				
Deposits	1,010	1,593	3,308	5,342
Borrowings	26	36	80	193
Total interest expense	1,036	1,629	3,388	5,535
Net interest income	13,432	16,361	43,538	46,803
Provision for loan losses	4,453	7,384	7,194	12,983
Net interest income after provision for loan losses	8,979	8,977	36,344	33,820
Noninterest income				
Deposit service charges and fees	548	699	1,626	2,004
Other fee income	374	381	1,142	1,176
Insurance commissions and annuities income	125	146	359	470
Gain on sale of loans, net	210	83	595	141
Gain (loss) on disposition of premises and equipment, net	(7	) 1	(164	) (19
Loan servicing fees	124	138	371	407
Amortization and impairment of servicing assets	(55	) (105	) (235	) (210
Earnings on bank owned life insurance	109	165	355	485
Trust	171	199	545	491
Other	232	156	487	368
Total noninterest income	1,831	1,863	5,081	5,313
Noninterest expense				
Compensation and benefits	6,333	6,229	19,453	19,949
Office occupancy and equipment	1,627	1,845	5,125	5,449
Advertising and public relations	136	333	447	830
Information technology	1,127	1,085	3,534	3,124
Supplies, telephone, and postage	416	450	1,254	1,264
Amortization of intangibles	156	470	476	1,322
Nonperforming asset management	1,728	1,267	4,085	3,001
Operations of other real estate owned	2,742	1,588	4,985	2,896
FDIC insurance premiums	642	354	1,299	1,107
Acquisition costs	—	—	—	1,761
Other	1,125	1,016	2,854	2,812
Total noninterest expense	16,032	14,637	43,512	43,515
Loss before income taxes	(5,222	) (3,797	) (2,087	) (4,382
Income tax benefit	—	(1,901) —	(2,735
Net Loss	\$(5,222) \$(1,896) \$(2,087) \$(1,647
Basic loss per common share	\$(0.26) \$(0.10) \$(0.11) \$(0.08

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Diluted loss per common share	\$ (0.26) \$ (0.10) \$ (0.11) \$ (0.08)
Weighted average common shares outstanding	19,914,992	19,738,440	19,871,368	19,714,217	
Diluted weighted average common shares outstanding	19,914,992	19,738,440	19,871,368	19,714,217	

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
 (Dollars in thousands) – (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net loss	\$ (5,222	) \$ (1,896	) \$ (2,087	) \$ (1,647
Unrealized holding gain (loss) arising during the period	210	14	174	(1,034
Tax effect	—	(5	) —	394
Change in other comprehensive loss, net of tax effect	210	9	174	(640
Comprehensive loss	\$ (5,012) \$ (1,887) \$ (1,913) \$ (2,287

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
 (In thousands, except per share data) – (Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Unearned Employee Stock Ownership Plan Shares	Accumulated Other Comprehensive Income	Total
Balance at January 1, 2011	\$211	\$194,186	\$71,278	\$(14,190)	\$ 1,800	\$253,285
Net loss	—	—	(1,647)	—	—	(1,647)
Change in other comprehensive income, net of tax effects	—	—	—	—	(640)	(640)
Nonvested stock awards-stock-based compensation expense	—	43	—	—	—	43
Cash dividends declared on common stock (\$0.21 per share)	—	—	(4,425)	—	—	(4,425)
ESOP shares earned	—	(246)	—	732	—	486
Balance at September 30, 2011	\$211	\$193,983	\$65,206	\$(13,458)	\$ 1,160	\$247,102
Balance at January 1, 2012	\$211	\$193,801	\$17,946	\$(13,212)	\$ 1,111	\$199,857
Net loss	—	—	(2,087)	—	—	(2,087)
Change in other comprehensive income, net of tax effects	—	—	—	—	174	174
Nonvested stock awards-stock-based compensation expense	—	41	—	—	—	41
Cash dividends declared on common stock (\$0.03 per share)	—	—	(633)	—	—	(633)
ESOP shares earned	—	(88)	—	733	—	645
Balance at September 30, 2012	\$211	\$193,754	\$15,226	\$(12,479)	\$ 1,285	\$197,997

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
Nine months ended September 30, 2012 and 2011
(In thousands) – (Unaudited)

	2012		2011	
Cash flows from operating activities				
Net loss	\$(2,087	)	\$(1,647)
Adjustments to reconcile net loss to net cash from operating activities				
Provision for loan losses	7,194		12,983	
ESOP shares earned	645		486	
Stock-based compensation expense	41		43	
Depreciation and amortization	3,417		3,369	
Amortization of premiums and discounts on securities and loans	(2,185	)	(2,047)
Amortization of core deposit intangible	476		1,322	
Amortization and impairment of servicing assets	235		210	
Net change in net deferred loan origination costs	81		413	
Net gain on sale of other real estate owned	(126	)	(98)
Net gain on sale of loans	(595	)	(141)
Net loss disposition of premises and equipment	164		19	
Loans originated for sale	(13,806	)	(9,287)
Proceeds from sale of loans	15,768		10,756	
Net change in:				
Deferred income tax	—		(3,056)
Accrued interest receivable	1,178		188	
Earnings on bank owned life insurance	(355	)	(485)
Other assets	6,158		2,792	
Accrued interest payable and other liabilities	(1,462	)	(1,220)
Net cash from operating activities	14,741		14,600	
Cash flows from investing activities				
Securities				
Proceeds from maturities	22,424		28,459	
Proceeds from principal repayments	15,413		9,677	
Proceeds from sales of securities	—		29,491	
Purchases of securities	(26,659	)	(32,656)
Loans receivable				
Principal payments on loans receivable	394,621		476,445	
Purchases of loans	(3,190	)	(153,119)
Originated for investment	(255,751	)	(443,936)
Proceeds of redemption of Federal Reserve Bank stock	—		155	
Proceeds of redemption of Federal Home Loan Bank of Chicago stock	7,279		—	
Proceeds from sale of other real estate owned	9,871		5,559	
Purchases of premises and equipment, net	(1,885	)	(1,385)
Cash acquired in acquisition	—		61,619	
Net cash from (used in) investing activities	162,123		(19,691)

(Continued)

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
Nine months ended September 30, 2012 and 2011
(In thousands) – (Unaudited)

	2012	2011
Cash flows from financing activities		
Net change in deposits	(54,181	) (95,392)
Net change in borrowings	(2,376	) (14,496)
Net change in advance payments by borrowers for taxes and insurance	(3,649	) 6,762
Cash dividends paid on common stock	(633	) (4,425)
Net cash used in financing activities	(60,839	) (107,551)
Net change in cash and cash equivalents	116,025	(112,642)
Beginning cash and cash equivalents	120,704	220,810
Ending cash and cash equivalents	\$236,729	\$108,168
Supplemental disclosures of cash flow information:		
Interest paid	\$3,432	\$5,431
Income taxes paid	—	—
Income taxes refunded	1,406	101
Loans transferred to other real estate owned	6,236	8,846
Supplemental disclosures of noncash investing activities – Acquisition:		
Noncash assets acquired:		
Securities		\$10,177
Loans receivable		118,147
Other real estate owned		6,965
Stock in Federal Home Loan Bank and Federal Reserve Bank		903
Goodwill		1,296
Premises and equipment, net		7,442
Accrued interest receivable		355
Core deposit intangible		2,660
FDIC prepaid expense		774
Income tax receivable		774
Deferred taxes, net		2,662
Other assets		42
Total noncash items acquired		152,197
Liabilities assumed:		
Deposits		212,939
Advance payments by borrowers taxes and insurance		34
Accrued interest payable and other liabilities		843
Total liabilities assumed		213,816
Cash and cash equivalents acquired		\$61,619

See accompanying notes to consolidated financial statements.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: BankFinancial Corporation, a Maryland corporation headquartered in Burr Ridge, Illinois, is the owner of all of the issued and outstanding capital stock of BankFinancial, F.S.B. (the “Bank”).

Principles of Consolidation: The interim unaudited consolidated financial statements include the accounts of and transactions of BankFinancial Corporation, the Bank, and the Bank’s wholly-owned subsidiaries, Financial Assurance Services, Inc. and BF Asset Recovery Corporation (collectively, “the Company”) and reflect all normal and recurring adjustments that are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. All significant intercompany accounts and transactions have been eliminated. The results of operations for the three- and nine-month periods ended September 30, 2012, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2012. Certain information and note disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, mortgage servicing rights, deferred tax assets, stock-based compensation, the impairment of securities and the fair value of financial instruments are particularly subject to change and the effect of such change could be material to the financial statements.

Reclassifications: Certain reclassifications have been made in the prior period’s financial statements to conform them to the current period’s presentation.

These unaudited consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission.

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

NOTE 2 – LOSS PER SHARE

Amounts reported in loss per share reflect earnings available to common stockholders for the period divided by the weighted average number of shares of common stock outstanding during the period, exclusive of unearned ESOP shares and unvested restricted stock shares. Stock options and restricted stock are regarded as potential common stock and are considered in the diluted earnings per share calculations to the extent that they would have a dilutive effect if converted to common stock.

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net loss available to common stockholders	\$ (5,222	) \$ (1,896	) \$ (2,087	) \$ (1,647
Average common shares outstanding	21,072,966	21,072,966	21,072,966	21,072,966
Less:				
Unearned ESOP shares	(1,157,974	) (1,325,859	) (1,198,988	) (1,350,082
Unvested restricted stock shares	—	(8,667	) (2,610	) (8,667
Weighted average common shares outstanding	19,914,992	19,738,440	19,871,368	19,714,217
Basic loss per common share	\$ (0.26	) \$ (0.10	) \$ (0.11	) \$ (0.08
Weighted average common shares outstanding	19,914,992	19,738,440	19,871,368	19,714,217
Net effect of dilutive stock options and unvested restricted stock	—	—	—	—
Weighted average diluted common shares outstanding	19,914,992	19,738,440	19,871,368	19,714,217
Diluted loss per common share	\$ (0.26	) \$ (0.10	) \$ (0.11	) \$ (0.08
Number of anti-dilutive stock options excluded from the diluted earnings per share calculation	141,000	2,080,553	141,000	2,080,553
Weighted average exercise price of anti-dilutive stock options	\$ 17.21	\$ 16.54	\$ 17.21	\$ 16.54

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BANKFINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Table amounts in thousands, except share and per share data)

NOTE 3 – SECURITIES

The following table summarizes the amortized cost and fair value of securities and the corresponding gross unrealized gains and losses recognized in accumulated other comprehensive income:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2012				
Certificates of deposit	\$31,491	\$—	\$—	\$31,491
Municipal securities	515	24	—	539
Equity mutual fund	500	34	—	534
Mortgage-backed securities – residential	33,438	1,754	(1	) 35,191
Collateralized mortgage obligations – residential				