

LAKE SHORE BANCORP, INC.
Form 10-Q
August 10, 2017

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 June 30, 2017

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

Commission File No.: 000-51821

LAKE SHORE
BANCORP, INC.
(Exact name of
registrant as specified
in its charter)

United 20-4729288
States
(State (I.R.S.
or Employer
other Identification
jurisdiction number)
of
incorporation
or
organization)

31 14048
East
Fourth
Street,
Dunkirk,

New
York
(Address(Zip code)
of
principal
executive
offices)

(716) 366-4070
(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, 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 (§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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 practical date:

There were 6,102,322 shares of the registrant's common stock, \$0.01 par value per share, outstanding at August 4, 2017.

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PART I

Item 1. Financial Statements

Lake Shore Bancorp, Inc. and Subsidiary

Consolidated Statements of Financial Condition

| | June 30, 2017 (Unaudited) | December 31, 2016 (Unaudited) |
|---|--|--|
| | (Dollars in thousands, except share data) | |
| Assets | | |
| Cash and due from banks | \$ 7,506 | \$ 8,089 |
| Interest earning deposits | 4,567 | 6,889 |
| Federal funds sold | 20,895 | 30,501 |
| Cash and Cash Equivalents | 32,968 | 45,479 |
| Securities available for sale | 75,819 | 86,335 |
| Federal Home Loan Bank stock, at cost | 1,715 | 1,340 |
| Loans receivable, net of allowance for loan losses 2017 \$3,223; 2016 \$2,882 | 364,018 | 326,365 |
| Premises and equipment, net | 9,271 | 8,747 |
| Accrued interest receivable | 1,631 | 1,600 |
| Bank owned life insurance | 17,896 | 17,719 |
| Other assets | 1,604 | 1,589 |
| Total Assets | \$ 504,922 | \$ 489,174 |
| Liabilities and Stockholders' Equity | | |
| Liabilities | | |
| Deposits: | | |
| Interest bearing | \$ 338,072 | \$ 330,004 |
| Non-interest bearing | 54,608 | 55,889 |
| Total Deposits | 392,680 | 385,893 |
| Long-term debt | 26,950 | 18,950 |
| Advances from borrowers for taxes and insurance | 3,045 | 3,183 |
| Other liabilities | 4,839 | 5,118 |
| Total Liabilities | \$ 427,514 | \$ 413,144 |
| Commitments and Contingencies | - | - |
| Stockholders' Equity | | |
| Common stock, \$0.01 par value per share, 25,000,000 shares authorized; 6,827,236 shares issued and 6,102,322 shares outstanding at June 30, 2017 and 6,827,236 shares issued and | \$ 68 | \$ 68 |

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| | | |
|---|------------|------------|
| 6,088,674 shares outstanding at December 31, 2016 | | |
| Additional paid-in capital | 30,619 | 30,532 |
| Treasury stock, at cost (724,914 shares at June 30, 2017 and 738,562 shares at December 31, 2016) | (7,244) | (7,300) |
| Unearned shares held by ESOP | (1,577) | (1,620) |
| Unearned shares held by compensation plans | (704) | (578) |
| Retained earnings | 55,031 | 53,546 |
| Accumulated other comprehensive income | 1,215 | 1,382 |
| Total Stockholders' Equity | 77,408 | 76,030 |
| Total Liabilities and Stockholders' Equity | \$ 504,922 | \$ 489,174 |

See notes to consolidated financial statements.

Lake Shore Bancorp, Inc. and Subsidiary

Consolidated Statements of Income

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|----------|------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| | (Unaudited) | | | |
| | (Dollars in thousands, except per share data) | | | |
| Interest Income | | | | |
| Loans, including fees | \$ 4,105 | \$ 3,602 | \$ 8,167 | \$ 7,116 |
| Investment securities, taxable | 198 | 259 | 408 | 642 |
| Investment securities, tax-exempt | 423 | 451 | 871 | 902 |
| Other | 48 | 35 | 86 | 51 |
| Total Interest Income | 4,774 | 4,347 | 9,532 | 8,711 |
| Interest Expense | | | | |
| Deposits | 499 | 456 | 976 | 924 |
| Long-term debt | 97 | 91 | 189 | 187 |
| Other | 21 | 23 | 42 | 46 |
| Total Interest Expense | 617 | 570 | 1,207 | 1,157 |
| Net Interest Income | 4,157 | 3,777 | 8,325 | 7,554 |
| Provision for Loan Losses | 25 | 55 | 375 | 185 |
| Net Interest Income after Provision for Loan Losses | 4,132 | 3,722 | 7,950 | 7,369 |
| Non-Interest Income | | | | |
| Service charges and fees | 465 | 431 | 912 | 865 |
| Earnings on bank owned life insurance | 90 | 70 | 177 | 137 |
| Recovery on previously impaired investment securities | 32 | 33 | 71 | 68 |
| Gain on sale of securities available for sale | 197 | - | 222 | 1,636 |
| Net gain on sale of loans | 2 | 46 | 9 | 61 |
| Other | 21 | 23 | 46 | 46 |
| Total Non-Interest Income | 807 | 603 | 1,437 | 2,813 |
| Non-Interest Expenses | | | | |
| Salaries and employee benefits | 1,822 | 1,795 | 3,712 | 3,585 |
| Occupancy and equipment | 565 | 577 | 1,175 | 1,158 |
| Data processing | 310 | 261 | 617 | 526 |
| Professional services | 245 | 257 | 472 | 527 |
| Advertising | 145 | 189 | 312 | 302 |
| Postage and supplies | 81 | 56 | 144 | 110 |
| FDIC Insurance | 37 | 59 | 73 | 124 |
| Other | 297 | 297 | 574 | 561 |
| Total Non-Interest Expenses | 3,502 | 3,491 | 7,079 | 6,893 |
| Income before Income Taxes | 1,437 | 834 | 2,308 | 3,289 |
| Income Tax Expense | 295 | 170 | 450 | 671 |
| Net Income | \$ 1,142 | \$ 664 | \$ 1,858 | \$ 2,618 |
| Basic and diluted earnings per common share | \$ 0.19 | \$ 0.11 | \$ 0.30 | \$ 0.44 |
| Dividends declared per share | \$ 0.08 | \$ 0.07 | \$ 0.16 | \$ 0.14 |

See notes to consolidated financial statements.

Lake Shore Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income

| | Three Months Ended June 30, 2017 2016 (Unaudited) (Dollars in thousands) | |
|--|--|--------|
| Net Income | \$ 1,142 | \$ 664 |
| Other Comprehensive (Loss) Income, net of tax benefit (expense): | | |
| Unrealized holding gains on securities available for sale, net of tax expense | 66 | 351 |
| Reclassification adjustments related to: | | |
| Recovery on previously impaired investment securities included in net income, net of tax expense | (21) | (22) |
| Net gain on sale of securities included in net income, net of tax expense | (130) | - |
| Total Other Comprehensive (Loss) Income | (85) | 329 |
| Total Comprehensive Income | \$ 1,057 | \$ 993 |
| | Six Months Ended June 30, 2017 | |