WAUWATOSA, Wis., Oct. 29, 2013 /PRNewswire/ -- Waterstone Financial, Inc. (NASDAQ: WSBF), holding company for WaterStone Bank, reported pre-tax income of $5.2 million and net income of $3.2 million for the third quarter of 2013. This compares to pre-tax income of $8.6 million and net income of $8.4 million for the third quarter of 2012. Year-to-date pre-tax and net income totaled $20.7 million and $12.8 million, respectively, for the nine months ended September 30, 2013 compared to $17.0 million and $16.8 million, respectively, for the nine months ended September 30, 2012. A valuation reserve against net deferred tax assets released in the fourth quarter of 2012 minimized income tax expense during the 2012 periods. Net income per diluted share was $0.10 for the third quarter of 2013 as compared to

$0.27
per diluted share for the third quarter of 2012.

"WaterStone Bank's earnings continue to improve due to improving asset quality while Waterstone Mortgage has experienced declining volumes and margins, as is widespread throughout the mortgage banking industry," said Doug Gordon, President and Chief Executive Officer of Waterstone Financial. "Our capital levels continue to increase, which will support further growth."

The company's community banking segment pre-tax income for the quarter ended September 30, 2013
totaled
$4.0 million
compared to
$1.1 million
for the third quarter of 2012. Community banking operations were positively impacted by a
$2.2 million
decline in real estate owned expense and a
$1.0 million
decline in the quarterly provision for loan losses for the quarter ended
September 30, 2013
as compared to the quarter ended
September 30
, 2012. The company's mortgage banking segment reported pre-tax income of
$1.1 million
for the quarter ended
September 30, 2013
compared to
$7.2 million
for the quarter ended
September 30
, 2012. Mortgage loans originated for sale in the third quarter of 2013 totaled
$441.5 million
, a 7.6% decrease from the
$477.9 million
originated for sale in the third quarter of 2012. Margins earned on loans sold also declined in 2013 such that total mortgage banking revenue decreased by 31.8% to
$18.2 million
in the third quarter of 2013 compared to
$26.7 million
in the third quarter of 2012. The decline in average sales margins reflects a decrease in pricing and fees on all products in all geographic markets and is reflective of general market conditions.

The decline in revenue was partially offset by a 7.5% decline in compensation expense to $13.5 million for the third quarter of 2013 compared to $14.6 million for the third quarter of 2012.

Total nonperforming assets as a percentage of total assets declined to 5.04% at September 30, 2013 from 6.66% at December 31, 2012 and 7.13% at September 30, 2012. Total nonperforming assets declined 27.1% to $80.6 million at September 30, 2013 from $110.6 million at December 31, 2012. Total delinquent loans declined 34.4% to $48.9 million at September 30, 2013 from $74.5 million at December 31, 2012. The provisions for loan losses totaled $1.0 million and $4.0 million for the three and nine months ended September 30, 2013, respectively. The provisions for loan losses totaled $2.0 million and $7.1 million for the three and nine months ended September 30, 2012, respectively.

About Waterstone Financial, Inc.

Waterstone Financial, Inc. (NASDAQ: WSBF) is a single-bank, thrift holding company headquartered in Wauwatosa, WI. With $1.6 billion in assets at September 30, 2013, Waterstone has eight community bank branches in the metropolitan Milwaukee market and mortgage banking offices in 14 states around the country. Additional financial detail related to WaterStone Bank, SSB can be found on the FDIC web site (www.fdic.gov) under the "Industry Analysis" tab.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, statements regarding expected financial and operating activities and results that are preceded by, followed by, or that include words such as "may," "expects," "anticipates," "estimates" or "believes." Such statements are subject to important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements. These factors include (i) exposure to the deterioration in the commercial and residential real estate markets which could result in increased charge-offs and increases in the allowance for loan losses, (ii) various other factors, including changes in economic conditions affecting borrowers, new information regarding outstanding loans and identification of additional problem loans, which could require an increase in the allowance for loan losses, (iii) Waterstone's ability to maintain required levels of capital and other current and future regulatory requirements, (iv) the impact of recent and future legislative initiatives on the financial markets, and (v) those factors referenced in Item 1A. Risk Factors in Waterstone's Annual Report on Form 10-K for the year ended December 31, 2012 and as may be described from time to time in Waterstone's subsequent SEC filings, which factors are incorporated herein by reference. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect only Waterstone's belief as of the date of this press release.

WATERSTONE FINANCIAL, INC.

SUMMARY OF KEY QUARTERLY FINANCIAL DATA (unaudited)

(dollars in thousands)

2013

2012

Performance Ratios :

Q3

Q2

Q1

Q4

Q3

Return on average assets

0.79%

1.21%

1.14%

4.28%

2.00%

Return on average equity

6.04%

9.42%

9.14%

37.42%

18.26%

Net interest margin

2.51%

2.60%

2.66%

2.67%

2.67%

Efficiency ratio

79.77%

74.93%

71.95%

80.64%

72.42%

Condensed Income Data

Net interest income

$ 9,578

$ 9,921

$ 10,146

$ 10,256

$ 10,635

Provision for loan losses

1,000

1,200

1,760

1,200

2,000

Total noninterest income

21,030

26,707

23,033

25,174

27,775

Total noninterest expense

24,416

27,447

23,871

28,570

27,817

Income before income taxes

5,192

7,981

7,548

5,660

8,593

Income tax expense (benefit)

1,973

3,054

2,923

(12,420)

145

Net income

$ 3,219

$ 4,927

$ 4,625

$ 18,080

$ 8,448

Asset Quality Data :

Allowance for loan losses

$ 24,708

$ 27,767

$ 29,298

$ 31,043

$ 30,967

Net charge-offs

4,059

2,731

3,505

1,124

3,691

Total past due loans

48,881

60,606

71,192

74,450

77,858

Real estate owned

23,147

29,983

30,799

35,974

43,837

Nonperforming assets to total assets

5.04%

5.09%

5.93%

6.66%

7.13%

Average Balance Sheet Data

Total assets

1,610,910

1,628,967

1,647,387

1,682,241

1,676,685

Loans receivable and held for sale

1,211,089

1,235,782

1,248,893

1,265,624

1,270,414

Mortgage-related securities

126,447

134,985

143,628

157,187

151,162

Total interest-earning assets

1,513,985

1,530,723

1,548,494

1,591,149

1,580,611

Interest-bearing deposits

855,975

871,565

887,252

936,121

949,174

Borrowings

485,488

485,199

485,259

483,445

487,078

Total interest-bearing liabilities

1,341,463

1,356,764

1,372,511

1,419,566

1,436,252

Total shareholders' equity

211,307

209,699

205,297

192,231

183,534

Capital Ratios :

Equity to total assets at end of the period

13.32%

12.82%

12.72%

12.20%

11.00%

Tier I capital to average assets (bank)

12.68%

12.17%

11.79%

11.13%

10.50%

Tier I capital to risk-weighted assets (bank)

20.26%

17.60%

17.49%

16.07%

14.37%

Total capital to risk-weighted assets (bank)

21.52%

18.87%

18.75%

17.34%

15.64%

WATERSTONE FINANCIAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(Unaudited)

September 30,

December 31,

2013

2012

ASSETS

Cash and cash equivalents

$ 77,907

$ 71,469

Securities available for sale (at fair value)

211,629

205,017

Loans held for sale (at fair value)

97,184

133,613

Loans receivable, net of allowance for loan losses

1,067,468

1,102,629

Office properties and equipment

28,484

26,935

Real estate owned

23,147

35,974

Other assets

91,999

85,439

Total assets

$ 1,597,818

$ 1,661,076

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits

$ 872,285

$ 939,513

Borrowings

471,243

479,888

Other

41,457

39,041

Total liabilities

1,384,985

1,458,442

Common stock and additional paid-in capital

110,797

110,831

Retained earnings

149,258

136,487

Unearned ESOP shares

(1,067)

(1,708)

Accumulated other comprehensive income(loss), net of taxes

(894)

2,285

Treasury shares, at cost

(45,261)

(45,261)

Total shareholders' equity

212,833

202,634

Total liabilities and shareholders' equity

$ 1,597,818

$ 1,661,076

WATERSTONE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands, except per share data)

For the Three Months

For the Nine Months

Ended September 30,

Ended September 30,

2013

2012

2013

2012

Interest income:

Loans

$ 14,425

$15,943

$ 44,500

$ 48,834

Mortgage-related securities

455

826

1,311

2,611

Debt securities and short-term investments

653

505

1,806

1,760

Total interest income

15,533

17,274

47,617

53,205

Interest expense:

Deposits

1,237

1,938

4,055

7,804

Borrowings

4,718

4,701

13,917

13,711

Total interest expense

5,955

6,639

17,972

21,515

Net interest income

9,578

10,635

29,645

31,690

Provision for loan losses

1,000

2,000

3,960

7,100

Net interest income after provision for loan losses

8,578

8,635

25,685

24,590

Noninterest income:

Mortgage banking income

18,173

26,668

65,616

63,376

Other

2,857

1,107

5,154

2,652

Total noninterest income

21,030

27,775

70,770

66,028

Noninterest expense:

Compensation and employee benefits

16,575

17,823

53,001

43,425

Occupancy, office furniture and equipment

2,218

1,820

5,995

5,229

Advertising

718

697

2,339

2,021

Real estate owned

(163)

1,991

(9)

6,265

FDIC insurance premiums

516

916

1,569

2,730

Other

4,552

4,570

12,839

13,898

Total noninterest expense

24,416

27,817

75,734

73,568

Income before income taxes

5,192

8,593

20,721

17,050

Income taxes

1,973

145

7,950

216

Net income

$ 3,219

$8,448

$ 12,771

$ 16,834

Income per share:

Basic

$ 0.10

$0.27

$ 0.41

$ 0.54

Diluted

0.10

0.27

0.41

0.54

Weighted average shares outstanding

Basic

31,163

31,064

31,144

31,045

Diluted

31,414

31,161

31,375

31,125

SOURCE Waterstone Financial, Inc.

RELATED LINKS http://www.wsbonline.com