

Lake Shore Bancorp, Inc.
Form 10-Q
November 14, 2007
Table of Contents

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 September 30, 2007

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

Commission file number: 000-51821

LAKE SHORE BANCORP, INC.

(Exact name of registrant as specified in its character)

United States
(State or other jurisdiction of

incorporation or organization)

125 East Fourth Street, Dunkirk, New York
(Address of principal executive offices)

(716) 366-4070

(Registrant's telephone number, including area code)

20-4729288
(I.R.S. Employer

Identification Number)

14048
(Zip code)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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:

Common stock (\$0.01 par value) 6,463,719 outstanding shares as of October 31, 2007.

Table of Contents

TABLE OF CONTENTS

ITEM		PAGE
	<u>PART I</u>	
1	<u>FINANCIAL STATEMENTS</u>	
-	<u>Consolidated Statements of Financial Condition as of September 30, 2007 and December 31, 2006</u>	2
-	<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2007 and September 30, 2006</u>	3
-	<u>Consolidated Statements of Stockholders' Equity for the Nine Months Ended September 30, 2007 and September 30, 2006</u>	4
-	<u>Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2007 and September 30, 2006</u>	5
-	<u>Notes to Consolidated Financial Statements</u>	6
2	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	13
3	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	31
4	<u>CONTROLS AND PROCEDURES</u>	32
4T	<u>CONTROLS AND PROCEDURES</u>	32
	<u>PART II</u>	
1	<u>LEGAL PROCEEDINGS</u>	32
1A	<u>RISK FACTORS</u>	32
2	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	33
3	<u>DEFAULTS UPON SENIOR SECURITIES</u>	33
4	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	33
5	<u>OTHER INFORMATION</u>	33
6	<u>EXHIBITS</u>	33
	<u>SIGNATURES</u>	34

Table of Contents**PART I****Item 1. Financial Statements
LAKE SHORE BANCORP, INC. and SUBSIDIARY****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	September 30, 2007 (Unaudited)	December 31, 2006
	(Dollars in thousands, except per share amounts)	
ASSETS		
Cash and due from banks	\$ 6,800	\$ 9,070
Interest bearing deposits	1,215	1,211
Federal funds sold	15	8,401
Cash and Cash Equivalents	8,030	18,682
Securities available for sale	108,898	108,016
Federal Home Loan Bank stock, at cost	3,100	2,481
Loans receivable, net of allowance for loan losses \$1,280 and \$1,257	216,739	205,677
Premises and equipment, net	7,030	7,234
Accrued interest receivable	1,509	1,404
Bank owned life insurance	10,060	9,749
Other assets	1,005	994
Total Assets	\$ 356,371	\$ 354,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Interest bearing	\$ 222,250	\$ 232,179
Non-interest bearing	17,931	17,458
Total Deposits	240,181	249,637
Short-term borrowings	27,502	10,605
Long-term debt	29,360	32,750
Advances from borrowers for taxes and insurance	1,413	2,545
Other liabilities	4,628	4,953
Total Liabilities	\$ 303,084	\$ 300,490
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value per share, 25,000,000 shares authorized; 6,612,500 shares issued and 6,463,719 outstanding	\$ 66	\$ 66
Additional paid-in capital	27,626	27,537
Treasury stock, at cost (148,781 shares at September 30, 2007)	(1,852)	
Unearned shares held by ESOP	(2,409)	(2,473)

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Unearned shares held by RRP	(1,417)	(1,565)
Retained earnings	30,964	30,063
Accumulated other comprehensive income	309	119
Total Stockholders' Equity	53,287	53,747
Total Liabilities and Stockholders' Equity	\$ 356,371	\$ 354,237

See notes to consolidated financial statements.

Table of Contents**LAKE SHORE BANCORP, INC. and SUBSIDIARY****CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2006 (Unaudited)	
	(In Thousands, except per share amounts)			
INTEREST INCOME				
Loans, including fees	\$ 3,523	\$ 3,239	\$ 9,849	\$ 9,451
Investment securities, taxable	1,151	1,148	3,474	3,321
Investment securities, tax-exempt	100		263	
Other	3	158	114	551
Total Interest Income	4,777	4,545	13,700	13,323
INTEREST EXPENSE				
Deposits	1,749	1,504	5,225	4,236
Short-term borrowings	208	117	502	462
Long-term debt	309	363	948	1,083
Other	30	30	90	113
Total Interest Expense	2,296	2,014	6,765	5,894
Net Interest Income	2,481	2,531	6,935	7,429
PROVISION FOR LOAN LOSSES		45	45	56
Net Interest Income after Provision for Loan Losses	2,481	2,486	6,890	7,373
NON-INTEREST INCOME				
Service charges and fees	381	393	1,083	1,080
Earnings on bank owned life insurance	106	50	310	144
Other	43	44	98	92
Total Non-Interest Income	530	487	1,491	1,316
NON-INTEREST EXPENSES				
Salaries and employee benefits	1,199	1,104	3,701	3,475
Occupancy and equipment	318	322	985	1,045
Data processing	132	108	371	326
Advertising	65	50	174	188
Postage and supplies	63	54	189	198
Professional services	320	271	925	693
Other	190	185	578	606
Total Non-Interest Expenses	2,287	2,094	6,923	6,531
Income before Income Taxes	724	879	1,458	2,158
INCOME TAXES	182	299	315	716

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Net Income	\$ 542	\$ 580	\$ 1,143	\$ 1,442
Basic earnings per common share	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.23
Diluted earnings per common share	\$ 0.09	\$ 0.09	\$ 0.18	\$ 0.23
Dividends declared per share	\$ 0.03	\$	\$ 0.09	\$

See notes to consolidated financial statements.

Table of Contents**LAKE SHORE BANCORP, INC. and SUBSIDIARY****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

Nine Months Ended September 30, 2007 and 2006 (Unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unearned Shares held by ESOP	Unearned Shares held by RRP	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(In Thousands)							
BALANCE DECEMBER 31, 2005	\$	\$	\$	\$	\$	\$ 28,326	\$ (331)	\$ 27,995
Net income						1,442		1,442
Comprehensive income:								
Change in unrealized net gains on securities available for sale, net of tax and reclassification adjustment							186	186
TOTAL COMPREHENSIVE INCOME								1,628
Initial capitalization of MHC		(100)						(100)
Issuance of common stock, net of offering costs (6,612,500 shares)	66	27,621						27,687
Common shares acquired by ESOP (238,500 shares)				(2,558)				(2,558)
ESOP shares earned (5,290 shares)		(2)		57				