

Lake Shore Bancorp, Inc.
Form 10-Q
August 14, 2006
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 quarter ended June 30, 2006

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)

Edgar Filing: Lake Shore Bancorp, Inc. - Form 10-Q

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) 6,612,500 outstanding shares as of July 31, 2006.

Table of Contents

TABLE OF CONTENTS

ITEM		PAGE
	<u>PART I</u>	
1	<u>FINANCIAL STATEMENTS</u>	2
	- Consolidated Statements of Financial Condition as of June 30, 2006 and December 31, 2005	2
	- Consolidated Statements of Income for the Three and Six Months Ended June 30, 2006 and June 30, 2005	3
	- Consolidated Statements of Equity for the Six Months Ended June 30, 2006 and June 30, 2005	4
	- Consolidated Statements of Cash Flows for the Six Months ended June 30, 2006 and June 30, 2005	5
	- Notes to Consolidated Financial Statements	6
2	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	10
3	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	26
4	<u>CONTROLS AND PROCEDURES</u>	26
	<u>PART II</u>	
1	<u>LEGAL PROCEEDINGS</u>	27
1A	<u>RISK FACTORS</u>	27
2	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	27
3	<u>DEFAULTS UPON SENIOR SECURITIES</u>	28
4	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	28
5	<u>OTHER INFORMATION</u>	28
6	<u>EXHIBITS</u>	28
	<u>SIGNATURES</u>	29

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

	June 30, 2006 (Unaudited)	December 31, 2005
	(Dollars In Thousands, except per share amounts)	
ASSETS		
Cash and due from banks	\$ 7,683	\$ 10,886
Interest bearing deposits	271	375
Federal funds sold	17,018	792
Cash and Cash Equivalents	24,972	12,053
Securities available for sale	99,847	94,082
Securities held to maturity, fair value as of June 30, 2006 \$2,240; and December 31, 2005 \$2,489;	2,227	2,275
Federal Home Loan Bank stock, at cost	2,614	2,716
Loans receivable, net of allowance for loan losses as of June 30, 2006 \$1,199; and December 31, 2005 \$1,240;	205,255	206,160
Premises and equipment, net	7,477	7,653
Accrued interest receivable	1,322	1,274
Bank owned life insurance	5,819	5,725
Other assets	1,423	1,786
Total Assets	\$ 350,956	\$ 333,724
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits:		
Interest bearing	\$ 228,613	\$ 237,081
Non-interest bearing	15,940	13,809
Total Deposits	244,553	250,890
Short-term borrowings	8,305	11,205
Long-term debt	38,020	37,480
Advances from borrowers for taxes and insurance	2,328	2,432
Other liabilities	4,722	3,722
Total Liabilities	297,928	305,729
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock, \$0.01 par value per share, 25,000,000 shares authorized; 6,612,500 shares issued and outstanding	66	
Paid-in capital	27,621	
Unearned ESOP shares	(2,558)	
Retained earnings	29,089	28,326
Accumulated other comprehensive loss	(1,190)	(331)

Total Equity	53,028	27,995
Total Liabilities and Equity	\$ 350,956	\$ 333,724

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

	Three Months Ended		Six Months Ended	
	June 30, 2006	2005	June 30, 2006	2005
	(Unaudited)			
	(In Thousands, except per share amounts)			
INTEREST INCOME				
Loans, including fees	\$ 3,117	\$ 2,914	\$ 6,213	\$ 5,774
Investment securities, taxable	1,107	980	2,173	1,956
Other	285	45	392	61
Total Interest Income	4,509	3,939	8,778	7,791
INTEREST EXPENSE				
Deposits	1,394	1,075	2,733	2,064
Short-term borrowings	150	78	345	146
Long-term debt	373	374	720	747
Other	43	17	83	32
Total Interest Expense	1,960	1,544	3,881	2,989
Net Interest Income	2,549	2,395	4,897	4,802
PROVISION FOR LOAN LOSSES	11		11	20
Net Interest Income after Provision for Loan Losses	2,538	2,395	4,886	4,782
NON-INTEREST INCOME				
Service charges and fees	367	371	687	715
Earnings on bank owned life insurance	49	53	94	103
Other	22	52	50	69
Total Non-Interest Income	438	476	831	887
NON-INTEREST EXPENSES				
Salaries and employee benefits	1,128	1,072	2,371	2,229
Occupancy and equipment	349	317	723	653
Data processing	108	104	218	207
Advertising	70	92	138	152
Postage and supplies	55	63	143	145
Professional services	238	128	423	246
Other	215	220	421	448
Total Non-Interest Expenses	2,163	1,996	4,437	4,080
Income before Income Taxes	813	875	1,280	1,589
INCOME TAXES	267	320	417	513

Edgar Filing: Lake Shore Bancorp, Inc. - Form 10-Q

Net Income	\$ 546	\$ 555	\$ 863	\$ 1,076
Basic earnings per common share since conversion	\$ 0.09	\$	\$ 0.09	\$

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

Six Months Ended June 30, 2006 and 2005

	Common Stock	Paid-in Capital	Unearned ESOP Shares (In Thousands)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE DECEMBER 31, 2004				\$ 26,272	\$ 643	\$ 26,915
Net income				1,076		1,076
Comprehensive income:						
Change in unrealized net gains on securities available for sale, net of tax and reclassification adjustment					(189)	(189)
Total Comprehensive Income						887
BALANCE JUNE 30, 2005				\$ 27,348	\$ 454	\$ 27,802
BALANCE DECEMBER 31, 2005				\$ 28,326	\$ (331)	\$ 27,995
Initial capitalization of MHC				(100)		(100)
Issuance of common stock, net of offering costs	\$ 66	\$ 27,621				27,687
Common stock acquired by ESOP			\$ (2,558)			(2,558)
Net Income				863		863
Comprehensive income:						
Change in unrealized net losses on securities available for sale, net of tax and reclassification adjustment					(859)	(859)
Total Comprehensive Income						4
BALANCE JUNE 30, 2006	\$ 66	\$ 27,621	\$ (2,558)	\$ 29,089	\$ (1,190)	\$ 53,028

Table of Contents

LAKE SHORE BANCORP, INC. and SUBSIDIARY

STATEMENTS OF CASH FLOWS