

TF FINANCIAL CORP  
Form 10-Q  
November 14, 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 period ended September 30, 2012

- or -

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-24168

TF FINANCIAL CORPORATION  
(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania  
(State or Other Jurisdiction of Incorporation  
or Organization)

74-2705050  
(I.R.S. Employer Identification No.)

3 Penns Trail, Newtown, Pennsylvania  
(Address of Principal Executive Offices)

18940  
(Zip Code)

Registrant's telephone number, including area code: (215) 579-4000

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 (§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, or a smaller reporting company. See the 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 ☐

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Non-accelerated filer o  
(Do not check if a smaller reporting  
company)

Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 Exchange Act).

YES NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: November 13, 2012

Class	Outstanding
\$.10 par value common stock	2,838,493 shares

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#### Exhibits

31.1	<u>Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of CFO pursuant of Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.	<u>Certification pursuant of Section 906 of the Sarbanes-Oxley Act of 2002</u>

The following Exhibits are being furnished as part of this report:

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document



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## TF FINANCIAL CORPORATION AND SUBSIDIARIES

PART I-CONSOLIDATED FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTSCONSOLIDATED BALANCE SHEETS  
(Unaudited)

	September 30, 2012	At (in thousands) December 31, 2011
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,712	\$ 14,928
Investment securities		
Available for sale	106,957	114,503
Held to maturity (fair value of \$2,418 and \$2,928 as of September 30, 2012 and December 31, 2011, respectively)	2,079	2,588
Loans receivable, net	533,978	494,125
Loans receivable, held for sale	860	488
Federal Home Loan Bank ("FHLB") stock—at cost	6,249	7,657
Accrued interest receivable	2,605	2,610
Premises and equipment, net	6,294	6,559
Goodwill	4,324	4,324
Bank owned life insurance	18,962	18,506
Other assets	11,036	15,641
<b>TOTAL ASSETS</b>	<b>\$ 697,056</b>	<b>\$ 681,929</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits	\$ 533,273	\$ 551,288
Advances from the FHLB	75,156	46,908
Advances from borrowers for taxes and insurance	1,817	2,322
Accrued interest payable	943	1,375
Other liabilities	3,902	2,628
<b>Total liabilities</b>	<b>615,091</b>	<b>604,521</b>
<b>Stockholders' equity</b>		
Preferred stock, no par value; 2,000,000 shares authorized at September 30, 2012 and December 31, 2011, none issued	—	—
Common stock, \$0.10 par value; 10,000,000 shares authorized, 5,290,000 shares issued, 2,836,946 and 2,831,874 shares outstanding at September 30, 2012 and December 31, 2011, respectively, net of shares in treasury of 2,453,054 and 2,458,126, respectively.	529	529
Additional paid-in capital	54,293	54,118
Unearned ESOP shares	(1,004 )	(1,097 )
Treasury stock—at cost	(50,928 )	(51,032 )
Retained earnings	77,614	74,144
Accumulated other comprehensive income	1,461	746
<b>Total stockholders' equity</b>	<b>81,965</b>	<b>77,408</b>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	697,056	\$	681,929
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The accompanying notes are an integral part of these statements

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## TF FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(Unaudited)

	For the three months ended September 30, 2012      2011		For the nine months ended September 30, 2012      2011	
	(in thousands, except per share data)			
Interest income				
Loans, including fees	\$6,436	\$6,667	\$18,864	\$19,946
Investment securities				
Fully taxable	544	879	1,840	2,648
Exempt from federal taxes	415	362	1,280	1,080
Interest-bearing deposits and other	—	—	2	1
TOTAL INTEREST INCOME	7,395	7,908	21,986	23,675
Interest expense				
Deposits	803	1,430	2,795	4,328
Borrowings	338	473	1,094	1,537
TOTAL INTEREST EXPENSE	1,141	1,903	3,889	5,865
NET INTEREST INCOME	6,254	6,005	18,097	17,810
Provision for loan losses	750	528	1,750	2,878
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,504	5,477	16,347	14,932
Non-interest income				
Service fees, charges and other operating income	380	298	1,237	1,242
Bank owned life insurance	152	160	456	481
Gain on sale of investments	—	—	—	210
Gain on sale of loans	382	125	920	292
Gain on disposition of premises and equipment	—	—	277	—
TOTAL NON-INTEREST INCOME	914	583	2,890	2,225
Non-interest expense				
Compensation and benefits	2,651	2,584	8,222	7,952
Occupancy and equipment	686	699	2,068	2,253
Federal deposit insurance premiums	146	142	447	526
Professional fees	349	263	874	1,065
Marketing and advertising	76	88	267	257
Foreclosed real estate expense	78	317	705	497
Other operating	480	573	1,588	1,702
TOTAL NON-INTEREST EXPENSE	4,466	4,666	14,171	14,252
INCOME BEFORE INCOME TAXES	1,952	1,394	5,066	2,905
Income tax expense	479	314	1,189	508
NET INCOME	\$1,473	\$1,080	\$3,877	\$2,397
Earnings per share—basic	\$0.54	\$0.40	\$1.42	\$0.89
Earnings per share—diluted	\$0.54	\$0.40	\$1.42	\$0.89
Dividends paid per share	\$0.05	\$0.05	\$0.15	\$0.15
Weighted average shares outstanding:				
Basic	2,729	2,704	2,724	2,701

Diluted	2,732	2,705	2,727	2,702
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The accompanying notes are an integral part of these statements



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TF FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Net income	\$1,473	\$1,080	\$3,877	\$2,397
Other comprehensive income:				
Investment securities available for sale:				
Unrealized holding gains	544	1,524	870	2,884
Tax effect	(185 )	(518 )	(296 )	(980 )
Reclassification adjustment for gains realized in net income	—	—	—	(210 )
Tax effect	—	—	—	71
Net of tax amount	359	1,006	574	1,765
Pension plan benefit adjustment:				
Related to actuarial losses and prior service cost	71	30	214	88
Tax effect	(24 )	(11 )	(73 )	(30 )
Net of tax amount	47	19	141	58
Total other comprehensive income	406	1,025	715	1,823
Comprehensive income	\$1,879	\$2,105	\$4,592	\$4,220

The accompanying notes are an integral part of these statements

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## TF FINANCIAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the nine months  
ended September 30,  
2012                  2011  
(in thousands)

## OPERATING ACTIVITIES

Net income	\$3,877	\$2,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and impairment adjustment of mortgage loan servicing rights	304	296
Premiums and discounts on investment securities, net	181	87
Premiums and discounts on mortgage-backed securities, net	229	128
Deferred loan origination costs, net	132	122
Provision for loan losses	1,750	2,878
Depreciation of premises and equipment	573	647
Increase in value of bank owned life insurance	(456 )	(481 )
Stock based compensation	366	262
Proceeds from sale of loans originated for sale	39,656	15,748
Origination of loans held for sale	(39,512 )	(17,156 )
Loss on foreclosed real estate	425	254
Gain on :		
Sale of investments	—	(210 )
Sale of loans held for sale	(920 )	(292 )
Disposition of premises and equipment	(277 )	—
Decrease in:		
Accrued interest receivable	5	158
Other assets	644	900
(Decrease) increase in:		
Accrued interest payable	(432 )	(477 )
Other liabilities	944	533
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,489	5,794

## INVESTING ACTIVITIES

Loan originations	(110,383 )	(76,036 )
Loan principal payments	65,723	68,123
Proceeds from sale of foreclosed real estate	6,736	724
Proceeds from disposition of premises and equipment	356	—
Principal repayments on mortgage-backed securities held to maturity	506	482
Principal repayments on mortgage-backed securities available for sale	20,489	20,990
Proceeds from maturities and redemptions of investments available for sale	5,300	3,860
Proceeds from sale of investment securities available for sale	—	3,534
Purchase of investment securities available for sale	(4,260 )	(4,112 )
Purchase of mortgage-backed securities available for sale	(13,520 )	(16,596 )
Purchase of premises and equipment	(387 )	(508 )
Redemption of FHLB stock	1,408	1,341

Proceeds from sale of mortgage backed securities available for sale	—	1,518
NET CASH (USED)/PROVIDED BY INVESTING ACTIVITIES	(28,032 )	3,320

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## TF FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the nine months ended September 30, 2012                  2011 (in thousands)	
FINANCING ACTIVITIES		
Net (decrease)/increase in deposits	(18,015    )	1,543
Net increase in short-term FHLB borrowings	14,304	10,884
Proceeds of long-term FHLB borrowings	32,197	6,573
Repayment of long-term FHLB borrowings	(18,253    )	(19,944    )
Net decrease in advances from borrowers for taxes and insurance	(505        )	(733        )
Exercise of stock options	7	—
Tax benefit arising from exercise of stock options	(1            )	—
Common stock dividends paid	(407        )	(399        )
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	9,327	(2,076    )
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(11,216    )	7,038
Cash and cash equivalents at beginning of period	14,928	7,437
Cash and cash equivalents at end of period	\$3,712	\$14,475
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest on deposits and borrowings	\$4,321	\$6,342
Income taxes	\$375	\$300
Non-cash transactions:		
Capitalization of mortgage servicing rights	\$404	\$136
Transfers from loans to foreclosed real estate	\$2,925	\$2,405

The accompanying notes are an integral part of these statements

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TF FINANCIAL CORPORATION AND SUBSIDIARIES  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—PRINCIPLES OF CONSOLIDATION

The consolidated financial statements as of September 30, 2012 (unaudited) and December 31, 2011 and for the three and nine-month periods ended September 30, 2012 and 2011 (unaudited) include the accounts of TF Financial Corporation (the “Company”) and its wholly owned subsidiaries: 3rd Fed Bank (the “Bank”), Penns Trail Development Corporation, and TF Investments Corporation, which was merged into the Company during 2011. The accompanying consolidated balance sheet at December 31, 2011, has been derived from the audited consolidated balance sheet but does not include all of the information and notes required by accounting principles generally accepted in the United States of America (“US GAAP”) for complete financial statements. The Company’s business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2—BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all of the disclosures or footnotes required by US GAAP. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for fair presentation of the consolidated financial statements have been included. The results of operations for the period ended September 30, 2012 are not necessarily indicative of the results which may be expected for the entire fiscal year or any other period. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

NOTE 3—CONTINGENCIES

The Company, from time to time, is a party to routine litigation that arises in the normal course of business. In the opinion of management, the resolution of this litigation, if any, would not have a material adverse effect on the Company’s consolidated financial position or results of operations.

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NOTE 4—EARNINGS PER SHARE

The following tables illustrate the reconciliation of the numerators and denominators of the basic and diluted earnings per share computations (dollars in thousands, except share and per share data):

For the three months ended September 30, 2012		
Income (numerator)	Weighted average shares	Per share