

TIERONE CORP  
Form 10-Q  
November 09, 2004

**UNITED STATES  
SECURITIES  
AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2004

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: 000-50015

**TierOne Corporation**

(Exact name of Registrant as specified in its charter)

Wisconsin

04-3638672

\_\_\_\_\_  
(State or Other Jurisdiction of Incorporation or Organization)

\_\_\_\_\_  
(I.R.S. Employer Identification No.)

1235 "N" Street  
Lincoln, Nebraska

68508

\_\_\_\_\_  
(Address of Principal Executive Offices)

\_\_\_\_\_  
(Zip Code)

(402) 475-0521

\_\_\_\_\_  
(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 (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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

At November 4, 2004, the registrant had 18,285,811 shares of common stock, \$.01 par value per share, outstanding.

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**TierOne Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2004 (Unaudited) and December 31, 2003**

<i>(Dollars in thousands, except per share data)</i>	<b>September 30, 2004</b>	<b>December 31, 2003</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 62,896	\$ 34,901
<b>Investment securities:</b>		
Held to maturity, at cost which approximates fair value	131	142
Available for sale, at fair value	155,677	43,515
Mortgage-backed securities, available for sale, at fair value	40,219	15,712
<b>Loans receivable:</b>		
Net loans (includes loans held for sale of \$8,109 and \$7,083 at September 30, 2004 and December 31, 2003, respectively)	2,439,463	2,036,182
Allowance for loan losses	(25,602)	(19,586)
Net loans after allowance for loan losses	2,413,861	2,016,596
Federal Home Loan Bank stock	44,774	37,143
Premises and equipment, net	38,998	27,587

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<i>(Dollars in thousands, except per share data)</i>	<b>September 30, 2004</b>	<b>December 31, 2003</b>
Accrued interest receivable	16,077	9,678
Goodwill	44,817	--
Other intangible assets, net	12,358	--
Other assets	25,154	22,594
<b>Total assets</b>	<b>\$ 2,854,962</b>	<b>\$ 2,207,868</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits	\$ 1,802,343	\$ 1,216,763
Advances from Federal Home Loan Bank and other borrowings	729,185	645,696
Advance payments from borrowers for taxes, insurance and other escrow funds	16,002	22,206
Accrued interest payable	5,749	5,259
Accrued expenses and other liabilities	31,791	22,855
<b>Total liabilities</b>	<b>2,585,070</b>	<b>1,912,779</b>
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value. 10,000,000 shares authorized; none issued	--	--
Common stock, \$0.01 par value. 60,000,000 shares authorized; 18,285,811 and 20,317,568 shares issued and outstanding at September 30, 2004 and December 31, 2003, respectively	226	226
Additional paid-in capital	355,472	354,054
Retained earnings, substantially restricted	40,353	25,833
Treasury stock, at cost; 4,289,264 and 2,257,507 shares at September 30, 2004 and December 31, 2003, respectively	(98,300)	(53,613)
Unallocated common stock held by Employee Stock Ownership Plan	(15,050)	(16,179)
Unearned common stock held by Management Recognition and Retention Plan	(12,936)	(14,982)
Accumulated other comprehensive income (loss), net	127	(250)
<b>Total shareholders' equity</b>	<b>269,892</b>	<b>295,089</b>
Commitments and contingent liabilities		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,854,962</b>	<b>\$ 2,207,868</b>

See accompanying notes to consolidated financial statements.

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**TierOne Corporation and Subsidiaries  
Consolidated Statements of Income  
(Unaudited)**

<i>(Dollars in thousands, except per share data)</i>	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>

**Interest income:**

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	\$	\$	\$	\$
Loans receivable	29,741	26,608	83,978	80,774
Investment securities	1,343	540	3,173	2,687
Other interest-earning assets	31	33	31	132
<b>Total interest income</b>	<b>31,115</b>	<b>27,181</b>	<b>87,182</b>	<b>83,593</b>
<b>Interest expense:</b>				
Deposits	6,926	5,316	18,458	17,405
Advances from Federal Home Loan Bank and other borrowings	5,329	4,802	14,981	13,396
<b>Total interest expense</b>	<b>12,255</b>	<b>10,118</b>	<b>33,439</b>	<b>30,801</b>
Net interest income	18,860	17,063	53,743	52,792
Provision for loan losses	922	1,106	2,961	2,793
<b>Net interest income after provision for loan losses</b>	<b>17,938</b>	<b>15,957</b>	<b>50,782</b>	<b>49,999</b>
<b>Noninterest income:</b>				
Fees and service charges	4,215	3,048	12,025	4,627
Income (loss) from real estate operations, net	32	(14)	(77)	(6)
<b>Net gain (loss) on sales of:</b>				
Investment securities	--	--	312	--
Loans held for sale	407	2,618	1,428	7,226
Real estate owned	46	(1)	90	(80)
Gain on pension plan curtailment	--	--	1,456	--
Other operating income	592	860	1,794	2,266
<b>Total noninterest income</b>	<b>5,292</b>	<b>6,511</b>	<b>17,028</b>	<b>14,033</b>
<b>Noninterest expense:</b>				
Salaries and employee benefits	8,924	7,340	24,596	20,755
Occupancy, net	1,711	1,495	4,728	4,254
Data processing	549	432	1,516	1,250
Advertising	785	957	2,426	2,585
Other operating expense	2,535	2,164	7,236	6,379
<b>Total noninterest expense</b>	<b>14,504</b>	<b>12,388</b>	<b>40,502</b>	<b>35,223</b>
Income before income taxes	8,726	10,080	27,308	28,809
Income tax expense	3,239	3,792	10,186	10,691
<b>Net income</b>	<b>\$ 5,487</b>	<b>\$ 6,288</b>	<b>\$ 17,122</b>	<b>\$ 18,118</b>
Net income per common share, basic	\$ 0.34	\$ 0.31	\$ 1.01	\$ 0.88
Net income per common share, diluted	\$ 0.34	\$ 0.30	\$ 0.99	\$ 0.87
Dividends declared per common share	\$ 0.05	\$ --	\$ 0.15	\$ --
Average common shares outstanding, basic (000's)	16,059	20,497	16,999	20,693
Average common shares outstanding, diluted (000's)	16,301	20,806	17,310	20,874

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See accompanying notes to consolidated financial statements.

**TierOne Corporation and Subsidiaries**  
**Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income**  
**Nine Months Ended September 30, 2004 and September 30, 2003**  
**(Unaudited)**

<i>(Dollars in thousands)</i>	Common Stock	Additional Paid-In Capital	Retained Earnings, Substantially Restricted	Treasury Stock	Unallocated Common Stock Held by the Employee Stock Ownership Plan	Unearned Common Stock Held by the Management Recognition and Retention Plan	Accumulated Other Comprehensive Income (Loss), Net	Total Shareholders' Equity
Balance at December 31, 2002	\$ 226	\$ 355,741	\$ 2,018	\$ --	\$ (17,684)	\$ --	\$ (405)	\$ 339,896
Common stock earned by employees in Employee Stock Ownership Plan	--	1,010	--	--	1,129	--	--	2,139
Common stock purchased by the Management Recognition and Retention Plan	--	(3,198)	--	--	(16,846)	--	(20,044)	
Amortization of awards under the Management Recognition and Retention Plan	--	--	--	--	--	1,182	--	1,182
<b>Comprehensive income:</b>								
Net income	--	--	18,118	--	--	--	--	18,118
Change in unrealized loss on available for sale securities, net of tax and reclassification adjustment	--	--	--	--	--	--	341	341
<b>Total comprehensive income</b>	<b>--</b>	<b>--</b>	<b>18,118</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>341</b>	<b>18,459</b>
Balance at September 30, 2003	\$ 226	\$ 353,553	\$ 20,136	\$ --	\$ (16,555)	\$ (15,664)	\$ (64)	\$ 341,632
Balance at December 31, 2003	\$ 226	\$ 354,054	\$ 25,833	\$ (53,613)	\$ (16,179)	\$ (14,982)	\$ (250)	\$ 295,089
Common stock earned by employees in Employee Stock Ownership Plan	--	1,335	--	--	1,129	--	--	2,464
Amortization of awards under the Management Recognition and Retention Plan	--	83	--	--	--	2,046	--	2,129
Repurchase of common stock (2,031,757 shares)	(44,687)							