FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
SEC Accession No. 0000914317-04-003068

(HTML Version on secdatabase.com)

FILER

AJS BANCORP INC

CIK:**1144515**| IRS No.: **000000000** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-33405** | Film No.: **04969212**
SIC: **6021** National commercial banks

Mailing Address
14757 SOUTH CICERO AVE.
MIDLOTHIAN IL 60455

Business Address
14757 SOUTH CICERO AVE.
MIDLOTHIAN IL 60455
7086877400

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004
Commission file number 000-33405

AJS BANCORP, INC.
(Exact name of registrant specified in its charter)

Federal	36-4485429
(State of incorporation)	(IRS Employer Identification No.)

14757 S. Cicero Avenue, Midlothian, Illinois 60445
(Address of Principal Executive Offices)

(708) 687-7400
(Issuer's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act during the past 12 months (or 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 |X| No |_|

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes |_| No |X|

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

As of July 21, 2004 the Registrant had outstanding 2,270,771 shares of common stock.

AJS BANCORP, INC.

Form 10-Q Quarterly Report

Index

<TABLE>
<CAPTION>

</TABLE>

ITEM 1. FINANCIAL STATEMENTS

AJS Bancorp, Inc.
Consolidated Statements of Financial Condition
(in thousands of dollars, except share data)
(unaudited)

<TABLE>
<CAPTION>

	June 30, 2004	December 31, 2003
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents		
Cash and due from banks (interest-earning: 2004 - $7,699; 2003 - $9,956)	$ 13,038	$ 19,801
Federal funds sold	--	--
Total cash and cash equivalents	13,038	19,801
Securities available-for-sale	60,850	42,475
Securities held-to-maturity (fair value: 2004 - $153; 2003 - $179)	153	177
Loans, net	164,407	155,628
Federal Home Loan Bank stock, at cost	14,037	13,612
Premises and equipment	4,806	4,875
Accrued interest receivable	1,037	967
Other assets	945	849
Total assets	$ 259,273	$ 238,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits $	195,073	$ 183,847
Federal Home Loan Bank advances	28,900	17,000
Advance payments by borrowers for taxes and insurance	1,955	1,651
Accrued interest payable and other liabilities	3,813	3,781
Total liabilities	229,741	206,279
Stockholders' equity		
Preferred stock, $.01 par value, 20,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value, 50,000,000 shares authorized; 2,444,521 shares issued at June 30, 2004 and December 31, 2003	24	24
Treasury stock (173,750 shares at June 30, 2004; 51,600 shares at December 31, 2003)	(4,055)	(1,075)
Additional paid in capital	11,033	10,972
Unearned ESOP shares	(283)	(377)
Unearned stock awards	(783)	(924)
Retained earnings	23,964	23,257
Accumulated other comprehensive income	(368)	228
Total stockholders' equity	29,532	32,105
Total liabilities and stockholders' equity	$ 259,273	$ 238,384

</TABLE>

See notes to consolidated financial statements.

AJS Bancorp, Inc.
Consolidated Statements of Income
(in thousands of dollars, except share data)
(unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
Interest and dividend income				
Loans	$ 2,370	$ 2,327	$ 4,695	$ 4,681
Securities	560	591	1,028	1,271
Interest-earning deposits and other	217	120	451	203
Federal funds sold	13	41	26	77
Total interest income	3,160	3,079	6,200	6,232
Interest expense				
Deposits	1,001	1,087	1,943	2,166
Federal Home Loan Bank advances and other	242	218	445	427
Total interest expense	1,243	1,305	2,388	2,593
Net interest income	1,917	1,774	3,812	3,639
Provision (recovery) for loan losses	(15)	(51)	(15)	(51)
Net interest income after provision for loan losses	1,932	1,825	3,827	3,690
Noninterest income				
Service fees	116	134	218	257
Insurance commissions	41	67	89	156
Gain on sale of loans	--	26	--	49
Other	38	45	75	96
Total noninterest income	195	272	382	558
Noninterest expense				
Compensation and employee benefits	907	938	1,820	1,719
Occupancy expense	217	204	370	428
Data processing expense	93	105	195	142
Advertising and promotion	91	75	178	185
Other	265	266	530	530
Total noninterest expense	1,573	1,588	3,093	3,004
Income before income taxes	554	509	1,116	1,244
Income taxes	206	196	409	461
Net income	$ 348	$ 313	$ 707	$ 783
Earnings per share				
Basic	$ .15	$ .13	.31	$ .33
Diluted	$ .15	$ .13	.30	.33
Weighted average shares - Diluted	2,304,118	2,333,039	2,326,201	2,341,623
Comprehensive income	$ (245)	$ 190	$ 111	$ 465

</TABLE>

See notes to consolidated financial statements.

AJS Bancorp, Inc.
Consolidated Statements of Cash Flows
(in thousands of dollars)
(unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
<S>	<C>	<C>
Cash flows from operating activities		
Net income	$ 707	$ 783
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	161	147
Provision for loan losses	(15)	(51)
Premium amortization, net	49	21
Stock award compensation expense	141	76
ESOP compensation expense	258	173
Federal Home Loan Bank stock dividends	(425)	(218)
Gain on sale of loans held for sale	--	(49)
Gain on sale of other real estate	--	(4)
Changes in		
Loans held for sale	--	(103)
Accrued interest receivable and other assets	189	469
Accrued interest payable and other liabilities	(71)	147
Net cash from operating activities	994	1,391
Cash flows from investing activities		
Securities available-for-sale		
Purchases	(26,721)	(15,272)
Maturities and principal payments	7,323	12,239
Securities held-to-maturity		
Maturities and principal payments	24	49
Loan originations, net	(8,762)	(9,479)
Proceeds from sale of other real estate	21	--
Purchase of equipment	(92)	(412)
Purchase of Federal Home Loan Bank stock	--	(8,500)
Net cash from investing activities	(28,207)	(21,375)
Cash from financing activities		
Net change in deposits	11,226	16,197
Net change in Federal Home Loan Bank advances	11,900	3,000
Purchase of treasury stock	(2,980)	(657)
Net change in advance payments by borrowers for taxes and insurance	304	222
Net cash from financing activities	20,450	18,762
Net change in cash and cash equivalents	(6,763)	(1,222)
Cash and cash equivalents at beginning of period	19,801	22,896
Cash and cash equivalents at end of period	$ 13,038	$ 21,674

</TABLE>

See notes to consolidated financial statements.

AJS Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Six months ended June 30, 2004
(in thousand of dollars)
(unaudited)

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unearned Stock Awards	Unearned ESOP Shares
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2002	$ 24	$ 11,308	$ --	$ --	$ (566)
Purchase of 35,000 shares of treasury stock	--	--	(657)	--	--
Allocation of stock awards	--	722	384	(1,106)	--
ESOP shares earned	--	79	--	--	94
Stock awards earned	--	--	--	76	--
Comprehensive income					
Net income	--	--	--	--	--
Change in unrealized gain on securities	--				
available for sale, net of taxes	--	--	--	--	--
Total comprehensive income					
Balance at June 30, 2003	$ 24	$ 12,109	$ (273)	$ (1,030)	$ (472)

<CAPTION>

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<S>	<C>	<C>	<C>
Balance at December 31, 2002	$ 21,864	$ 1,016	$ 33,646
Purchase of 35,000 shares of treasury stock	--	--	(657)
Allocation of stock awards	--	--	--
ESOP shares earned	--	--	173
Stock awards earned	--	--	76
Comprehensive income			
Net income	783	--	783
Change in unrealized gain on securities			
available for sale, net of taxes	--	(318)	(318)
Total comprehensive income			465
Balance at June 30, 2003	$ 22,647	$ 698	$ 33,703

</TABLE>

<TABLE>
<CAPTION>

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unearned Stock Awards	Unearned ESOP Shares
<S>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 2003	$ 24	$ 10,972	$ (1,075)	$ (924)	$ (377)
Purchase of 122,150 shares of treasury stock	--	--	(2,980)	--	--
ESOP shares earned	--	164	--	--	94
Stock awards earned	--	--	--	141	--
ESOP put option	--	(103)	--	--	--
Comprehensive income					
Net income	--	--	--	--	--

Change in unrealized gain on securities available-for-sale, net of taxes	--	--	--	--	--
Total comprehensive income					
Balance at June 30, 2004	$ 24	$ 11,033	$ (4,055)	$ (783)	$ (283)

<CAPTION>

<S>	Retained Earnings <C>	Accumulated Other Comprehensive Income (Loss) <C>	Total Stockholders' Equity <C>
Balance at December 31, 2003	$ 23,257	$ 228	$ 32,105
Purchase of 122,150 shares of treasury stock	--	--	(2,980)
ESOP shares earned	--	--	258
Stock awards earned	--	--	141
ESOP put option	--	--	(103)
Comprehensive income			
Net income	707	--	707
Change in unrealized gain on securities available-for-sale, net of taxes	--	(596)	(596)
Total comprehensive income			111
Balance at June 30, 2004	$ 23,964	$ (368)	$ 29,532

</TABLE>

See notes to consolidated financial statements.

AJS BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

Note 1 - Basis of Presentation

Principles of Consolidation: The accompanying consolidated interim financial statements include the accounts of AJS Bancorp, Inc. ("the Company") and its wholly owned subsidiaries, A. J. Smith Federal Savings Bank ("the Bank") and A.J.S. Insurance, LLC, which provides insurance and investment services to the public. All significant intercompany balances and transactions have been eliminated.

The accompanying interim consolidated financial statements have been prepared pursuant to the rules and regulations for reporting on Form 10-Q. Accordingly, certain disclosures required by accounting principles generally accepted in the United States of America are not included herein. These interim statements should be read in conjunction with the Company's Annual Report on Form 10-K. The December 31, 2003 balance sheet presented herein has been derived from the audited financial statements included in the Company's Annual Report on Form 10-K, but does not include all of the disclosures required by accounting principles generally accepted in the United States of America.

Interim statements are subject to possible adjustment in connection with the annual audit of the Company for the year ending December 31, 2004. In the opinion of the management of the Company, the accompanying unaudited interim consolidated financial statements reflect all of the adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position and consolidated results of operations for the periods presented. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Note 2 - Earnings Per Share

Basic earnings per share for the three and six months ended June 30, 2004 and 2003 were computed by dividing net income by the weighted average number of shares outstanding. Diluted earnings per share for the three and six months ended June 30, 2004 and 2003 were computed by dividing net income by the weighted average number of shares outstanding, adjusted for the dilutive effect of the outstanding stock options and stock awards. Computations for basic and diluted earnings per share are provided below.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
	(in thousands, except per share data)		(in thousands, except per share data)	
Basic				
Net income	$ 348	$ 313	$ 707	$ 783
Weighted average common shares outstanding	2,276	2,333	2,293	2,342
Basic earnings per common share	$ .15	$ .13	$ .31	$ .33

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2004	2003	2004	2003
	(in thousands, except per share data)		(in thousands, except per share data)	
Diluted				
Net income	$ 348	$ 313	$ 707	$ 783
Weighted average common shares outstanding	2,276	2,333	2,293	2,342
Dilutive effect of stock options	6	--	7	--
Dilutive effect of stock awards	22	--	26	--
Diluted average common shares	2,304	2,333	2,326	2,342
Diluted earnings per common share	$ .15	$ .13	$ .30	$ .33

Note 3 - Stock Option Plan

The Company adopted a stock plan in May 2003 under the terms of which options for 114,685 shares of the Company's common stock were granted to directors, officers, and employees. The options become exercisable in equal installments over a five-year period from the date of grant. The options expire ten years from the date of grant. No option may be exercised if such exercise would cause the mutual holding company to own fewer than a majority of the total number of shares outstanding.

A summary of the status of the Company's stock option plan and changes during the six months ended June 30, 2004 and 2003 is presented below:

	For the Six Months Ended June 30,	
	2004	2003

	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	114,685	$ 18.75	--	$ --
Granted	--	--	114,685	18.75
Exercised	--	--	--	--
Forfeited	2,000	18.75	--	--
Outstanding at end of period	112,685	$ 18.75	114,685	$ 18.75

<TABLE>
<CAPTION>

<S>	2004 <C>	2003 <C>
Options exercisable at end of period	27,337	--
Weighted-average fair value of options granted during period	$ --	$ 2.82
Average remaining option term	9 years	10 years

</TABLE>

The Company applies Accounting Principles Board ("APB") Opinion 25 and related Interpretations in accounting for its stock option plan. Accordingly, no compensation cost has been recognized at the date of grant. Had compensation cost been determined based on the fair value at the grant dates for awards under the plan consistent with the method of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, the Company's net income and earnings per share for the three and six months ended June 30, 2004 would have been reduced to the pro forma amounts in the table below. For purposes of pro forma disclosure, the estimated fair value of the options is amortized to expense over the options' vesting period.

	For the Three Months Ended June 30, 2004	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
	(in thousands, except per share data)		(in thousands, except per share data)	
Net income as reported	$ 348	$ 313	$ 707	$ 783
Pro forma net income	342	310	695	780
Earnings per share as reported				
Basic	.15	.13	.31	.33
Diluted	.15	.13	.30	.33
Pro forma earnings per share				
Basic and diluted	.15	.13	.30	.33

Pursuant to its 2003 stock-based incentive plan, the Company awarded 58,971 shares of restricted stock in May 2003. These shares vest over a five-year period. The unamortized cost of shares not yet earned (vested) is reported as a reduction of stockholders' equity. Compensation expense for restricted stock awards totaled $141 and $76 for the six months ended June 30, 2004 and 2003,respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 as amended and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors that could have a material adverse affect on the operations and future prospects of the Company and its wholly owned subsidiaries include, but are not limited to, changes in: interest rates; general economic conditions; legislative/regulatory provisions; monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board; the quality or composition of the loan or investment portfolios; demand for loan products; deposit flows; competition; demand for financial services in the Company's market area; and accounting principles, policies, and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

The following discussion compares the financial condition of the Company at June 30, 2004 to its financial condition at December 31, 2003 and the results of operations for the three- and six-month periods ended June 30, 2004 to the same period in 2003. This discussion should be read in conjunction with the interim financial statements and footnotes included herein.

FINANCIAL CONDITION

Total assets at June 30, 2004 were $259.3 million compared to $238.4 million at December 31, 2003, an increase of $20.9 million, or 8.8%. The increase in total assets primarily reflects increases in securities, and loans, partially offset by a decrease in cash and cash equivalents. Loans receivable increased $8.8 million to $164.4 million at June 30, 2004 from $155.6 million at December 31, 2003. The increase in loans reflects new and refinanced commercial and multifamily mortgage loans and, to a lesser extent, single-family loans. The Company has focused on originating more commercial and multifamily loans as these products generally carry higher interest rates with shorter terms than the traditional single-family loans. Securities increased $18.4 million, or 43.0%, to $61.0 million at June 30, 2004 from $42.7 million at December 31, 2003. The increase was due to an arrangement whereby the Company purchased $19.5 million in mortgage-backed securities funded by cash and Federal Home Loan Bank ("FHLB") advances. The mortgage-backed securities purchased represent the Company's attempt to lock in a spread between the interest earned on the asset and the lower interest paid on the FHLB advances.

The Company had non-performing assets of $1.2 million at June 30, 2004 and December 31, 2003. The allowance for loan losses was $1.9 million at June 30, 2004 and $2.0 million at December 31, 2003. This represents a ratio of allowance for loan losses to gross loans receivable of 1.14% at June 30, 2004 and 1.24% at December 31, 2003. The allowance for loan losses to non-performing loans was 153.11% at June 30, 2004 compared to 172.71% at December 31, 2003. Subprime loan balances decreased $2.3 million to $16.0 million at June 30, 2004 from $18.3 million at December 31, 2003. The decrease in subprime loans reflects our decision to de-emphasize this type of lending.

Total liabilities at June 30, 2004 were $229.7 million compared to $206.3 million at December 31, 2003, an increase of $23.4 million, reflecting increases in deposits, FHLB advances and advance payments by borrowers for taxes and insurance. Total deposits increased $11.2 million, or 6.1%, to $195.1 million at June 30, 2004 from $183.8 million at December 31, 2003. This increase was largely due to greater marketing efforts and promotional deposit rates designed to attract deposits for specific time frames. FHLB advances increased to $28.9 million at June 30, 2004 from $17.0 million at December 31, 2003. The additional fixed rate borrowings were used to fund the purchase of mortgage-backed securities. Advance payments by borrowers for taxes and insurance increased $304,000 to $2.0 million at June 30, 2004 from $1.7 million at December 31,

2003. This increase was due to the timing differences of payments for county real estate taxes.

Total stockholders' equity decreased to $29.5 million at June 30, 2004 from $32.1 million at December 31, 2003. The decrease in stockholders' equity during the past six months was primarily due to the repurchase of 122,150 shares of the Company's stock at an average price of $23.86 per share. This decrease was offset by net income of $707,000. Repurchased shares are not considered outstanding and are not included when calculating earnings per share or book value information.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2004 AND JUNE 30, 2003

Net income increased $35,000 to $348,000 for the quarter ended June 30, 2004 compared to the same period in 2003. The return on average assets increased to ..54% for the quarter ended June 30, 2004 from .52% for the same period in 2003. The increase was primarily due to an increase in net interest income, offset in part by a decrease in the non-interest income. Total interest income increased by $81,000 or 2.6% to $3.2 million for the quarter ended June 30, 2004 as compared to $3.1 million for the same quarter in 2003. The increase was primarily due to a $97,000 increase in income earned on interest earning deposits, offset by a $28,000 reduction in income on federal funds sold. Interest income on interest earning deposits increased to $217,000

or 80.8% for the quarter ended June 30, 2004 compared to $120,000 for the same period in 2003. The increase was due to a higher investment in federal home loan bank (FHLB) stock during the quarter ended June 30, 2004 when compared to the same quarter in 2003. The FHLB stock had an average annual dividend rate of 6.00% for the quarter ended June 30, 2004. This increased the average yield on interest earning deposits to 4.6% for the quarter ended June 30, 2004 compared to 2.1% for the same quarter in 2003. Interest on federal funds sold declined $28,000 or 68.3% to $13,000 for the quarter ended June 30, 2004 compared to $41,000 earned for the same period in 2003. This decrease was due to lower average balances held during the 2004 quarter when compared to the 2003 quarter. Average interest earning assets were $249.2 million and $234.6 million during the comparative 2004 and 2003 quarters while the average yield was 5.07% and 5.25%, respectively.

Interest expense on deposits decreased by $62,000 or 4.8% to $1.2 million for the quarter ended June 30, 2004 from $1.3 million for the same quarter in 2003. This was due to a decrease in interest expense on deposits of $86,000 or 7.9% to $1.0 million for the quarter ended June 30, 2004 from $1.1 million for the same quarter in 2003, partially offset by an increase in interest expense on FHLB advances of $24,000 or 11.0% to $242,000 from $218,000 for the same quarter in 2003. The decrease in the cost of our deposits was primarily due to the general decline in market interest rates and certificates of deposit maturing and renewing at lower rates. The increase in the interest expense on FHLB advances is due to higher average balances during the quarter ended June 30, 2004 when compared to the same quarter in 2003. The average cost of deposits at June 30, 2004 was 2.03% as compared to 2.35% at June 30, 2003. The average cost on interest-bearing liabilities decreased to 2.25% for the three months ended June 30, 2004 from 2.55% for the same period ended 2003.

Our net interest rate spread increased 12 basis points to 2.82% for the quarter ended June 30, 2004 from 2.70% for the same period in 2003, while our net interest margin increased 6 basis points to 3.08% for the quarter ended June 30, 2004 from 3.02% for the same period in June 30, 2003. The ratio of average interest-earning assets to average interest-bearing liabilities declined to 112.89% for the three months ended June 30, 2004 from 114.65% for the same period in 2003.

There was no increase to the provision for loan losses for the three months ended June 30, 2004 or June 30, 2003. However, there were $15,000 in loan loss recoveries during the three months ended June 30, 2004, and $51,000 in recoveries during the three months ended June 30, 2003. Any loan provisions made are to maintain the allowance to reflect management's estimates of losses inherent in our loan portfolio. At this time, management felt no additional provisions were necessary. Should any unforeseen risks present themselves however, management may need to increase this provision in the future. At June 30, 2004 and December 31, 2003, our allowance for loan losses was $1.9 million and $2.0 million or 1.14% and 1.24% of total loans, respectively. Non-performing assets as a percentage of total assets was .48% at June 30, 2004 and .49% at December 31, 2003. The allowance for loan losses to non-performing loans was 153.11% and 172.71% at June 30, 2004 and December 31, 2003, respectively.

Noninterest income decreased $77,000 to $195,000 for the quarter ended June 30, 2004 from $272,000 for the comparable quarter in 2003. This decrease in noninterest income was the result of a $26,000 decline in insurance commissions, an $18,000 decrease in service charges on accounts, and a $33,000 decrease in other noninterest income. The decrease in insurance commissions reflects lower sales of variable- and fixed-rate annuities due to customer's reluctance to enter the market at a time of historically low interest rates, as well as reduced staffing in the department. The decrease in service charges on accounts is primarily due to a decrease in late fees charged and a decrease in loan closing fees. The decrease in other noninterest income was primarily due to a decrease in gains from the sale of loans.

Noninterest expense decreased by $15,000 to $1.6 million at June 30, 2004 when compared to expense for the comparable quarter in 2003. Salaries and benefits decreased $31,000, data processing costs decreased $12,000, offset by advertising and promotion costs, which increased $16,000. The decrease in salaries and benefits was primarily due to a decrease in the recognition and retention plan (RRP) cost for the June 30, 2004 quarter when compared to the June 30, 2003 quarter. Data processing expenses decreased due to lower

expected costs during the quarter ended June 30, 2004. The increase in advertising and promotion costs occurred due to various deposit program specials offered during the quarter ended June 30, 2004

Our federal and state taxes decreased $10,000 to $206,000 for the quarter ended June 30, 2004 from $196,000 in the same period of 2003. This is primarily the result of lower pretax income for the quarter ended June 30, 2004.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND JUNE 30, 2003

Net income increased $173,000 to $3.8 million for the six months ended June 30, 2004 compared to the same period in 2003. The return on average assets decreased to 5.07% for the six months ended June 30, 2004 from 5.48% for the comparable period in 2003. The decrease in net income resulted from a decrease in noninterest income and an increase noninterest expense.

Net interest income was $3.8 million for the six months ended June 30, 2004 compared to $3.6 million for the same period in 2003. The increase in net interest income was primarily a result of the decrease in total interest expense exceeding the decrease in total interest income as both interest-earning assets and interest-bearing liabilities continued to reprice downward even as interest rates stabilized. The net interest rate spread decreased to 2.82% for the six months ended June 30, 2004 from 2.91% for the comparable period ended June 30, 2003, while the net interest margin decreased to 3.12% for the six months ended June 30 ,2004 from 3.20% for the six months ended June 30, 2003. The decrease in the net interest rate spread and net interest margin was due to the decrease in the yield on interest-earning assets exceeding the decrease in the cost of funds. The average yield in interest-earning assets decreased to 5.07% for the six months ended June 30, 2004 from 5.48% for the same period in 2003, while the average yield on interest-bearing liabilities decreased to 2.25% for the six months ended June 30, 2004 from 2.57% for the same period ended 2003.

We did not increase the provision for loan losses during the six months ended June 30, 2004 or 2003. However, there were $15,000 in loan loss recoveries during the six months ended June 30, 2004, and $51,000 in recoveries during the six months ended June 30, 2003. Management does not feel that additional loan loss provisions are warranted at this time, however, should any unforeseen risks present themselves, management may need to increase the provision in the future.

Noninterest income decreased to $382,000 for the six months ended June 30, 2004 from $558,000 for the comparable period in 2003. The $176,000 decrease was the result of a $67,000 reduction in insurance commission income, a $39,000 reduction in service charge income, and a $70,000 reduction in other non-interest income at June 30, 2004. The decrease in insurance commissions reflects lower sales of variable- and fixed-rate annuities due to customer's reluctance to enter the market at a time of historically low interest rates, as well as reduced staffing in the department during the six-month period ended June 30, 2004 when compared to the same period in 2003. The decrease in service charges on accounts is primarily due a decrease in late fees charged and a decrease in loan closing fees. The decrease in other noninterest income was primarily due to a decrease in gains from the sale of loans.

Noninterest expense increased $89,000 to $3.1 million for the six months ended June 30, 2004 from $3.0 million for the six months ended 2003. Salaries and benefits increased $101,000 and advertising and promotion increased $36,000 for the comparable periods, offset by a decrease of $58,000 in occupancy costs for the six-month period ended June 30, 2004 compared to the same period in 2003. The increase in salaries and benefits was due to increases in the ESOP cost, in the recognition and retention plan (RRP) cost and in group insurance costs. The increase in the cost of the ESOP was due to a higher per share market value during the six months ended June 30, 2004 as compared to the six months ended June 30, 2003. The increase in the RRP cost was due to the implementation of the RRP in May of 2003, and group insurance costs increased as a result of normal annual policy expense increases. The increase in advertising and promotion costs occurred due to various deposit program specials offered during the six months ended June 30, 2004 as compared to the six months ended June 30, 2003. Occupancy costs decreased during the six months ended

June 30, 2004 when compared to the same period in 2003 due to a revision of the estimation of real estate taxes on our new facility in Orland Park.

NEW ACCOUNTING PRONOUNCEMENTS

None

LIQUIDITY

The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to fund loan originations and deposit withdrawals, to satisfy other financial commitments, and to take advantage of investment opportunities. The Bank invests excess funds in overnight deposits and other short-term interest-bearing assets to provide liquidity to meet these needs. At June 30, 2004, cash and cash equivalents totaled $13.0 million. At June 30, 2004, the Bank had commitments to fund loans of $4.4 million, available lines of credit of $13.8 million, and standby letters of credit of $208,000. At June 30, 2004, certificates of deposit represented 57.9% of total deposits. The Bank expects to retain these deposit accounts. In addition, the Bank has borrowing capacity for an additional $55.2 million from the FHLB without providing additional collateral. The Bank considers its liquidity and capital resources sufficient to meet its outstanding short-term and long-term needs.

CAPITAL RESOURCES

The Bank is subject to capital-to-asset requirements in accordance with bank regulations. The following table summarizes the Bank's regulatory capital requirements versus actual capital as of June 30, 2004:

<TABLE>
<CAPTION>

	ACTUAL		REQUIRED		EXCESS	
(Dollars in thousands)	AMOUNT	%	AMOUNT	%	AMOUNT	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Core capital (to adjusted total assets)	$ 30,131	11.6%	$ 10,405	4.0%	$ 19,726	7.6%
Risk-based capital to (risk-weighted assets)	31,800	23.8	10,700	8.0	21,100	15.8

</TABLE>

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

QUALITATIVE ASPECTS OF MARKET RISK

The majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established an Asset/Liability Management Committee, which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives; and for managing this risk consistent with the guidelines approved by the Board of Directors. Senior management monitors the level of interest rate risk on a regular basis, and the Asset/Liability Management Committee, which consists of senior management operating under a policy adopted by the Board of Directors, meets as needed to review our asset/liability policies and interest rate risk position.

We have sought to manage our interest rate risk by more closely matching the maturities of our interest rate sensitive assets and liabilities. In particular, we offer one-, three- and five-year adjustable rate mortgage

loans, and three- and five-year balloon loans. In a low interest rate environment, borrowers typically prefer fixed-rate loans rather than adjustable-rate mortgages. We may sell some of our originations of longer-term fixed-rate loans into the secondary market. We do not solicit high-rate jumbo certificates of deposit or brokered funds.

In past years, many savings associations have measured interest rate sensitivity by computing the "gap" between the assets and liabilities that are expected to mature or reprice within certain time periods based on assumptions regarding loan prepayment and deposit decay rates formerly provided by the Office of Thrift Supervision. However, the Office of Thrift Supervision now requires the computation of amounts by which the net present value of an institution's cash flow from assets, liabilities, and off-balance-sheet items (the institution's net portfolio value or "NPV") would change in the event of a range of assumed changes in market interest rates. The Office of Thrift Supervision provides all institutions that file a Consolidated Maturity/Rate Schedule as a part of their quarterly Thrift Financial Report with an interest rate sensitivity report of net portfolio value. The Office of Thrift Supervision simulation model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of net portfolio value. The Office of Thrift Supervision model estimates the economic value of each type of asset, liability, and off-balance-sheet contract under the assumption that the United States Treasury yield curve increases or decreases instantaneously by 100 to 300 basis points in 100 basis point increments. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 7% to 8% would mean, for example, a 100 basis point increase in the "Change in Interest Rates" column below. The Office of Thrift Supervision provides us the results of the interest rate sensitivity model, which is based on information we provide to the Office of Thrift Supervision to estimate the sensitivity of our net portfolio value.

The table below sets forth as of March 31, 2004 (the latest date for which information is available), the estimated changes in our net portfolio value that would result from the designated instantaneous changes in the United States Treasury yield curve. The Company expects the June 30, 2004 Net Portfolio Value to be similar to the March 31, 2004 table shown below.

Change in Interest Rates in Basis Points (Rate Shock)	Net Portfolio Value			NPV as % of Portfolio Value of Assets	
	Amount	$ Change	% Change	NPV Ratio	Basis Point Change

	(Dollars in thousands)				
300	28,532	-8,665	-23%	11.76%	-274 bp
200	31,731	-5,466	-15%	12.82%	-167 bp
100	34,823	-2,374	-6%	13.80%	-70 bp
Static	37,197	--	--	14.50%	--
-100	37,525	328	1%	14.49%	-1 bp
-200	--	--	--	--	
-300	--	--	--	--	

The table above indicates that at March 31, 2004, in the event of a 200 basis point increase in interest rates, we would experience a 15.0% decrease in net portfolio value. A 100 basis point decrease in interest rate would result in a 1.0% increase in net portfolio value. All model outputs associated with the -300 and -200 basis point scenarios are not applicable because of the low prevailing interest rate environment.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a

particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on its net interest income, and will differ from actual results.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer, President and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of it's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer, President and Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange commission's rules and forms. There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Periodically, there have been various claims and lawsuits involving the Company, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interest, claims involving the making and servicing of real property loans, and other issues incident to the Company's business. In the opinion of management, after consultation with the Company's legal counsel, no significant loss is expected from any such pending claims or lawsuits. The Company is not a party to any material pending legal proceedings.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

During the quarter ended June 30, 2004, the Company completed the repurchase of 120,000 shares approved under the first repurchase plan announced January 22, 2003. The Company's second repurchase plan was announced on May 18, 2004 and allows for the repurchase of 117,000 shares of the Company's stock, which represented approximately 5% of the Company's outstanding shares.

Issuer purchases of equity securities during the prior three months:

	Total number shares purchased	Average price paid per share	Total number of shares purchased under publicly announced plan	Maximum number of shares that may be purchased under the repurchase plan
April 1 - April 30	4,900	$ 23.86	82,250	120,000
May 1 - May 27	37,750	24.03	120,000	120,000
May 27 - May 31	4,250	23.95	4,250	117,000
June 1 - June 30	70,900	23.61	75,150	117,000

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS.

At the Company's Annual meeting of Stockholders held on May 19, 2004, stockholders voted on the election of directors and the ratification of auditors. The number of shares outstanding and entitled to vote was 2,392,921, and the number of shares present at the meeting in person or by proxy was 2,222,896.

1. The vote with respect to the Election of Directors was as follows:

	For	Withheld
Richard J. Nogal	2,204,410	18,486
Edward S. Milen	2,203,760	19,136

2. Ratification of appointment of Crowe Chizek and Company LLC as auditors

For	Against	Abstain
2,211,548	9,313	2,035

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits None.

(b) Reports on Form 8-K.

The Company announced its March 31, 2004 financial results by press release. The press release was included as an exhibit and filed on April 27, 2004 on Form 8-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AJS BANCORP, INC.

Date: August 11, 2004 /s/ Thomas R. Butkus

Thomas R. Butkus
Chief Executive Officer and Chairman of the Board

Date: August 11, 2004 /s/ Lyn G. Rupich

Lyn G. Rupich
President and Chief Operating Officer

Exhibit 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas R. Butkus, Chief Executive Officer and Chairman of the Board, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AJS Bancorp, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    c. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Thomas R. Butkus

Chief Executive Officer

Exhibit 31.2

Certification of President Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lyn G. Rupich, President and Chief Operating Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AJS Bancorp, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   c. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed,

based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions:

d. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Lyn G. Rupich

President/Chief Operating Officer

Exhibit 31.3

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Pamela N. Favero, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AJS Bancorp, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    c. disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed,

based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

d. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

e. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Pamela N. Favero

Chief Financial Officer

Exhibit 32.1

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Thomas R. Butkus, Chief Executive Officer, Lyn G. Rupich, President, and Pamela N. Favero, Chief Financial Officer of AJS Bancorp, Inc. ("the Company"), each certify in his/her capacity as an officer of the Company that he/she has reviewed the Quarterly Report of the Company on Form 10-Q for the quarter ended June 30, 2004 and that to the best of his/her knowledge:

1. the report fully complies with the requirements of Sections 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

Date: August 11, 2004

/s/ Thomas R. Butkus

Chief Executive Officer and Chairman
Of the Board

Date: August 11, 2004

/s/ Lyn G. Rupich

President and Chief Operating Officer

Date: August 11, 2004

/s/ Pamela N. Favero

Chief Financial Officer