FORM 8-K

Current report filing

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SOUND FEDERAL BANCORP INC CIK:**1064236**| IRS No.: **223887679** | State of Incorp.:**DE** | Fiscal Year End: **0331** Type: **8-K** | Act: **34** | File No.: **000-24811** | Film No.: **05788056** SIC: **6035** Savings institution, federally chartered	Mailing Address *300 MAMARONECK AVE* *MAMARONECK NY* *10543-2647*	Business Address *300 MAMARONECK AVE* *MAMARONECK NY* *10543-2647* *9146986400*

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 29, 2005

Sound Federal Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware	000-24811	22-3887679
(State or other jurisdiction of incorporation)	(SEC File Number)	(I.R.S. Employer Identification No.)

1311 Mamaroneck Avenue, Suite 190, White Plains, New York, 10605

(Address of principal executive offices)

Registrant's telephone number, including area code:
914-761-3636

Not Applicable

(Former name or former address, if changed since last report)

CURRENT REPORT ON FORM 8-K

Item 2.02. Results of Operations and Financial Condition

Sound Federal Bancorp, Inc. (Nasdaq: "SFFS") announced its March 31, 2005 financial results. The press release is included as an exhibit.

Item 9.01. Exhibits

99.1 Press release of Sound Federal Bancorp, Inc., dated April 29, 2005.

SIGNATURE

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, hereunto duly authorized.

Sound Federal Bancorp, Inc.

DATE: April 29, 2005

By: /s/ Anthony J. Fabiano

Anthony J. Fabiano
Chief Financial Officer

EXHIBIT INDEX

99.1 Press release of Sound Federal Bancorp, Inc., dated April 29, 2005

Exhibit 99.1

FOR IMMEDIATE RELEASE
Friday, April 29, 2005

For further information contact:
Anthony J. Fabiano
Senior Vice President, Chief Financial
Officer and Corporate Secretary
(914) 761-3636

SOUND FEDERAL BANCORP, INC. ANNOUNCES FOURTH
FISCAL QUARTER AND YEAR END EARNINGS

White Plains, New York (PR Newswire), Friday, April 29, 2005 -- Sound Federal Bancorp, Inc. (Nasdaq National Market: "SFFS") (the "Company"), the holding company for Sound Federal Savings (the "Bank"), announced net income of $1.1 million or diluted earnings per share of $0.10 for the quarter ended March 31, 2005, as compared to $1.5 million or diluted earnings per share of $0.12 for the quarter ended March 31, 2004, a decrease of 23.4% in net income. The decrease in net income for the quarter ended March 31, 2005 is primarily attributable to a $537,000 increase in non-interest expense and a $186,000 decrease in net interest income, partially offset by a $255,000 decrease in income tax expense. For the fiscal year ended March 31, 2005, net income amounted to $5.5 million or diluted earnings per share of $0.46, as compared to $6.6 million or diluted earnings per share of $0.52 for fiscal 2004, a decrease of 17.4% in net income. The decrease in net income for the fiscal year ended March 31, 2005 reflects an increase of $2.5 million in non-interest expense, partially offset by an increase of $231,000 in net interest income and a decrease of $701,000 in income tax expense.

Bruno J. Gioffre, Chairman of the Board, commented, "We are very pleased to announce that the Company's assets have passed the $1.0 billion mark. This is a milestone that we are proud of and reflects the 114 years of diligence and commitment that many people have devoted to Sound Federal. This quarter we continued to grow the franchise by opening the Carmel, New York branch and the Bethel, Connecticut branch. In total we have opened three branches this fiscal year bringing the total number of branches to 14 in Westchester, Putnam and Rockland Counties in New York and Fairfield County in Connecticut. We believe that growing our franchise in these vibrant and growing communities will add value to the franchise. While we are pleased with the growth of Sound Federal, we are cognizant of the start-up costs associated with a de-novo strategy. We strive to balance the Company's growth with these start-up costs and the longer-term opportunities of a banking franchise in our market area."

Mr. Gioffre continued, "The yield curve has certainly proved challenging to us this quarter. Net income decreased to $1.1 million from $1.4 million in the linked quarter. Net income has been impacted by the new branches opened this quarter, as well as rising short-term interest rates and the continued flattening of the yield curve. Loan origination volume of $45.1 million this quarter has met our expectations, however the interest rates on new loans have changed very little over the past nine months. In that same time period, the Federal Reserve has raised the Federal funds rate by 175 basis points which has impacted the cost of our deposits. The average cost of our interest-bearing liabilities increased 12 basis points to 1.93% during fiscal 2005 while the average yield earned on interest-earning assets for fiscal 2005 decreased 17 basis points to 4.62%. Our deposit growth continues to be strong, with increases of $28.8 million this quarter and $123.4 million during fiscal 2005. As we look forward to fiscal 2006, we know that the yield curve and competitive pressures will continue to challenge us. As we have for the past 114 years, our goal is to position the Company for these challenges."

The Company's total assets amounted to $1.0 billion at March 31, 2005, as compared to $890.5 million at March 31, 2004. The $116.4 million increase in assets primarily consisted of an $82.3 million increase in net loans to $560.8 million and a $17.9 million increase in securities to $355.6 million. Our asset growth was funded principally by a $123.4 million increase in deposits to $831.8 million.

The increase in securities consisted of a $79.5 million increase in securities classified as held to maturity and a $61.6 million decrease in securities available for sale. In June 2004, the Company began to classify substantially all securities purchases as held to maturity. This decision was based on the size of the portfolio classified as available for sale relative to interest-earning assets and stockholders' equity, the Company's liquidity position (which allows the Company to hold securities until maturity) and an increase in market interest rates. As these factors change in the future, the Company will evaluate the classification of future securities purchases.

Total stockholders' equity decreased $9.9 million to $127.2 million at March 31, 2005 as compared to $137.1 million at March 31, 2004. The decrease reflects treasury stock purchases at a cost of $12.1 million, dividends paid of $2.9 million and a decrease of $3.4 million attributable to the change in accumulated other comprehensive income or loss, partially offset by net income of $5.5 million and proceeds of $1.1 million from the issuance of treasury shares for stock options exercised.

The accumulated other comprehensive loss of $2.7 million at March 31, 2005 represents the after-tax net unrealized loss on securities available for sale ($4.5 million pre-tax). The Company invests primarily in mortgage-backed securities guaranteed by Ginnie Mae, Fannie Mae and Freddie Mac, as well as U.S. Government and Agency securities. The unrealized losses at March 31, 2005 were caused by increases in market yields subsequent to purchase. There were no debt securities past due or securities for which the Company currently believes it is not probable that it will collect all amounts due according to the contractual terms of the security. Because the Company has the ability to hold securities with unrealized losses until a market price recovery (which, for debt securities may be until maturity), the Company did not consider these securities to be other-than-temporarily impaired at March 31, 2005.

Net interest income for the quarter ended March 31, 2005 decreased $186,000 to $6.6 million as compared to $6.8 million for the same quarter in the prior year. Our net interest rate spread was 2.62% and 2.98% for the quarters ended March 31, 2005 and 2004, respectively. Our net interest margin for those respective periods was 2.85% and 3.20%. For fiscal 2005, net interest income amounted to $26.4 million as compared to $26.2 million for fiscal 2004. Our net interest rate spread was 2.69% and 2.98% and our net interest margin was 2.91% and 3.24% for the respective fiscal years. The decreases in net interest rate spread and net interest margin are primarily the result of the effect of mortgage refinancings, lower rates on new loans originated and lower returns on our investment portfolio, as interest rates remained near 40-year lows. Since July 2004, the Federal Reserve has raised the Federal funds rate by 175 basis points to 2.75%. However, long-term rates have remained substantially unchanged, resulting in a flattening yield curve. As short-term interest rates rise, the cost of our interest-bearing liabilities will increase faster than the yield on our interest-earning assets which are affected by longer-term interest rates. As a result, our net interest rate spread and net interest margin may continue to decrease.

Non-interest income totaled $403,000 and $276,000 for the quarters ended March 31, 2005 and 2004, respectively. For the year ended March 31, 2005, non-interest income amounted to $1.4 million as compared to $1.0 million for the year ended March 31, 2004. The increases in non-interest income were primarily due to an increase of $293,000 in income on bank-owned life insurance which was purchased in December 2003 and a $93,000 gain on the sale of land. The land sold was contiguous to an existing branch site. Management determined that this parcel was not going to be used in connection with the operation of the branch.

Non-interest expense totaled $5.1 million for the quarter ended March 31, 2005 as compared to $4.5 million for the quarter ended March 31, 2004. This increase is due to increases of $158,000 in occupancy and equipment expense, $66,000 in data processing service fees, $202,000 in advertising and promotion expense and $206,000 in other non-interest expense. The increases include costs attributable to the three new branches opened during fiscal 2005.

Other non-interest expense for the quarter ended March 31, 2005 included $97,000 of costs related to the Company's implementation of the internal controls and procedures provisions of the Sarbanes-Oxley Act of 2002. There were no comparable costs in the same period a year ago.

For the year ended March 31, 2005, non-interest expense increased $2.5 million to $18.6 million as compared to $16.1 million for the year ended March 31, 2004. This increase is due primarily to increases of $1.2 million in compensation and benefits, $426,000 in occupancy and equipment expense, $193,000 in data processing service fees, $99,000 in advertising and promotion expense and $532,000 in other non-interest expense.

The increase in compensation and benefits expense is due primarily to a $787,000 increase in expense related to stock awards made pursuant to the Company's 2004 Stock Incentive Plan and a $586,000 increase in compensation costs due primarily to additional staff to support the growth in the Company's lending operations and the new branches. At March 31, 2005, we had 138 full-time equivalent employees as compared to 119 at March 31, 2004.

Other non-interest expense for the year ended March 31, 2005 included $367,000 of costs related to the Company's implementation of the internal controls and procedures provisions of the Sarbanes-Oxley Act of 2002. There were no comparable costs in fiscal 2004.

The Bank is a federally-chartered savings bank offering traditional financial services and products through its New York branches in Mamaroneck, Harrison, Rye Brook, New Rochelle, Peekskill, Yorktown, Somers and Cortlandt in Westchester County and New City in Rockland County, and in Connecticut in Greenwich, Stamford and Brookfield.

* * * * * *

This press release contains certain forward-looking statements consisting of estimates with respect to the financial condition, results of operations and business of the Company and the Bank. These estimates are subject to various factors that could cause actual results to differ materially from these estimates. Such factors include (i) the effect that an adverse movement in interest rates could have on net interest income, (ii) customer preferences, (iii) national and local economic and market conditions, (iv) higher than anticipated operating expenses and (v) a lower level of or higher cost for deposits than anticipated. The Company disclaims any obligation to publicly announce future events or developments that may affect the forward-looking statements herein.

Balance sheets, statements of income and other financial data are attached.

Sound Federal Bancorp, Inc. and Subsidiary
CONSOLIDATED BALANCE SHEETS
<TABLE>
<CAPTION>

(Unaudited) (Dollars in thousands, except per share data)	March 31, 2005	March 31, 2004
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 11,512	$ 10,455
Federal funds sold and other overnight deposits	31,095	20,756
Securities:		
Available for sale, at fair value	276,154	337,730
Held to maturity, at amortized cost	79,489	--
Total securities	355,643	337,730
Loans, net:		
Mortgage loans	558,662	477,771
Other loans	5,100	3,396
Allowance for loan losses	(3,011)	(2,712)
Total loans, net	560,751	478,455
Accrued interest receivable	4,277	3,623
Federal Home Loan Bank stock	5,738	5,303
Premises and equipment, net	6,214	5,630
Goodwill	13,970	13,970
Bank-owned life insurance	10,464	10,085
Prepaid pension costs	3,057	2,547
Deferred income taxes	2,236	--
Other assets	1,993	1,987
Total assets	$ 1,006,950	$ 890,541
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits	$ 831,768	$ 708,330
Borrowings	38,000	35,000
Mortgagors' escrow funds	5,264	4,522
Due to brokers for securities purchased	2,513	4,000
Accrued expenses and other liabilities	2,245	1,630
Total liabilities	879,790	753,482
Stockholders' equity:		
Preferred stock ($0.01 par value; 1,000,000 shares authorized; none issued and outstanding)	--	--
Common stock ($0.01 par value; 24,000,000 shares authorized; 13,636,170 shares issued)	136	136
Additional paid-in capital	103,728	102,637
Treasury stock, at cost (1,258,964 and 459,297 shares at March 31, 2005		

and March 31, 2004, respectively)	(18,131)	(7,150)
Common stock held by Employee Stock Ownership Plan	(6,053)	(6,556)
Unearned stock awards	(4,435)	(5,618)
Retained earnings	54,638	52,908
Accumulated other comprehensive (loss) income, net of taxes	(2,723)	702
Total stockholders' equity	127,160	137,059
Total liabilities and stockholders' equity	$ 1,006,950	$ 890,541

</TABLE>

Sound Federal Bancorp, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

<TABLE>
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	For the Three Months Ended March 31,		For the Year Ended March 31,	
	2005	2004	2005	2004
<S>	<C>	<C>	<C>	<C>
Interest and Dividend Income				
Loans	$ 7,697	$ 6,919	$29,430	$26,819
Mortgage-backed and other securities	3,081	2,845	11,998	11,538
Federal funds sold and other overnight deposits	95	20	340	240
Other earning assets	45	19	132	142
Total interest and dividend income	10,918	9,803	41,900	38,739
Interest Expense				
Deposits	3,966	2,662	13,968	11,004
Borrowings	363	365	1,489	1,495
Other interest-bearing liabilities	5	6	20	48
Total interest expense	4,334	3,033	15,477	12,547
Net interest income	6,584	6,770	26,423	26,192
Provision for loan losses	75	75	300	275
Net interest income after provision for loan losses	6,509	6,695	26,123	25,917
Non-Interest Income				
Service charges and fees	213	190	953	955
Income on bank-owned life insurance	92	86	379	86
Gain on sale of land	93	--	93	--
Gain on sales of mortgage loans	5	--	22	--
Total non-interest income	403	276	1,447	1,041
Non-Interest Expense				
Compensation and benefits	2,533	2,628	9,945	8,733
Occupancy and equipment	750	592	2,717	2,291
Data processing service fees	340	274	1,218	1,025
Advertising and promotion	440	238	1,119	1,020
Other	1,012	806	3,569	3,037
Total non-interest expense	5,075	4,538	18,568	16,106
Income before income tax expense	1,837	2,433	9,002	10,852
Income tax expense	722	977	3,533	4,234
Net income	$ 1,115	$ 1,456	$ 5,469	$ 6,618
Earnings per share:				
Basic earnings per share	$ 0.10	$ 0.12	$ 0.47	$ 0.54
Diluted earnings per share	$ 0.10	$ 0.12	$ 0.46	$ 0.52

</TABLE>

Sound Federal Bancorp, Inc. and Subsidiary

Other Financial Data
(Unaudited)

(Dollars in thousands, except per share data)

<TABLE>
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	At or for the Quarter Ended				
	March 31, 2005	Dec. 31, 2004	Sept. 30, 2004	June 30, 2004	March 31, 2004
<S>	<C>	<C>	<C>	<C>	<C>
Net interest income	$ 6,584	$ 6,675	$ 6,706	$ 6,458	$ 6,770
Provision for loan losses	75	75	75	75	75
Non-interest income	403	382	310	352	276
Non-interest expense:					
Compensation and benefits	2,533	2,538	2,462	2,412	2,628
Occupancy and equipment	750	673	661	633	592
Other non-interest expense	1,792	1,389	1,478	1,247	1,318
Total non-interest expense	5,075	4,600	4,601	4,292	4,538
Income before income tax expense	1,837	2,382	2,340	2,443	2,433
Income tax expense	722	956	909	946	977
Net income	$ 1,115	$ 1,426	$ 1,431	$ 1,497	$ 1,456
Total assets	$1,006,950	$ 984,372	$ 965,388	$ 914,610	$ 890,541
Loans, net	560,751	541,955	529,638	501,239	478,455
Mortgage-backed securities					
Available for sale	199,746	216,133	231,986	246,850	255,853
Held to maturity	59,777	54,717	30,691	7,157	--
Other securities					
Available for sale	76,408	79,364	84,986	85,427	81,877
Held to maturity	19,712	14,713	10,640	2,796	--
Deposits	831,768	802,990	789,794	746,160	708,330
Borrowings	38,000	38,000	38,000	38,000	35,000
Stockholders' equity	127,160	131,134	129,439	125,016	137,059
Performance Data:					
Return on average assets (1)	0.46%	0.58%	0.60%	0.66%	0.67%
Return on average equity (1)	3.51%	4.38%	4.56%	4.49%	4.49%
Net interest rate spread (1)	2.62%	2.63%	2.71%	2.80%	2.98%
Net interest margin (1)	2.85%	2.85%	2.94%	3.02%	3.20%
Efficiency ratio (2)	73.61%	65.18%	65.58%	63.02%	64.41%
Per Common Share Data:					
Basic earnings per common share	$ 0.10	$ 0.12	$ 0.12	$ 0.13	$ 0.12
Diluted earnings per common share	$ 0.10	$ 0.12	$ 0.12	$ 0.12	$ 0.12
Book value per share (3)	$ 10.27	$ 10.40	$ 10.29	$ 9.96	$ 10.40
Tangible book value per share (3)	$ 9.15	$ 9.29	$ 9.18	$ 8.85	$ 9.34
Dividends per share	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.06
Capital Ratios:					
Equity to total assets (consolidated)	12.63%	13.32%	13.41%	13.67%	15.39%
Tier 1 leverage capital (Bank)	10.24%	10.37%	10.40%	10.71%	10.92%
Asset Quality Data:					
Total non-performing loans	$ 580	$ 734	$ 963	$ 1,728	$ 1,981
Total non-performing assets	$ 580	$ 734	$ 963	$ 1,728	$ 1,981

</TABLE>

(1) Ratios are annualized.
(2) Computed by dividing non-interest expense by the sum of net interest income and non-interest income.
(3) Computed based on total common shares issued, less treasury shares.