



Friday, February 26, 2016 10:55 AM ET **Exclusive**

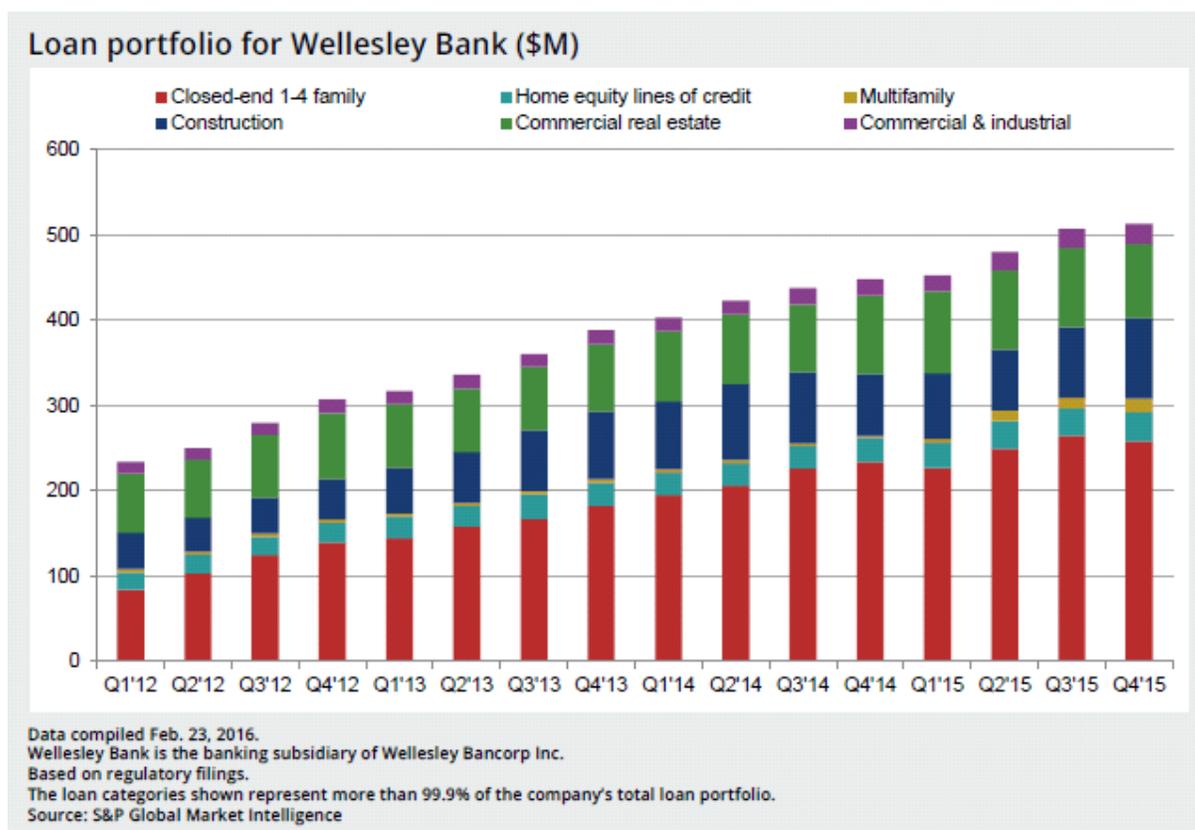
Conversion check-in — Wellesley Bancorp Inc.

By Robert Clark

After completing a mutual-to-stock conversion in January 2012, Wellesley, Mass.-based [Wellesley Bancorp Inc.](#) reported "record earnings" for the fourth quarter of 2015 by growing its balance sheet while holding the line on expenses.

The thrift earned \$905,000, or 39 cents per share, in the final quarter of 2015, more than doubling the year-ago quarter's \$436,000, or 19 cents per share. Despite net interest margin declining one basis point on a year-over-year basis, net interest income was up \$731,000, driven by total asset growth of just over 16%. Based on higher gain on sale of loans and investment banking and brokerage income, total noninterest income increased \$203,000. On the other side of the income statement, total noninterest expenses climbed just \$14,000. The efficiency improvement propelled the thrift to a 7.0% return on average equity, its highest quarterly mark since converting.

Wellesley Bancorp has nearly doubled its asset base since the conversion. Total loans at [Wellesley Bank](#), the banking subsidiary, increased to \$513.6 million at year-end 2015 from \$234.2 million at March 31, 2012. The major shifts in loan composition were closed-end single-family mortgages climbing to 50.3% from 35.8%, and commercial real estate shrinking to 17.0% from 29.6%.



Capital management

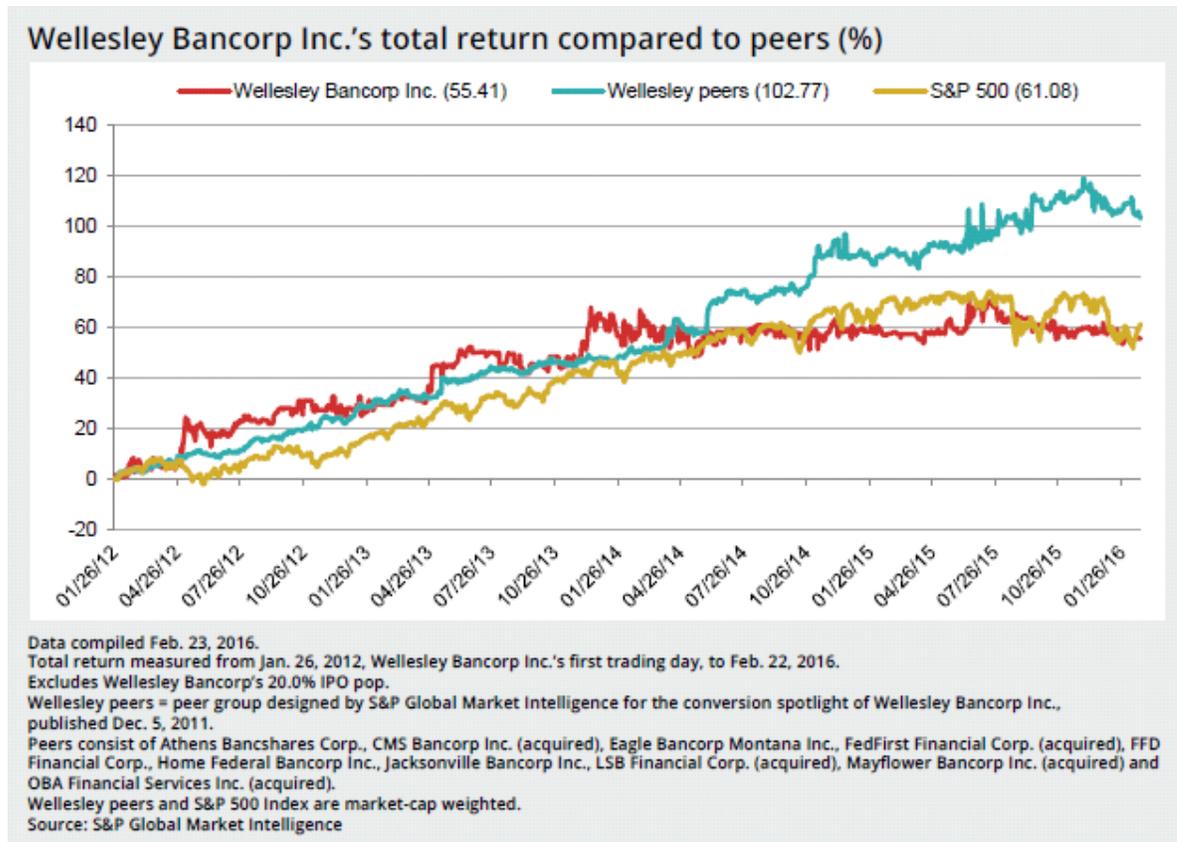
Wellesley Bancorp raised \$22.5 million in gross proceeds in its standard conversion. In December 2015, the thrift raised another \$10 million by selling subordinated notes.

The company primarily has been putting that capital to work through building out its franchise. To support balance sheet growth, Wellesley Bancorp has opened three branches since going public, one each in 2012 (Wellesley), 2013 ([Boston – financial district](#)) and 2014 (Needham, Mass.). As of June 30, 2015, those branches held total deposits of \$74.4 million, \$24.3 million and \$3.3 million, respectively. The company also has [proposed](#) to open a branch in Newton, Mass., this spring.

Wellesley Bancorp has been less active in returning capital to shareholders. It first announced a quarterly cash dividend in May 2014, of 2.5 cents per share. A year later, the thrift raised the dividend to 3 cents per share. As of Feb. 22, Wellesley Bancorp's dividend yield was 0.6%. Additionally, the only buyback plan [announced](#) so far was to fund restricted stock awards.

Market performance

Following an IPO pop of 20.0%, Wellesley Bancorp performed in-line with its peers (half of which have been acquired) up until early June 2014, returning about 59%. Market performance has diverged since that point, with Wellesley Bancorp down 2.0% and the peers up 27.6% from June 3, 2014, to Feb. 22, 2016. The company trades at 87% of tangible book value — that is the 27th lowest pricing ratio of the 395 major-exchange traded banks and thrifts with more than \$500 million in total assets.



Management and board changes

Wellesley Bancorp has made few changes to its board of directors and management team. The thrift added Simon Gerlin to the board in January; the other nine directors at the time of the conversion remain on the board. In May 2014, the company brought in Ralph Letner to serve as chief lending officer and senior vice president of the banking unit. And Gary Culyer is retiring as CFO, effective July 1.



Product Tips

S&P Global Market Intelligence offers a variety of tools to help analyze conversion data and financials of U.S. banks and thrifts.

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