

RURBAN FINANCIAL CORP
Form 10-Q
May 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 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 0-13507

RURBAN FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

Ohio 34-1395608
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

401 Clinton Street, Defiance, Ohio 43512

(Address of principal executive offices)

(Zip Code)

(419) 783-8950

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report.)

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. Large Accelerate Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares, without par value (class)	4,861,779 shares (Outstanding at May 9, 2012)
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RURBAN FINANCIAL CORP.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim condensed consolidated financial statements of Rurban Financial Corp. (“Rurban” or the “Company”) are unaudited; however, the information contained herein reflects all adjustments which are, in the opinion of management, necessary for a fair presentation of financial condition and results of operations for the interim periods presented. All adjustments reflected in these financial statements are of a normal recurring nature in accordance with Rule 10-01 of Regulation S-X. Results of operations for the three months ended March 31, 2012 are not necessarily indicative of results for the complete year.

Rurban Financial Corp.Condensed Consolidated Balance Sheets
March 31, 2012 and December 31, 2011

	March 31, 2012 (Unaudited)	December 31, 2011
(\$'s in Thousands)		
ASSETS		
Cash and due from banks	\$ 29,602	\$ 14,846
Investment Securities:		
Securities available for sale, at fair value	110,603	111,978
Other securities - FRB and FHLB Stock	3,685	3,685
Total investment securities	114,288	115,663
Loans held for sale	11,384	5,238
Loans, net of unearned income	439,721	442,554
Allowance for loan losses	(6,609)	(6,529)
Net loans	433,112	436,025
Premises and equipment, net	13,282	13,773
Purchased software	386	159
Cash surrender value of life insurance	12,312	12,224
Goodwill	16,353	16,353
Core deposits and other intangibles	1,691	1,849
Foreclosed assets held for sale, net	1,807	1,830
Mortgage servicing rights	3,359	2,820
Accrued interest receivable	1,802	1,635
Other assets	5,598	6,249
Total assets	\$ 644,976	\$ 628,664
LIABILITIES AND EQUITY		
Deposits		
Non interest bearing demand	\$ 71,077	\$ 65,963
Interest bearing demand	118,898	107,446
Savings	52,599	49,665
Money market	82,799	74,244
Time deposits	210,119	221,447
Total deposits	535,492	518,765
Notes payable	2,519	2,788

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Advances from Federal Home Loan Bank	12,611	12,776
Repurchase agreements	17,771	18,779
Trust preferred securities	20,620	20,620
Accrued interest payable	3,556	2,954
Other liabilities	3,381	4,050
Total liabilities	595,950	580,732
Equity		
Preferred stock	-	-
Common stock	12,569	12,569
Additional paid-in capital	15,338	15,323
Retained earnings	21,438	20,466
Accumulated other comprehensive income	1,450	1,343
Treasury stock	(1,769)	(1,769)
Total equity	49,026	47,932
Total liabilities and equity	\$ 644,976	\$ 628,664

See notes to condensed consolidated financial statements (unaudited)

Note: The balance sheet at December 31, 2011 has been derived from the audited consolidated financial statements at that date

Rurban Financial Corp.**Condensed Consolidated Statements Income (Unaudited)**

(\$'s in Thousands)	Three Months Ended	
	March 31, 2012	March 31, 2011
Interest income		
Loans		
Taxable	\$ 5,928	\$ 5,852
Nontaxable	23	11
Securities		
Taxable	399	611
Nontaxable	147	336
Total interest income	6,497	6,810
Interest expense		
Deposits	854	1,049
Other borrowings	34	25
Repurchase agreements	68	426
Federal Home Loan Bank advances	74	133
Trust preferred securities	592	344
Total interest expense	1,622	1,977
Net interest income	4,875	4,833
Provision for loan losses	450	499
Net interest income after provision for loan losses	4,425	4,334
Noninterest income		
Data service fees	643	912
Trust fees	642	695
Customer service fees	631	581
Gain on sale of mortgage loans and OMSR's	1,181	425
Mortgage loan servicing fees, net	329	139
Gain on sale of non-mortgage loans	-	43
Loss on sale or disposal of assets	(56)	(100)
Other income	211	168
Total non-interest income	3,581	2,863
Noninterest expense		
Salaries and employee benefits	3,499	3,530
Net occupancy expense	548	584
Equipment expense	711	711

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FDIC insurance expense	214	318
Data processing fees	113	144
Professional fees	385	474
Marketing expense	90	56
Printing and office supplies	78	76
Telephone and communication	144	157
Postage and delivery expense	229	344
State, local and other taxes	120	144
Employee expense	106	96
Other intangible amortization expense	157	197
Other expenses	282	229
Total non-interest expense	6,676	7,060
Income before income tax expense	1,330	137
Income tax expense	358	126
Net income	\$ 972	\$ 11
Common share data:		
Basic earnings per common share	\$ 0.20	\$ 0.00
Diluted earnings per common share	\$ 0.20	\$ 0.00
Average shares outstanding:		
Basic:	4,862	4,862
Diluted:	4,862	4,862

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.

Condensed Consolidated Statements of Other Comprehensive Income (Unaudited)

Three Months Ended March 31,

(\$'s in thousands)	2012	2011
Net income	\$972	\$11
Other comprehensive income		
Investment securities available for sale		
Change in net unrealized gains during the period	162	313
Tax expense	(55)	(106)
Comprehensive income	\$1,079	\$218
Accumulated other comprehensive income	\$1,450	\$1,343

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.

Condensed Consolidated Statements of Changes in

Stockholders' Equity (unaudited)

(\$'s in thousands)	Three Months Ended March 31,	
	2012	2011
Balance at beginning of period	\$ 47,932	\$ 46,024
Net income	972	11
Unrealized holding gains arising during the year, net of tax	107	207
Share-based compensation	15	23
Balance at end of period	\$ 49,026	\$ 46,265

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.

Condensed Consolidated Statements of Cash Flows (Unaudited)

Three Months Ended March 31,

(\$'s in thousands)	2012	2011
Operating Activities		
Net Income	\$972	\$11
Items not requiring (providing) cash		
Depreciation and amortization	334	454
Provision for loan losses	450	499
Expense of share-based compensation plan	15	23
Amortization of premiums and discounts on securities	368	432
Amortization of intangible assets	157	197
Amortization of originated mortgage servicing rights	349	71
Deferred income taxes	(55)	(107)
Proceeds from sale of loans held for sale	62,897	31,865
Originations of loans held for sale	(68,331)	(28,005)
Gain on sale of loans	(1,181)	(425)
Loss on sale of foreclosed assets	15	100
Recapture of originated mortgage servicing rights impairment	(419)	-
Income from bank owned life insurance	(88)	(94)
Changes in		
Interest receivable	(167)	(295)
Other assets	665	400
Interest payable and other liabilities	(68)	(359)
Net cash provided by (used in) operating activities	(4,086)	4,768
Investing Activities		
Purchase of available-for-sale securities	(11,295)	(4,039)
Proceeds from maturities of available-for-sale securities	12,463	5,631
Proceeds from bank owned life insurance	-	1,354
Net change in loans	2,432	4,357
Purchase of premises and equipment and software	(771)	(119)
Proceeds from sales or disposal of premises and equipment	701	-
Proceeds from sale of foreclosed assets	27	923
Net cash from investing activities	\$3,557	\$8,107

See notes to condensed consolidated financial statements (unaudited)

Rurban Financial Corp.

Condensed Consolidated Statements of Cash Flows (Unaudited) *(continued)*
Three Months Ended March 31,

(\$'s in thousands)	2012	2011
Financing Activities		
Net increase (decrease) in demand deposits, money market, interest checking and savings accounts	\$28,055	\$(2,319)
Net decrease in certificates of deposit	(11,328)	(397)
Net (decrease) increase in securities sold under agreements to repurchase	(1,008)	3,714
Repayment of Federal Home Loan Bank advances	(165)	(6,127)
Repayment of notes payable	(269)	(72)
Net cash provided by (used in) financing activities	15,285	(5,202)
Increase in Cash and Cash Equivalents	14,756	7,673
Cash and Cash Equivalents, Beginning of Year	14,846	30,418
Cash and Cash Equivalents, End of Period	\$29,602	\$38,090
Supplemental Cash Flows Information		
Interest Paid	\$1,020	\$1,753
Transfer of loans to foreclosed assets	\$14	\$400

See notes to condensed consolidated financial statements (unaudited)

RURBAN FINANCIAL CORP.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A—BASIS OF PRESENTATION

Rurban Financial Corp. (the “Company”) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries, The State Bank and Trust Company (“State Bank”), RFCBC, Inc. (“RFCBC”), Rurbanc Data Services, Inc. dba RDSI Banking Systems (“RDSI”), Rurban Statutory Trust I (“RST I”), and Rurban Statutory Trust II (“RST II”). State Bank owns all the outstanding stock of Rurban Mortgage Company (“RMC”), Rurban Investments, Inc. (“RII”) and State Bank Insurance, LLC (“SBI”).

The consolidated financial statements include the accounts of the Company, State Bank, RFCBC, RDSI, RMC, RII, and SBI. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. Results of operations for the three months ended March 31, 2012 are not necessarily indicative of results for the complete year.

The condensed consolidated balance sheet of the Company as of December 31, 2011 has been derived from the audited consolidated balance sheet of the Company as of that date.

For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2011.

NOTE B—EARNINGS PER SHARE

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Earnings per share (EPS) have been computed based on the weighted average number of shares outstanding during the periods presented. For the periods ended March 31, 2012 and 2011, share based awards totaling 303,974 and 325,951 common shares, respectively, were not considered in computing diluted EPS as they were anti-dilutive. The number of shares used in the computation of basic and diluted earnings per share were:

	Three Months Ended	
	March 31,	
	2012	2011
Basic earnings per share	4,861,779	4,861,779
Diluted earnings per share	4,861,779	4,861,779