

HMN FINANCIAL INC
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) FOR THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 0-24100

HMN FINANCIAL, INC.

(Exact name of Registrant as specified in its Charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)
1016 Civic Center Drive N.W., Rochester, MN
(Address of principal executive offices)
Registrant's telephone number, including area code:

41-1777397
(I.R.S. Employer
Identification Number)
55901
(ZIP Code)
(507) 535-1200

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 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. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) 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.

Class	Outstanding at July 19, 2013
Common stock, \$0.01 par value	4,393,073

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<i>(Dollars in thousands)</i>	June 30, 2013 (unaudited)	December 31, 2012
Assets		
Cash and cash equivalents	\$ 29,933	83,660
Securities available for sale:		
Mortgage-backed and related securities (amortized cost \$6,694 and \$9,825)	7,042	10,421
Other marketable securities (amortized cost \$84,811 and \$75,759)	83,251	75,470
	90,293	85,891
Loans held for sale	3,212	2,584
Loans receivable, net	415,534	454,045
Accrued interest receivable	2,004	2,018
Real estate, net	9,423	10,595
Federal Home Loan Bank stock, at cost	784	4,063
Mortgage servicing rights, net	1,795	1,732
Premises and equipment, net	6,883	7,173
Prepaid expenses and other assets	1,113	1,566
Total assets	\$ 560,974	653,327
Liabilities and Stockholders Equity		
Deposits	\$ 491,753	514,951
Federal Home Loan Bank advances	0	70,000
Accrued interest payable	178	247
Customer escrows	808	830
Accrued expenses and other liabilities	7,073	6,465
Total liabilities	499,812	592,493
Commitments and contingencies		
Stockholders equity:		
Serial preferred stock (\$.01 par value): authorized 500,000 shares; issued shares 26,000	25,629	25,336
Common stock (\$.01 par value): authorized 16,000,000; issued shares 9,128,662	91	91
Additional paid-in capital	51,760	51,795
Retained earnings, subject to certain restrictions	48,822	47,004
Accumulated other comprehensive loss	(1,567)	(49)
Unearned employee stock ownership plan shares	(2,900)	(2,997)
Treasury stock, at cost 4,735,589 and 4,705,073 shares	(60,673)	(60,346)
Total stockholders equity	61,162	60,834
Total liabilities and stockholders equity	\$ 560,974	653,327

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See accompanying notes to consolidated financial statements.

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(unaudited)

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Interest income:				
Loans receivable	\$ 5,503	7,523	11,531	15,319
Securities available for sale:				
Mortgage-backed and related	82	164	176	357
Other marketable	148	192	287	441
Cash equivalents	35	19	68	46
Other	19	54	48	64
Total interest income	5,787	7,952	12,110	16,227
Interest expense:				
Deposits	465	1,061	1,022	2,278
Federal Home Loan Bank advances	650	844	1,485	1,689
Total interest expense	1,115	1,905	2,507	3,967
Net interest income	4,672	6,047	9,603	12,260
Provision for loan losses	(520)	1,088	(520)	960
Net interest income after provision for loan losses	5,192	4,959	10,123	11,300
Non-interest income:				
Fees and service charges	883	834	1,672	1,663
Mortgage servicing fees	257	236	505	468
Gain on sales of loans	702	620	1,380	1,529
Gain on sale of branch office	0	0	0	552
Other	145	104	304	288
Total non-interest income	1,987	1,794	3,861	4,500
Non-interest expense:				
Compensation and benefits	2,980	3,219	6,179	6,632
(Gain) loss on real estate owned	(306)	174	(325)	97
Occupancy	826	839	1,676	1,721
Deposit insurance	190	305	508	575
Data processing	325	336	655	673
Other	1,310	1,485	2,671	2,903
Total non-interest expense	5,325	6,358	11,364	12,601
Income before income tax expense	1,854	395	2,620	3,199
Income tax expense	55	0	80	0
Net income	1,799	395	2,540	3,199

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Preferred stock dividends and discount	(547)	(464)	(1,023)	(925)
Net income (loss) available to common shareholders	\$ 1,252	(69)	1,517	2,274
Other comprehensive loss, net of tax	\$ (1,373)	(93)	(1,518)	(272)
Comprehensive income (loss) attributable to common shareholders	\$ (121)	(162)	(1)	2,002