

UNION BANKSHARES INC
Form 10-Q
August 09, 2016

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

OR

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

For the quarterly period ended: June 30, 2016

Commission file number: 001-15985

UNION BANKSHARES, INC.
VERMONT 03-0283552

P.O. BOX 667
20 LOWER MAIN STREET
MORRISVILLE, VT 05661

Registrant's telephone number: 802-888-6600

Former name, former address and former fiscal year, if changed since last report: Not applicable

Securities registered pursuant to section 12(b) of the Act:
Common Stock, \$2.00 par value Nasdaq Stock Market
(Title of class) (Exchanges registered on)

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 [X] 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 [X] 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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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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 Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of July 29, 2016:

Common Stock, \$2 par value 4,459,535 shares

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	June 30, 2016	December 31, 2015
	(Unaudited)	
Assets	(Dollars in thousands)	
Cash and due from banks	\$4,220	\$ 4,217
Federal funds sold and overnight deposits	19,979	13,744
Cash and cash equivalents	24,199	17,961
Interest bearing deposits in banks	10,213	12,753
Investment securities available-for-sale	58,141	54,110
Investment securities held-to-maturity (fair value \$2.0 million and \$5.1 million at June 30, 2016 and December 31, 2015, respectively)	1,998	5,217
Loans held for sale	6,749	5,635
Loans	502,458	500,506
Allowance for loan losses	(5,226))(5,201)
Net deferred loan costs	602	515
Net loans	497,834	495,820
Accrued interest receivable	2,003	1,832
Premises and equipment, net	13,090	13,055
Core deposit intangible	840	925
Goodwill	2,223	2,223
Investment in real estate limited partnerships	2,137	2,373
Company-owned life insurance	8,492	8,800
Other assets	8,550	8,175
Total assets	\$636,469	\$ 628,879
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest bearing	\$ 103,918	\$ 99,826
Interest bearing	333,402	310,203
Time	110,644	150,379
Total deposits	547,964	560,408
Borrowed funds	27,808	9,564
Accrued interest and other liabilities	4,714	5,339
Total liabilities	580,486	575,311
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$2.00 par value; 7,500,000 shares authorized; 4,934,296 shares issued at June 30, 2016 and 4,931,796 shares issued at December 31, 2015	9,869	9,864
Additional paid-in capital	586	501
Retained earnings	50,970	49,524
Treasury stock at cost; 474,761 shares at June 30, 2016 and 474,619 shares at December 31, 2015	(4,024))(4,019)
Accumulated other comprehensive loss	(1,418))(2,302)
Total stockholders' equity	55,983	53,568
Total liabilities and stockholders' equity	\$636,469	\$ 628,879

See accompanying notes to unaudited interim consolidated financial statements.

Union Bankshares, Inc. Page 1

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
(Dollars in thousands, except per share data)				
Interest and dividend income				
Interest and fees on loans	\$6,254	\$ 5,859	\$ 12,249	\$ 11,591
Interest on debt securities:				
Taxable	223	257	472	472
Tax exempt	146	106	283	213
Dividends	18	9	35	24
Interest on federal funds sold and overnight deposits	6	4	11	12
Interest on interest bearing deposits in banks	41	41	86	81
Total interest and dividend income	6,688	6,276	13,136	12,393
Interest expense				
Interest on deposits	412	434	837	910
Interest on borrowed funds	107	87	195	176
Total interest expense	519	521	1,032	1,086
Net interest income	6,169	5,755	12,104	11,307
Provision for loan losses	75	150	150	250
Net interest income after provision for loan losses	6,094	5,605	11,954	11,057
Noninterest income				
Trust income	180	190	352	367
Service fees	1,427	1,348	2,839	2,694
Net gains on sales of investment securities available-for-sale	18	—	18	—
Net gains on sales of loans held for sale	775	785	1,275	1,514
Other income	197	203	299	286
Total noninterest income	2,597	2,526	4,783	4,861
Noninterest expenses				
Salaries and wages	2,442	2,331	4,900	4,654
Pension and employee benefits	851	769	1,794	1,503
Occupancy expense, net	309	312	626	693
Equipment expense	541	460	1,050	867
Other expenses	1,783	1,684	3,377	3,229
Total noninterest expenses	5,926	5,556	11,747	10,946
Income before provision for income taxes	2,765	2,575	4,990	4,972
Provision for income taxes	626	558	1,092	1,071
Net income	\$2,139	\$ 2,017	\$ 3,898	\$ 3,901
Earnings per common share	\$0.48	\$ 0.46	\$0.87	\$ 0.88
Weighted average number of common shares outstanding	4,458,488	4,358,749	4,458,326	4,458,312
Dividends per common share	\$0.28	\$ 0.27	\$0.55	\$ 0.54

See accompanying notes to unaudited interim consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30, 2016		Six Months Ended June 30, 2015	
Net income	\$2,139	\$2,017	\$3,898	\$3,901
Other comprehensive income (loss), net of tax:				
Investment securities available-for-sale:				
Net unrealized holding gains (losses) arising during the period on investment securities available-for-sale	384	(492)	896	(218)
Reclassification adjustment for net gains on sales of investment securities available-for-sale realized in net income	(12)	—	(12)	—
Total other comprehensive income (loss)	372	(492)	884	(218)
Total comprehensive income	\$2,511	\$1,525	\$4,782	\$3,683

See accompanying notes to unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Six Months Ended June 30, 2016 and 2015 (Unaudited)

	Common Stock					Accumulated	Total
	Shares, net of treasury	Amount	Additional paid-in capital	Retained earnings	Treasury stock	other comprehensive loss	stockholders' equity
	(Dollars in thousands, except per share data)						
Balances, December 31, 2015	4,457,177	\$ 9,864	\$ 501	\$49,524	\$(4,019)	\$ (2,302)) \$ 53,568
Net income	—	—	—	3,898	—	—	3,898
Other comprehensive income	—	—	—	—	—	884	884
Issuance of common stock	71	—	1	—	1	—	2
Cash dividends declared (\$0.55 per share)	—	—	—	(2,452)	—	—	(2,452)
Stock based compensation expense	—	—	33	—	—	—	33
Exercise of stock options	2,500	5	51	—	—	—	56
Purchase of treasury stock	(213)	—	—	—	(6)	—	(6)
Balances, June 30, 2016	4,459,535	\$ 9,869	\$ 586	\$50,970	\$(4,024)	\$ (1,418)) \$ 55,983
Balances, December 31, 2014	4,458,430	\$ 9,859	\$ 418	\$46,462	\$(3,925)	\$ (1,380)) \$ 51,434
Net income	—	—	—	3,901	—	—	3,901
Other comprehensive loss	—	—	—	—	—	(218)	(218)
Cash dividends declared (\$0.54 per share)	—	—	—	(2,408)	—	—	(2,408)
Stock based compensation expense	—	—	20	—	—	—	20
Exercise of stock options	2,500	5	48	—	—	—	53
Purchase of treasury stock	(1,077)	—	—	—	(26)	—	(26)
Balances, June 30, 2015	4,459,853	\$ 9,864	\$ 486	\$47,955	\$(3,951)	\$ (1,598)) \$ 52,756

See accompanying notes to unaudited interim consolidated financial statements.

UNION BANKSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30, 2016 2015 (Dollars in thousands)	
Cash Flows From Operating Activities		
Net income	\$3,898	\$3,901
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	638	502
Provision for loan losses	150	250
Deferred income tax provision (credit)	311	(11)
Net amortization of investment securities	188	97
Equity in losses of limited partnerships	236	248
Stock based compensation expense	33	20
Net increase in unamortized loan costs	(87)	(96)
Proceeds from sales of loans held for sale	59,619	69,356
Origination of loans held for sale	(59,458)	(62,603)
Net gains on sales of loans held for sale	(1,275)	(1,514)
Net loss on disposals of premises and equipment	—	6
Net gains on sales of investment securities available-for-sale	(18)	—
Write-downs of impaired assets	—	29
Net gains on sales of other real estate owned	—	(3)
(Increase) decrease in accrued interest receivable	(171)	32
Amortization of core deposit intangible	86	86
Increase in other assets	(635)	(800)
Contribution to defined benefit pension plan	(750)	—
Increase (decrease) in other liabilities	125	(802)
Net cash provided by operating activities	2,890	