

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

BATH NATIONAL CORP

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SIC: 6021 National commercial banks

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ending June 30, 1999

Commission file number 0-20142

BATH NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

New York 16-1185097
(State or other jurisdiction of (I.R.S. Employer Identification No.)
incorporation or organization)

44 Liberty Street, Bath, NY 14810
(Address of principal executive offices) (zip code)

(607)-776-9661
(Registrant's telephone number, including area code)

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 (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

The number of shares outstanding of the issuer's Common Stock, \$5 par value was 1,365,801 shares as of June 30, 1999, of which 37,953 are classified as Treasury Stock.

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PART I, FINANCIAL INFORMATION

BATH NATIONAL CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF CONDITION
 JUNE 30, 1999 AND DECEMBER 31, 1998

	June 30, 1999	December 31, 1998
ASSETS		
Cash and due from banks	\$ 9,183,200	\$ 12,009,200
Interest Bearing Dep. in other banks	99,200	396,400
Securities Held-to-Maturity approx. market value 6/99 \$19,918,800	20,000,000	20,000,000
Available-For-Sale	59,925,400	66,571,200
Total Investments	79,925,400	86,571,200
Federal Funds Sold	2,350,000	-0-
Loans Gross	194,628,600	187,767,800
LESS: Allowance for loan losses	1,708,500	1,650,000
Premises and equipment-Net	5,246,600	5,462,100
Interest Receivable	2,351,400	2,351,900
Other Assets	2,431,500	2,568,700
TOTAL ASSETS	\$294,507,400	\$295,477,300

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Deposits:

Demand	35,016,000	35,030,100
Savings	44,463,800	43,039,600
NOW Accounts	36,123,600	36,145,800
Money Market deposit accounts	10,647,500	11,384,100
Time deposits (in denominations of 100,000 or more)	24,406,600	18,894,000

Other time accounts	78,236,100	80,111,000
TOTAL DEPOSITS	\$228,893,600	\$224,604,600

Federal Funds Purchased	-0-	2,150,000
Borrowings Federal Home Loan Bank	5,000,000	5,000,000
Repurchase Agreements	27,283,600	28,090,800
Other Liabilities	2,648,800	5,108,900
TOTAL LIABILITIES	\$263,826,000	\$264,954,300

STOCKHOLDERS' EQUITY:

Preferred Stock:

\$10 par value 300,000 shares
authorized

- -

Common Stock:

\$5.00 par value, 1,500,000 shares
authorized; issued and outstanding:

6/99 - 1,365,801, 12/98 - 1,365,801

6,829,000 6,829,000

Surplus 1,494,700 1,494,700

Undivided profits 23,828,400 22,839,200

Unrealized gain/loss - Investments 20,400 851,200

Treasury Stock <F1> (1,491,100) (1,491,100)

TOTAL STOCKHOLDER'S EQUITY \$ 30,681,400 \$ 30,523,000

TOTAL EQUITY AND LIABILITIES \$294,507,400 \$295,477,300

[FN]

<F1> 37,953 shares recorded at cost as of 6/99, 37,953 shares as of 12/98

See notes to condensed unaudited consolidated financial statements.

PART I, Continued

BATH NATIONAL CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 1999 AND 1998.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	1999	1998	1999	1998
INTEREST INCOME:				
Int. and fees on loans	\$4,035,300	\$3,663,200	\$ 8,009,400	\$ 7,282,700
Int. on fed. funds sold	16,500	84,700	23,000	146,400
Int. on Inv. Securities:				
US Treas. & Gov. Agency	494,700	534,200	1,019,400	1,090,400
Municipal Obligations	435,900	432,800	873,600	878,400
Taxable Municipal	6,300	29,400	12,600	58,600
Mort. Backed Securities	245,700	270,300	495,600	582,400
Int. Bearing Due From	2,200	13,800	5,900	33,700
Other	24,200	19,600	46,300	39,700
Total Investment Income	1,225,500	1,384,800	2,476,400	2,829,600
Total Interest Income	5,260,800	5,048,000	10,485,800	10,112,300

INTEREST EXPENSE:

Interest on Deposits	1,733,100	1,925,300	3,453,900	3,783,300
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Int. on short term bor.	103,400	3,900	207,400	7,700
Int. on repur. agreem.	408,500	360,600	814,800	725,300
Total Interest Expense	2,245,000	2,289,800	4,476,100	4,516,300
NET INTEREST INCOME:	3,015,800	2,758,200	6,009,700	5,596,000
Prov. loan loss (recov.)	120,000	90,900	235,000	179,700
Net int. income after Prov. for loan losses	2,895,800	2,667,300	5,774,700	5,416,300
OTHER OPERATING INCOME:				
Service charges	240,400	202,000	475,400	390,200
Trust department fees	5,300	6,900	19,500	18,300
Invest. gains (losses)	-0-	100	-0-	(10,300)
Other	233,500	96,800	396,800	141,900
Total other operat inc.	479,200	305,800	891,700	540,100
OTHER OPERATING EXPENSES:				
Salaries & emp benefit	1,187,200	1,118,100	\$ 2,371,400	2,250,800
Net occupancy expense of premises	227,600	204,600	446,700	401,300
Depreciation	140,300	125,000	270,800	240,100
Other	557,400	583,200	1,096,700	1,152,800
Total other oper. exp.	2,112,500	2,030,900	4,185,600	4,045,000
INCOME BEFORE INCOME TAXES	1,262,500	942,200	2,480,800	1,911,400
INCOME TAXES (benefit)	355,700	188,800	694,700	413,700
NET INCOME	\$ 906,800	\$ 753,400	\$ 1,786,100	\$ 1,497,700
EARNINGS PER COMMON SHARE	.69	.56	1.35	1.12
DIVIDENDS DECLARED PER COMMON SHARE	.30	.25	.60	.45

PART I, Continued

ANALYSIS OF NET INTEREST EARNINGS

The following is a presentation of an analysis of the net interest earnings of the company for the six months ended June 30, 1999 and 1998, respectively, with respect to each major category of interest-earning assets and interest-bearing liabilities:

Six Months Ended June 30, 1999		
(dollars in thousands)		
	Interest	
Average	Earned	Average

Assets	Amount	or Paid	Yield or Rate
Interest Bearing Due From Banks	\$ 175	\$ 6	6.86%
Taxable Securities	46,358	1,574	6.79%
Non-Taxable Securities	36,912	1,329	7.20%
Federal Funds Sold	880	23	5.23%
Loans	190,512	8,064	8.47%
Total Int-Earning Assets	\$274,837	\$ 10,996	8.01%
Liabilities			
NOW's & Money Market Accts.	\$ 47,190	\$ 408	1.73%
Savings Deposits	43,774	549	2.51%
Time Deposits	101,583	2,497	4.92%
Total Int-Bearing Deposits	\$192,547	\$ 3,454	3.59%
Repurchase Agreements	\$ 27,910	\$ 815	5.84%
Federal Funds Purchased	1,780	54	6.07%
Federal Home Loan Bank Borrowings	5,000	153	6.12%
Total Int-Bearing Liabilities	\$227,237	\$ 4,476	3.94%
Net Interest Income FTE		\$ 6,520	4.75%
Less Tax-Equivalent Adjustment		\$ 510	
Net Interest Income		\$ 6,010	

PART I, Continued

ANALYSIS OF NET INTEREST-EARNINGS, Continued

Six Months Ended June 30, 1998

(dollars in thousands)

Assets	Average Amount	Interest Earned or Paid	Average Yield or Rate
Interest Bearing Due From Banks	\$ 1,191	\$ 34	5.71%
Taxable Securities	50,855	1,771	6.97%
Non-Taxable Securities	37,135	1,335	7.19%
Federal Funds Sold	5,408	146	5.40%
Loans	165,156	7,410	8.98%
Total Int-Earning Assets	\$259,745	\$10,696	8.24%
Liabilities			
NOW's & Money Market Accts.	\$ 45,505	\$ 456	2.01%
Savings Deposits	42,152	576	2.74%
Time Deposits	101,483	2,751	5.43%
Total Int-Bearing Deposits	\$189,140	\$ 3,783	4.00%
Repurchase Agreements	\$ 23,060	\$ 725	6.29%
Federal Funds Purchased	88	3	6.82%
Federal Home Loan Bank Borrowings	166	5	6.03%
Total Int-Bearing Liabilities	\$212,454	\$ 4,516	4.26%
Net Interest Income FTE		\$ 6,180	4.76%
Less Tax-Equivalent Adjustment		\$ (584)	
Net Interest Income		\$ 5,596	

PART I, Continued

BATH NATIONAL CORPORATION
 CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998 (Unaudited)

	June 30, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	1,786,100	1,497,700
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	270,800	240,100
Provision for loan losses	235,000	179,700
FASB 115 effect & Deferred tax	1,100	2,000
Loan origination costs deferred	11,600	(52,600)
Bond premium amortized and (discount accrued)	76,400	76,600
(Increase) or Decrease in interest receivable	500	47,800)
Increase or (Decrease) in other liabilities	(1,906,200)	(1,911,300)
(Increase) or Decrease in other assets	137,200	1,443,300
(Gain)/Loss on Investments	-0-	10,300
Net cash provided by operating activities	\$ 612,500	\$ 1,533,600
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturing securities	4,934,700	3,308,400
Proceeds from sales of securities	395,000	7,916,200
Purchases of securities	(145,000)	(10,587,000)
(Increase) or decrease in federal funds sold	(2,350,000)	(8,500,000)
Increase or (decrease) in federal funds purchased	(2,150,000)	0
Increase of (decrease) in repurch. agreements	(807,200)	(1,224,300)
Net (increase) or decrease in interest bearing deposits in other banks	297,200	591,100
Principal collected on loans	34,170,400	23,886,500
Loans made to customers	(41,219,300)	(28,644,200)
Capital expenditures	(55,300)	(198,000)
Net cash used or provided in investing activities	(6,929,500)	(13,451,300)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase or (decrease) in demand deposits NOW, MMDA and savings accounts	651,300	3,856,500
Proceeds from sale of certificates of deposit	22,595,400	16,386,200
Payments for maturing certificates of deposit	(18,957,700)	(8,597,300)

Dividends paid	(798,000)	(602,000)
Purchase of Treasury Stock	-0-	(751,700)
Borrowings from FHLB	-0-	5,000,000
Net cash provided by financing activities	3,491,000	15,291,700
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,826,000)	3,374,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,009,200	7,453,600
CASH AND CASH EQUIVALENTS AT END OF SIX MONTHS	\$9,183,200	\$10,827,600

PART I, Continued

BATH NATIONAL CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1998 AND 1999. (Unaudited)

1. GENERAL

The accounting and reporting policies followed by Bath National Corporation, a bank holding company, and its subsidiaries, Bath National Bank and BNC Financial Services in the preparation of the accompanying interim financial statements conform with generally accepted accounting principles and with general practice within the banking industry.

The accompanying financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim periods have been made. Such adjustments are of a normal recurring nature.

The results of operations for the six month period ended 6/30/99 are not necessarily inductive of the results to be expected for the full year.

2. INVESTMENT SECURITIES

Investment securities held-to-maturity are stated at cost plus discount accrued and less premium amortized.

The carrying value and market value of those securities classified as held-to maturity are as follows:

	Book Value	Fair Market Value		Gross Unrealized Gain	Gross Unrealized Loss	Net
Agencies	\$20,000,000	\$19,918,800	\$ -	\$ 81,200	\$ 81,200	

Investment securities classified as available-for-sale are stated at fair market value. The carrying value, fair market value, and

unrealized gain/loss for those securities are as follows:

	Book Value	Fair Market Value	Gross Unrealized		Net
			Gain	Loss	
U.S. Treasury and other US agencies	\$ 6,029,800	\$ 5,881,400	\$ 2,600	\$ 151,000	\$ (148,400)
Corporate Bonds	195,000	186,600	-0-	8,400	(8,400)
Municipal Obligations	36,571,800	36,969,200	517,800	120,400	397,400
Mortgaged Backed Sec.	15,249,600	15,037,300	36,100	248,400	(212,300)
Equity Secur.	1,850,900	1,850,900	-0-	-0-	-0-
TOTAL	\$59,897,100	\$59,925,400	\$ 556,500	\$ 528,200	\$ 28,300

PART I, Continued

BATH NATIONAL CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1998 AND 1999. (Unaudited)

3. ALLOWANCE FOR LOAN LOSSES

The provision for loan losses is based on management's evaluation of the relative risks inherent in the loan portfolio and, on an annual basis, generally exceeds the amount of net losses charged against the allowance.

Balance - January 1, 1999	\$1,650,000
Charge offs:	
Installments	92,800
Commercial	117,000
Credit Cards	18,900
	(228,700)
Recoveries:	
Installments	38,200
Commercial	8,700
Credit Cards	5,300
	52,200
Provision Loan Loss	235,000
Balance - June 30, 1999	\$1,708,500

4. INCOME TAXES

Provision for deferred income taxes are made as a result of timing differences between financial and taxable income. These differences relate principally to depreciation of bank premises and equipment, market value adjustments on investment securities held as available-for-sale, and provisions for loan losses.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

None

ITEM 2. Changes in Securities

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Submission of Matters to a Vote of Security Holders

The annual meeting of the shareholders of Bath National Corporation was held April 28, 1999. The following directors were elected:

NAME	TERM	VOTES FOR	VOTES AGAINST	ABSTAIN
Robert H. Cole	3 years	1,308,636	-0-	-0-
Herbert Fort	3 years	1,298,342	10,294	-0-
Patrick Sullivan	3 years	1,308,636	-0-	-0-
Alan J. Wilcox	3 years	1,308,636	-0-	-0-
Appointment of Urbach, Kahn & Werlin as Certified Public Accountants		1,308,636	-0-	-0-

ITEM 5. Other Information

There were no reports filed on Form 8-K

ITEM 6. Exhibits and Reports on Form 8-K

N/A

PART III. MANagements DISCUSSION AND ANALYSIS

Discussions and Analysis of Financial Condition and Result of Operations
(Interim) (Unaudited)

Bath National Corporation two subsidiaries; Bath National Bank and BNC Financial Services, a financial service subsidiary.

Liquidity and Capital Resources:

Management has not identified any trends, demands, commitments, events or uncertainties likely to result in any significant deficiencies or increases in liquidity.

Liquidity is an important factor in the financial condition of Bath National Corporation and affects its ability to meet the borrowing needs and deposit withdrawal requirements of its customers. Assets, consisting principally of loans and investment securities, are funded primarily by customer deposits.

The investment portfolio is one of Bath National's primary sources of liquidity. Maturities of securities and principal payments on mortgage backed securities provide a constant flow of funds which are available for cash needs. Interest bearing deposits in other financial institutions maturing within one year total \$100 thousand. Also, high quality securities are readily marketable and provide another level of liquidity. Maturities in the loan portfolio also provide a steady flow of funds. At June 30, 1999 loans with an aggregate balance of \$36 million and securities of \$8.1 million were due to mature in one year or less. Additional funds flow from payments on instalment and revolving credit loans and from a historically high level of net operating earnings. Bath National's liquidity also continues to be enhanced by a relatively stable deposit base. On June 30, 1999, the loan to deposit ratio was 85% and the ratio of loans to core deposits (excluding certificates of deposit of \$100,000 or more) was 95%.

In addition to the sources of liquidity above, Bath National Bank may borrow from the Federal Reserve Bank in the event of a short term liquidity deficiency. The bank has established lines of credit available with the Federal Home Loan Bank and Manufacturer s and Traders Bank in the amount of \$17.8 and \$4.0 million respectively. The funds are priced at the overnight federal funds rate. The bank had an average net daily federal funds purchased of \$900 thousand during 1999.

PART III, Continued

Year 2000

During 1998, management advised its Board of Directors of the issues surrounding the approach of January 1, 2000. Nearly all computer hardware and software developed during the current century have been programmed with two digit reference to each year. Such hardware and software, if not upgraded by January 1, 2000, may become useless. Management has undergone a five phase project to respond to this issue, with major emphasis upon identifying all applications and data bases supporting the Bank's mission critical applications. The five phases are awareness, assessment, renovation, validation and implementation, and will seek to neutralize not only the Bank's vulnerability, but to determine the financial capacity of its vendors, determine alternate vendors, and evaluate the capacity of its customers to respond to this challenge. A committee continues to direct the Company's Year 2000 activities under the framework of the FFIEC's Five Step Program. Testing of critical applications has been completed.

The Federal Reserve Board and Office of the Comptroller of the Currency have guidelines as to the minimum risk based capital requirement of community banks. This minimum is presently 8%. Bath National Corporation had primary capital at June 30, 1999 and June 30, 1998 as follows:

Components of Capital	6-30-99	6-30-98
Equity Capital	\$30,661,000	\$30,546,500
Less: Goodwill	(257,200)	(281,400)
Tier 1 Capital	30,403,800	30,265,100
Tier 2 Capital	1,708,500	1,650,000
Total Capital	\$32,112,300	\$31,915,100

The company's capital to asset ratios as of June 30, 1998 and 1999 are as follows:

	TIER I LEVERAGE RATIO		RISK BASED	
	Required Minimum	Actual	Required Minimum	Actual
June 30, 1998	4.00%	11.36%	8.00%	20.52%
June 30, 1999	4.00%	10.31%	8.00%	18.08%

Other Operating Income

Other operating income increased by \$173,000 for the quarter ended June 30, 1999 as compared to the second quarter of 1998. Income previously classified as loan income totaling \$24,000 was reclassified into other income in order to be consistent with financial institution

reporting guidelines. The remaining increase was attributable to increases in; mortgage broker fees, commission income from sales generated through BNC Financial Services, increased cash surrender value in bank owned life insurance policies amounted to \$23,000 for the second quarter of 1999, premiums related to credit insurance on loan originations and increases in VISA interchange due to the Bank's increased involvement in the ATM networks.

PART III, Continued

Other Operating Expense

Net occupancy expense increased by \$23,000 for the quarter due to two new offices opened during 1998. Depreciation expense increased for the comparable quarters by \$15,000 due to the new computer system for the bank, plus additional furniture and equipment for the new offices. Other operating expenses decreased for the corresponding period by \$26,000. This decline was the result of decreases in; office supplies, credit card processing fees, and a reduction in the advertising budget. These decreases were netted against increased expenses associated with; sponsorship fees due to the Bank's increased involvement in the ATM network, telephone usage and Deluxe charges. BNC Financial Services reflects a \$8,000 loss for the second quarter of 1999. Costs associated with start up and fixed salaries account for this loss. Net income for the year is projected to be approximately \$30,000.

Net Interest Income

Net interest income increased by \$257,600 for the quarter ended June 30, 1999 as compared to the corresponding quarter of 1998. Earnings on investment securities declined by approximately \$159,000, while earnings on loans increased by \$372,000. A significant increase in loans outstanding for the comparable quarters account for the increase in loan income and the resulting decline in investment income. Cost of funds remained stable for the comparable quarters.

Provision for Loan Losses

The company's management recognizes the fact that there are risks of loss involved in any lending function. Identifying the extent of the risk for each loan category, and the probability that losses will be sustained based on delinquency experience, is part of the overall plan for establishing an Allowance for Loan Losses.

Bath National Bank recognized provision for loan losses totaling \$235,000 for the six months ended June 30, 1999 versus a provision for loan loss of \$179,700 for the comparable six months of 1998. The reserve for loan loss totals \$1,708,500. The Board of Directors has determined that \$1,708,500 is a sufficient reserve for loan losses based on an

analysis of past due loans, historical data and specific identification of problem loans.

Non-Performing Assets

The Bank's policy is to discontinue the accrual of interest on loans (other than instalment loans and 1-4 family residential mortgages) for which principal or interest is past due 120 days or more and which are not fully collateralized. Such loans are classified as non-accrual by BNC. This classification does not, however, necessarily indicate that the principal of the loan is uncollectible, but does warrant a review of the collectability. When a loan is placed on a non-accrual basis, any unpaid interest accrued is reversed against current income.

On June 30, 1999, total non-accruing assets were \$730,000. Collateral supporting the loans totals \$840,000.

PART III, Continued

NON PERFORMING LOANS

Non-performing loans are summarized as follows:

Other Real Estate	\$ 16,000
Non-accrual loans	\$ 730,000
Past due 90 days or more and still accruing	\$ 446,000
Total	\$1,192,000

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

BATH NATIONAL CORPORATION

DATE: _____

Douglas L. McCabe
President

DATE: _____

Edward C. Galpin Vice President

and Treasurer

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