

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. **0000810830-95-000006**

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FILER

EMPIRE BANC CORP

CIK: **810830** | IRS No.: **382727982** | State of Incorporation: **MI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-15839** | Film No.: **95536286**
SIC: **6021** National commercial banks

Mailing Address
*1227 E FRONT ST
TRAVERSE MI 49684*

Business Address
*1227 FRONT STREET
TRAVERSE CITY MI 49686
6169225864*

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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 March 31, 1995.

COMMISSION FILE NUMBER 0-15839

EMPIRE BANC CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN

(State or other jurisdiction of incorporation or organization)

1227 E. FRONT STREET
TRAVERSE CITY, MICHIGAN
(Address of principal executive offices)

38-2727982
(IRS Employer Identification Number)

49686
(Zip code)

(616) 922-2111
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, address and 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, and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

The number of shares outstanding of each of the issuer's classes of common stock was 1,304,302 shares of common stock, par value \$5, outstanding as of March 31, 1995.

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EMPIRE BANC CORPORATION
CONSOLIDATED BALANCE SHEET

<TABLE>

<CAPTION>

(In thousands, except share data)

	March 31 1995	December 31 1994	March 31 1994
<S>	<C>	<C>	<C>
ASSETS			
Cash and due from banks	\$ 11,628	\$ 14,527	\$ 9,588
Federal funds sold	15,800	7,100	5,000
	-----	-----	-----
Cash and cash equivalents	27,428	21,627	14,588
Securities available for sale - (fair value)	32,201	31,332	31,055
Securities held to maturity (Fair value: 1995-\$33,578, \$32,220 and \$35,780 in 1994)	33,830	32,899	35,891
Loans	243,456	243,583	220,072
Less: allowance for loan losses	(2,975)	(2,900)	(2,630)
	-----	-----	-----
Net loans	240,481	240,683	217,442
	-----	-----	-----
Premises and equipment, net	3,851	3,939	4,136
Other real estate	70	53	936
Accrued interest receivable and other assets	6,374	6,418	6,571
	-----	-----	-----
Total assets	\$344,235	\$336,951	\$310,619

	=====	=====	=====

LIABILITIES			
Deposits			
Non-interest-bearing	\$ 39,427	\$ 44,150	\$ 35,420
Interest-bearing	261,194	253,839	238,304

Total deposits	300,621	297,989	273,724

Federal Home Loan Bank advances	12,000	8,000	8,000
Accrued expense and other liabilities	4,432	4,630	4,035

Total liabilities	317,053	310,619	285,759

SHAREHOLDERS' EQUITY			
Preferred stock-\$1 par value, 2,000,000 shares authorized, none outstanding			
Common stock-\$5 par value, 5,000,000 shares authorized, shares outstanding: 3/31/95 & 12/31/94 - 1,304,302, 3/31/94 - 1,299,302			
	6,521	6,521	6,496
Paid-in-capital	9,098	9,098	9,039
Retained earnings	11,756	11,224	9,488
Security valuation	(193)	(511)	(163)

Total shareholders' equity	27,182	26,332	24,860

Total liabilities and shareholders' equity	\$334,235	\$336,951	\$310,619
=====			

See notes to consolidated financial statements.

</TABLE>

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EMPIRE BANC CORPORATION
CONSOLIDATED STATEMENT OF INCOME

<TABLE>

<CAPTION>

(In thousands, except share data)

	Year to Date	
	March 31	
	1995	1994
<S>	<C>	<C>
INTEREST INCOME		
Loans, including fees	\$5,652	\$4,532
Taxable securities		
Available for sale	461	346
Held to maturity	418	343
Tax-exempt securities - held to maturity	49	76
Federal funds sold	112	70

Total interest income	6,692	5,367
INTEREST EXPENSE		
Deposits	2,929	2,185
Federal funds purchased	1	---
Federal Home Loan Bank advances	157	63

Total interest expense	3,087	2,248

Net interest income	3,605	3,119
Provision for loan losses	241	61

Net interest income after provision for loan losses	3,364	3,058
NON-INTEREST INCOME		
Mortgage sales and servicing	209	400
Service charges on deposit accounts	325	307

Trust income	448	418
Other service charges and fees	87	83
Other income	90	72
Security gains(losses)	---	11

Total non-interest income	1,159	1,291

NON-INTEREST EXPENSE		
Salaries and employee benefits	1,724	1,706
Occupancy	249	249
Furniture and equipment	211	187
Other	971	962

Total non-interest expense	3,155	3,104

Income before federal income taxes	1,368	1,245
Federal income taxes	445	400

Net income	\$ 923	\$ 845
=====		
Earnings per share	\$.66	\$.61
Average shares	1,390,954	1,390,554

See notes to consolidated financial statements.

</TABLE>

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EMPIRE BANC CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>

<CAPTION>

(In thousands)

	Year to date March 31	
	1995	1994
	<C>	<C>
<S>		
OPERATING ACTIVITIES		
Net income	\$ 923	\$ 845
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	192	181
Provision for loan losses	241	61
Net (increase) decrease in mortgages held for sale	(61)	(331)
Net gains on securities available for sale	---	(10)
Net amortization/accretion on securities	127	281
Net gain on called securities	---	(1)
Change in:		
Interest receivable	(63)	(250)
Interest payable	78	41
Other, net	(219)	(218)
	-----	-----
Total adjustments	295	(246)

Net cash from operating activities	1,218	599

INVESTING ACTIVITIES		
Securities available for sale:		
Proceeds from sales	---	1,010
Proceeds from maturities	3,138	1,039
Purchases	(3,582)	(5,371)
Securities held to maturity:		
Proceeds from maturities	3,462	11,007
Purchases	(4,463)	(9,318)
Loans granted net of repayments	22	(1,440)
Premises and equipment expenditures	(104)	(145)

Net cash from investing activities	(1,527)	(3,218)

FINANCING ACTIVITIES		
Net increase (decrease) in deposits	2,632	(5,817)
Cash dividends paid	(522)	(326)
Federal Home Bank advances	4,000	3,000
Net cash from financing activities	6,110	(3,143)
Net change in cash and cash equivalents	5,801	(5,762)
Cash and cash equivalents		
Beginning of year	21,627	20,350
End of period	\$27,428	\$14,588
Cash paid during the year for: Interest	\$ 3,008	\$ 2,289
Income taxes	---	---

</TABLE>

See notes to consolidated financial statements.

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EMPIRE BANC CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(In thousands)	1995	1994
<S>	<C>	<C>
Balance January 1	\$26,332	\$24,504
Net income	923	845
Dividends declared	(391)	(326)
Net change in security valuation	318	(163)
Balance March 31	\$27,182	\$24,860

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note-1 The consolidated financial statements include the accounts of Empire Banc Corporation and its wholly-owned subsidiary, Empire National Bank, after elimination of significant inter-company transactions and accounts. The statements have been prepared by management without audit by independent certified public accountants. However, these statements reflect all adjustments (consisting of normal recurring accruals) and disclosures which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented and should be read in conjunction with the notes to financial statements included in the Empire Banc Corporation's Form 10-K for the year ended December 31, 1994.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Because the results of operations are so closely related to and responsive to changes in economic conditions, the results for any interim period are not necessarily indicative of the results that can be expected for the entire year.

Note-2 Earnings per share of common stock is computed by dividing net income by the weighted average number of common shares and common stock equivalents outstanding during the period. Common stock equivalents consist of common stock issuable under the assumed exercise of stock options granted under the Corporation's stock option plan, using the treasury stock method.

Note-3 During the three month period ended March 31, 1995, there were no sales or transfers of available-for-sale or held-to-maturity securities. The change in net unrealized holding gain or loss on available-for-sale securities for the current quarter is \$318,000.

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NET INTEREST INCOME

AVERAGE BALANCES, INTEREST INCOME/EXPENSE, AVERAGE RATES

<TABLE>

<CAPTION>

	Quarter ending March 31			1994		
	1995			1994		
(Fully taxable equivalent, in thousands)	Average Balance	Interest	Rate	Average Balance	Interest	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Loans, including fees*,**	\$243,156	\$ 5,655	9.43%	\$215,093	\$ 4,533	8.55%
Securities - taxable	64,029	879	5.49%	59,669	689	4.62%
- tax-exempt*	3,257	71	8.78%	6,369	110	6.93%
Total securities	67,286	950	5.65%	66,038	799	4.84%
Federal funds sold	7,853	113	5.75%	9,222	70	3.05%
Total earning assets	318,295	6,718	8.56%	290,353	5,402	7.55%
Cash and due from banks	11,252			10,590		
Other assets	9,129			11,733		
Total assets	\$338,676			\$312,676		
LIABILITIES AND EQUITY						
CDs over \$100,000	\$ 13,790	199	5.85%	\$ 11,857	99	3.31%
Savings & interest checking	60,750	340	2.27%	63,707	329	2.09%
Money market deposits	68,530	747	4.42%	63,297	432	2.77%
Consumer CDs	115,126	1,643	5.79%	102,494	1,325	5.25%
Total interest-bearing deposits	258,196	2,929	4.60%	241,355	2,185	3.67%
FHLB advances	9,460	158	6.78%	5,967	63	4.31%
Total interest-bearing sources	267,656	3,087	4.68%	247,322	2,248	3.69%
Demand deposits	39,990			36,524		
Other liabilities	4,384			3,934		
Shareholders' equity	26,646			24,896		
TOTAL LIABILITIES AND EQUITY	\$338,676			\$312,676		
Net interest spread (FTE)			3.88%			3.86%

Net interest income (FTE)	\$ 3,631	=====	\$ 3,154	=====
Net interest margin (FTE)		4.63%		4.41%

</TABLE>

* Interest income on tax-exempt securities and certain tax-exempt loans have been adjusted to tax-equivalent basis.

** Non-accrual loans are excluded.

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EMPIRE BANC CORPORATION
FINANCIAL REVIEW

FIRST QUARTER 1995 COMPARED WITH FIRST QUARTER 1994

SUMMARY

Empire Banc Corporation's first quarter earnings were \$923,000, a 9.2% increase from 1994 first quarter income of \$845,000. Earnings per share increased from \$.61 per share in 1994 to \$.66 in 1995. The return on assets was 1.09%, comparable to the first quarter of 1994. The return on equity was 13.86% for the quarter versus 13.58% in 1994.

Net interest income, on a fully taxable equivalent (FTE) basis, was \$3.6 million, a 15.1% increase from the year-ago quarter, reflecting a \$27.9 million increase in average earning assets and a 22 basis point increase in net interest margin. Non-interest income decreased \$132,000, or 10.2%, due primarily to decreased mortgage lending activity, in the quarterly comparison from the prior year. Non-interest expenses increased \$51,000, or 1.6% in the quarter to quarter comparison.

<TABLE>

<CAPTION>

NET INTEREST INCOME

	Quarter Ending	
	1995	1994
	<C>	<C>
Interest income	\$6,692	\$5,367
Taxable equivalent adjustment	26	35
Interest income (FTE)	6,718	5,402
Interest expense	3,087	2,248
Net interest income (FTE)	\$3,631	\$3,154
Increase (decrease) due to change in:		
Volume	\$ 362	\$ 330
Rate	115	(326)
Total	\$ 477	\$ 4

</TABLE>

First quarter net interest income, on a fully taxable equivalent basis, was \$3,631,000, a \$477,000 increase from the first quarter of 1994. Average earning assets increased \$27.9 million as the loan portfolio increased \$28.1 million for the quarter. The investment portfolio showed a \$1.2 million increase and the bank's investment in overnight funds decreased on average \$1.4 million, to account for the change. Total interest income (FTE) for the quarter increased \$1.3 million between the two periods and the average rate earned increased 101 basis points to 8.56%. Total interest expense increased \$839,000, and the average rate paid increased 99 basis points to 4.68%.

Average loans totaled \$243 million for the quarter, increasing 13.0% from the 1994 first quarter. Loans secured by real estate totaled \$166 million at March 31, 1995, increasing \$26 million from March 1994. The average rate earned on the loan portfolio increased 9 basis points to 9.43% in the quarterly comparison. Average outstanding investment securities increased \$1.2 million in the quarter to quarter comparison to average \$67.3 million and the rate earned increased 81 basis points to 5.65%.

Average interest bearing deposits increased \$16.8 million to \$258.2 million in the first quarter of 1995. Increases in money market deposits of \$5.2 million, CDs over \$100,000 of \$1.9 million and consumer CDs of \$12.6 million were offset by decreases in savings and interest checking of \$3.0 million. Funding from additional Federal Home Loan Bank advances increased on average \$3.5 million from the first quarter of 1994. Demand deposits averaged \$3.5 million more in 1995 versus the 1994 first quarter. Average non-interest bearing funds supporting earning assets increased \$7.6 million from last year's levels for the quarter.

<TABLE>

<CAPTION>

AVERAGE EARNING ASSETS- NET INTEREST MARGIN

	Quarter Ending March 31, 1995		Quarter Ending March 31, 1994	
	Balance	Rate	Balance	Rate
<S>	<C>	<C>	<C>	<C>

Daily average balances (in thousands)				
Average rates earned and paid (fully taxable equivalent basis)				
Average interest-earning assets	\$318,295	8.56%	\$290,353	7.55%
	=====		=====	
Interest-bearing liabilities	267,656	4.68	247,322	3.69
Noninterest-bearing sources of funds	50,639	--	43,031	--
	-----		-----	
Total supporting liabilities	\$318,295	3.93%	\$290,353	3.14%
	=====		=====	
Net interest margin (related to average interest-earning assets)		4.63%		4.41%
		====		====

</TABLE>

<TABLE>
 <CAPTION>
 NON-INTEREST INCOME

	Quarter Ending	
	March 31	
	Increase (decrease)	
	Amount	%
<S>	<C>	<C>

(In thousands)		
Mortgage sales and servicing	\$ (191)	(48)%
Service charges on deposit accounts	18	6
Trust income	30	7
Other service charges and fees	4	5
Other income	7	8
	-----	-----
	\$ (132)	(10)%
	=====	=====

</TABLE>

Non-interest income for the first quarter of 1995 was \$1,159,000, a \$132,000 decrease or 10.2% from the first quarter of 1994. Increases in deposit account related fees and trust income were offset by reductions in income related to decreased mortgage lending activity in the quarter to quarter comparison.

<TABLE>
 <CAPTION>
 NON-INTEREST EXPENSE

	Quarter Ending	
	March 31	
	Increase (decrease)	
	Amount	%
<S>	<C>	<C>

(In thousands)		
Salaries and employee benefits	\$ 18	1%
Occupancy	--	--
Equipment	24	13
Other	9	1
	-----	-----
	\$ 51	2%
	=====	=====

</TABLE>

Non-interest expenses for the first quarter totaled \$3,155,000, an increase of \$51,000 or 2% from the first quarter of 1994. Equipment related expenses increased \$24,000, or 13%, primarily due to costs associated with data processing activity.

ASSET QUALITY-ALLOWANCE FOR LOAN LOSSES

Total non-performing assets declined \$1,073,000 or 31%, with other real estate being reduced by \$866,000 and loans on non-accrual status down

\$527,000 over the last twelve months. Net loan charge-offs for the current quarter were \$166,000 compared to the \$61,000 in the first quarter of 1994. The reserve for loan losses was \$2,975,000 or 1.22% of total loans at March 31, 1995, compared to the \$2,630,000 or 1.20% of total loans at March 31, 1994. Although the provision for loan losses increased over the prior year due to increased loan losses, net loan losses were only .27 percent of average loans for the three months ended March 31, 1995, well within industry norms.

<TABLE>
<CAPTION>

NON-PERFORMING ASSETS

	3/31/95	12/31/94	3/31/94
	-----	-----	-----
<S>	<C>	<C>	<C>
(In Thousands)			
Non-accrual loans	\$1,484	\$1,228	\$2,011
Renegotiated loans	804	644	484
	-----	-----	-----
Total non-performing loans	2,288	1,872	2,495
Other real estate	70	53	936
	-----	-----	-----
Total non-performing assets	\$2,358	\$1,925	\$3,431
	=====	=====	=====
Non-performing assets as a percent of total loans	.97%	.79%	1.56%
Accruing loans 90 days or more past due	\$ 123	\$ 128	\$ 70

</TABLE>

INVESTMENT SECURITIES

The following is a summary of investment securities, held-to-maturity and available-for-sale, at March 31, 1995.

<TABLE>
<CAPTION>

Held-to-maturity

	Cost	Unrealized		Fair Value
		Gain	Loss	
<S>	<C>	<C>	<C>	<C>
US Government and agency	\$26,407	\$ 26	\$ 288	\$26,145
State and Municipal	3,248	66	5	3,309
Mortgage-backed	633	---	9	624
Other	3,542	5	47	3,500
	-----	-----	-----	-----
Total	\$33,830	\$ 97	\$ 349	\$33,578
	=====	=====	=====	=====

</TABLE>

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<TABLE>
<CAPTION>

Available-for-sale

	Cost	Unrealized		Fair Value
		Gain	Loss	
<S>	<C>	<C>	<C>	<C>
US Government and agency	\$26,480	\$ 38	\$ 375	\$26,143

Mortgage-backed	4,220	33	50	4,203
Other	1,792	63	---	1,855
	-----	-----	-----	-----
Total	\$32,492	\$ 134	\$ 425	\$32,201
	=====	=====	=====	=====

</TABLE>

SHAREHOLDERS' EQUITY AND CAPITAL RESOURCES

Total equity at March 31, 1995 was \$27.2 million, compared to \$26.3 million and \$24.9 million at December 31, 1994 and March 31, 1994, respectively. The Corporation declared \$391,000, or \$.30 per share, in dividends for the first quarter of 1995 as compared to \$326,000, or \$.25 per share in the first quarter of 1994.

<TABLE>

<CAPTION>

The following is a summary of risk-based capital ratios:

	3/31/95	12/31/94	3/31/94
	-----	-----	-----
<S>	<C>	<C>	<C>
Tier 1 capital	\$ 26,908	\$ 26,366	\$ 24,353
Tier 2 capital	2,975	2,900	2,630
	-----	-----	-----
Total qualifying capital	\$ 29,883	\$ 29,266	\$ 26,983
	=====	=====	=====
Risk adjusted assets	\$242,719	\$243,591	\$226,570
	=====	=====	=====
Tier 1 leverage ratio	7.94%	7.93%	7.80%
Tier 1 risk-based capital	11.09%	10.82%	10.75%
Total risk-based capital	12.31%	12.01%	11.91%

</TABLE>

PART II - OTHER INFORMATION

Item 4. Submission of matters to a vote of security holders

None

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits - none

Bylaws of Empire Banc Corporation filed as Exhibit (3) to the

Registrant's Current Report Form 8-K dated January 26, 1995.

(b) Reports on Form 8-K

A Current Report on Form 8-K dated January 26, 1995 was filed on February 1, 1995 reporting amendments to the Registrant's Bylaws.

SIGNATURES

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

EMPIRE BANC CORPORATION

(Registrant)

<TABLE>

<S>

Date: May 10, 1995

<C>

\s\ Robert L. Israel

Robert L. Israel
President & Chief Operating Officer

Date: May 10, 1995

\s\ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Secretary, Treasurer & Chief Financial
Officer

</TABLE>