

HMN FINANCIAL INC
Form 10-Q
August 03, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2018

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 0-24100

HMN FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-1777397

(I.R.S. Employer Identification No.)

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1016 Civic Center Drive NW, Rochester, MN
(Address of principal executive offices)

55901
(Zip Code)

Registrant's telephone number, including area 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 27, 2018
Common stock, \$0.01 par value	4,609,440

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HMN FINANCIAL, INC.

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**HMN
FINANCIAL,
INC. AND
SUBSIDIARIES
Consolidated
Balance Sheets**

<i>(Dollars in thousands)</i>	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Cash and cash equivalents	\$ 31,710	37,564
Securities available for sale:		
Mortgage-backed and related securities (amortized cost \$9,145 and \$5,148)	8,895	5,068
Other marketable securities (amortized cost \$73,433 and \$73,653)	71,630	72,404
	80,525	77,472
Loans held for sale	3,624	1,837
Loans receivable, net	589,855	585,931
Accrued interest receivable	2,330	2,344
Real estate, net	701	627
Federal Home Loan Bank stock, at cost	867	817
Mortgage servicing rights, net	1,813	1,724
Premises and equipment, net	8,446	8,226
Goodwill	802	802
Core deposit intangible	305	355
Prepaid expenses and other assets	1,432	1,314
Deferred tax asset, net	3,875	3,672
Total assets	\$ 726,285	722,685
Liabilities and Stockholders' Equity		
Deposits	\$ 639,535	635,601
Accrued interest payable	264	146
Customer escrows	1,268	1,147
Accrued expenses and other liabilities	3,393	4,973
Total liabilities	644,460	641,867

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Commitments and contingencies

Stockholders' equity:

Serial-preferred stock: (\$.01 par value) authorized shares 500,000; issued shares 0	0	0
Common stock (\$.01 par value): authorized shares 16,000,000; issued shares 9,128,662	91	91
Additional paid-in capital	46,950	50,623
Retained earnings, subject to certain restrictions	94,690	91,448
Accumulated other comprehensive loss	(1,479)	(957)
Unearned employee stock ownership plan shares	(1,933)	(2,030)
Treasury stock, at cost 4,519,222 and 4,631,124 shares	(56,494)	(58,357)
Total stockholders' equity	81,825	80,818
Total liabilities and stockholders' equity	\$ 726,285	722,685

See accompanying notes to consolidated financial statements.

Table of Contents**HMN FINANCIAL, INC. AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income**

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Dollars in thousands, except per share data)</i>	2018	2017	2018	2017
Interest income:				
Loans receivable	\$7,006	6,701	13,784	13,061
Securities available for sale:				
Mortgage-backed and related	54	5	96	12
Other marketable	285	283	557	551
Other	111	10	177	34