

Stock Yards Bancorp, Inc.
Form 10-Q
November 05, 2015
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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 September 30, 2015

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 1-13661

STOCK YARDS BANCORP, INC.

(Exact name of registrant as specified in its charter)

Kentucky

61-1137529

(State or other jurisdiction of
incorporation or organization)

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

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1040 East Main Street, Louisville, Kentucky 40206

(Address of principal executive offices including zip code)

(502) 582-2571

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former 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 (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 (§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 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:

**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 ___

The number of shares of the registrant's Common Stock, no par value, outstanding as of October 27, 2015, was 14,870,711.

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Stock Yards Bancorp, inc. and subsidiary

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Consolidated Balance Sheets

September 30, 2015 and December 31, 2014

(In thousands, except share data)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and due from banks	\$ 37,335	\$42,216
Federal funds sold	17,859	32,025
Cash and cash equivalents	55,194	74,241
Mortgage loans held for sale	5,539	3,747
Securities available-for-sale (amortized cost of \$498,633 and \$509,276 in 2015 and 2014, respectively)	504,366	513,056
Federal Home Loan Bank stock and other securities	6,347	6,347
Loans	1,954,425	1,868,550
Less allowance for loan losses	21,614	24,920
Net loans	1,932,811	1,843,630
Premises and equipment, net	39,951	39,088
Bank owned life insurance	30,777	30,107
Accrued interest receivable	6,058	5,980
Other assets	43,564	47,672
Total assets	\$ 2,624,607	\$2,563,868
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	\$ 595,039	\$523,947
Interest bearing	1,546,539	1,599,680
Total deposits	2,141,578	2,123,627
Securities sold under agreements to repurchase	67,557	69,559
Federal funds purchased	62,101	47,390
Accrued interest payable	126	131
Other liabilities	28,598	26,434
Federal Home Loan Bank advances	43,699	36,832
Total liabilities	2,343,659	2,303,973
Stockholders' equity:		
Preferred stock, no par value. Authorized 1,000,000 shares; no shares issued or outstanding	—	—
Common stock, no par value. Authorized 20,000,000 shares; issued and outstanding 14,868,894 and 14,744,684 shares in 2015 and 2014, respectively	10,448	10,035
Additional paid-in capital	42,217	38,191

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Retained earnings	225,178	209,584
Accumulated other comprehensive income	3,105	2,085
Total stockholders' equity	280,948	259,895
Total liabilities and stockholders' equity	\$ 2,624,607	\$ 2,563,868

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Income (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

(In thousands, except per share data)

	For three months ended September 30, 2015		For nine months ended September 30, 2014	
Interest income:				
Loans	\$20,924	\$20,429	\$61,951	\$59,575
Federal funds sold	65	73	184	215
Mortgage loans held for sale	67	54	180	128
Securities – taxable	1,936	1,845	5,939	5,506
Securities – tax-exempt	292	291	877	885
Total interest income	23,284	22,692	69,131	66,309
Interest expense:				
Deposits	900	1,065	2,811	3,319
Federal funds purchased	7	8	19	23
Securities sold under agreements to repurchase	42	37	111	100
Federal Home Loan Bank advances	254	219	694	621
Total interest expense	1,203	1,329	3,635	4,063
Net interest income	22,081	21,363	65,496	62,246
Provision (credit) for loan losses	—	(2,100)	—	(400)
Net interest income after provision for loan losses	22,081	23,463	65,496	62,646
Non-interest income:				
Investment management and trust services	4,373	4,502	13,576	13,825
Service charges on deposit accounts	2,342	2,294	6,621	6,620
Bankcard transaction revenue	1,223	1,182	3,591	3,466
Mortgage banking revenue	772	641	2,513	1,951
Gain (loss) on sales of securities available for sale	—	—	—	(9)
Brokerage commissions and fees	585	539	1,545	1,506
Bank owned life insurance income	222	229	670	699
Other	468	463	1,361	1,324
Total non-interest income	9,985	9,850	29,877	29,382
Non-interest expenses:				
Salaries and employee benefits	11,333	11,855	33,816	33,697
Net occupancy expense	1,518	1,422	4,437	4,431
Data processing expense	1,572	1,591	4,782	4,869
Furniture and equipment expense	282	269	789	796
FDIC insurance expense	318	340	932	1,032
Loss (gain) on other real estate owned	(12)	7	153	(342)

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Other	3,419	3,225	10,167	9,471
Total non-interest expenses	18,430	18,709	55,076	53,954
Income before income taxes	13,636	14,604	40,297	38,074
Income tax expense	4,352	4,715	12,756	11,974
Net income	\$9,284	\$9,889	\$27,541	\$26,100
Net income per share:				
Basic	\$0.63	\$0.68	\$1.87	\$1.79
Diluted	\$0.62	\$0.67	\$1.84	\$1.77
Average common shares:				
Basic	14,754	14,574	14,704	14,542
Diluted	14,986	14,748	14,940	14,732

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Comprehensive Income (Unaudited)

For the three and nine months ended September 30, 2015 and 2014

(In thousands)

	Three months ended September 30, 2015		Nine months ended September 30, 2014	
Net income	\$9,284	\$9,889	\$27,541	\$26,100
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities available for sale:				
Unrealized gains (losses) arising during the period (net of tax of \$1,089, (\$234), \$683 and \$1,521, respectively)	2,023	(435)	1,270	2,823
Reclassification adjustment for securities losses realized in income (net of tax of \$0, \$0, \$0, and \$3, respectively)	—	—	—	6
Unrealized (losses) gains on hedging instruments:				
Unrealized (losses) gains arising during the period (net of tax of (\$124), \$12, (\$135) and \$6, respectively)	(231)	23	(250)	10
Other comprehensive income (loss), net of tax	1,792	(412)	1,020	2,839
Comprehensive income	\$11,076	\$9,477	\$28,561	\$28,939

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the nine months ended September 30, 2015 and 2014

(In thousands, except per share data)

	Common stock Number of shares	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance December 31, 2013	14,609	\$9,581	\$ 33,255	\$188,825	\$ (2,217)	\$229,444
Net income	—	—	—	26,100	—	26,100
Other comprehensive income, net of tax	—	—	—	—	2,839	2,839
Stock compensation expense	—	—	1,459	—	—	1,459
Stock issued for exercise of stock options, net of withholdings to satisfy employee tax obligations upon vesting of stock awards	81	269	1,870	(95)	—	2,044
Stock issued for non-vested restricted stock	40	132	1,022	(1,154)	—	—
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations upon award	5	18	(111)	—	—	(93)
Cash dividends declared, \$0.65 per share	—	—	—	(9,534)	—	(9,534)
Shares repurchased or cancelled	(31)	(102)	(784)	73	—	(813)
Balance September 30, 2014	14,704	\$9,898	\$ 36,711	\$204,215	\$ 622	\$251,446
Balance December 31, 2014	14,745	\$10,035	\$ 38,191	\$209,584	\$ 2,085	\$259,895
Net income	—	—	—	27,541	—	27,541
Other comprehensive income, net of tax	—	—	—	—	1,020	1,020

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Stock compensation expense	—	—	1,561	—	—	1,561
Stock issued for exercise of stock options, net of withholdings to satisfy employee tax obligations upon vesting of stock awards	92	307	2,383	(201)	—	2,489
Stock issued for non-vested restricted stock	35	116	1,088	(1,204)	—	—
Stock issued for share-based awards, net of withholdings to satisfy employee tax obligations upon award	18	60	(397)	(128)	—	(465)
Cash dividends declared, \$0.71 per share	—	—	—	(10,519)	—	(10,519)
Shares repurchased or cancelled	(21)	(70)	(609)	105	—	(574)
Balance September 30, 2015	14,869	\$10,448	\$ 42,217	\$225,178	\$ 3,105	\$280,948

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Cash Flows (Unaudited)

For the nine months ended September 30, 2015 and 2014

(In thousands)

	2015	2014
Operating activities:		
Net income	\$27,541	\$26,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision (credit) for loan losses	—	(400)
Depreciation, amortization and accretion, net	5,088	3,226
Deferred income tax expense (benefit)	1,326	(252)
Loss on sale of securities available for sale	—	9
Gain on sales of mortgage loans held for sale	(1,611)	(769)
Origination of mortgage loans held for sale	(90,997)	(64,332)
Proceeds from sale of mortgage loans held for sale	90,816	63,159
Bank owned life insurance income	(670)	(699)
Loss (gain) on the disposal of premises and equipment	3	(30)
Loss (gain) on the sale of other real estate	153	(342)
Stock compensation expense	1,561	1,459
Excess tax benefits from share-based compensation arrangements	(366)	(257)
(Increase) decrease in accrued interest receivable and other assets	(1,049)	1,107
Increase in accrued interest payable and other liabilities	2,509	2,049
Net cash provided by operating activities	34,304	30,028
Investing activities:		
Purchases of securities available for sale	(203,465)	(220,296)
Proceeds from sale of securities available for sale	5,934	7,732
Proceeds from maturities of securities available for sale	206,734	256,948
Net increase in loans	(90,224)	(66,748)
Purchases of premises and equipment	(3,136)	(1,517)
Proceeds from disposal of premises and equipment	—	344
Proceeds from sale of foreclosed assets	2,332	4,768
Net cash used in investing activities	(81,825)	(18,769)
Financing activities:		