

LANDMARK BANCORP INC
Form 10-Q
November 13, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**xQUARTERLY 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 0-33203

LANDMARK BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

43-1930755

(I.R.S. Employer Identification Number)

701 Poyntz Avenue, Manhattan, Kansas 66502

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

(Address of principal executive offices) (Zip code)

(785) 565-2000

(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 (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. (Check one):

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date: as of November 12, 2015, the issuer had outstanding 3,341,184 shares of its common stock, \$.01 par value per share.

LANDMARK BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

	Page Number
 <u>PART I</u>	
Item 1. <u>Financial Statements</u>	2 - 25
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26 – 35
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	35 – 36
Item 4. <u>Controls and Procedures</u>	37
 <u>PART II</u>	
Item 1. <u>Legal Proceedings</u>	38
Item 1A. <u>Risk Factors</u>	38
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 3. <u>Defaults Upon Senior Securities</u>	38
Item 4. <u>Mine Safety Disclosures</u>	38
Item 5. <u>Other Information</u>	38
Item 6. <u>Exhibits</u>	38
 <u>Signature Page</u>	 39

PART I – FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****LANDMARK BANCORP, INC. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share amounts)	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets		
Cash and cash equivalents	\$ 12,674	\$ 12,760
Investment securities available-for-sale, at fair value	352,436	348,931
Bank stocks, at cost	4,476	4,007
Loans, net of allowance for loans losses of \$5,936 and \$5,320	416,797	416,190
Loans held for sale, net	9,025	10,671
Premises and equipment, net	21,076	20,954
Bank owned life insurance	18,026	17,650
Goodwill	17,532	17,532
Other intangible assets, net	4,387	4,370
Real estate owned, net	101	255
Accrued interest and other assets	10,385	10,150
Total assets	\$ 866,915	\$ 863,470
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing demand	\$ 143,330	\$ 130,492
Money market and checking	312,031	330,580
Savings	79,080	74,424
Time	153,094	169,059
Total deposits	687,535	704,555
Federal Home Loan Bank borrowings	48,300	43,253
Subordinated debentures	21,034	20,884
Other borrowings	14,908	12,410
Accrued interest, taxes, and other liabilities	16,057	10,723
Total liabilities	787,834	791,825

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$0.01 par value per share, 200,000 shares authorized; none issued	-	-
Common stock, \$0.01 par value per share, 7,500,000 shares authorized; 3,341,184 and 3,333,243 shares issued and outstanding at September 30, 2015 December 31, 2014, respectively	33	33
Additional paid-in capital	40,618	40,473
Retained earnings	35,340	29,321
Accumulated other comprehensive income	3,090	1,818
Total stockholders' equity	79,081	71,645
Total liabilities and stockholders' equity	\$ 866,915	\$ 863,470

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(Dollars in thousands, except per share amounts)	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Interest income:				
Loans:				
Taxable	\$ 5,189	\$ 5,248	\$ 15,745	\$ 15,573
Tax-exempt	68	107	211	251
Investment securities:				
Taxable	1,115	1,026	3,458	2,995
Tax-exempt	828	679	2,242	1,919
Total interest income	7,200	7,060	21,656	20,738
Interest expense:				
Deposits	265	305	815	945
Borrowings	508	492	1,496	1,454
Total interest expense	773	797	2,311	2,399
Net interest income	6,427	6,263	19,345	18,339
Provision for loan losses	100	150	(700)	600
Net interest income after provision for loan losses	6,327	6,113	20,045	17,739
Non-interest income:				
Fees and service charges	1,922	1,929	5,417	5,521
Gains on sales of loans, net	2,013	1,526	6,207	4,488
Bank owned life insurance	131	128	376	383
Gains (losses) on sales of investment securities, net	135	-	(119)	39
Other	275	271	1,040	845
Total non-interest income	4,476	3,854	12,921	11,276
Non-interest expense:				
Compensation and benefits	3,885	3,607	11,451	10,585
Occupancy and equipment	1,073	1,120	3,203	3,327
Data processing	352	356	1,041	1,069
Amortization of intangibles	340	339	1,021	974
Professional fees	233	228	726	843
Advertising	184	126	433	346
Federal deposit insurance premiums	97	126	321	391
Foreclosure and real estate owned expense	10	40	55	71
Other	1,134	1,051	3,611	3,291
Total non-interest expense	7,308	6,993	21,862	20,897
Earnings before income taxes	3,495	2,974	11,104	8,118
Income tax expense	966	800	3,182	2,168

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

Net earnings	\$ 2,529	\$ 2,174	\$ 7,922	\$ 5,950
Earnings per share:				
Basic (1)	\$ 0.76	\$ 0.65	\$ 2.37	\$ 1.79
Diluted (1)	\$ 0.73	\$ 0.64	\$ 2.30	\$ 1.76
Dividends per share (1)	\$ 0.19	\$ 0.18	\$ 0.57	\$ 0.54

(1) Per share amounts for the periods ended September 30, 2014 have been adjusted to give effect to the 5% stock dividend paid during December 2014.

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(Dollars in thousands)	Three months ended		Nine months ended	
	September 30, 2015	2014	September 30, 2015	2014
Net earnings	\$ 2,529	\$ 2,174	\$ 7,922	\$ 5,950
Net unrealized holding gains (losses) on available-for-sale securities	3,216	(416)	1,894	4,232
Reclassification adjustment for net (gains) losses included in earnings	(135)	-	119	(39)
Net unrealized gains (losses)	3,081	(416)	2,013	4,193
Income tax effect on net gains (losses) included in earnings	50	-	(44)	14
Income tax effect on net unrealized holding gains (losses)	(1,190)	153	(697)	(1,562)
Other comprehensive income (loss)	1,941	(263)	1,272	2,645
Total comprehensive income	\$ 4,470	\$ 1,911	\$ 9,194	\$ 8,595

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands, except per share amounts)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2014	\$ 31	\$ 36,400	\$ 27,187	\$ (926)	\$ 62,692
Net earnings	-	-	5,950	-	5,950
Other comprehensive income	-	-	-	2,645	2,645
Dividends paid (\$0.54 per share)	-	-	(1,807)	-	(1,807)
Stock-based compensation	-	54	-	-	54
Exercise of stock options, 34,394 shares, including excess tax benefit of \$14	1	507	-	-	508
Balance at September 30, 2014	\$ 32	\$ 36,961	\$ 31,330	\$ 1,719	\$ 70,042
Balance at January 1, 2015	\$ 33	\$ 40,473	\$ 29,321	\$ 1,818	\$ 71,645
Net earnings	-	-	7,922	-	7,922
Other comprehensive income	-	-	-	1,272	1,272
Dividends paid (\$0.57 per share)	-	-	(1,903)	-	(1,903)
Stock-based compensation	-	16	-	-	16
Exercise of stock options, 7,941 shares, including excess tax benefit of \$5	-	129	-	-	129
Balance at September 30, 2015	\$ 33	\$ 40,618	\$ 35,340	\$ 3,090	\$ 79,081

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)	Nine months ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net earnings	\$7,922	\$5,950
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for loan losses	(700)	600
Amortization of investment security premiums, net	1,154	1,304
Amortization of purchase accounting adjustment on loans	(459)	(406)
Amortization of purchase accounting adjustment on subordinated debentures	150	150
Amortization of intangibles	1,021	974
Depreciation	869	833
Increase in cash surrender value of bank owned life insurance	(376)	(383)
Stock-based compensation	16	54
Deferred income taxes	215	(184)
Net losses (gains) on sales of investment securities	119	(39)
Impairment of affordable housing investment	163	-
Net gain on sales of premises, equipment and real estate owned	(240)	(10)
Net gains on sales of loans	(6,207)	(4,488)
Proceeds from sales of loans	229,162	156,403
Origination of loans held for sale	(221,309)	(154,873)
Changes in assets and liabilities:		
Accrued interest and other assets	(2,448)	(2,258)
Accrued expenses, taxes, and other liabilities	1,232	368
Net cash provided by operating activities	10,284	3,995
Cash flows from investing activities:		
Net decrease (increase) in loans	523	(2,060)
Maturities and prepayments of investment securities	45,957	30,158
Purchases of investment securities	(75,238)	(63,930)
Proceeds from sales of investment securities	30,610	1,137
Redemption of bank stocks	8,774	3,497
Purchase of bank stocks	(9,243)	(2,611)
Proceeds from sales of premises and equipment and foreclosed assets	537	338
Purchases of premises and equipment, net	(1,049)	(869)
Net cash provided by (used in) investing activities	871	(34,340)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(17,012)	863
Federal Home Loan Bank advance borrowings	220,326	55,767
Federal Home Loan Bank advance repayments	(215,279)	(41,794)

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

Proceeds from other borrowings	3,158	970
Repayments on other borrowings	(660)	(532)
Proceeds from exercise of stock options, including excess tax benefit	129	508
Payment of dividends	(1,903)	(1,807)
Net cash (used in) provided by financing activities	(11,241)	13,975
Net decrease in cash and cash equivalents	(86)	(16,370)
Cash and cash equivalents at beginning of period	12,760	29,735
Cash and cash equivalents at end of period	\$12,674	\$13,365

(Continued)

LANDMARK BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

(Unaudited)

(Dollars in thousands)	Nine months ended September 30,	
	2015	2014
Supplemental disclosure of cash flow information:		
Cash payments for income taxes	\$ 2,190	\$ 1,480
Cash paid for interest	2,315	2,417
Supplemental schedule of noncash investing and financing activities:		
Transfer of loans to real estate owned	94	101
Investment securities purchases not yet settled	(4,094)	(5,581)

See accompanying notes to consolidated financial statements.

LANDMARK BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Interim Financial Statements

The consolidated financial statements of Landmark Bancorp, Inc. (the "Company") and subsidiary have been prepared in accordance with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of financial statements have been reflected herein. The results of the interim period ended September 30, 2015 are not necessarily indicative of the results expected for the year ending December 31, 2015. The Company has evaluated subsequent events for recognition and disclosure up to the date the financial statements were issued.

2. Investments

A summary of investment securities available-for-sale is as follows:

(Dollars in thousands)	As of September 30, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
U. S. treasury securities	\$6,521	\$ 44	\$ -	\$6,565
U. S. federal agency obligations	30,125	163	(42)	30,246
Municipal obligations, tax exempt	137,208	2,104	(218)	139,094
Municipal obligations, taxable	77,963	963	(161)	78,765
Agency mortgage-backed securities	85,474	1,241	(40)	86,675
Common stocks	580	812	-	1,392
Certificates of deposit	9,699	-	-	9,699
Total	\$347,570	\$ 5,327	\$ (461)	\$352,436

(Dollars in thousands)	As of December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
U. S. treasury securities	\$6,530	\$ 1	\$ (1)	\$6,530

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

U. S. federal agency obligations	25,983	34	(274)	25,743
Municipal obligations, tax exempt	108,752	1,937	(180)	110,509
Municipal obligations, taxable	63,728	544	(350)	63,922
Agency mortgage-backed securities	135,072	1,152	(705)	135,519
Common stocks	588	695	-	1,283
Certificates of deposit	5,425	-	-	5,425
Total	\$346,078	\$ 4,363	\$ (1,510)	\$348,931

The tables above show that some of the securities in the available-for-sale investment portfolio had unrealized losses, or were temporarily impaired, as of September 30, 2015 and December 31, 2014. This temporary impairment represents the estimated amount of loss that would be realized if the securities were sold on the valuation date. Securities which were temporarily impaired are shown below, along with the length of time in a continuous unrealized loss position.

(Dollars in thousands)	No. of securities	As of September 30, 2015					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. federal agency obligations	7	\$4,196	\$ (11)	\$ 8,650	\$ (31)	\$12,846	\$ (42)
Municipal obligations, tax exempt	66	21,085	(197)	3,100	(21)	24,185	(218)
Municipal obligations, taxable	29	8,365	(129)	5,620	(32)	13,985	(161)
Agency mortgage-backed securities	17	1,784	(5)	3,070	(35)	4,854	(40)
Total	119	\$35,430	\$ (342)	\$ 20,440	\$ (119)	\$55,870	\$ (461)

(Dollars in thousands)	No. of securities	As of December 31, 2014					
		Less than 12 months		12 months or longer		Total	
		Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. treasury securities	1	\$2,960	\$ (1)	\$ -	\$ -	\$2,960	\$ (1)
U. S. federal agency obligations	14	7,361	(14)	11,958	(260)	19,319	(274)
Municipal obligations, tax exempt	71	13,927	(66)	7,329	(114)	21,256	(180)
Municipal obligations, taxable	74	14,797	(92)	14,827	(258)	29,624	(350)
Agency mortgage-backed securities	29	17,535	(76)	25,759	(629)	43,294	(705)
Total	189	\$56,580	\$ (249)	\$ 59,873	\$ (1,261)	\$116,453	\$ (1,510)

The Company's U.S. federal agency portfolio consists of securities issued by the government-sponsored agencies of Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") and Federal Home Loan Bank ("FHLB"). The receipt of principal and interest on U.S. federal agency obligations is guaranteed by the respective government-sponsored agency guarantor, such that the Company believes that its U.S. federal agency obligations do not expose the Company to credit-related losses. Based on these factors, along with the Company's intent to not sell the securities and its belief that it was more likely than not that the Company will not be required to sell the securities before recovery of their cost basis, the Company believed that the U.S. federal agency obligations identified in the tables above were temporarily impaired as of the date of the respective table.

The Company's portfolio of municipal obligations consists of both tax-exempt and taxable general obligations securities issued by various municipalities. As of September 30, 2015, the Company did not intend to sell the securities and it was more likely than not that the Company will not be required to sell its municipal obligations in an

unrealized loss position until the recovery of their costs. Due to the issuers' continued satisfaction of the securities' obligations in accordance with their contractual terms and the expectation that they will continue to do so, the evaluation of the fundamentals of the issuers' financial condition and other objective evidence, the Company believed that the municipal obligations identified in the tables above were temporarily impaired as of the date of the respective table.

The Company's agency mortgage-backed securities portfolio consists of securities underwritten to the standards of and guaranteed by the government-sponsored agencies of FHLMC, FNMA and the Government National Mortgage Association ("GNMA"). The receipt of principal, at par, and interest on agency mortgage-backed securities is guaranteed by the respective government-sponsored agency guarantor, such that the Company believed that its agency mortgage-backed securities did not expose the Company to credit-related losses. Based on these factors, along with the Company's intent to not sell the securities and the Company's belief that it was more likely than not that the Company will not be required to sell the securities before recovery of their cost basis, the Company believed that the agency mortgage-backed securities identified in the tables above were temporarily impaired as of the date of the respective table.

The table below includes scheduled principal payments and estimated prepayments, based on observable market inputs, for agency mortgage-backed securities. Actual maturities will differ from contractual maturities because borrowers have the right to prepay obligations with or without prepayment penalties. The amortized cost and fair value of investment securities at September 30, 2015 are as follows:

(Dollars in thousands)	Amortized cost	Estimated fair value
Due in less than one year	\$ 11,202	\$ 11,236
Due after one year but within five years	193,843	195,732
Due after five years but within ten years	88,699	90,564
Due after ten years	53,246	53,512
Common stocks	580	1,392
Total	\$ 347,570	\$ 352,436

Sales proceeds and gross realized gains and losses on sales of available-for-sale securities are as follows:

(Dollars in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Sales proceeds	\$ 11,541	\$ -	\$ 30,610	\$ 1,137
Realized gains	\$ 206	\$ -	\$ 230	\$ 39
Realized losses	(71)	-	(349)	-
Net realized gains (losses)	\$ 135	\$ -	\$ (119)	\$ 39

Securities with carrying values of \$182.0 million and \$212.9 million were pledged to secure public funds on deposit, repurchase agreements and as collateral for borrowings at September 30, 2015 and December 31, 2014, respectively. Except for U.S. federal agency obligations, no investment in a single issuer exceeded 10% of consolidated stockholders' equity.

3. Loans and Allowance for Loan Losses

Loans consisted of the following as of the dates indicated below:

September 30, December 31,

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

(Dollars in thousands)	2015	2014
One-to-four family residential real estate	\$ 133,282	\$ 127,555
Construction and land	14,313	21,950
Commercial real estate	116,147	118,411
Commercial loans	63,411	59,971
Agriculture loans	67,874	64,316
Municipal loans	7,863	8,982
Consumer loans	20,006	20,044
Total gross loans	422,896	421,229
Net deferred loan costs and loans in process	(163) 281
Allowance for loan losses	(5,936) (5,320
Loans, net	\$ 416,797	\$ 416,190

In the first quarter of 2015, the Company adjusted the historical loss analysis within the evaluation of the allowance for loan losses. The Company previously used a twelve quarter historical loss rate calculated by loan class. The updated historical loss analysis uses a migration analysis to track historical losses by loan class and risk categories over a longer period of time. In the opinion of management, the adjusted historical loss analysis more accurately allocates estimated losses. The adjustments resulted in reclassifications of the allocated allowance among various loan classes compared to December 31, 2014. The adjustments to the historical loss analysis did not have a significant impact on the total allowance for loan losses balance as of December 31, 2014. The following tables provide information on the Company's allowance for loan losses by loan class and allowance methodology:

(Dollars in thousands)	Three and nine months ended September 30, 2015							Total
	One-to-four family residential real estate	Construction and land	Commercial real estate	Commercial loans	Agriculture loans	Municipal loans	Consumer loans	
Allowance for loan losses:								
Balance at July 1, 2015	\$ 1,325	\$ 99	\$ 1,539	\$ 1,756	\$ 1,102	\$ 21	\$ 176	\$ 6,018
Charge-offs	(48)	-	-	(68)	-	-	(88)	(204)
Recoveries	3	2	-	10	-	-	7	22
Provision for loan losses	(172)	(3)	129	(113)	144	1	114	100
Balance at September 30, 2015	1,108	98	1,668	1,585	1,246	22	209	5,936
Balance at January 1, 2015	\$ 755	\$ 762	\$ 1,832	\$ 836	\$ 915	\$ 51	\$ 169	\$ 5,320
Charge-offs	(57)	-	-	(78)	-	(88)	(230)	(453)
Recoveries	8	1,721	2	13	-	-	25	1,769
Provision for loan losses	402	(2,385)	(166)	814	331	59	245	(700)
Balance at September 30, 2015	1,108	98	1,668	1,585	1,246	22	209	5,936
	Three and nine months ended September 30, 2014							
	One-to-four family residential real estate	Construction and land	Commercial real estate	Commercial loans	Agriculture loans	Municipal loans	Consumer loans	Total
(Dollars in thousands)								
Allowance for loan losses:								
Balance at July 1, 2014	\$ 596	\$ 812	\$ 1,876	\$ 1,034	\$ 597	\$ 58	\$ 176	\$ 5,149
Charge-offs	(3)	-	-	(12)	-	-	(81)	(96)
Recoveries	3	4	-	1	-	-	11	19
Provision for loan losses	(13)	27	(77)	203	(18)	(2)	30	150
Balance at September 30, 2014	583	843	1,799	1,226	579	56	136	5,222
Balance at January 1, 2014	\$ 732	\$ 1,343	\$ 1,970	\$ 769	\$ 545	\$ 47	\$ 134	\$ 5,540

Edgar Filing: LANDMARK BANCORP INC - Form 10-Q

Charge-offs	(23)	-	-	(783)	-	-	(170)	(976)
Recoveries	9	11	5	2	-	-	31	58
Provision for loan losses	(135)	(511)	(176)	1,238	34	9	141	600
Balance at September 30, 2014	583	843	1,799	1,226	579	56	136	5,222

(Dollars in thousands)	As of September 30, 2015							Total
	One-to-four family residential real estate	Construction and land	Commercial real estate	Commercial loans	Agriculture loans	Municipal loans	Consumer loans	
Allowance for loan losses:								
Individually evaluated for loss	148	-	14	124	-	-	11	297
Collectively evaluated for loss	960	98	1,654	1,461	1,246	22	198	5,639
Total	1,108	98	1,668	1,585	1,246	22	209	5,936
Loan balances:								
Individually evaluated for loss	1,642	2,825	2,086	1,100	268	630	38	8,589
Collectively evaluated for loss	131,640	11,488	114,061	62,311	67,606	7,233	19,968	414,307
Total	\$133,282	\$14,313	\$116,147	\$63,411	\$67,874	\$7,863	\$20,006	\$422,896

(Dollars in thousands)	As of December 31, 2014							Total
	One-to-four family residential real estate	Construction and land	Commercial real estate	Commercial loans	Agriculture loans	Municipal loans	Consumer loans	
Allowance for loan losses:								
Individually evaluated for loss	287	-	17	28	5	-	12	349
Collectively evaluated for loss	468	762	1,815	808	910	51	157	4,971
Total	755	762	1,832	836	915	51	169	5,320
Loan balances:								
Individually evaluated for loss	1,589	4,805	2,880	371	285	706	67	10,703
Collectively evaluated for loss	125,966	17,145	115,531	59,600	64,031	8,276	19,977	410,526
Total	\$127,555	\$21,950	\$118,411	\$59,971	\$64,316	\$8,982	\$20,044	\$421,229

The Company recorded net loan recoveries of \$1.3 million during the first nine months of 2015 compared to net loan charge-offs of \$918,000 during the first nine months of 2014. The net loan recoveries during 2015 were primarily associated with the recovery of \$1.7 million on a \$4.3 million construction loan which was fully charged-off during

2010 and 2011. As of September 30, 2015, the Company has recovered approximately \$2.4 million of the loan and continues to pursue collection of the remaining amount.

The Company's impaired loans decreased from \$10.7 million at December 31, 2014 to \$8.6 million at September 30, 2015. The difference between the unpaid contractual principal and the impaired loan balance is a result of charge-offs recorded against impaired loans. The difference in the Company's non-accrual loan balances and impaired loan balances at September 30, 2015 and December 31, 2014, was related to troubled debt restructurings ("TDR") that are current and accruing interest, but still classified as impaired. Interest income recognized on a cash basis was immaterial during the nine months ended September 30, 2015 and 2014. The following tables present information on impaired loans:

(Dollars in thousands)	As of September 30, 2015						
	Unpaid contractual principal	Impaired loan balance	Impaired loans without an allowance	Impaired loans with an allowance	Related allowance recorded	Year-to-date average loan balance	Year-to-date interest income recognized
One-to-four family residential real estate	\$1,642	\$ 1,642	\$ 612	\$ 1,030	\$ 148	\$ 1,782	\$ -
Construction and land	4,560	2,825	2,825	-	-	3,094	68
Commercial real estate	2,086	2,086	1,992	94	14	5,212	36
Commercial loans	1,117	1,100	196	904	124	1,107	2
Agriculture loans	268	268	268	-	-	289	3
Municipal loans	630	630	630	-	-	633	14
Consumer loans	38	38	11	27	11	43	-
Total impaired loans	\$10,341	\$ 8,589	\$ 6,534	\$ 2,055	\$ 297	\$ 12,160	\$ 123

(Dollars in thousands)	As of December 31, 2014						
	Unpaid contractual principal	Impaired loan balance	Impaired loans without an allowance	Impaired loans with an allowance	Related allowance recorded	Year-to-date average loan balance	Year-to-date interest income recognized
One-to-four family residential real estate	\$1,589	\$ 1,589	\$ 167	\$ 1,422	\$ 287	\$ 1,611	\$ -
Construction and land	6,540	4,805	4,805				