

Harvard Illinois Bancorp, Inc.

Financial Statements

For the Quarterly Period Ended June 30, 2014

HARVARD ILLINOIS BANCORP, INC.

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

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HARVARD ILLINOIS BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	(Unaudited) June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 1,442	\$ 1,712
Interest-bearing demand deposits in banks	1,973	1,260
Securities purchased under agreements to resell	<u>21,813</u>	<u>25,117</u>
Cash and cash equivalents	<u>25,228</u>	<u>28,089</u>
Interest-bearing deposits with other financial institutions	5,302	6,240
Available-for-sale securities	8,754	5,545
Held-to-maturity securities, at amortized cost (estimated fair value of \$397 and \$839 at June 30, 2014 and December 31, 2013, respectively)	393	833
Loans, net of allowance for loan losses \$2,400 and \$2,475 at June 30, 2014 and December 31, 2013	118,699	116,858
Premises and equipment, net	3,290	3,366
Federal Home Loan Bank stock, at cost	870	870
Foreclosed assets held for sale	448	331
Accrued interest receivable	816	786
Deferred income taxes	1,786	1,897
Bank-owned life insurance	4,527	4,472
Loan servicing rights	613	620
Other	<u>142</u>	<u>213</u>
Total assets	<u>\$ 170,868</u>	<u>\$ 170,120</u>
Liabilities and Equity		
Liabilities		
Deposits		
Demand	\$ 7,171	\$ 6,463
Savings, NOW and money market	53,007	51,794
Certificates of deposit	<u>72,910</u>	<u>75,493</u>
Total deposits	<u>133,088</u>	<u>133,750</u>
Federal Home Loan Bank advances	13,265	12,206
Advances from borrowers for taxes and insurance	389	358
Deferred compensation	2,420	2,433
Accrued interest payable	19	19
Other	<u>875</u>	<u>908</u>
Total liabilities	<u>150,056</u>	<u>149,674</u>
Commitments and Contingencies		
	—	—
Stockholders' Equity		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, \$.01 par value, 30,000,000 shares authorized; 840,146 and 833,851 shares issued and outstanding at June 30, 2014 and December 31, 2013	8	8
Additional paid-in capital	7,378	7,253
Unearned ESOP shares, at cost; June 30, 2014 – 43,943 shares; December 31, 2013 – 46,035 shares	(439)	(460)
Amount reclassified on ESOP shares	(320)	(268)
Retained earnings	14,146	13,897
Accumulated other comprehensive income, net of tax	<u>39</u>	<u>16</u>
Total stockholders' equity	<u>20,812</u>	<u>20,446</u>
Total liabilities and stockholders' equity	<u>\$ 170,868</u>	<u>\$ 170,120</u>

HARVARD ILLINOIS BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30,	2013	Six Months Ended June 30,	2013
	2014		2014	
Interest and Dividend Income				
Interest and fees on loans	\$ 1,539	\$ 1,491	\$ 3,113	\$ 3,036
Securities				
Taxable	12	22	24	56
Tax-exempt	13	9	26	18
Securities purchased under agreements to resell	61	45	124	89
Other	17	20	31	41
Total interest and dividend income	<u>1,642</u>	<u>1,587</u>	<u>3,318</u>	<u>3,240</u>
Interest Expense				
Deposits	283	317	580	638
Federal Home Loan Bank advances	44	67	89	139
Total interest expense	<u>327</u>	<u>384</u>	<u>669</u>	<u>777</u>
Net Interest Income	1,315	1,203	2,649	2,463
Provision for Loan Losses	<u>35</u>	<u>49</u>	<u>60</u>	<u>193</u>
Net Interest Income After Provision for Loan Losses	<u>1,280</u>	<u>1,154</u>	<u>2,589</u>	<u>2,270</u>
Noninterest Income				
Customer service fees	72	73	148	147
Brokerage commission income	—	—	—	1
Net realized gains (losses) on loan sales	9	130	13	222
Loan servicing fees	63	56	122	105
Bank-owned life insurance income, net	26	29	52	57
Other	3	2	4	4
Total noninterest income	<u>173</u>	<u>290</u>	<u>339</u>	<u>536</u>
Noninterest Expense				
Compensation and benefits	603	626	1,263	1,266
Occupancy	123	124	262	251
Data processing	83	77	166	157
Professional fees	172	130	266	244
Marketing	13	22	22	52
Office supplies	13	8	27	18
Federal deposit insurance	37	43	69	76
Indirect automobile loan servicing fee	26	30	50	53
Foreclosed assets, net	5	25	(16)	84
Other	115	101	208	174
Total noninterest expense	<u>1,190</u>	<u>1,186</u>	<u>2,317</u>	<u>2,375</u>
Income Before Income Taxes	263	258	611	431
Provision for Income Taxes	<u>90</u>	<u>64</u>	<u>204</u>	<u>78</u>
Net Income	<u>\$ 173</u>	<u>\$ 194</u>	<u>\$ 407</u>	<u>\$ 353</u>
Earnings Per Share				
Basic	\$.21	\$.25	\$.51	\$.45
Diluted	.21	.25	.50	.45

HARVARD ILLINOIS BANCORP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	\$ 173	\$ 194	\$ 407	\$ 353
Other Comprehensive Income				
Unrealized appreciation (depreciation) on available-for-sale securities, net of taxes of \$7 and \$(14) for the three months ended June 30, 2014 and 2013, respectively and \$12 and \$(17) for the six months ended June 30, 2014 and 2013, respectively	<u>12</u>	<u>(27)</u>	<u>23</u>	<u>(33)</u>
Comprehensive Income	<u>\$ 185</u>	<u>\$ 167</u>	<u>\$ 430</u>	<u>\$ 320</u>

HARVARD ILLINOIS BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Amount Reclassified On ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total
For the Six Months Ended June 30, 2014 (unaudited)							
Balance, January 1, 2014	\$ 8	\$ 7,253	\$ (460)	\$ (268)	\$ 13,897	\$ 16	\$ 20,446
Net income	—	—	—	—	407	—	407
Other comprehensive income	—	—	—	—	—	23	23
ESOP shares earned, 2,092 shares	—	15	21	—	—	—	36
Stock-based compensation expense	—	60	—	—	—	—	60
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	—	—	—	(52)	—	—	(52)
Exercise of stock options, 6,556 shares	—	54	—	—	—	—	54
Repurchase of common stock, 261 shares	—	(4)	—	—	—	—	(4)
Dividends on common stock, \$.20 per share	—	—	—	—	(158)	—	(158)
Balance, June 30, 2014	<u>\$ 8</u>	<u>\$ 7,378</u>	<u>\$ (439)</u>	<u>\$ (320)</u>	<u>\$ 14,146</u>	<u>\$ 39</u>	<u>\$ 20,812</u>
For the Six Months Ended June 30, 2013 (unaudited)							
Balance, January 1, 2013	\$ 8	\$ 6,976	\$ (502)	\$ (163)	\$ 13,291	\$ 7	\$ 19,617
Net income	—	—	—	—	353	—	353
Other comprehensive loss	—	—	—	—	—	(33)	(33)
ESOP shares earned, 2,092 shares	—	8	21	—	—	—	29
Stock-based compensation expense	—	57	—	—	—	—	57
Reclassification due to change in fair value of common stock in ESOP subject to contingent repurchase obligation	—	—	—	(38)	—	—	(38)
Exercise of stock options, 13,774 shares	—	112	—	—	—	—	112
Dividends on common stock, \$.10 per share	—	—	—	—	(82)	—	(82)
Balance, June 30, 2013	<u>\$ 8</u>	<u>\$ 7,153</u>	<u>\$ (481)</u>	<u>\$ (201)</u>	<u>\$ 13,562</u>	<u>\$ (26)</u>	<u>\$ 20,015</u>

HARVARD ILLINOIS BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	(Unaudited)	
	Six Months Ended June 30,	
	2014	2013
Operating Activities		
Net income	\$ 407	\$ 353
Items not requiring (providing) cash		
Depreciation	113	101
Provision for loan losses	60	193
Amortization (accretion) of premiums and discounts on securities	21	13
Deferred income taxes	99	(118)
Net realized gains on loan sales	(13)	(222)
(Gains) losses and write down on foreclosed assets held for sale	(30)	79
Bank-owned life insurance income, net	(57)	(58)
Originations of loans held for sale	(4,120)	(11,783)
Proceeds from sales of loans held for sale	4,140	11,888
ESOP compensation expense	60	29
Stock-based compensation expense	36	57
Changes in		
Accrued interest receivable	(30)	(126)
Other assets	134	76
Accrued interest payable	—	(2)
Deferred compensation	(13)	44
Other liabilities	(85)	987
Net cash provided by operating activities	<u>722</u>	<u>1,511</u>
Investing Activities		
Net decrease in interest-bearing deposits	938	1,000
Purchases of available-for-sale securities	(3,518)	(1,080)
Proceeds from maturities and pay-downs of available-for-sale securities	322	2,764
Purchase of held-to-maturity securities	(103)	—
Proceeds from maturities and pay-downs of held-to-maturity securities	544	336
Net change in loans	(2,352)	(1,443)
Purchase of premises and equipment	(37)	(25)
Purchases of Federal Home Loan Bank stock	—	(426)
Proceeds from redemption of Federal Home Loan Bank stock	—	960
Proceeds from sale of foreclosed assets	303	129
Net cash provided by (used in) investing activities	<u>(3,903)</u>	<u>2,215</u>
Financing Activities		
Net increase in demand deposits, money market, NOW and savings accounts	1,921	310
Net decrease in certificates of deposit, including brokered certificates	(2,583)	(2,809)
Net increase in advances from borrowers for taxes and insurance	31	9
Proceeds from Federal Home Loan Bank advances	12,600	9,500
Repayments of Federal Home Loan Bank advances	(11,541)	(8,967)
Dividends paid	(158)	(82)
Repurchase of common stock	(4)	—
Stock options exercised	54	112
Net cash provided by (used in) financing activities	<u>320</u>	<u>(1,927)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,861)	1,799
Cash and Cash Equivalents, Beginning of Period	<u>28,089</u>	<u>22,859</u>
Cash and Cash Equivalents, End of Period	<u>\$ 25,228</u>	<u>\$ 24,658</u>
Supplemental Cash Flows Information		
Interest paid	\$ 669	\$ 779
Income taxes paid	184	176
Foreclosed assets acquired in settlement of loans	451	267