ANDERSONS INC
Form 8-K
May 13, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): May 10, 2013
The Andersons, Inc.

(Exact name of registrant as specified in its charter)

Ohio	000-20557	34-1562374
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

480 West Dussel Drive, Maumee, Ohio	43537
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 419-893-5050
Not Applicable

Former name or former address, if changed since last report
Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.07 Submission of Matters to a Vote of Security Holders.

The annual meeting of the shareholders of The Andersons, Inc. was held on May 10, 2013 to elect nine directors and to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm. The results of the voting are as follows:

Proposal 1 - Election of Directors:

Director	For	Against	Withheld	Non Votes
Michael J. Anderson	14,483,092	—	382,498	2,522,625
Gerard M. Anderson	6,970,386	—	7,895,204	2,522,625
Catherine M. Kilbane	11,747,779	—	3,117,811	2,522,625
Robert J. King, Jr.	14,367,375	—	498,215	2,522,625
Ross W. Manire	14,507,520	—	358,070	2,522,625
Donald L. Mennel	11,948,985	—	2,916,605	2,522,625
David Nichols	11,877,695	—	2,987,895	2,522,625
John T. Stout, Jr.	14,728,467	—	137,123	2,522,625
Jacqueline F. Woods	11,760,975	—	3,104,615	2,522,625

Proposal 2 - Ratification of appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for the year ending December 31, 2013:

For:	17,071,086
Against:	202,105
Abstain:	115,024
Non Votes:	2,522,625

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 hereunto duly authorized.

The Andersons, Inc.

May 13, 2013 By: /s/ John Granato

Name: John Granato
Chief Financial Officer
(Principal Financial Officer)

D>

Net interest margin

3.64% 3.50%

(1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.
(2) Nonperforming loans are included in average balance computations.
(3) Balances are reflected net of unearned income.
(4) Includes residential mortgage loans HFS.
(5) Includes securities available-for-sale at fair value.
(6) Average Balances and related yield are calculated using the fair value of available-for-sale securities.
(7) Includes federal funds purchased and securities sold under agreement to repurchase.

43

Table of Contents

	Six Months Ended June 30,					
	2014			2013		
(Dollars In Thousands)	**Average Balance**	**Interest**	**Yield/ Rate (1)**	Average Balance	Interest	Yield/ Rate (1)
Assets:						
Interest-earning assets:						
Loans (2) (3):						
Commercial real estate loans	**$ 842,503**	**$ 18,871**	**4.48%**	$ 777,428	$ 18,266	4.70%
Residential real estate loans (4)	**236,673**	**4,553**	**3.85**	256,533	5,176	4.04
Commercial loans	**1,617,284**	**35,221**	**4.36**	1,497,242	33,443	4.47
Consumer loans	**306,280**	**6,876**	**4.53**	284,866	6,675	4.73
Total loans	**3,002,740**	**65,521**	**4.36**	2,816,069	63,560	4.51
Mortgage-backed securities (5) (6)	**697,411**	**6,813**	**1.95**	742,386	6,506	1.70
Investment securities (5) (6)	**142,499**	**1,606**	**3.40**	70,025	453	1.30
Reverse mortgages and related assets	**35,854**	**2,594**	**14.47**	18,902	907	9.60
Other interest-earning assets	**35,364**	**664**	**3.79**	33,333	47	0.28
Total interest-earning assets	**3,913,868**	**77,198**	**4.00**	3,680,715	71,473	3.90
Allowance for loan losses	**(41,961)**			(43,977)		
Cash and due from banks	**77,439**			77,562		
Cash in non-owned ATMs	**360,152**			420,069		
Bank-owned life insurance	**63,304**			62,951		
Other noninterest-earning assets	**134,195**			117,756		
Total assets	**$ 4,506,997**			$ 4,315,076		
Liabilities and Stockholders Equity:						
Interest-bearing liabilities:						
Interest-bearing deposits:						
Interest-bearing demand	**$ 628,481**	**$ 294**	**0.09%**	$ 534,324	$ 248	0.09%
Money market	**759,417**	**648**	**0.17**	780,279	594	0.15
Savings	**399,145**	**120**	**0.06**	396,295	110	0.06
Customer time deposits	**452,600**	**1,937**	**0.87**	564,630	2,570	0.92
Total interest-bearing customer deposits	**2,239,643**	**2,999**	**0.27**	2,275,528	3,522	0.31
Brokered certificates of deposit	**222,892**	**371**	**0.34**	180,470	318	0.36
Total interest-bearing deposits	**2,462,535**	**3,370**	**0.28**	2,455,998	3,840	0.32
FHLB of Pittsburgh advances	**669,982**	**1,187**	**0.35**	515,287	894	0.35
Trust preferred borrowings	**67,011**	**656**	**1.96**	67,011	666	1.98
Reverse mortgage bonds payable	**3,280**	**15**	**0.91**			
Senior Debt	**55,000**	**1,883**	**6.85**	55,000	1,887	6.86
Other borrowed funds (7)	**148,088**	**566**	**0.77**	146,112	550	0.75

Total interest-bearing liabilities	**3,405,896**	**7,677**	**0.45**	3,239,408	7,837	0.48
Noninterest-bearing demand deposits	**656,302**			622,269		
Other noninterest-bearing liabilities	**33,570**			29,283		
Stockholders equity	**411,229**			424,116		
Total liabilities and stockholders equity	**$ 4,506,997**			$ 4,315,076		
Excess of interest-earning assets over interest-bearing liabilities	**$ 507,972**			$ 441,307		
Net interest and dividend income		**$ 69,521**			$ 63,636	
Interest rate spread			**3.55%**			3.42%
Net interest margin			**3.61%**			3.48%

(1) Weighted average yields have been computed on a tax-equivalent basis using a 35% effective tax rate.
(2) Nonperforming loans are included in average balance computations.
(3) Balances are reflected net of unearned income.
(4) Includes residential mortgage loans HFS.
(5) Includes securities available-for-sale at fair value.
(6) Average Balances and related yield are calculated using the fair value of available-for-sale securities.
(7) Includes federal funds purchased and securities sold under agreement to repurchase.

The net interest margin for the second quarter of 2014 was 3.64%, a fourteen basis point increase compared to 3.50% for the second quarter of 2013. The increase in net interest margin from the second quarter of 2013 reflected improvement due to the consolidation of reverse mortgage assets late in the third quarter of 2013, improved balance sheet mix as higher yielding loans replaced low yielding mortgage-backed securities, as well as increases in other interest earning assets. In conjunction with the reduction of higher-cost CDs, our net interest income increased $3.4 million, or 11%, over the second quarter of 2013.

The net interest margin for the six months ended June 30, 2014 was 3.61%, compared to the 3.48% for the same period in 2013. Compared to the six months ended June 30, 2013, our net interest income increased $5.9 million, or 9%. Similar to the quarterly discussion above, the increase in net interest margin and income reflected improvement due to the consolidation of reverse mortgage assets, improved balance sheet mix, increases in other interest earning assets and deposit pricing management.

Table of Contents

Provision for Loan Losses

Our provision for loan losses is based on the inherent risk of our loans and considers various factors including collateral values, trends in asset quality, level of delinquent loans and loan concentrations. In addition, regional economic conditions are also taken into consideration. The provision for loan losses decreased to $2.7 million for the six months ended June 30, 2014, compared to $3.9 million for the same period in 2013.

Our allowance for loan losses of $41.4 million at June 30, 2014 increased slightly from $41.2 million at December 31, 2013 and the ratio of allowance to loan losses for total gross loans was 1.36% at June 30, 2014, compared to 1.40% at December 31, 2013 as loans grew faster than our provision. The allowance for loan losses and provision reflect the following:

Net charge-offs were $2.5 million for the six months ended June 30, 2014 compared to $6.3 million for the six months ended June 30, 2013.

Total problem loans (all criticized, classified, and non-performing loans) were 35.59% of Tier 1 Capital plus allowance for loan losses as of June 30, 2014, compared to 33.58% at December 31, 2013 and 41.44% at June 30, 2013.

Nonperforming loans increased to $34.1 million as of June 30, 2014 compared to $31.0 million as of December 31, 2013.

Total loan delinquency was 0.76% as of June 30, 2014, compared to 0.76% as of December 31, 2013.

	For the Six Months Ended June 30,	
	2014	2013
	(Dollars in Thousands)	
Beginning balance	**$ 41,244**	$ 43,922
Provision for loan losses	**2,680**	3,911
Charge-offs:		
Residential real estate	**527**	695
Commercial real estate	**160**	1,721
Construction	**88**	1,340
Commercial	**1,495**	1,139
Owner-occupied commercial	**321**	37
Overdrafts	**486**	449
Consumer	**1,237**	2,361
Total charge-offs	**4,314**	7,742

Recoveries:		
Residential real estate	**43**	41
Commercial real estate	**39**	109
Construction	**184**	85
Commercial	**807**	627
Owner-occupied commercial	**167**	45
Overdrafts	**279**	214
Consumer	**252**	282
Total recoveries	**1,771**	1,403
Net charge-offs	**2,543**	6,339
Ending balance	**$ 41,381**	$ 41,494
Net charge-offs to average gross loans outstanding, net of unearned income (1)	**0.17%**	0.44%

(1) Ratios for the six months ended June 30, 2014 and 2013 are annualized.

45

Table of Contents

Noninterest Income

During the second quarter of 2014, the company earned noninterest income of $19.6 million, compared to $19.5 million in the second quarter of 2013. Excluding net securities gains in both periods, noninterest income increased $625,000, or 3%. The growth is a result of continued expansion in the Trust and Wealth Management and the Cash Connect divisions as well as increases in the Bank s deposit service charges. Partially offsetting these gains were small declines in mortgage banking revenue and debit/credit and ATM revenue.

For the six months ended June 30, 2014, the company earned noninterest income of $38.0 million, compared to $37.6 million, an increase of 1% compared to June 30, 2013. Excluding net securities gains in both periods, noninterest income increased $2.0 million or 6%. This overall increase also reflects expansion in the Cash Connect division, increases in deposit service charges, and expansion in the Trust and Wealth Management division. Compared to the six months ended June 30, 2013, Cash Connect Courier revenue increased $1.2 million, or 6.3%, Deposit service charges increased $385,000, or 5% and the Trust and Wealth Management investment management and fiduciary revenue increased $334,000, or 4%. Mortgage banking income held steady despite the significant decrease in refinance activity. The stability in mortgage banking reflects last August s addition of Array, our Pennsylvania mortgage banking division.

Noninterest Expense

Noninterest expense for the second quarter of 2014 was $35.5 million, an increase of $2.3 million or 7% from $33.2 million in the second quarter of 2013. During the second quarter of 2014, corporate development and litigation costs increased due to ongoing costs related to the legal matter as disclosed in Note 14 to the Consolidated Financial Statements as well as the merger with First Wyoming. Also contributing to the year-over-year expense growth is an increase in salaries, benefits and other compensation expense of $1.2 million due to the addition of Array and Arrow, as well as a higher level of expenses related to growth in the franchise.

For the six months ended June 30, 2014, noninterest expense for the second quarter of 2014 was $69.7 million, an increase of $4.2 million or 6% from $65.5 million at June 30, 2013. Similar to the quarterly comparison above, corporate development, litigation and other professional fees increased. Also included in the increase was additional expenses due to the Array and Arrow acquisition and support for overall corporate growth. Finally, first half 2014 expenses included increase costs such as higher utility and snow removal expenses as a result of the 2014 winter weather.

Income Taxes

We and our subsidiaries file a consolidated federal income tax return and separate state income tax returns. Income taxes are accounted for in accordance with ASC 740, which requires the recording of deferred income taxes for tax consequences of temporary differences. We recorded an income tax expense of $6.8 million and $5.5 million during the three and six months ended June 30, 2014, respectively, compared to an income tax expense of $5.9 million and $11.2 million for the same periods in 2013.

The first quarter of 2014 included the recognition of $6.7 million of tax benefits related to the legal call of our reverse mortgage trust bonds as more fully discussed in Note 9, Taxes on Income to our Consolidated Financial Statements. Our effective tax rate was 34.9% and 15.6% for the three and six months ended June 30, 2014, respectively, compared to 34.9% and 35.1% during the same periods in 2013. Excluding the reverse mortgage tax benefit, our effective tax rate was 34.8% for the six months ended June 30, 2014.

The effective tax rate reflects the recognition of certain tax benefits in the financial statements including those benefits from tax-exempt interest income, federal low-income housing tax credits, and BOLI income. These tax benefits are offset by the tax effect of stock-based compensation expense related to incentive stock options and a provision for state income tax expense.

We frequently analyze our projections of taxable income and make adjustments to our provision for income taxes accordingly.

Table of Contents

RECONCILIATION OF NON-GAAP MEASUREMENT TO GAAP

The following table provides a reconciliation of tangible common book value per share of common stock to book value per share of common stock, the most directly comparable GAAP financial measure. We believe this measure is important to management and investors to better understand and assess changes from period to period in stockholders equity exclusive of changes in intangible assets.

	June 30, 2014	December 31, 2013
	(In Thousands)	
End of period balance sheet data:		
Stockholders equity	**$ 431,955**	$ 383,050
Goodwill and other intangible assets	**(38,295)**	(38,978)
Tangible common equity (numerator)	**$ 393,660**	$ 344,072
Shares of common stock outstanding (denominator)	**8,924**	8,895
Book value per share of common stock	**$ 48.40**	$ 43.06
Goodwill and other intangible assets	**(4.29)**	(4.38)
Tangible book value per share of common stock	**$ 44.11**	$ 38.68

RECENT LEGISLATION

In July 2013, the Board of Governors of the Federal Reserve System, FDIC and the OCC approved final rules (the Final Capital Rules) implementing revised capital rules to reflect the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) and the Basel III international capital standards. Among other things, the Final Capital Rules establish a new capital ratio of common equity Tier 1 capital of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets; increase the minimum ratio of Tier 1 capital ratio from 4% to 6% and include a minimum leverage ratio of 4%; place an emphasis on common equity Tier 1 capital and implement the Dodd-Frank Act phase-out of certain instruments from Tier 1 capital; and change the risk weights assigned to certain assets. Failure to meet these standards would result in limitations on capital distributions as well as executive bonuses. The Final Capital Rules will be applicable to us on January 1, 2015 with conservation buffers phasing in over the subsequent five years.

While it is still too early to fully analyze the impact of all aspects of the new regulatory guidance, we currently have strong capital levels and are significantly above well-capitalized levels under the current guidelines.

On July 31, 2013, a Federal District Court judge ruled that the Federal Reserve inflated debit interchange fees when implementing the Durbin amendment of the Dodd-Frank Act in 2011. The judge ruled that the Federal Reserve erred in using criteria outside of the scope Congress intended to determine the fee cap, which the Federal Reserve set at 21 cents per transaction. The judge also ruled that the network options for both signature and PIN transactions were not set appropriately in accordance with the Dodd-Frank Act. The case is currently on appeal at the D.C. Circuit Court of

Appeals, where oral arguments were heard on January 17, 2014. If not overturned on appeal, this ruling could significantly affect debit fees for the banking industry and for us. However, these developments are preliminary and the impact on us is not determinable at this time.

The many provisions of the Dodd-Frank Act are so extensive that implementation by regulators is still ongoing. Several of the key regulations included in the original law have been delayed since the law s passing, making an assessment of the Dodd Frank Act s full effect on us not possible at this time.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Incorporated herein by reference from Item 2, of this Quarterly Report on Form 10-Q.

Table of Contents

Item 4. Controls and Procedures

(a) **Evaluation of disclosure controls and procedures.** Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q such disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

(b) **Changes in internal control over financial reporting.** During the quarter ended June 30, 2014, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

Incorporated herein by reference to Note 14 Legal Proceedings to the Consolidated Financial Statements

Item 1A. Risk Factors

Our management does not believe there have been any material changes to the risk factors previously disclosed under Item 1A. of the Company s Form 10-K for the year ended December 31, 2013, previously filed with the SEC.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table represents information with respect to repurchases of common stock made by the Company during the three months ended June 30, 2014.

Common

2014	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicity Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April	927	$ 67.62		
May				

June			
Total (1)	927	$	67.62

(1) The shares repurchased were not part of a publicly announced repurchase plan or program. These shares were owned and tendered by employees as payment for taxes on vesting of restricted stock or exercise of stock options. There were no treasury shares repurchased during the quarter ended June 30, 2014.

Item 3. Defaults upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

48

Table of Contents

Item 6. Exhibits

(a) Exhibit 31.1 Certification of CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(b) Exhibit 31.2 Certification of CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(c) Exhibit 32 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(d) Exhibit 101.INS XBRL Instance Document

(e) Exhibit 101.SCH XBRL Schema Document

(f) Exhibit 101.CAL XBRL Calculation Linkbase Document

(g) Exhibit 101.LAB XBRL Labels Linkbase Document

(h) Exhibit 101.PRE XBRL Presentation Linkbase Document

(i) Exhibit 101.DEF XBRL Definition Linkbase Document

Table of Contents

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.

	WSFS FINANCIAL CORPORATION
Date: August 11, 2014	/s/ Mark A. Turner Mark A. Turner President and Chief Executive Officer (Principal Executive Officer)
Date: August 11, 2014	/s/ Stephen A. Fowle Stephen A. Fowle Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

50