

MidWestOne Financial Group, Inc.
Form 10-Q
May 07, 2013

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 March 31, 2013

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 000-24630

MIDWESTONE FINANCIAL GROUP, INC.
(Exact name of Registrant as specified in its charter)

Iowa
(State of Incorporation)
102 South Clinton Street
Iowa City, IA 52240
(Address of principal executive offices, including zip code)
319-356-5800
(Registrant's telephone number, including area code)

42-1206172
(I.R.S. Employer Identification No.)

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, or a smaller reporting company. See the definition 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 (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

As of May 6, 2013, there were 8,459,582 shares of common stock, \$1.00 par value per share, outstanding.

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MIDWESTONE FINANCIAL GROUP, INC.

Form 10-Q Quarterly Report

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands)	March 31, 2013 (unaudited)	December 31, 2012
ASSETS		
Cash and due from banks	\$21,399	\$ 30,197
Interest-bearing deposits in banks	533	16,242
Federal funds sold	—	752
Cash and cash equivalents	21,932	47,191
Investment securities:		
Available for sale	572,461	557,541
Held to maturity (fair value of \$32,579 as of March 31, 2013 and \$32,920 as of December 31, 2012)	32,545	32,669
Loans held for sale	872	1,195
Loans	1,041,783	1,035,284
Allowance for loan losses	(16,260)	(15,957)
Net loans	1,025,523	1,019,327
Loan pool participations, net	32,379	35,650
Premises and equipment, net	25,425	25,609
Accrued interest receivable	9,443	10,292
Intangible assets, net	9,303	9,469
Bank-owned life insurance	28,907	28,676
Other real estate owned	3,025	3,278
Assets held for sale	764	764
Deferred income taxes	1,287	776
Other assets	21,779	20,382
Total assets	\$1,785,645	\$ 1,792,819
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand	\$175,510	\$ 190,491
Interest-bearing checking	590,899	582,283
Savings	95,760	91,603
Certificates of deposit under \$100,000	298,112	312,489
Certificates of deposit \$100,000 and over	213,364	222,867
Total deposits	1,373,645	1,399,733
Federal funds purchased	1,569	—
Securities sold under agreements to repurchase	54,277	68,823
Federal Home Loan Bank borrowings	152,147	120,120
Deferred compensation liability	3,533	3,555
Long-term debt	15,464	15,464
Accrued interest payable	1,492	1,475
Other liabilities	6,653	9,717
Total liabilities	1,608,780	1,618,887
Shareholders' equity:		

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Preferred stock, no par value; authorized 500,000 shares; no shares issued and outstanding at March 31, 2013 and December 31, 2012	\$—	\$—
Common stock, \$1.00 par value; authorized 15,000,000 shares at March 31, 2013 and December 31, 2012; issued 8,690,398 shares at March 31, 2013 and December 31, 2012; outstanding 8,498,484 shares at March 31, 2013 and 8,480,488 shares at December 31, 2012	8,690	8,690
Additional paid-in capital	80,243	80,383
Treasury stock at cost, 191,914 shares as of March 31, 2013 and 209,910 shares at December 31, 2012	(3,039)	(3,316)
Retained earnings	83,722	79,995
Accumulated other comprehensive income	7,249	8,180
Total shareholders' equity	176,865	173,932
Total liabilities and shareholders' equity	\$1,785,645	\$ 1,792,819

See accompanying notes to consolidated financial statements.

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (dollars in thousands, except share and per share amounts)	Three Months Ended March 31,	
	2013	2012
Interest income:		
Interest and fees on loans	\$12,114	\$13,080
Interest and discount on loan pool participations	1,080	454
Interest on bank deposits	5	10
Interest on investment securities:		
Taxable securities	2,630	2,752
Tax-exempt securities	1,361	1,219
Total interest income	17,190	17,515
Interest expense:		
Interest on deposits:		
Interest-bearing checking	671	829
Savings	36	37
Certificates of deposit under \$100,000	1,239	1,590
Certificates of deposit \$100,000 and over	633	773
Total interest expense on deposits	2,579	3,229
Interest on federal funds purchased	9	3
Interest on securities sold under agreements to repurchase	36	55
Interest on Federal Home Loan Bank borrowings	692	803
Interest on notes payable	8	9
Interest on long-term debt	75	168
Total interest expense	3,399	4,267
Net interest income	13,791	13,248
Provision for loan losses	200	579
Net interest income after provision for loan losses	13,591	12,669
Noninterest income:		
Trust, investment, and insurance fees	1,349	1,253
Service charges and fees on deposit accounts	707	767
Mortgage origination and loan servicing fees	1,044	767
Other service charges, commissions and fees	572	710
Bank-owned life insurance income	231	230
Gain on sale or call of available for sale securities (Includes \$80 reclassified from accumulated other comprehensive income for net gains on available for sale securities for the three months ended March 31, 2013)	80	316
Gain (loss) on sale of premises and equipment	(2) 158
Total noninterest income	3,981	4,201
Noninterest expense:		
Salaries and employee benefits	6,293	5,972
Net occupancy and equipment expense	1,688	1,644
Professional fees	683	732
Data processing expense	391	446
FDIC insurance expense	294	310
Amortization of intangible assets	166	194
Other operating expense	1,479	1,505

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Total noninterest expense	10,994	10,803
Income before income tax expense	6,578	6,067
Income tax expense (Includes \$31 income tax expense reclassified from accumulated other comprehensive income for the three months ended March 31, 2013)	1,788	1,635
Net income	\$4,790	\$4,432
Share and Per share information:		
Ending number of shares outstanding	8,498,484	8,464,820
Average number of shares outstanding	8,493,376	8,497,919
Diluted average number of shares	8,536,495	8,528,828
Earnings per common share - basic	\$0.56	\$0.52
Earnings per common share - diluted	0.56	0.52
Dividends paid per common share	0.13	0.09
See accompanying notes to consolidated financial statements.		

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MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (dollars in thousands)	Three Months Ended March 31,	
	2013	2012
Net income	\$4,790	\$4,432
Other comprehensive income (loss), available for sale securities:		
Unrealized holding gains (losses) arising during period	(1,410)	859
Reclassification adjustment for gains included in net income	(80)	(316)
Income tax (expense) benefit	559	(196)
Other comprehensive income (loss) on available for sale securities	(931)	347
Other comprehensive income (loss), net of tax	(931)	347
Comprehensive income	\$3,859	\$4,779
See accompanying notes to consolidated financial statements.		

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(unaudited) (dollars in thousands, except share and per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
Balance at December 31, 2011	\$ —	\$ 8,690	\$ 80,333	\$(2,312)	\$ 66,299	\$ 3,484	\$ 156,494
Net income	—	—	—	—	4,432	—	4,432
Dividends paid on common stock (\$0.085 per share)	—	—	—	—	(723)	—	(723)
Stock options exercised (11,553 shares)	—	—	(47)	134	—	—	87
Release/lapse of restriction on RSUs (13,170 shares)	—	—	(164)	173	—	—	9
Repurchase of common stock (86,083 shares)	—	—	—	(1,441)	—	—	(1,441)
Stock compensation	—	—	65	—	—	—	65
Other comprehensive income, net of tax	—	—	—	—	—	347	347
Balance at March 31, 2012	\$ —	\$ 8,690	\$ 80,187	\$(3,446)	\$ 70,008	\$ 3,831	\$ 159,270
Balance at December 31, 2012	\$ —	\$ 8,690	\$ 80,383	\$(3,316)	\$ 79,995	\$ 8,180	\$ 173,932
Net income	—	—	—	—	4,790	—	4,790
Dividends paid on common stock (\$0.125 per share)	—	—	—	—	(1,063)	—	(1,063)
Stock options exercised (1,875 shares)	—	—	1	30	—	—	31
Release/lapse of restriction on RSUs (17,295 shares)	—	—	(211)	247	—	—	36
Stock compensation	—	—	70	—	—	—	70
Other comprehensive loss, net of tax	—	—	—	—	—	(931)	(931)
Balance at March 31, 2013	\$ —	\$ 8,690	\$ 80,243	\$(3,039)	\$ 83,722	\$ 7,249	\$ 176,865

See accompanying notes to consolidated financial statements.

Table of ContentsMIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Three Months Ended March	
	31, 2013	2012
Cash flows from operating activities:		
Net income	\$4,790	\$4,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	200	579
Depreciation, amortization and accretion	1,366	1,377
(Gain) loss on sale of premises and equipment	2	(158)
Deferred income taxes	48	28
Stock-based compensation	70	74
Net gain on sale or call of available for sale securities	(80)	(316)
Net gain on sale of other real estate owned	(45)	(67)
Net gain on sale of loans held for sale	(545)	(503)
Writedown of other real estate owned	33	—
Origination of loans held for sale	(26,892)	(32,308)
Proceeds from sales of loans held for sale	27,760	33,823
Decrease in accrued interest receivable	849	783
Increase in cash surrender value of bank-owned life insurance	(231)	(230)
(Increase) decrease in other assets	(1,397)	216
Decrease in deferred compensation liability	(22)	(30)
Increase (decrease) in accrued interest payable, accounts payable, accrued expenses, and other liabilities	(3,047)	709
Net cash provided by operating activities	2,859	8,409
Cash flows from investing activities:		
Proceeds from sales of available for sale securities	1,080	14,558
Proceeds from maturities and calls of available for sale securities	19,265	19,134
Purchases of available for sale securities	(37,236)	(51,162)
Proceeds from maturities and calls of held to maturity securities	126	20
Purchase of held to maturity securities	—	(5,000)
(Increase) decrease in loans	(6,460)	3,795
Decrease in loan pool participations, net	3,271	4,144