

MidWestOne Financial Group, Inc.
Form 10-Q
May 05, 2011

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, 2011

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.

102 South Clinton Street
Iowa City, IA 52240
(Address of principal executive offices, including Zip Code)

Registrant's telephone number: 319-356-5800

Iowa 42-1206172
(State of Incorporation) (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 3, 2011, there were 8,627,971 shares of common stock, \$1.00 par value per share, outstanding.

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 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, 2011 (unaudited) | December 31, 2010 |
|---|----------------------------------|----------------------|
| ASSETS | | |
| Cash and due from banks | \$19,085 | \$ 13,720 |
| Interest-bearing deposits in banks | 4,318 | 6,077 |
| Federal funds sold | 264 | 726 |
| Cash and cash equivalents | 23,667 | 20,523 |
| Investment securities: | | |
| Available for sale | 501,946 | 461,954 |
| Held to maturity (fair value of \$3,716 as of March 31, 2011 and \$4,086 as of December 31, 2010) | 3,672 | 4,032 |
| Loans held for sale | 279 | 702 |
| Loans | 938,523 | 938,035 |
| Allowance for loan losses | (15,398) | (15,167) |
| Net loans | 923,125 | 922,868 |
| Loan pool participations, net | 62,207 | 65,871 |
| Premises and equipment, net | 25,916 | 26,518 |
| Accrued interest receivable | 9,580 | 10,648 |
| Other intangible assets, net | 10,919 | 11,143 |
| Bank-owned life insurance | 27,001 | 26,772 |
| Other real estate owned | 3,874 | 3,850 |
| Deferred income taxes | 6,097 | 6,430 |
| Other assets | 19,948 | 19,948 |
| Total assets | \$1,618,231 | \$ 1,581,259 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest-bearing demand | \$144,724 | \$ 129,978 |
| Interest-bearing checking | 472,257 | 442,878 |
| Savings | 75,439 | 74,826 |
| Certificates of deposit under \$100,000 | 379,326 | 380,082 |
| Certificates of deposit \$100,000 and over | 191,412 | 191,564 |
| Total deposits | 1,263,158 | 1,219,328 |
| Federal funds purchased | — | — |
| Securities sold under agreements to repurchase | 46,325 | 50,194 |
| Federal Home Loan Bank borrowings | 117,200 | 127,200 |
| Deferred compensation liability | 3,698 | 3,712 |
| Long-term debt | 15,464 | 15,464 |
| Accrued interest payable | 1,964 | 1,872 |
| Other liabilities | 9,107 | 5,023 |
| Total liabilities | 1,456,916 | 1,422,793 |
| Shareholders' equity: | | |

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| | | |
|---|-------------|-------------|
| Preferred stock, no par value, with a liquidation preference of \$1,000 per share; authorized 500,000 shares; issued 16,000 shares as of March 31, 2011 and December 31, 2010 | \$15,784 | \$15,767 |
| Common stock, \$1 par value; authorized 15,000,000 shares at March 31, 2011 and December 31, 2010; issued 8,690,398 shares at March 31, 2011 and December 31, 2010; outstanding 8,624,392 share at March 31, 2011 and 8,614,790 shares at December 31, 2010 | 8,690 | 8,690 |
| Additional paid-in capital | 81,213 | 81,268 |
| Treasury stock at cost, 66,006 shares as of March 31, 2011 and 75,608 shares at December 31, 2010 | (918) | (1,052) |
| Retained earnings | 57,876 | 55,619 |
| Accumulated other comprehensive income (loss) | (1,330) | (1,826) |
| Total shareholders' equity | 161,315 | 158,466 |
| Total liabilities and shareholders' equity | \$1,618,231 | \$1,581,259 |

See accompanying notes to consolidated financial statements.

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

| (unaudited) (dollars in thousands, except per share amounts) | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | 2011 | 2010 |
| Interest income: | | |
| Interest and fees on loans | \$12,800 | \$13,704 |
| Interest and discount on loan pool participations | 354 | 899 |
| Interest on bank deposits | 8 | 10 |
| Interest on federal funds sold | — | — |
| Interest on investment securities: | | |
| Taxable securities | 2,688 | 2,225 |
| Tax-exempt securities | 1,035 | 990 |
| Total interest income | 16,885 | 17,828 |
| Interest expense: | | |
| Interest on deposits: | | |
| Interest-bearing checking | 1,008 | 1,070 |
| Savings | 59 | 36 |
| Certificates of deposit under \$100,000 | 2,187 | 2,543 |
| Certificates of deposit \$100,000 and over | 848 | 967 |
| Total interest expense on deposits | 4,102 | 4,616 |
| Interest on federal funds purchased | — | 1 |
| Interest on securities sold under agreements to repurchase | 74 | 76 |
| Interest on Federal Home Loan Bank borrowings | 945 | 1,207 |
| Interest on notes payable | 10 | 13 |
| Interest on long-term debt | 162 | 148 |
| Total interest expense | 5,293 | 6,061 |
| Net interest income | 11,592 | 11,767 |
| Provision for loan losses | 900 | 1,500 |
| Net interest income after provision for loan losses | 10,692 | 10,267 |
| Noninterest income: | | |
| Trust and investment fees | 1,273 | 1,234 |
| Service charges and fees on deposit accounts | 851 | 864 |
| Mortgage origination and loan servicing fees | 877 | 500 |
| Other service charges, commissions and fees | 679 | 584 |
| Bank-owned life insurance income | 229 | 167 |
| Investment securities losses, net: | | |
| Impairment losses on investment securities | — | (189) |
| Less non-credit-related losses | — | — |
| Net impairment losses | — | (189) |
| Gain on sale of available for sale securities | — | 237 |
| Loss on sale of premises and equipment | (48) | (77) |
| Total noninterest income | 3,861 | 3,320 |
| Noninterest expense: | | |
| Salaries and employee benefits | 5,870 | 5,790 |

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| | | |
|--|-----------|-----------|
| Net occupancy and equipment expense | 1,617 | 1,776 |
| Professional fees | 677 | 749 |
| Data processing expense | 450 | 457 |
| FDIC Insurance expense | 597 | 692 |
| Other operating expense | 1,423 | 1,584 |
| Total noninterest expense | 10,634 | 11,048 |
| Income before income tax expense | 3,919 | 2,539 |
| Income tax expense | 1,014 | 535 |
| Net income | \$2,905 | \$2,004 |
| Less: Preferred stock dividends and discount accretion | \$217 | \$217 |
| Net income available to common shareholders | \$2,688 | \$1,787 |
| Share and Per share information: | | |
| Ending number of shares outstanding | 8,624,392 | 8,609,804 |
| Average number of shares outstanding | 8,621,720 | 8,607,853 |
| Diluted average number of shares | 8,682,381 | 8,611,511 |
| Earnings per common share - basic | \$0.31 | \$0.21 |
| Earnings per common share - diluted | 0.31 | 0.21 |
| Dividends paid per common share | 0.05 | 0.05 |
| See accompanying notes to consolidated financial statements. | | |

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MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND OTHER COMPREHENSIVE INCOME (LOSS)

| (unaudited) (dollars in thousands, except 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, 2009 | \$ 15,699 | \$ 8,690 | \$ 81,179 | \$(1,183) | \$ 48,079 | \$ (256) | \$ 152,208 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | — | 2,004 | — | 2,004 |
| Change in net unrealized gains arising during the period on securities available for sale, net of tax | — | — | — | — | — | 510 | 510 |
| Total comprehensive income | — | — | — | — | 2,004 | 510 | 2,514 |
| Dividends paid on common stock (\$0.05 per share) | — | — | — | — | (430) | — | (430) |
| Dividends paid on preferred stock | — | — | — | — | (200) | — | (200) |
| Stock options exercised (1,945 shares) | — | — | (11) | 27 | — | — | 16 |
| Release/lapse of restriction on 2,546 RSUs | — | — | (35) | 35 | — | — | — |
| Preferred stock discount accretion | 17 | — | — | — | (17) | — | — |
| Stock compensation | — | — | 50 | — | — | — | 50 |
| Balance at March 31, 2010 | \$ 15,716 | \$ 8,690 | \$ 81,183 | \$(1,121) | \$ 49,436 | \$ 254 | \$ 154,158 |
| Balance at December 31, 2010 | \$ 15,767 | \$ 8,690 | \$ 81,268 | \$(1,052) | \$ 55,619 | \$ (1,826) | \$ 158,466 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | — | 2,905 | — | 2,905 |
| Change in net unrealized gains arising during the period on securities available for sale, net of tax | — | — | — | — | — | 496 | 496 |
| Total comprehensive income | — | — | — | — | 2,905 | 496 | 3,401 |
| Dividends paid on common stock (\$0.05 per share) | — | — | — | — | (431) | — | (431) |
| Dividends paid on preferred stock | — | — | — | — | (200) | — | (200) |
| Stock options exercised (1,682 shares) | — | — | (6) | 14 | — | — | 8 |
| Release/lapse of restriction on 8,600 RSUs | — | — | (120) | 120 | — | — | — |
| Preferred stock discount accretion | 17 | — | — | — | (17) | — | — |
| Stock compensation | — | — | 71 | — | — | — | 71 |
| Balance at March 31, 2011 | \$ 15,784 | \$ 8,690 | \$ 81,213 | \$(918) | \$ 57,876 | \$ (1,330) | \$ 161,315 |
| See accompanying notes to consolidated financial statements. | | | | | | | |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| (unaudited) (dollars in thousands) | Three Months Ended March | |
|---|--------------------------|---------|
| | 31, 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income | \$2,905 | \$2,004 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 900 | 1,500 |
| Depreciation, amortization and accretion | 1,447 | 1,576 |
| Loss on sale of premises and equipment | 48 | 77 |
| Deferred income taxes | 36 | (8 |
| Stock-based compensation | 71 | 50 |
| Net gains on sale of available for sale securities | — |) |