

MidWestOne Financial Group, Inc.
Form 10-Q
November 14, 2008

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 **September 30, 2008**

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

Registrant's telephone number: 319-356-5800

(State of Incorporation)
Iowa

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

Indicate by check mark whether the registrant (1) has filed all reports required 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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 November 5, 2008, there were 8,646,328 shares of common stock \$1 par value outstanding.

PART I — Item 1. Financial Statements

**MIDWESTONE FINANCIAL GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION**

(dollars in thousands)	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	\$ 26,993	\$ 16,294
Interest-bearing deposits in banks	131	84
Federal funds sold	-	17,842
Cash and cash equivalents	27,124	34,220
Investment securities:		
Available for sale at fair value (amortized cost of \$284,035 as of September 30, 2008 and \$232,446 as of December 31, 2007)	279,248	235,308
Held to maturity (fair value of \$8,628 as of September 30, 2008 and \$101 as of December 31, 2007)	8,468	95
Loans	1,003,752	404,263
Allowance for loan losses	(11,044)	(5,466)
Net loans	992,708	398,797
Loan pool participations	100,915	-
Premises and equipment, net	26,589	11,802
Accrued interest receivable	12,647	4,639
Goodwill	26,955	4,356
Other intangible assets, net	13,543	268
Bank-owned life insurance	17,118	8,613
Other real estate owned	992	-
Other assets	14,708	3,885
Total assets	\$ 1,521,015	\$ 701,983
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest bearing demand	\$ 120,153	\$ 66,340
Interest-bearing checking	378,692	135,628
Savings	58,950	79,663
Certificates of deposit under \$100,000	415,684	167,045
Certificates of deposit \$100,000 and over	147,337	77,939
Total deposits	1,120,816	526,615
Federal funds purchased	2,250	-
Securities sold under agreements to repurchase	50,692	45,997
Federal Home Loan Bank advances	158,709	47,000
Notes payable	2,111	1,742
Long-term debt	15,654	-
Accrued interest payable	3,908	1,734
Other liabilities	4,675	1,503
Total liabilities	1,358,815	624,591
Shareholders' equity:		

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Common stock, \$1 par value; authorized 10,000,000 shares; issued 8,690,398 shares as of September 30, 2008 and 5,165,308 as of December 31, 2007	8,690	5,165
Additional paid-in capital	80,747	100
Treasury Stock at cost, 59,288 shares as of September 30, 2008 and -0- shares as of December 31, 2007	(872)	-
Retained earnings	76,501	72,333
Accumulated other comprehensive loss	(2,866)	(206)
Total shareholders' equity	162,200	77,392
Total liabilities and shareholders' equity	\$ 1,521,015	\$ 701,983

See accompanying notes to consolidated financial statements.

PART I — Item 1. Financial Statements, Continued

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

(unaudited) (dollars in thousands, except per share amounts)	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Interest income:				
Interest and fees on loans	\$ 14,842	\$ 7,024	\$ 38,238	\$ 20,563
Interest and discount on loan pool participations	1,228	-	3,145	-
Interest on bank deposits	23	1	26	4
Interest on federal funds sold	70	201	298	396
Interest on investment securities:				
Available for sale	3,130	2,563	9,059	7,543
Held to maturity	145	5	248	5
Total interest income	19,438	9,794	51,014	28,511
Interest expense:				
Interest on deposits:				
Interest-bearing checking	2,125	463	3,174	1,331
Savings	109	326	1,295	1,015
Certificates of deposit under \$100,000	3,744	2,044	9,731	5,799
Certificates of deposit \$100,000 and over	474	989	3,125	2,853
Total interest expense on deposits	6,452	3,822	17,325	10,998
Interest on federal funds purchased	29	2	60	59
Interest on securities sold under agreements to repurchase	292	541	814	1,565
Interest on Federal Home Loan Bank advances	1,528	468	3,812	1,478
Interest on notes payable	1	28	110	77
Interest on long-term debt	187	-	433	-
Total interest expense	8,489	4,861	22,554	14,177
Net interest income	10,949	4,933	28,460	14,334
Provision for loan losses	838	75	1,666	425
Net interest income after provision for loan losses	10,111	4,858	26,794	13,909
Noninterest income:				
Trust and investment fees	1,217	839	3,290	2,667
Service charges and fees on deposit accounts	1,224	555	3,068	1,526
Mortgage origination fees and gains on sales of mortgage loans	187	318	817	1,027
	266	529	1,648	1,340

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Other service charges, commissions and fees

Bank-owned life insurance income	121	71	354	232
Gain (loss) sale of available for sale securities	9	-	215	(299)
Impairment losses on investment securities	-	-	(567)	-
Total noninterest income	3,024	2,312	8,825	6,493

Noninterest expense:

Salaries and employee benefits	5,815	2,749	14,918	8,161
Net occupancy and equipment expense	2,234	768	4,737	2,227
Professional fees	348	188	927	497
Data processing expense	339	363	1,253	1,074
Other operating expense	1,818	633	4,173	1,960
Loss on disposal of assets	400	-	381	-
Total noninterest expense	10,954	4,701	26,389	13,919
Income before income tax expense	2,181	2,469	9,230	6,483
Income tax expense	477	638	2,288	1,666
Net income	\$ 1,704	\$ 1,831	\$ 6,942	\$ 4,817
Earnings per common share - basic	\$ 0.20	\$ 0.36	\$ 0.90	\$ 0.93
Earnings per common share - diluted	\$ 0.20	\$ 0.36	\$ 0.90	\$ 0.93

See accompanying notes to consolidated financial statements.

PART I — Item 1. Financial Statements, Continued

**MIDWESTONE FINANCIAL GROUP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(unaudited) (in thousands, except per share amounts)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total
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