

ISABELLA BANK CORP  
Form 10-Q  
May 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**  
For the quarterly period ended March 31, 2012

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: 0-18415

**Isabella Bank Corporation**

(Exact name of registrant as specified in its charter)

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**Michigan**  
(State or other jurisdiction of  
incorporation or organization)

**38-2830092**  
(I.R.S. Employer  
identification No.)

**401 N. Main St,  
Mt. Pleasant, MI**  
(Address of principal executive offices)

**48858**  
(Zip code)

**(989) 772-9471**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 (Section 232.405 of this chapter) 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 definitions of "accelerated filer", "large 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock no par value, 7,600,622 as of April 24, 2012

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**ISABELLA BANK CORPORATION**  
**QUARTERLY REPORT ON FORM 10-Q**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1 Interim Condensed Consolidated Financial Statements (Unaudited)****INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

	March 31, 2012	December 31 2011
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and demand deposits due from banks	\$ 17,793	\$ 24,514
Interest bearing balances due from banks	3,951	4,076
<b>Total cash and cash equivalents</b>	<b>21,744</b>	<b>28,590</b>
Certificates of deposit held in other financial institutions	6,640	8,924
Trading securities	4,403	4,710
Available-for-sale securities (amortized cost of \$461,071 in 2012 and \$414,614 in 2011)	471,655	425,120
Mortgage loans available-for-sale	3,396	3,205
Loans		
Agricultural	76,681	74,645
Commercial	361,325	365,714
Consumer	30,459	31,572
Residential real estate	274,667	278,360
<b>Total loans</b>	<b>743,132</b>	<b>750,291</b>
Less allowance for loan losses	12,375	12,375
<b>Net loans</b>	<b>730,757</b>	<b>737,916</b>
Premises and equipment	25,054	24,626
Corporate owned life insurance	22,246	22,075
Accrued interest receivable	6,044	5,848
Equity securities without readily determinable fair values	17,220	17,189
Goodwill and other intangible assets	46,726	46,792
Other assets	13,335	12,930
<b>TOTAL ASSETS</b>	<b>\$ 1,369,220</b>	<b>\$ 1,337,925</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Deposits		
Noninterest bearing	\$ 122,862	\$ 119,072
NOW accounts	170,701	163,653
Certificates of deposit under \$100 and other savings	460,815	440,123
Certificates of deposit over \$100	234,748	235,316
<b>Total deposits</b>	<b>989,126</b>	<b>958,164</b>
Borrowed funds (\$0 in 2012 and \$5,242 in 2011 at fair value)	214,493	216,136
Accrued interest payable and other liabilities	8,294	8,842
<b>Total liabilities</b>	<b>1,211,913</b>	<b>1,183,142</b>

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<b>Shareholders' equity</b>		
Common stock - no par value		
15,000,000 shares authorized; issued and outstanding 7,596,772 shares (including 16,686 shares held in a Rabbi Trust) in 2012 and 7,589,226 shares (including 16,585 shares held in the Rabbi Trust) in 2011	134,868	134,734
Shares to be issued for deferred compensation obligations	4,598	4,524
Retained earnings	14,755	13,036
Accumulated other comprehensive income	3,086	2,489
<b>Total shareholders' equity</b>	<b>157,307</b>	<b>154,783</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,369,220</b>	<b>\$ 1,337,925</b>

See notes to interim condensed consolidated financial statements.

**Table of Contents****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Dollars in thousands except per share data)

	Common Stock Shares Outstanding	Common Stock	Shares to be Issued for Deferred Compensation Obligations	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Totals
<b>Balance, January 1, 2011</b>	<b>7,550,074</b>	<b>\$ 133,592</b>	<b>\$ 4,682</b>	<b>\$ 8,596</b>	<b>\$ (1,709)</b>	<b>\$ 145,161</b>
Comprehensive income				2,316	1,358	3,674
Issuance of common stock	30,531	728				728
Common stock issued for deferred compensation obligations	12,037	215	(182)			33
Share based payment awards under equity compensation plan			180			180
Common stock purchased for deferred compensation obligations		(164)				(164)
Common stock repurchased pursuant to publicly announced repurchase plan	(31,739)	(577)				(577)
Cash dividends (\$0.19 per share)				(1,434)		(1,434)
<b>Balance, March 31, 2011</b>	<b>7,560,903</b>	<b>\$ 133,794</b>	<b>\$ 4,680</b>	<b>\$ 9,478</b>	<b>\$ (351)</b>	<b>\$ 147,601</b>
<b>Balance, January 1, 2012</b>	<b>7,589,226</b>	<b>\$ 134,734</b>	<b>\$ 4,524</b>	<b>\$ 13,036</b>	<b>\$ 2,489</b>	<b>\$ 154,783</b>
Comprehensive income				3,234	597	3,831
Issuance of common stock	25,998	609				609
Common stock transferred from the Rabbi Trust to satisfy deferred compensation obligations		95	(95)			
Share based payment awards under equity compensation plan			169			169
Common stock purchased for deferred compensation obligations		(144)				(144)
Common stock repurchased pursuant to publicly announced repurchase plan	(18,452)	(426)				(426)
Cash dividends (\$0.20 per share)				(1,515)		(1,515)
<b>Balance, March 31, 2012</b>	<b>7,596,772</b>	<b>\$ 134,868</b>	<b>\$ 4,598</b>	<b>\$ 14,755</b>	<b>\$ 3,086</b>	<b>\$ 157,307</b>

See notes to interim condensed consolidated financial statements.

**Table of Contents****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Dollars in thousands except per share data)

	Three Months Ended March 31	
	2012	2011
<b>Interest income</b>		
Loans, including fees	\$ 10,940	\$ 11,361
Investment securities		
Taxable	1,889	1,513
Nontaxable	1,204	1,179
Trading account securities	42	51
Federal funds sold and other	129	134
<b>Total interest income</b>	<b>14,204</b>	<b>14,238</b>
<b>Interest expense</b>		
Deposits	2,512	2,785
Borrowings	1,192	1,268
<b>Total interest expense</b>	<b>3,704</b>	<b>4,053</b>
<b>Net interest income</b>	<b>10,500</b>	<b>10,185</b>
Provision for loan losses	461	817
<b>Net interest income after provision for loan losses</b>	<b>10,039</b>	<b>9,368</b>