

MidWestOne Financial Group, Inc.
Form 10-Q
October 30, 2014

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, 2014

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 001-35968

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

Iowa 42-1206172
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)
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)

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 definitions 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

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

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 October 29, 2014, there were 8,349,689 shares of common stock, \$1.00 par value per share, outstanding.

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC.
 Form 10-Q Quarterly Report
 Table of Contents

	Page No.
PART I	
Item 1. <u>Financial Statements</u>	<u>1</u>
<u>Consolidated Balance Sheets</u>	<u>1</u>
<u>Consolidated Statements of Operations</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income</u>	<u>3</u>
<u>Consolidated Statements of Shareholders' Equity</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>53</u>
Item 4. <u>Controls and Procedures</u>	<u>55</u>
Part II	
Item 1. <u>Legal Proceedings</u>	<u>57</u>
Item 1A. <u>Risk Factors</u>	<u>57</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>57</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>57</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>57</u>
Item 5. <u>Other Information</u>	<u>57</u>
Item 6. <u>Exhibits</u>	<u>58</u>
<u>Signatures</u>	<u>59</u>

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2014	December 31, 2013
(dollars in thousands, except per share amounts)	(unaudited)	
ASSETS		
Cash and due from banks	\$23,535	\$24,516
Interest-bearing deposits in banks	43,870	374
Cash and cash equivalents	67,405	24,890
Investment securities:		
Available for sale	490,493	498,561
Held to maturity (fair value of \$43,635 as of September 30, 2014 and \$30,191 as of December 31, 2013)	44,098	32,625
Loans held for sale	758	357
Loans	1,101,591	1,088,412
Allowance for loan losses	(16,452)	(16,179)
Net loans	1,085,139	1,072,233
Loan pool participations, net	20,477	25,533
Premises and equipment, net	34,351	27,682
Accrued interest receivable	10,798	10,409
Intangible assets, net	8,396	8,806
Bank-owned life insurance	29,987	29,598
Other real estate owned	1,836	1,770
Deferred income taxes	3,784	8,194
Other assets	15,036	14,560
Total assets	\$1,812,558	\$1,755,218
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand	\$211,902	\$222,359
Interest-bearing checking	611,577	592,673
Savings	101,707	94,559
Certificates of deposit under \$100,000	241,248	256,283
Certificates of deposit \$100,000 and over	265,131	209,068
Total deposits	1,431,565	1,374,942
Federal funds purchased	1,748	5,482
Securities sold under agreements to repurchase	61,393	61,183
Federal Home Loan Bank borrowings	100,900	106,900
Deferred compensation liability	3,405	3,469
Long-term debt	15,464	15,464
Accrued interest payable	890	765
Other liabilities	8,253	8,997
Total liabilities	1,623,618	1,577,202
Shareholders' equity:		
Preferred stock, no par value; authorized 500,000 shares; no shares issued and outstanding at September 30, 2014 and December 31, 2013	\$—	\$—

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Common stock, \$1.00 par value; authorized 15,000,000 shares at September 30, 2014 and December 31, 2013; issued 8,690,398 shares at September 30, 2014 and December 31, 2013; outstanding 8,348,464 shares at September 30, 2014 and 8,481,799 shares at December 31, 2013	8,690	8,690
Additional paid-in capital	80,438	80,506
Treasury stock at cost, 341,934 shares as of September 30, 2014 and 208,599 shares at December 31, 2013	(7,094) (3,702
Retained earnings	102,432	91,473
Accumulated other comprehensive income	4,474	1,049
Total shareholders' equity	188,940	178,016
Total liabilities and shareholders' equity	\$1,812,558	\$1,755,218

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		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Interest income:				
Interest and fees on loans	\$12,151	\$12,215	\$36,096	\$36,606
Interest and discount on loan pool participations	325	226	1,137	1,916
Interest on bank deposits	15	2	24	8
Interest on investment securities:				
Taxable securities	2,170	2,395	6,760	7,571
Tax-exempt securities	1,335	1,278	4,076	3,973
Total interest income	15,996	16,116	48,093	50,074
Interest expense:				
Interest on deposits:				
Interest-bearing checking	532	544	1,624	1,815
Savings	36	34	108	105
Certificates of deposit under \$100,000	687	987	2,018	3,347
Certificates of deposit \$100,000 and over	551	493	1,445	1,695
Total interest expense on deposits	1,806	2,058	5,195	6,962
Interest on federal funds purchased	2	10	8	37
Interest on securities sold under agreements to repurchase	28	31	87	96
Interest on Federal Home Loan Bank borrowings	519	671	1,626	2,068
Interest on other borrowings	5	7	18	22
Interest on long-term debt	69	74	210	224
Total interest expense	2,429	2,851	7,144	9,409
Net interest income	13,567	13,265	40,949	40,665
Provision for loan losses	150	250	900	1,050
Net interest income after provision for loan losses	13,417	13,015	40,049	39,615
Noninterest income:				
Trust, investment, and insurance fees	1,442	1,297	4,390	4,069
Service charges and fees on deposit accounts	918	786	2,394	2,236
Mortgage origination and loan servicing fees	449	1,083	1,204	2,844
Other service charges, commissions and fees	625	406	1,796	1,574
Bank-owned life insurance income	423	230	877	691
Gain on sale or call of available for sale securities (Includes \$145 and \$0 reclassified from accumulated other comprehensive income for net gains on available for sale securities for the three months ended September 30, 2014 and 2013, respectively, and \$1,119 and \$84 reclassified from accumulated other comprehensive income for net gains on available for sale securities for the nine months ended September 30, 2014 and 2013, respectively)	145	—	1,119	84
Gain (loss) on sale of premises and equipment	4	(2)	(1)	(4)
Total noninterest income	4,006	3,800	11,779	11,494
Noninterest expense:				
Salaries and employee benefits	6,337	6,099	18,531	18,565
Net occupancy and equipment expense	1,546	1,580	4,785	4,806

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Professional fees	724	615	2,078	2,016
Data processing expense	357	364	1,172	1,092
FDIC insurance expense	241	255	724	845
Amortization of intangible assets	136	166	410	498
Other operating expense	1,478	1,204	4,150	4,040
Total noninterest expense	10,819	10,283	31,850	31,862
Income before income tax expense	6,604	6,532	19,978	19,247
Income tax expense (Includes \$57 and \$0 income tax expense reclassified from accumulated other comprehensive income for the three months ended September 30, 2014 and 2013, respectively, and \$436 and \$33 income tax expense reclassified from accumulated other comprehensive income for the nine months ended September 30, 2014 and 2013, respectively)	1,715	1,668	5,363	5,062
Net income	\$4,889	\$4,864	\$14,615	\$14,185
Share and per share information:				
Ending number of shares outstanding	8,348,464	8,470,058	8,348,464	8,470,058
Average number of shares outstanding	8,366,858	8,468,755	8,423,188	8,478,928
Diluted average number of shares	8,391,353	8,517,645	8,449,748	8,524,451
Earnings per common share - basic	\$0.59	\$0.57	\$1.74	\$1.67
Earnings per common share - diluted	0.59	0.57	1.73	1.66
Dividends paid per common share	0.145	0.125	0.435	0.375
See accompanying notes to consolidated financial statements.				

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

(unaudited) (dollars in thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$4,889	\$4,864	\$14,615	\$14,185
Other comprehensive income (loss), available for sale securities:				
Unrealized holding gains (losses) arising during period	(212)	(1,045)	6,641	(14,013)
Reclassification adjustment for gains included in net income	(145)	—	(1,119)	(84)
Income tax (expense) benefit	132	387	(2,097)	5,263
Other comprehensive income (loss) on available for sale securities	(225)	(658)	3,425	(8,834)
Other comprehensive income (loss), net of tax	(225)	(658)	3,425	(8,834)
Comprehensive income	\$4,664	\$4,206	\$18,040	\$5,351
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 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, 2012	\$ —	\$ 8,690	\$ 80,383	\$(3,316)	\$77,125	\$ 11,050	\$173,932
Net income	—	—	—	—	14,185	—	14,185
Dividends paid on common stock (\$0.375 per share)	—	—	—	—	(3,200)	—	(3,200)
Stock options exercised (30,678 shares)	—	—	(76)	202	—	—	126
Release/lapse of restriction on RSUs (19,585 shares)	—	—	(267)	285	—	—	18
Repurchase of common stock (40,713 shares)	—	—	—	(967)	—	—	(967)
Stock compensation	—	—	274	—	—	—	274
Other comprehensive loss, net of tax	—	—	—	—	—	(8,834)	(8,834)
Balance at September 30, 2013	\$ —	\$ 8,690	\$ 80,314	\$(3,796)	\$88,110	\$ 2,216	\$175,534
Balance at December 31, 2013	\$ —	\$ 8,690	\$ 80,506	\$(3,702)	\$91,473	\$ 1,049	\$178,016
Net income	—	—	—	—	14,615	—	14,615
Dividends paid on common stock (\$0.435 per share)	—	—	—	—	(3,656)	—	(3,656)
Stock options exercised (7,207 shares)	—	—	(8)	140	—	—	132
Release/lapse of restriction on RSUs (27,266 shares)	—	—	(431)	455	—	—	24
Repurchase of common stock (165,766 shares)	—	—	—	(3,987)	—	—	(3,987)
Stock compensation	—	—	371	—	—	—	371
Other comprehensive income, net of tax	—	—	—	—	—	3,425	3,425
Balance at September 30, 2014	\$ —	\$ 8,690	\$ 80,438	\$(7,094)	\$102,432	\$ 4,474	\$188,940

See accompanying notes to consolidated financial statements.

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

(unaudited) (dollars in thousands)	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$14,615	\$14,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	900	1,050
Depreciation, amortization and accretion	3,237	3,976
Loss on sale of premises and equipment	1	4
Deferred income taxes	2,313	(1,178)
Stock-based compensation	371	274
Net gain on sale or call of available for sale securities	(1,119)	(84)
Net (gain) loss on sale of other real estate owned	(59)	169
Net gain on sale of loans held for sale	(363)	(1,123)
Writedown of other real estate owned	49	33
Origination of loans held for sale	(30,452)	(73,405)
Proceeds from sales of loans held for sale	30,414	75,517
Increase in accrued interest receivable	(389)	(262)
Increase in cash surrender value of bank-owned life insurance	(877)	(691)
Increase (decrease) in other assets	(476)	4,066
Decrease in deferred compensation liability	(64)	(63)
Decrease in accrued interest payable, accounts payable, accrued expenses, and other liabilities	(619)	(1,053)
Net cash provided by operating activities	17,482	21,415
Cash flows from investing activities:		
Proceeds from sales of available for sale securities	28,450	12,205
Proceeds from maturities and calls of available for sale securities	50,760	83,241
Purchases of available for sale securities	(65,653)	(43,637)
Proceeds from maturities and calls of held to maturity securities	914	1,029
Purchase of held to maturity securities	(12,386)	(1,185)
Increase in loans	(14,447)	(42,228)
Decrease in loan pool participations, net	5,056	7,579
Purchases of premises and equipment	(8,363)	(2,785)
Proceeds from sale of other real estate owned	585	1,332
Proceeds from sale of premises and equipment	17	15
Proceeds from sale of assets held for sale	—	764
Proceeds of principal and earnings from bank-owned life insurance	488	—
Net cash (used in) provided by investing activities	(14,579)	16,330
Cash flows from financing activities:		
Net increase (decrease) in deposits	56,623	(78,082)
Increase (decrease) in federal funds purchased	(3,734)	8,395
Increase (decrease) in securities sold under agreements to repurchase	210	(10,160)
Proceeds from Federal Home Loan Bank borrowings	26,000	151,000
Repayment of Federal Home Loan Bank borrowings	(32,000)	(126,000)
Stock options exercised	156	144
Dividends paid	(3,656)	(3,200)

Edgar Filing: MidWestOne Financial Group, Inc. - Form 10-Q

Repurchase of common stock	(3,987)	(967)
Net cash provided by (used in) financing activities	39,612		(58,870)
Net increase (decrease) in cash and cash equivalents	42,515		(21,125)
Cash and cash equivalents at beginning of period	24,890		47,191	
Cash and cash equivalents at end of period	\$67,405		\$26,066	
Supplemental disclosures of cash flow information:				
Cash paid during the period for interest	\$7,019		\$9,617	
Cash paid during the period for income taxes	\$1,787		\$6,070	
Supplemental schedule of non-cash investing activities:				
Transfer of loans to other real estate owned	\$641		\$173	
See accompanying notes to consolidated financial statements.				

5

Table of Contents

MidWestOne Financial Group, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Principles of Consolidation and Presentation

MidWestOne Financial Group, Inc. (the "Company," which is also referred to herein as "we," "our" or "us") is an Iowa corporation incorporated in 1983, a bank holding company under the Bank Holding Company Act of 1956 and a financial holding company under the Gramm-Leach-Bliley Act of 1999. Our principal executive offices are located at 102 South Clinton Street, Iowa City, Iowa 52240.

The Company owns 100% of the outstanding common stock of MidWestOne Bank, an Iowa state non-member bank chartered in 1934 with its main office in Iowa City, Iowa (the "Bank"), and 100% of the common stock of MidWestOne Insurance Services, Inc., Oskaloosa, Iowa. We operate primarily through our bank subsidiary, MidWestOne Bank, and MidWestOne Insurance Services, Inc., our wholly-owned subsidiary that operates an insurance agency business through six offices located in central and east-central Iowa.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all the information and notes necessary for complete financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"). The information in this Quarterly Report on Form 10-Q is written with the presumption that the users of the interim financial statements have read or have access to the most recent Annual Report on Form 10-K of the Company, which contains the latest audited financial statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2013 and for the year then ended. Management believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the Company's financial position as of September 30, 2014, and the results of operations and cash flows for the three and nine months ended September 30, 2014 and 2013. All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) the disclosure of contingent assets and liabilities at the date of the financial statements, and (3) the reported amounts of revenues and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made. Actual results could differ from those estimates. The results for the three and nine months ended September 30, 2014 may not be indicative of results for the year ending December 31, 2014, or for any other period.

All significant accounting policies followed in the preparation of the quarterly financial statements are disclosed in the Annual Report on Form 10-K for the year ended December 31, 2013. In the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits in banks.

2. Shareholders' Equity

Preferred Stock: The number of authorized shares of preferred stock for the Company is 500,000. As of September 30, 2014, none were issued or outstanding.

Common Stock: As of September 30, 2014, the number of authorized shares of common stock for the Company was 15,000,000. As of September 30, 2014, 8,348,464 shares were outstanding.

On January 15, 2013, the Company's board of directors announced the renewal of the Company's share repurchase program, extending the expiration of the program to December 31, 2014 and increasing the remaining amount of authorized repurchases under the program to \$5.0 million from the approximately \$2.4 million of authorized repurchases that had previously remained.

On July 17, 2014, the board of directors of the Company approved a new share repurchase program, allowing for the repurchase of up to \$5.0 million of stock through December 31, 2016. The new repurchase program replaced the Company's prior repurchase program, pursuant to which the Company had repurchased approximately \$3.7 million of common stock since January 1, 2013. Pursuant to the new program, the Company may continue to repurchase shares

from time to time in the open market, and the method, timing and amounts of repurchase will be solely in the discretion of the Company's management. The repurchase program does not require the Company to acquire a specific number of shares. Therefore, the amount of shares repurchased pursuant to the program will depend on several factors, including market conditions, capital and liquidity requirements, and alternative uses for cash available. During the third quarter

6

Table of Contents

2014 the Company repurchased \$1.2 million of common stock. Of the \$5.0 million of stock authorized under the repurchase plan, \$3.8 million remained available for possible future repurchases as of September 30, 2014.

3. Earnings per Common Share

Basic per-share amounts are computed by dividing net income (the numerator) by the weighted-average number of common shares outstanding (the denominator). Diluted per share amounts assume issuance of all common stock issuable upon conversion or exercise of other securities, unless the effect is to reduce the loss or increase the income per common share from continuing operations.

The following table presents the computation of earnings per common share for the respective periods:

(dollars in thousands, except per share amounts)	Three Months Ended		Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Basic earnings per common share computation				
Numerator:				
Net income	\$4,889	\$4,864	\$14,615	\$14,185
Denominator:				
Weighted average shares outstanding	8,366,858	8,468,755	8,423,188	8,478,928
Basic earnings per common share	\$0.59	\$0.57	\$1.74	\$1.67
Diluted earnings per common share computation				
Numerator:				
Net income	\$4,889	\$4,864	\$14,615	\$14,185
Denominator:				
Weighted average shares outstanding, included all dilutive potential shares	8,391,353	8,517,645	8,449,748	8,524,451
Diluted earnings per common share	\$0.59	\$0.57	\$1.73	\$1.66

4. Investment Securities

The amortized cost and fair value of investment securities available for sale, with gross unrealized gains and losses, are as follows:

(in thousands)	As of September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government agencies and corporations	\$56,549	\$300	\$401	\$56,448
State and political subdivisions	187,329	8,176	322	195,183
Mortgage-backed securities	33,193	1,460	—	34,653
Collateralized mortgage obligations	154,632	838	3,225	152,245
Corporate debt securities	48,920	250	199	48,971
Total debt securities	480,623	11,024	4,147	487,500
Other equity securities	2,679	353	39	2,993
Total	\$483,302	\$11,377	\$4,186	\$490,493

Table of Contents

	As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
U.S. Government agencies and corporations	\$45,279	\$527	\$867	\$44,939
State and political subdivisions	207,734	5,625	2,563	210,796
Mortgage-backed securities	37,593	1,692	—	39,285
Collateralized mortgage obligations	171,714	1,003	3,494	169,223
Collateralized debt obligations	2,111	190	984	1,317
Corporate debt securities	29,802	284	142	29,944
Total debt securities	494,233	9,321	8,050	495,504
Other equity securities	2,659	453	55	3,057
Total	\$496,892	\$9,774	\$8,105	\$498,561

The amortized cost and fair value of investment securities held to maturity, with gross unrealized gains and losses, are as follows:

	As of September 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
State and political subdivisions	\$32,053	\$239	\$335	\$31,957
Mortgage-backed securities	23	2	—	25
Collateralized mortgage obligations	8,757	—	286	8,471
Corporate debt securities	3,265	—	83	3,182
Total	\$44,098	\$241	\$704	\$43,635

	As of December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
(in thousands)				
State and political subdivisions	\$19,888	\$—	\$1,326	\$18,562
Mortgage-backed securities	28	3	—	31
Collateralized mortgage obligations	9,447	—	834	8,613
Corporate debt securities	3,262	—	277	2,985
Total	\$32,625	\$3	\$2,437	\$30,191

Investment securities with a carrying value of \$190.4 million and \$202.8 million at September 30, 2014 and December 31, 2013, respectively, were pledged on public deposits, securities sold under agreements to repurchase and for other purposes, as required or permitted by law.

The summary of investment securities shows that some of the securities in the available for sale and held to maturity investment portfolios had unrealized losses, or were temporarily impaired, as of September 30, 2014 and December 31, 2013. This temporary impairment represents the estimated amount of loss that would be realized if the securities were sold on the valuation date.

Table of Contents

The following presents information pertaining to securities with gross unrealized losses as of September 30, 2014 and December 31, 2013, aggregated by investment category and length of time that individual securities have been in a continuous loss position:

Available for Sale (in thousands, except number of securities)	As of September 30, 2014						Unrealized Losses
	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	
U.S. Government agencies and corporations	5	\$14,831	\$ 19	\$14,908	\$ 382	\$29,739	\$ 401
State and political subdivisions	51	3,450	6	12,060	316	15,510	322
Collateralized mortgage obligations	18	52,972	825	55,041	2,400	108,013	3,225
Corporate debt securities	6	18,076	128	3,505	71	21,581	199
Other equity securities	1	—	—	961	39	961	39
Total	81	\$89,329	\$ 978	\$86,475	\$ 3,208	\$175,804	\$ 4,186
(in thousands, except number of securities)	As of December 31, 2013						Unrealized Losses
	Number of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Total Fair Value	
U.S. Government agencies and corporations	3	\$21,977	\$ 867	\$—	\$—	\$21,977	\$ 867
State and political subdivisions	171	54,153	2,331	1,799	232	55,952	2,563
Collateralized mortgage obligations	18	110,142	3,164	5,047	330	115,189	3,494
Collateralized debt obligations	3	—	—	934	984	934	984
Corporate debt securities	3	7,430	93	1,561	49	8,991	142
Other equity securities	1	945	55	—	—	945	55
Total	199	\$194,647	\$ 6,510	\$9,341	\$ 1,595	\$203,988	