

HORIZON BANCORP /IN/
Form 10-Q
August 11, 2014
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HORIZON BANCORP

FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2014

Commission file number 0-10792

HORIZON BANCORP

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of
incorporation or organization)

35-1562417
(I.R.S. Employer
Identification No.)

515 Franklin Square, Michigan City, Indiana
(Address of principal executive offices)

46360
(Zip Code)

Registrant's telephone number, including area code: (219) 879-0211

Former name, former address and former fiscal year, if changed since last report: N/A

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

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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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 9,210,786 shares of Common Stock, no par value, at August 11, 2014.

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Table of Contents**PART 1 FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****HORIZON BANCORP AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

(Dollar Amounts in Thousands)

	June 30 2014 (Unaudited)	December 31 2013
Assets		
Cash and due from banks	\$ 50,804	\$ 31,721
Investment securities, available for sale	364,418	508,591
Investment securities, held to maturity (fair value of \$175,494 and \$9,910)	173,200	9,910
Loans held for sale	7,286	3,281
Loans, net of allowance for loan losses of \$15,660 and \$15,992	1,305,834	1,052,836
Premises and equipment, net	50,853	46,194
Federal Reserve and Federal Home Loan Bank stock	16,326	14,184
Goodwill	28,034	19,748
Other intangible assets	4,422	3,288
Interest receivable	8,280	7,501
Cash value life insurance	38,860	36,190
Other assets	24,934	24,832
Total assets	\$ 2,073,251	\$ 1,758,276
Liabilities		
Deposits		
Non-interest bearing	\$ 270,023	\$ 231,096
Interest bearing	1,229,080	1,060,424
Total deposits	1,499,103	1,291,520
Borrowings	340,201	256,296
Subordinated debentures	32,564	32,486
Interest payable	508	506
Other liabilities	13,539	12,948
Total liabilities	1,885,915	1,593,756
Commitments and contingent liabilities		
Stockholders Equity		
Preferred stock, Authorized, 1,000,000 shares Series B shares \$.01 par value, \$1,000 liquidation value Issued 12,500 shares	12,500	12,500

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Common stock, no par value Authorized, 22,500,000 shares Issued, 9,274,416 and 8,706,971 shares Outstanding, 9,201,786 and 8,630,966 shares

Additional paid-in capital	45,438	32,496
Retained earnings	127,154	121,253
Accumulated other comprehensive income (loss)	2,244	(1,729)
 Total stockholders' equity	 187,336	 164,520
 Total liabilities and stockholders' equity	 \$ 2,073,251	 \$ 1,758,276

See notes to condensed consolidated financial statements

Table of Contents**HORIZON BANCORP AND SUBSIDIARIES****Condensed Consolidated Statements of Income**

(Dollar Amounts in Thousands, Except Per Share Data)

	Three Months Ended June 30		Six Months Ended June 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Interest Income				
Loans receivable	\$ 16,631	\$ 16,906	\$ 29,585	\$ 33,346
Investment securities				
Taxable	2,395	2,047	4,785	4,069
Tax exempt	1,096	1,024	2,219	1,991
Total interest income	20,122	19,977	36,589	39,406
Interest Expense				
Deposits	1,355	1,445	2,632	2,925
Borrowed funds	1,478	1,456	2,900	2,904
Subordinated debentures	501	501	997	992
Total interest expense	3,334	3,402	6,529	6,821
Net Interest Income	16,788	16,575	30,060	32,585
Provision for loan losses	339	729	339	2,813
Net Interest Income after Provision for Loan Losses	16,449	15,846	29,721	29,772
Non-interest Income				
Service charges on deposit accounts	1,038	988	1,961	1,901
Wire transfer fees	145	203	257	393
Interchange fees	1,254	1,060	2,213	1,926
Fiduciary activities	1,199	1,047	2,247	2,187
Gain on sale of investment securities (includes \$0 for the three and six months ended June 30, 2014 and \$0 for the three months ended and \$368 for the six months ended June 30, 2013, related to accumulated other comprehensive earnings reclassifications)				368
Gain on sale of mortgage loans	2,537	2,807	3,948	5,913
Mortgage servicing income net of impairment	233	302	440	465
Increase in cash value of bank owned life insurance	252	257	485	509
Other income	(31)	185	598	647

Total non-interest income	6,627	6,849	12,149	14,309
Non-interest Expense				
Salaries and employee benefits	8,293	7,721	15,776	15,225
Net occupancy expenses	1,360	1,295	2,784	2,606
Data processing	937	818	1,807	1,418
Professional fees	419	454	1,027	953
Outside services and consultants	1,298	486	1,959	1,198
Loan expense	1,272	1,402	2,287	2,516
FDIC insurance expense	285	268	541	551
Other losses	95	163	133	91
Other expense	2,449	2,188	4,608	4,216
Total non-interest expense	16,408	14,795	30,922	28,774
Income Before Income Tax	6,668	7,900	10,948	15,307
Income tax expense (includes \$0 for the three and six months ended June 30, 2014 and \$0 for the three months ended and \$129 for the six months ended June 30, 2013, related to income tax expense from reclassification items)	1,890	2,235	2,753	4,331
Net Income	4,778	5,665	8,195	10,976
Preferred stock dividend and discount accretion	(32)	(96)	(63)	(242)
Net Income Available to Common Shareholders	\$ 4,746	\$ 5,569	\$ 8,132	\$ 10,734
Basic Earnings Per Share	\$ 0.52	\$ 0.65	\$ 0.91	\$ 1.25
Diluted Earnings Per Share	0.50	0.62	0.88	1.20

See notes to condensed consolidated financial statements

Table of Contents**HORIZON BANCORP AND SUBSIDIARIES****Condensed Consolidated Statements of Comprehensive Income (Loss)**

(Dollar Amounts in Thousands)

	Three Months Ended June 30		Six Months Ended June 30	
	2014 (Unaudited)	2013 (Unaudited)	2014 (Unaudited)	2013 (Unaudited)
Net Income	\$ 4,778	\$ 5,665	\$ 8,195	\$ 10,976
Other Comprehensive Income (Loss)				
Change in fair value of derivative instruments:				
Change in fair value of derivative instruments for the period	(317)	1,582	(542)	2,020
Income tax effect	111	(554)	190	(707)
Changes from derivative instruments	(206)	1,028	(352)	1,313
Change in securities available-for-sale:				
Unrealized appreciation (depreciation) for the period on available-for-sale securities	2,336	(12,168)	6,762	(14,607)
Unrealized appreciation (depreciation) for the period on held-to-maturity (1)	(108)		(108)	
Reclassification adjustment for securities gains realized in income				368
Income tax effect	(779)	4,259	(2,329)	4,984
Unrealized gains (losses) on available-for-sale securities	1,449	(7,909)	4,325	(9,255)
Other Comprehensive Income (Loss), Net of Tax	1,243	(6,881)	3,973	(7,942)
Comprehensive Income (Loss)	\$ 6,021	\$ (1,216)	\$ 1	