

INDEPENDENT BANK CORP /MI/
Form 10-Q
November 04, 2015

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, 2015

Commission file number 0-7818

INDEPENDENT BANK CORPORATION

(Exact name of registrant as specified in its charter)

Michigan 38-2032782
(State or jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification Number)

4200 East Beltline, Grand Rapids, Michigan 49525

(Address of principal executive offices)

(616) 527-5820
(Registrant's telephone number, including area code)

NONE

Former name, address and fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all documents and reports required to be filed by Sections 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 (§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, non-accelerated filer or smaller reporting company.

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

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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	22,297,545
Class	Outstanding at November 3, 2015

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

Statements in this report that are not statements of historical fact, including statements that include terms such as “will,” “may,” “should,” “believe,” “expect,” “forecast,” “anticipate,” “estimate,” “project,” “intend,” “likely,” “optimistic” and “plan” about future or projected financial and operating results, plans, projections, objectives, expectations, and intentions, are forward-looking statements. Forward-looking statements include, but are not limited to, descriptions of plans and objectives for future operations, products or services; projections of our future revenue, earnings or other measures of economic performance; forecasts of credit losses and other asset quality trends; statements about our business and growth strategies; and expectations about economic and market conditions and trends. These forward-looking statements express our current expectations, forecasts of future events, or long-term goals. They are based on assumptions, estimates, and forecasts that, although believed to be reasonable, may turn out to be incorrect. Actual results could differ materially from those discussed in the forward-looking statements for a variety of reasons, including:

- economic, market, operational, liquidity, credit, and interest rate risks associated with our business;
- economic conditions generally and in the financial services industry, particularly economic conditions within Michigan and the regional and local real estate markets in which our bank operates;
- the failure of assumptions underlying the establishment of, and provisions made to, our allowance for loan losses;
- the failure of assumptions underlying our estimate of probable incurred losses from vehicle service contract payment plan counterparty contingencies, including our assumptions regarding future cancellations of vehicle service contracts, the value to us of collateral that may be available to recover funds due from our counterparties, and our ability to enforce the contractual obligations of our counterparties to pay amounts owing to us;
- increased competition in the financial services industry, either nationally or regionally;
- our ability to achieve loan and deposit growth;
- volatility and direction of market interest rates;
- the continued services of our management team; and
- implementation of new legislation, which may have significant effects on us and the financial services industry.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this report, but the list is not intended to be all-inclusive. The risk factors disclosed in Part I – Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, as updated by any new or modified risk factors disclosed in Part II – Item 1A of any subsequently filed Quarterly Report on Form 10-Q, include all known risks our management believes could materially affect the results described by forward-looking statements in this report. However, those risks may not be the only risks we face. Our results of operations, cash flows, financial position, and prospects could also be materially and adversely affected by additional factors that are not presently known to us that we currently consider to be immaterial, or that develop after the date of this report. We cannot assure you that our future results will meet expectations. While we believe the forward-looking statements in this report are reasonable, you should not place undue reliance on any forward-looking statement. In addition, these statements speak only as of the date made. We do not undertake, and expressly disclaim, any obligation to update or alter any statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

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Part I - Item 1.

INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Financial Condition

	September 30, 2015 (unaudited)	December 31, 2014 (unaudited)
(In thousands, except share amounts)		
Assets		
Cash and due from banks	\$52,146	\$48,326
Interest bearing deposits	53,051	25,690
Cash and Cash Equivalents	105,197	74,016
Interest bearing deposits - time	13,029	13,561
Trading securities	225	203
Securities available for sale	604,662	533,178
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	15,286	19,919
Loans held for sale, carried at fair value	25,462	23,662
Loans		
Commercial	726,356	690,955
Mortgage	468,578	472,628
Installment	235,627	206,378
Payment plan receivables	37,438	40,001
Total Loans	1,467,999	1,409,962
Allowance for loan losses	(24,604)	(25,990)
Net Loans	1,443,395	1,383,972
Other real estate and repossessed assets	3,851	6,454
Property and equipment, net	43,359	45,948
Bank-owned life insurance	54,098	53,625
Deferred tax assets, net	41,422	48,632
Capitalized mortgage loan servicing rights	11,630	12,106
Vehicle service contract counterparty receivables, net	7,324	7,237
Other intangibles	2,366	2,627
Accrued income and other assets	23,555	23,590
Total Assets	\$2,394,861	\$2,248,730
Liabilities and Shareholders' Equity		
Deposits		
Non-interest bearing	\$640,208	\$576,882
Savings and interest-bearing checking	987,146	943,734
Reciprocal	47,918	53,668
Time	385,690	350,018
Total Deposits	2,060,962	1,924,302
Other borrowings	12,070	12,470
Subordinated debentures	35,569	35,569
Vehicle service contract counterparty payables	1,950	1,977
Accrued expenses and other liabilities	31,330	24,041
Total Liabilities	2,141,881	1,998,359

Shareholders' Equity

Preferred stock, no par value, 200,000 shares authorized; none issued or outstanding	-	-
Common stock, no par value, 500,000,000 shares authorized; issued and outstanding: 22,548,562 shares at September 30, 2015 and 22,957,323 shares at December 31, 2014	343,601	352,462
Accumulated deficit	(86,125)	(96,455)
Accumulated other comprehensive loss	(4,496)	(5,636)
Total Shareholders' Equity	252,980	250,371
Total Liabilities and Shareholders' Equity	\$2,394,861	\$2,248,730

See notes to interim condensed consolidated financial statements (unaudited)

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INDEPENDENT BANK CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

	Three months ended September 30, 2015 2014 (unaudited)		Nine months ended September 30, 2015 2014 (unaudited)	
	(In thousands, except per share amounts)			
Interest Income				
Interest and fees on loans	\$17,869	\$17,818	\$52,859	\$54,179
Interest on securities				
Taxable	1,901	1,644	5,528	4,623
Tax-exempt	228	281	667	830
Other investments	295	325	922	1,076
Total Interest Income	20,293	20,068	59,976	60,708
Interest Expense				
Deposits	987	1,236	2,961	3,789
Other borrowings	465	649	1,382	1,720
Total Interest Expense	1,452	1,885	4,343	5,509