MidWestOne Financial Group, Inc.
Form 10-Q
October 29, 2015

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 September 30, 2015
OR
o 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 organization)	(I.R.S. Employer Identification No.)

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. x Yes o 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). x Yes o 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	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

As of October 28, 2015, there were 11,406,431 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

Table of Contents

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share amounts)	September 30, 2015 (unaudited)	December 31, 2014
ASSETS		
Cash and due from banks	$50,793	$23,028
Interest-bearing deposits in banks	41,202	381
Federal funds sold	339	—
Cash and cash equivalents	92,334	23,409
Investment securities:		
Available for sale	415,042	474,942
Held to maturity (fair value of $102,468 as of September 30, 2015 and $51,253 as of December 31, 2014)	102,920	51,524
Loans held for sale	4,111	801
Loans	2,137,212	1,132,519
Allowance for loan losses	(18,871)	(16,363)
Net loans	2,118,341	1,116,156
Loan pool participations, net	—	19,332
Premises and equipment, net	74,989	37,770
Accrued interest receivable	13,230	10,898
Goodwill	63,192	—
Other intangible assets, net	20,276	8,259
Bank-owned life insurance	45,962	38,142
Other real estate owned	8,299	1,916
Deferred income taxes	2,256	3,078
Other assets	20,888	14,075
Total assets	$2,981,840	$1,800,302
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing demand	$532,058	$214,461
Interest-bearing checking	828,296	618,540
Savings	425,740	102,527
Certificates of deposit under $100,000	368,620	235,395
Certificates of deposit $100,000 and over	313,364	237,619
Total deposits	2,468,078	1,408,542
Federal funds purchased	—	17,408
Securities sold under agreements to repurchase	69,228	60,821
Federal Home Loan Bank borrowings	87,000	93,000
Junior subordinated notes issued to capital trusts	23,560	15,464
Long-term debt	23,750	—
Deferred compensation liability	5,143	3,393
Accrued interest payable	1,578	863
Other liabilities	12,837	8,080
Total liabilities	2,691,174	1,607,571
Shareholders' equity:		

Preferred stock, no par value; authorized 500,000 shares; no shares issued and outstanding at September 30, 2015 and December 31, 2014	$—	$—
Common stock, $1.00 par value; authorized 15,000,000 shares at September 30, 2015 and December 31, 2014; issued 11,713,481 shares at September 30, 2015 and 8,690,398 shares at December 31, 2014; outstanding 11,406,431 shares at September 30, 2015 and 8,355,666 shares at December 31, 2014	11,713	8,690
Additional paid-in capital	163,323	80,537
Treasury stock at cost, 307,050 shares as of September 30, 2015 and 334,732 shares at December 31, 2014	(6,380)	(6,945)
Retained earnings	117,374	105,127
Accumulated other comprehensive income	4,636	5,322
Total shareholders' equity	290,666	192,731
Total liabilities and shareholders' equity	$2,981,840	$1,800,302

See accompanying notes to consolidated financial statements.

1

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited) (dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest income:				
Interest and fees on loans	$26,697	$12,151	$60,959	$36,096
Interest and discount on loan pool participations	—	325	798	1,137
Interest on bank deposits	13	15	29	24
Interest on investment securities:				
Taxable securities	1,914	2,170	5,721	6,760
Tax-exempt securities	1,365	1,335	4,149	4,076
Total interest income	29,989	15,996	71,656	48,093
Interest expense:				
Interest on deposits:				
Interest-bearing checking	706	532	1,903	1,624
Savings	48	36	128	108
Certificates of deposit under $100,000	995	687	2,112	2,018
Certificates of deposit $100,000 and over	1,165	551	2,158	1,445
Total interest expense on deposits	2,914	1,806	6,301	5,195
Interest on federal funds purchased	19	2	33	8
Interest on securities sold under agreements to repurchase	51	28	124	87
Interest on Federal Home Loan Bank borrowings	334	519	1,086	1,626
Interest on other borrowings	6	5	16	18
Interest on junior subordinated notes issued to capital trusts	191	69	399	210
Interest on subordinated notes	—	—	162	—
Interest on long-term debt	144	—	240	—
Total interest expense	3,659	2,429	8,361	7,144
Net interest income	26,330	13,567	63,295	40,949
Provision for loan losses	2,141	150	3,642	900
Net interest income after provision for loan losses	24,189	13,417	59,653	40,049
Noninterest income:				
Trust, investment, and insurance fees	1,428	1,442	4,642	4,390
Service charges and fees on deposit accounts	1,297	918	3,098	2,394
Mortgage origination and loan servicing fees	1,025	449	2,096	1,204
Other service charges, commissions and fees	1,371	625	2,759	1,796
Bank-owned life insurance income	344	423	964	877
Gain on sale or call of available for sale securities	—	145	1,011	1,119
Gain (loss) on sale of premises and equipment	(5)	4	(15)	(1)
Total noninterest income	5,460	4,006	14,555	11,779
Noninterest expense:				
Salaries and employee benefits	11,762	6,337	28,625	18,531
Net occupancy and equipment expense	2,719	1,546	6,585	4,785
Professional fees	959	724	3,868	2,078
Data processing expense	928	357	2,028	1,172
FDIC insurance expense	431	241	1,058	724
Amortization of intangible assets	800	136	2,136	410
Other operating expense	2,314	1,478	6,638	4,150

Total noninterest expense	19,913	10,819	50,938	31,850
Income before income tax expense	9,736	6,604	23,270	19,978
Income tax expense	2,121	1,715	6,390	5,363
Net income	$7,615	$4,889	$16,880	$14,615
Share and per share information:				
Ending number of shares outstanding	11,406,431	8,348,464	11,406,431	8,348,464
Average number of shares outstanding	11,406,132	8,366,858	10,010,926	8,423,188
Diluted average number of shares	11,434,186	8,391,353	10,038,093	8,449,748
Earnings per common share - basic	$0.67	$0.59	$1.69	$1.74
Earnings per common share - diluted	0.67	0.59	1.68	1.73
Dividends paid per common share	0.150	0.145	0.450	0.435

See accompanying notes to consolidated financial statements.

Table of Contents

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

(unaudited) (dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$7,615	$4,889	$16,880	$14,615
Other comprehensive income, available for sale securities:				
Unrealized holding gains (losses) arising during period	2,196	(212)	(78)	6,641
Reclassification adjustment for gains included in net income	—	(145)	(1,011)	(1,119)
Income tax (expense) benefit	(833)	132	403	(2,097)
Other comprehensive income (loss) on available for sale securities	1,363	(225)	(686)	3,425
Other comprehensive income (loss), net of tax	1,363	(225)	(686)	3,425
Comprehensive income	$8,978	$4,664	$16,194	$18,040

See accompanying notes to consolidated financial statements.

Table of Contents

MIDWESTONE 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, 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
Balance at December 31, 2014	$—	$8,690	$80,537	$(6,945)	$105,127	$ 5,322	$192,731
Net income	—	—	—	—	16,880	—	16,880
Issuance of common stock due to business combination (2,723,083 shares)	—	2,723	75,172	—	—	—	77,895
Issuance of common stock - private placement (300,000 shares), net of expenses	—	300	7,600	—	—	—	7,900
Dividends paid on common stock ($0.45 per share)	—	—	—	—	(4,633)	—	(4,633)
Stock options exercised (5,769 shares)	—	—	(32)	120	—	—	88
Release/lapse of restriction on RSUs (23,123 shares)	—	—	(416)	445	—	—	29
Stock compensation	—	—	462	—	—	—	462
Other comprehensive loss, net of tax	—	—	—	—	—	(686)	(686)
Balance at September 30, 2015	$—	$11,713	$163,323	$(6,380)	$117,374	$ 4,636	$290,666

See accompanying notes to consolidated financial statements.

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (dollars in thousands)	Nine Months Ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$16,880	$14,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,642	900
Depreciation, amortization and accretion	5,952	3,237
Loss on sale of premises and equipment	15	1
Deferred income taxes	(169)	2,313
Stock-based compensation	462	371
Net gain on sale or call of available for sale securities	(1,011)	(1,119)
Net loss on sale of other real estate owned	(108)	(59)
Net gain on sale of loans held for sale	(1,240)	(363)
Writedown of other real estate owned	—	49
Origination of loans held for sale	(99,302)	(30,452)
Proceeds from sales of loans held for sale	97,232	30,414
(Increase) decrease in accrued interest receivable	339	(389)
Increase in cash surrender value of bank-owned life insurance	(964)	(877)
(Increase) decrease in other assets	4,734	(476)
Increase (decrease) in deferred compensation liability	94	(64)
Decrease in accrued interest payable, accounts payable, accrued expenses, and other liabilities	(4,489)	(619)
Net cash provided by operating activities	22,067	17,482
Cash flows from investing activities:		
Proceeds from sales of available for sale securities	112,054	28,450
Proceeds from maturities and calls of available for sale securities	64,921	50,760
Purchases of available for sale securities	(11)	(65,653)
Proceeds from maturities and calls of held to maturity securities	3,077	914
Purchase of held to maturity securities	(12,394)	(12,386)
Net increase in loans	(89,521)	(14,447)
Decrease in loan pool participations, net	19,332	5,056
Purchases of premises and equipment	(11,558)	(8,363)
Proceeds from sale of other real estate owned	2,812	585
Proceeds from sale of premises and equipment	33	17
Proceeds of principal and earnings from bank-owned life insurance	—	488
Net cash paid in business acquisition (Note 2)	(35,596)	—
Net cash provided by (used in) investing activities	53,149	(14,579)
Cash flows from financing activities:		
Net increase in deposits	10,369	56,623
Decrease in federal funds purchased	(17,408)	(3,734)
Increase (decrease) in securities sold under agreements to repurchase	(7,717)	210
Proceeds from Federal Home Loan Bank borrowings	24,000	26,000
Repayment of Federal Home Loan Bank borrowings	(30,000)	(32,000)
Stock options exercised	117	156
Redemption of subordinated note	(12,669)	—

Proceeds from long-term debt	25,000	—
Payments on long-term debt	(1,250)	—
Dividends paid	(4,633)	(3,656)
Issuance of common stock, net of expenses	7,900	—
Repurchase of common stock	—	(3,987)
Net cash provided by (used in) financing activities	(6,291)	39,612
Net increase in cash and cash equivalents	68,925	42,515
Cash and cash equivalents at beginning of period	23,409	24,890
Cash and cash equivalents at end of period	$92,334	$67,405

Table of Contents

MIDWESTONE FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

(unaudited) (dollars in thousands)	Nine Months Ended September 30,	
	2015	2014
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$7,646	$7,019
Cash paid during the period for income taxes	$4,650	$1,787
Supplemental schedule of non-cash investing activities:		
Transfer of loans to other real estate owned	$667	$641
Supplemental Schedule of non-cash Investing Activities from Acquisition:		
Noncash assets acquired:		
Investment securities	$160,775	—
Loans	916,973	—
Premises and equipment	27,908	—
Goodwill	63,192	—
Core deposit intangible	12,773	—
Trade name intangible	1,380	—
FDIC indemnification asset	3,753	—
Other real estate owned	8,420	—
Other assets	15,944	—
Total noncash assets acquired	1,211,118	—
Liabilities assumed:		
Deposits	1,049,167	—
Short-term borrowings	16,124	—
Junior subordinated notes issued to capital trusts	8,050	—
Subordinated note payable	12,669	—
Other liabilities	11,617	—
Total liabilities assumed	1,097,627	—

See accompanying notes to consolidated financial statements.

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.

On May 1, 2015, the Company completed its merger with Central Bancshares, Inc. (“Central”), pursuant to which Central was merged with and into the Company. In connection with the merger, Central Bank, a Minnesota-chartered commercial bank and wholly-owned subsidiary of Central, became a wholly-owned subsidiary of the Company. The Company issued 2,723,083 shares of common stock and paid $64.0 million in cash, for total consideration of $141.9 million in connection with the merger. The results of operations acquired from Central have been included in the Company’s results of operations for the time period since the date of acquisition.

The Company owns all of the common stock of MidWestOne Bank, an Iowa state non-member bank chartered in 1934 with its main office in Iowa City, Iowa, all of the common stock of Central Bank, a Minnesota state non-member bank chartered in 1988 with its main office in Golden Valley, Minnesota, and all of the common stock of MidWestOne Insurance Services, Inc., Oskaloosa, Iowa. We operate primarily through our bank subsidiaries, MidWestOne Bank and Central 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, 2014 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, 2015, and the results of operations and cash flows for the three and nine months ended September 30, 2015 and 2014. 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, 2015 may not be indicative of results for the year ending December 31, 2015, 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, 2014. In the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks and interest-bearing deposits in banks.

Certain reclassifications have been made to prior periods’ consolidated financial statements to present them on a basis comparable with the current period’s consolidated financial statements.

2. Business Combination

On May 1, 2015, the Company acquired all of the voting equity interests of Central, a bank holding company and the parent company of Central Bank, a commercial bank headquartered in Golden Valley, Minnesota, through the merger of Central with and into the Company. Among other things, this transaction provides the Company with the opportunity to expand the business into new markets and grow the size of the business. At the effective time of the merger, each share of common stock of Central converted into a pro rata portion of (1) 2,723,083 shares of common stock of the Company, and (2) $64.0 million in cash.

Table of Contents

This business combination was accounted for under the acquisition method of accounting. Accordingly, the results of operations of the acquired company have been included in the Company's results of operations since the date of acquisition. Under this method of accounting, assets and liabilities acquired are recorded at their estimated fair values. The excess cost over fair value of net assets acquired is recorded as goodwill. As the consideration paid for Central exceeded the net assets acquired, goodwill of $63.2 million was recorded on the acquisition. Goodwill recorded in this transaction, which reflects the entry into the geographically new markets served by Central, has been provisionally allocated to our Central Bank segment. Goodwill recorded in the transaction is not tax deductible. The fair value of certain assets and liabilities and results recognized in the financial statements for the business combination have been determined only provisionally as of the third quarter of 2015. The following acquired assets and liabilities are included within the consolidated financial statements as of September 30, 2015 as provisional amounts as the Company continues to gather information to estimate the fair value as of the date of acquisition: 1) deferred taxes remain provisional as the Company continues the process of transitioning Central Bank from an S-Corp to a C-Corp. The Company expects to obtain the additional information needed to finalize this amount in the first quarter of 2016, following the filing of the income tax return for pre-merger Central. All other amounts recognized for the business combination in the financial statements have been determined to be final as of September 30, 2015.

Estimated fair values of assets acquired and liabilities assumed in the Central transaction, as of the closing date of the transaction, were as follows:

(in thousands)	May 1, 2015	
ASSETS		
Cash and due from banks	$28,404	
Investment securities	160,775	
Loans	916,973	
Premises and equipment	27,908	
Goodwill	63,192	
Core deposit intangible	12,773	
Trade name intangible	1,380	
FDIC indemnification asset	3,753	
Other real estate owned	8,420	
Other assets	15,944	
Total assets	1,239,522	
LIABILITIES		
Deposits	1,049,167	
Short-term borrowings	16,124	
Junior subordinated notes issued to capital trusts	8,050	
Subordinated notes payable	12,669	
Accrued expenses and other liabilities	11,617	
Total liabilities	1,097,627	
Total identifiable net assets	141,895	
Consideration:		
Market value of common stock at $29.31 per share at May 1, 2015 (2,723,083 shares of common stock issued)	79,814	
Stock illiquidity discount due to restrictions	(1,919	)
Cash paid	64,000	
Total fair value of consideration	$141,895	

Purchased loans acquired in a business combination are recorded and initially measured at their estimated fair value as of the acquisition date. Credit discounts are included in the determination of fair value. An allowance for loan losses is not carried over. These purchased loans are segregated into two types: purchased credit impaired loans and purchased non-credit impaired loans without evidence of significant credit deterioration.

- Purchased credit impaired loans are accounted for in accordance with ASC 310-30 “Loans and Debt Securities Acquired with Deteriorated Credit Quality” as they display significant credit deterioration since origination and it is probable, as of the acquisition date, that the Company will be unable to collect all contractually required payments from the borrower.

8

Table of Contents

- Purchased non-credit impaired loans are accounted for in accordance with ASC 310-20 “Nonrefundable Fees and Other Costs” as these loans do not have evidence of significant credit deterioration since origination and it is probable all contractually required payments will be received from the borrower.

For purchased non-credit impaired loans, the difference between the estimated fair value of the loans (computed on a loan-by-loan basis) and the principal outstanding is accreted over the remaining life of the loans.

For purchased credit impaired loans the difference between contractually required payments at acquisition and the cash flows expected to be collected is referred to as the non-accretable difference. Further, any excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized into interest income over the expected remaining life of the loan if the timing and amount of the future cash flows are reasonably estimable. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. The present value of any decreases in expected cash flows after the purchase date is recognized by recording an allowance for credit losses and a provision for loan losses.

The following table presents the purchased loans as of the acquisition date:

(in thousands)	Purchased Credit Impaired Loans	Purchased Non-Credit Impaired Loans
Contractually required principal payments	$36,886	$905,314
Nonaccretable difference	(6,675)	—
Principal cash flows expected to be collected	30,211	905,314
Accretable difference	(1,882)	(16,670)
Fair value of acquired loans	$28,329	$888,644

Disclosures required by ASC 805-20-50-1(a) concerning the FDIC indemnification assets have not been included due to the immateriality of the amount involved. See Note 6. “Loans Receivable and the Allowance for Loan Losses” to our consolidated financial statements for additional information related to the FDIC indemnification asset.

ASC 805-30-30-7 requires that the consideration transfered in a business combination should be measured at fair value. Since the common shares issued as part of the consideration of the merger included a restriction on their sale, pledge or other disposition, an illiquidity discount has been assigned to the shares based upon the volatility of the underlying shares’ daily returns and the period of restriction.

The Company recorded $0.2 million and $3.4 million in pre-tax merger-related expenses for the three and nine months ended 2015, respectively, including professional and legal fees of $0.2 million and $1.9 million, respectively, to directly consummate the merger. These amounts are included in professional fees in the Company’s consolidated statements of operations. The remainder of merger-related expenses primarily relate to retention and severance compensation costs, which are included in salaries and employee benefits in the consolidated statements of operations, and service contract termination costs, which are included in other operating expenses.

During the measurement period, specifically the three months ended September 30, 2015, the Company recognized adjustments to the provisional amounts reported at June 30, 2015, which reflect new information that existed as of May 1, 2015 that, if known, would have affected the measurement of the amounts recognized as of that date. In its interim financial statements for the nine months ended September 30, 2015, the Company adjusted the provisional amounts for the trade name, stock illiquidity discount, FDIC indemnification asset and other real estate owned. The results of these adjustments are reflected in the $6.7 million increase to goodwill during the quarter ended September 30, 2015. The provisional adjustments had no significant impact on earnings for the three and six months ending June 30, 2015 and in accordance with ASU 2015-16 were recorded in earnings during the three months ending September 30, 2015.

Table of Contents

The following table provides the unaudited pro forma information for the results of operations for the three and nine months ended September 30, 2015 and 2014, as if the acquisition had occurred January 1, 2014. The pro forma results combine the historical results of Central into the Company's consolidated statement of income including the impact of certain purchase accounting adjustments, including loan discount accretion, investment securities discount accretion, intangible assets amortization, deposit premium accretion and borrowing discount amortization. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results that would have been obtained had the acquisition actually occurred on January 1, 2014. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions. The merger-related expenses that have been recognized are included in net income in the table below.

	Pro Forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2015	2014	2015	2014
Total revenues (net interest income plus noninterest income)	$31,258	$32,075	$95,175	$96,954
Net income	$6,455	$6,333	$17,052	$17,101

The pro forma information above excludes the impact of any provision recorded related to renewing Central loans.
Revenues and earnings included in the consolidated statements of operations of the acquired company since the acquisition date for the three months ended September 30, 2015 were $14.8 million and $2.4 million, respectively, and $25.3 million and $4.5 million for the nine months ended September 30, 2015, respectively.

3. Shareholders' Equity

Preferred Stock: The number of authorized shares of preferred stock for the Company is 500,000. As of September 30, 2015, none were issued or outstanding.

Common Stock: As of September 30, 2015, the number of authorized shares of common stock for the Company was 15,000,000. As of September 30, 2015, 11,406,431 shares were outstanding.

On May 1, 2015, in connection with the Central merger, the Company issued 2,723,083 shares of its common stock.

On June 22, 2015, the Company entered into a Securities Purchase Agreement with certain institutional accredited investors, pursuant to which, on June 23, 2015, the Company sold an aggregate of 300,000 newly issued shares of the Company's common stock, $1.00 par value per share, at a purchase price of $28.00 per share. Each of the purchasers was an existing shareholder of the Company.

On July 17, 2014, the board of directors of the Company approved a share repurchase program, allowing for the repurchase of up to $5.0 million of stock through December 31, 2016. The 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 repurchase 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 of 2015 the Company repurchased no 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, 2015.

4. Earnings per 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.

Table of Contents

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

Three Months Ended
September 30,