

MID-STATE BANCSHARES
Form 10-Q
August 05, 2005

**United States
Securities and Exchange Commission**

Washington, D.C. 20429

FORM 10-Q

ý **Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the quarterly period ended June 30, 2005.

o **Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from N/A to N/A.

Commission File Number 000-23925

MID-STATE BANCSHARES

(Exact name of registrant as specified in its charter)

California
(State or Other Jurisdiction of
Incorporation or Organization)

1026 Grand Ave. Arroyo Grande, CA
(Address of Principal Executive Offices)

77-0442667
(I.R.S. Employer Identification No.)

93420-0580
(Zip Code)

Registrant's Telephone Number: **(805) 473-7700**

Edgar Filing: MID-STATE BANCSHARES - Form 10-Q

Check whether the Company (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of common stock of the Company outstanding as of July 29, 2005: **22,738,772 shares.**

Mid-State Bancshares

June 30, 2005

Index

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements (Unaudited)

Consolidated Statements of Financial Position

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Capital Accounts

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3 Quantitative and Qualitative Disclosure About Market Risk

Item 4 Controls and Procedures

PART II - OTHER INFORMATION

Item 1 Legal Proceedings

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Item 3 Defaults Upon Senior Securities

Item 4 Submission of Matters to a Vote of Security Holders

Item 5 Other Information

Item 6 Exhibits

Signatures

EX-31 Certifications

EX-32 Certification Pursuant to 18 U.S.C. Sec. 1350

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Mid-State Bancshares

Consolidated Statements of Financial Position

(Unaudited - figures in 000 \$)

| | June 30, 2005 | Dec. 31, 2004 | June 30, 2004 |
|--|---------------------|---------------------|---------------------|
| ASSETS | | | |
| Cash and Due From Banks | \$ 116,891 | \$ 112,669 | \$ 128,141 |
| Fed Funds Sold | 26,400 | 6,000 | 23,000 |
| Securities Available For Sale | 580,062 | 644,817 | 674,431 |
| Loans Held for Sale | 10,871 | 12,988 | 12,789 |
| Loans, net of unearned income | 1,490,366 | 1,421,894 | 1,316,135 |
| Allowance for Loan Losses | (13,403) | (13,799) | (13,895) |
| Net Loans | 1,476,963 | 1,408,095 | 1,302,240 |
| Premises and Equipment, Net | 24,055 | 24,946 | 25,335 |
| Accrued Interest Receivable | 12,136 | 11,918 | 11,678 |
| Goodwill | 47,840 | 47,840 | 47,840 |
| Core Deposit Intangibles, net | 7,045 | 7,732 | 8,419 |
| Other Assets | 48,833 | 19,082 | 18,142 |
| Total Assets | \$ 2,351,096 | \$ 2,296,087 | \$ 2,252,015 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Non Interest Bearing Demand | \$ 561,435 | \$ 517,139 | \$ 498,754 |
| NOW Accounts, Money Market and Savings Deposits | 1,049,143 | 1,083,139 | 1,054,520 |
| Time Deposits Under \$100 | 229,784 | 227,972 | 236,410 |
| Time Deposits \$100 or more | 185,366 | 166,295 | 164,761 |
| Total Deposits | 2,025,728 | 1,994,545 | 1,954,445 |
| Other Borrowings | 25,331 | 6,582 | 4,964 |
| Allowance for Losses - Unfunded Commitments | 1,759 | 1,783 | 1,570 |
| Accrued Interest Payable and Other Liabilities | 23,623 | 18,550 | 19,074 |
| Total Liabilities | 2,076,441 | 2,021,460 | 1,980,053 |
| Commitments and Contingencies | | | |
| Shareholders' Equity: | | | |
| Common Stock and Surplus (Shares outstanding of 22,810, 23,099 and 23,454, respectively) | 51,149 | 61,439 | 72,476 |
| Retained Earnings | 218,380 | 206,328 | 195,215 |
| Accumulated Other Comprehensive Income net of taxes of \$3,417, \$4,573 and \$2,847 respectively | 5,126 | 6,860 | 4,271 |
| Total Equity | 274,655 | 274,627 | 271,962 |
| Total Liabilities and Equity | \$ 2,351,096 | \$ 2,296,087 | \$ 2,252,015 |

The accompanying notes are an integral part of these consolidated statements.

Mid-State Bancshares

Consolidated Statements of Income

(Unaudited - figures in 000 \$ except earnings per share data)

| | Three Month Period Ended June 30, | | Six Month Period Ended June 30, | |
|---|--------------------------------------|-----------------|------------------------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Interest Income: | | | | |
| Interest and fees on loans | \$ 25,812 | \$ 20,519 | \$ 49,753 | \$ 40,237 |
| Interest on investment securities - | | | | |
| U.S. Treasury securities | 194 | 226 | 305 | 642 |
| U.S. Government agencies and corporations | 1,434 | 2,169 | 3,007 | 4,500 |
| Obligations of states and political sub-divisions and other securities | 3,995 | 3,635 | 7,725 | 7,321 |
| Interest on fed funds sold | 219 | 71 | 346 | 157 |
| Total Interest Income | 31,654 | 26,620 | 61,136 | 52,857 |
| Interest Expense: | | | | |
| Interest on NOW, money market and savings | 1,206 | 609 | 1,930 | 1,201 |
| Interest on time deposits less than \$100 | 1,251 | 847 | 2,274 | 1,746 |
| Interest on time deposits of \$100 or more | 1,002 | 498 | 1,783 | 1,002 |
| Interest other | 235 | 36 | 420 | 117 |
| Total Interest Expense | 3,694 | 1,990 | 6,407 | 4,066 |
| Net Interest Income before provision | 27,960 | 24,630 | 54,729 | 48,791 |
| Provision (Benefit) for loan losses | | (2,700) | | (2,700) |
| Net Interest Income after provision | 27,960 | 27,330 | 54,729 | 51,491 |
| Other Operating Income: | | | | |
| Service charges and fees | 2,375 | 2,519 | 4,720 | 5,072 |
| Commissions, fees and other service charges | 2,090 | 3,451 | 4,259 | 6,601 |
| Gain on sale of securities | 80 | 9 | 88 | 382 |
| Gain on sale of loans held for sale | 139 | 229 | 238 | 374 |
| Other non-interest income | 694 | 1,702 | 1,468 | 2,481 |
| Total Other Operating Income | 5,378 | 7,910 | 10,773 | 14,910 |
| Other Operating Expense: | | | | |
| Salaries and employee benefits | 10,668 | 11,182 | 21,656 | 21,899 |
| Occupancy and furniture | 3,089 | 3,096 | 6,041 | 6,208 |
| Other operating expenses | 5,454 | 6,599 | 9,849 | 12,464 |
| Total Other Operating Expense | 19,211 | 20,877 | 37,546 | 40,571 |
| Income Before Taxes | 14,127 | 14,363 | 27,956 | 25,830 |
| Provision for income taxes | 4,615 | 4,990 | 9,354 | 8,792 |
| Net Income | \$ 9,512 | \$ 9,373 | \$ 18,602 | \$ 17,038 |
| Earnings per share: | | | | |
| basic | \$ 0.42 | \$ 0.40 | \$ 0.81 | \$ 0.72 |
| diluted | \$ 0.41 | \$ 0.39 | \$ 0.79 | \$ 0.71 |
| Dividends per share | \$ 0.16 | \$ 0.14 | \$ 0.32 | \$ 0.28 |
| Average shares used in earnings per share calculations: | | | | |
| basic | 22,884 | 23,550 | 22,951 | 23,560 |
| diluted | 23,381 | 23,962 | 23,468 | 24,003 |

The accompanying notes are an integral part of these consolidated statements.

Mid-State Bancshares

Consolidated Statements of Comprehensive Income

(Unaudited - figures in 000 s)

| | Three Month Period Ended June 30, | | Six Month Period Ended June 30, | |
|--|--------------------------------------|----------|------------------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net Income | \$ 9,512 | \$ 9,373 | \$ 18,602 | \$ 17,038 |
| Other Comprehensive Income Before Taxes: | | | | |
| Unrealized gains (losses) on securities available for sale: | | | | |
| Unrealized holding gains (losses) arising during period | 5,878 | (15,329) | (2,802) | (12,976) |
| Reclassification adjustment for (gains) included in net income | (80) | (9) | (88) | (382) |
| Other comprehensive income (loss), before tax | 5,798 | (15,338) | (2,890) | (13,358) |
| Income tax expense (credit) related to items in comprehensive income | 2,319 | (6,135) | (1,156) | (5,352) |
| Other Comprehensive Income (Loss), Net of Taxes | 3,479 | (9,203) | (1,734) | (8,006) |
| Comprehensive Income | \$ 12,991 | \$ 170 | \$ 16,868 | \$ 9,032 |

The accompanying notes are an integral part of these consolidated statements.

Mid-State Bancshares

Consolidated Statements of Changes in Capital Accounts

(Unaudited - figures in 000 s except share amounts)

| | Number of Shares | Capital Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|--|---------------------|------------------|----------------------|--|----------------|
| BALANCE, December 31, 2004 | 23,099,159 | \$ 61,439 | \$ 206,328 | \$ 6,860 | 274,627 |
| Cash dividend | | | (7,321) | | (7,321) |
| Exercise of stock options | 220,340 | 3,226 | | | 3,226 |
| Tax Benefit from exercise of options | | | 771 | | 771 |
| Net income | | | 18,602 | | 18,602 |
| Change in net unrealized gain on available for sale securities, net of taxes of (\$1,156) | | | | (1,734) | (1,734) |
| Stock repurchased | (509,557) | (13,516) | | | (13,516) |
| BALANCE, June 30, 2005 | 22,809,942 | \$ 51,149 | \$ 218,380 | \$ 5,126 | 274,655 |
| BALANCE, December 31, 2003 | 23,567,478 | \$ 75,506 | \$ 184,771 | \$ 12,277 | 272,554 |
| Cash dividend | | | (6,594) | | (6,594) |
| Exercise of stock options | 44,574 | 532 | | | 532 |
| Net income | | | 17,038 | | 17,038 |
| Change in net unrealized gain on available for sale securities, net of taxes of (\$5,352) | | | | (8,006) | (8,006) |
| Stock repurchased | (158,212) | (3,562) | | | (3,562) |
| BALANCE, June 30, 2004 | 23,453,840 | \$ 72,476 | \$ 195,215 | \$ 4,271 | 271,962 |

The accompanying notes are an integral part of these consolidated statements.

Mid-State Bancshares

Consolidated Statements of Cash Flows

(Unaudited - figures in 000 s)

| | Six Month Period Ended June 30, | |
|---|--|-------------|
| | 2005 | 2004 |
| OPERATING ACTIVITIES | | |
| Net Income | \$ 18,602 | \$ 17,038 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for credit losses | | (2,700) |
| Depreciation and amortization | 2,758 | 3,034 |
| Net amortization of prem./discounts-investments | 1,859 | 2,763 |
| Gain on sale of loans held for sale | (238) | (374) |
| Gain on sale of other real estate owned | | (1,078) |
| Gain on sale of securities, net | (88) | (382) |
| Net decrease in loans held for sale | 2,356 | 995 |
| Change in deferred loan fees | (202) | |