

Edgar Filing: ISABELLA BANK Corp - Form 10-Q

ISABELLA BANK Corp  
Form 10-Q  
November 09, 2018  
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, 2018

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: 0-18415

Isabella Bank Corporation  
(Exact name of registrant as specified in its charter)

Michigan 38-2830092  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

401 N. Main St, Mt. Pleasant, MI 48858  
(Address of principal executive offices) (Zip code)  
(989) 772-9471  
(Registrant's telephone number, including area code)

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

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 (Section 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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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The number of common shares outstanding of the registrant's Common Stock (no par value) was 7,848,174 as of November 7, 2018.

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Forward Looking Statements

This report contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended and Rule 3b-6 promulgated thereunder. We intend such forward looking statements to be covered by the safe harbor provisions for forward looking statements contained in the Private Securities Litigation Reform Act of 1995, and are included in this statement for purposes of these safe harbor provisions. Forward looking statements, which are based on certain assumptions and describe future plans, strategies and expectations, are generally identifiable by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” or similar expressions. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects include, but are not limited to, changes in: interest rates, general economic conditions, federal or state tax laws, monetary and fiscal policy, the quality or composition of the loan or investment portfolios, demand for loan products, fluctuation in the value of collateral securing our loan portfolio, deposit flows, competition, cyber-security risk, demand for financial services in our market area, and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward looking statements and undue reliance should not be placed on such statements. Further information concerning our business, including additional factors that could materially affect our financial results, is included in our filings with the SEC.

Glossary of Acronyms and Abbreviations

The acronyms and abbreviations identified below may be used throughout this Quarterly Report on Form 10-Q or in our other SEC filings. You may find it helpful to refer back to this page while reading this report.

ACL: Allowance for Credit Losses	GAAP: U.S. generally accepted accounting principles
AFS: Available-for-sale	GLB Act: Gramm-Leach-Bliley Act of 1999
ALLL: Allowance for loan and lease losses	IFRS: International Financial Reporting Standards
AOCI: Accumulated other comprehensive income	IRR: Interest rate risk
ASC: FASB Accounting Standards Codification	ISDA: International Swaps and Derivatives Association
ASU: FASB Accounting Standards Update	JOBS Act: Jumpstart our Business Startups Act
ATM: Automated Teller Machine	LIBOR: London Interbank Offered Rate
BHC Act: Bank Holding Company Act of 1956	N/A: Not applicable
CECL: Current Expected Credit Losses	N/M: Not meaningful
CFPB: Consumer Financial Protection Bureau	NASDAQ: NASDAQ Stock Market Index
CIK: Central Index Key	NASDAQ Banks: NASDAQ Bank Stock Index
CRA: Community Reinvestment Act	NAV: Net asset value
DIF: Deposit Insurance Fund	NOW: Negotiable order of withdrawal
DIFS: Department of Insurance and Financial Services	NSF: Non-sufficient funds
Directors Plan: Isabella Bank Corporation and Related Companies Deferred Compensation Plan for Directors	OCI: Other comprehensive income (loss)
Dividend Reinvestment Plan: Isabella Bank Corporation Stockholder Dividend Reinvestment Plan and Employee Stock Purchase Plan	OMSR: Originated mortgage servicing rights
Dodd-Frank Act: Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	OREO: Other real estate owned
ESOP: Employee Stock Ownership Plan	OTTI: Other-than-temporary impairment
Exchange Act: Securities Exchange Act of 1934	PBO: Projected benefit obligation
FASB: Financial Accounting Standards Board	

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FDI Act: Federal Deposit Insurance Act

FDIC: Federal Deposit Insurance Corporation

FFIEC: Federal Financial Institutions Examinations Council

FRB: Federal Reserve Bank

FHLB: Federal Home Loan Bank

Freddie Mac: Federal Home Loan Mortgage Corporation

FTE: Fully taxable equivalent

PCAOB: Public Company Accounting  
Oversight Board

Rabbi Trust: A trust established to fund  
the Directors Plan

SEC: U.S. Securities and Exchange  
Commission

SOX: Sarbanes-Oxley Act of 2002

Tax Act: Tax Cuts and Jobs Act, enacted  
December 22, 2017

TDR: Troubled debt restructuring

XBRL: eXtensible Business Reporting  
Language

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands)

	September 30 2018	December 31 2017
<b>ASSETS</b>		
Cash and cash equivalents		
Cash and demand deposits due from banks	\$ 21,864	\$ 25,267
Interest bearing balances due from banks	26,688	5,581
Total cash and cash equivalents	48,552	30,848
AFS securities, at fair value	501,139	548,730
Equity securities, at fair value	—	3,577
Mortgage loans AFS	2,811	1,560
Loans		
Commercial	668,915	634,759
Agricultural	129,232	128,269
Residential real estate	276,904	272,368
Consumer	64,879	56,123
Gross loans	1,139,930	1,091,519
Less allowance for loan and lease losses	8,100	7,700
Net loans	1,131,830	1,083,819
Premises and equipment	28,186	28,450
Corporate owned life insurance policies	27,547	27,026
Accrued interest receivable	7,669	7,063
Equity securities without readily determinable fair values	24,948	23,454
Goodwill and other intangible assets	48,473	48,547
Other assets	12,508	10,056
<b>TOTAL ASSETS</b>	<b>\$ 1,833,663</b>	<b>\$ 1,813,130</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Noninterest bearing	\$ 229,269	\$ 237,511
NOW accounts	235,529	231,666
Certificates of deposit under \$250 and other savings	739,859	728,090
Certificates of deposit over \$250	72,149	67,991
Total deposits	1,276,806	1,265,258
Borrowed funds	359,776	344,878