

Edgar Filing: Independent Bank Group, Inc. - Form 10-Q

Independent Bank Group, Inc.  
Form 10-Q  
May 05, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the quarterly period ended March 31, 2014.

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 001-35854

Independent Bank Group, Inc.  
(Exact name of registrant as specified in its charter)  
Texas  
(State or other jurisdiction of incorporation or organization)

13-4219346  
(I.R.S. Employer Identification No.)

1600 Redbud Boulevard, Suite 400  
McKinney, Texas  
(Address of principal executive offices)  
(972) 562-9004

75069-3257  
(Zip Code)

(Registrant's telephone number, including area code)  
Not applicable  
(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 such shorter periods 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, a non-accelerated filer or a smaller reporting company. See 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  Smaller reporting company

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

Applicable Only to Corporate Issuers

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Edgar Filing: Independent Bank Group, Inc. - Form 10-Q

Common Stock, Par Value \$0.01 Per Share – 16,366,821 shares as of May 2, 2014.

---

INDEPENDENT BANK GROUP, INC. AND SUBSIDIARIES  
Form 10-Q  
March 31, 2014

PART I.	<u>Financial Information</u>	
Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets-Unaudited</u>	<u>1</u>
	<u>Consolidated Statements of Income-Unaudited</u>	<u>2</u>
	<u>Consolidated Statements of Comprehensive Income-Unaudited</u>	<u>3</u>
	<u>Consolidated Statements of Changes in Stockholders' Equity-Unaudited</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows-Unaudited</u>	<u>5</u>
	<u>Notes to Consolidated Financial Statements-Unaudited</u>	<u>6</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>46</u>
Item 4.	<u>Controls and Procedures</u>	<u>47</u>
PART II.	<u>Other Information</u>	<u>47</u>
Item 1.	<u>Legal Proceedings</u>	<u>48</u>
Item 1a.	<u>Risk Factors</u>	<u>48</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>48</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>48</u>
Item 5.	<u>Other Information</u>	<u>48</u>
Item 6.	<u>Exhibits</u>	<u>49</u>

Signatures

\*\*\*

## Independent Bank Group, Inc. and Subsidiaries

## Consolidated Balance Sheets

March 31, 2014 and December 31, 2013 (unaudited)

(Dollars in thousands, except share information)

	March 31, 2014	December 31, 2013
<b>Assets</b>		
Cash and due from banks	\$32,771	\$27,408
Federal Reserve Excess Balance Account (EBA)	64,944	65,646
Cash and cash equivalents	97,715	93,054
Securities available for sale (amortized cost of \$204,761 and \$196,689, respectively)	204,539	194,038
Loans held for sale	2,191	3,383
Loans, net of allowance for loan losses of \$14,841 and \$13,960, respectively	1,878,241	1,709,200
Premises and equipment, net	74,461	72,735
Other real estate owned	2,909	3,322
Federal Home Loan Bank (FHLB) of Dallas stock and other restricted stock	9,012	9,494
Bank-owned life insurance (BOLI)	21,421	21,272
Deferred tax asset	3,937	4,834
Goodwill	42,575	34,704
Core deposit intangible, net	3,813	3,148
Other assets	12,861	14,800
<b>Total assets</b>	<b>\$2,353,675</b>	<b>\$2,163,984</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Deposits:</b>		
Noninterest-bearing	\$352,735	\$302,756
Interest-bearing	1,537,942	1,407,563
<b>Total deposits</b>	<b>1,890,677</b>	<b>1,710,319</b>
FHLB advances	174,462	187,484
Repurchase agreements	4,535	—
Other borrowings	4,460	4,460
Other borrowings, related parties	3,270	3,270
Junior subordinated debentures	18,147	18,147
Other liabilities	5,616	6,532
<b>Total liabilities</b>	<b>2,101,167</b>	<b>1,930,212</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock (12,592,935 and 12,330,158 shares outstanding, respectively)	126	123
Additional paid-in capital	235,225	222,116
Retained earnings	16,708	12,663
Accumulated other comprehensive income (loss)	449	(1,130)
<b>Total stockholders' equity</b>	<b>252,508</b>	<b>233,772</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$2,353,675</b>	<b>\$2,163,984</b>
See Notes to Consolidated Financial Statements		



## Independent Bank Group, Inc. and Subsidiaries

## Consolidated Statements of Income

Three Months Ended March 31, 2014 and 2013 (unaudited)

(Dollars in thousands, except per share information)

	Three Months Ended March	
	31, 2014	2013
Interest income:		
Interest and fees on loans	\$24,123	\$20,759
Interest on taxable securities	699	333
Interest on nontaxable securities	257	249
Interest on federal funds sold and other	83	80
Total interest income	25,162	21,421
Interest expense:		
Interest on deposits	1,907	1,728
Interest on FHLB advances	852	828
Interest on repurchase agreements, notes payable and other borrowings	135	515
Interest on junior subordinated debentures	133	135
Total interest expense	3,027	3,206
Net interest income	22,135	18,215
Provision for loan losses	1,253	1,030
Net interest income after provision for loan losses	20,882	17,185
Noninterest income:		
Service charges on deposit accounts	1,211	1,139
Mortgage fee income	730	1,066
Gain on sale of other real estate	39	25
Gain on sale of premises and equipment	—	1
Increase in cash surrender value of BOLI	149	81
Other	205	114
Total noninterest income	2,334	2,426
Noninterest expense:		
Salaries and employee benefits	9,134	7,748
Occupancy	2,538	2,147
Data processing	496	296
FDIC assessment	304	246
Advertising and public relations	234	216
Communications	320	340
Net other real estate owned expenses (including taxes)	79	166
Operations of IBG Adriatica, net	23	197
Other real estate impairment	—	448
Core deposit intangible amortization	199	176
Professional fees	368	272
Acquisition expense, including legal	476	137
Other	1,905	1,534
Total noninterest expense	16,076	13,923
Income before taxes	7,140	5,688
Income tax expense	2,339	—

Edgar Filing: Independent Bank Group, Inc. - Form 10-Q

Net income	\$4,801	\$5,688
Basic earnings per share	\$0.38	\$0.69
Diluted earnings per share	\$0.38	\$0.68
Pro Forma:		
Income tax expense	n/a	1,866
Net income	n/a	\$3,822
Basic earnings per share	n/a	\$0.46
Diluted earnings per share	n/a	\$0.46

See Notes to Consolidated Financial Statements

2

---

Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income  
 Three Months Ended March 31, 2014 and 2013 (unaudited)  
 (Dollars in thousands)

	Three Months Ended March 31,	
	2014	2013
Net income	\$4,801	\$5,688
Other comprehensive income (loss) before tax:		
Change in net unrealized gains (losses) on available for sale securities during the year	2,429	(884 )
Reclassification adjustment for loss on sale of securities available for sale included in net income	—	—
Other comprehensive income (loss) before tax	2,429	(884 )
Income tax expense (benefit)	850	—
Other comprehensive income (loss), net of tax	1,579	(884 )
Comprehensive income	\$6,380	\$4,804

See Notes to Consolidated Financial Statements



Independent Bank Group, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity  
 Three Months Ended March 31, 2014 and 2013 (unaudited)  
 (Dollars in thousands, except for par value and share information)

	Common Stock \$.01 Par Value 100 million shares authorized		Additional Paid in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance, December 31, 2013	12,330,158	\$ 123	\$222,116	\$12,663	\$—	\$ (1,130 )	\$233,772
Net income	—	—	—	4,801	—	—	4,801
Other comprehensive income, net of tax	—	—	—	—	—	1,579	1,579
Stock issued for acquisition of bank	235,594	3	11,697	—	—	—	11,700
Restricted stock granted	27,183	—	—	—	—	—	—
Stock based compensation expense	—	—	390	—	—	—	390
Excess tax benefit on restricted stock vested							