

MID-STATE BANCSHARES
Form 10-Q
August 05, 2004

**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, 2004.

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)

77-0442667

(I.R.S. Employer Identification No.)

1026 Grand Ave. Arroyo Grande, CA

(Address of Principal Executive Offices)

93420-0580

(Zip Code)

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

Securities to be registered under Section 12(b) of the Act: **None**

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

Securities to be registered under Section 12(g) of the Act:

Common Stock, no par value

(Title of class)

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

As of July 27, 2004, the aggregate market value of the common stock held by non-affiliates of the Company was: **\$546,130,652**.

Number of shares of common stock of the Company outstanding as of July 27, 2004: **23,408,096 shares**.

Mid-State Bancshares

June 30, 2004

Index

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements

Consolidated Statements of Financial Position (Unaudited)

Consolidated Statements of Income (Unaudited)

Consolidated Statements of Comprehensive Income (Unaudited)

Consolidated Statements of Cash Flows (Unaudited)

Notes to Consolidated Financial Statements (Unaudited)

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 Changes in 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 and Reports on Form 8-K

Signatures

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 s)

	June 30, 2004	Dec. 31, 2003	June 30, 2003
ASSETS			
Cash and Due From Banks	\$ 128,141	\$ 123,763	\$ 124,176
Fed Funds Sold	23,000	47,500	79,200
Securities Available For Sale	674,431	774,679	601,120
Loans Held for Sale	12,789	13,410	49,875
Loans, net of unearned income	1,316,135	1,154,932	1,102,210
Allowance for Loan Losses	(13,895)	(16,063)	(17,963)
Net Loans	1,302,240	1,138,869	1,084,247
Premises and Equipment, Net	25,335	26,325	25,570
Accrued Interest Receivable	11,678	12,174	10,764
Other Real Estate Owned		3,428	
Goodwill	47,840	47,840	33,448
Core Deposit Intangibles, net	8,419	9,107	6,966
Other Assets	18,142	11,737	8,888
Total Assets	\$ 2,252,015	\$ 2,208,832	\$ 2,024,254
LIABILITIES AND EQUITY			
Non Interest Bearing Demand	\$ 498,754	\$ 487,624	\$ 422,732
NOW Accounts, Money Market and Savings Deposits	1,054,520	1,024,207	919,768
Time Deposits Under \$100	236,410	245,052	241,002
Time Deposits \$100 or more	164,761	155,548	156,632
Total Deposits	1,954,445	1,912,431	1,740,134
Other Borrowings	4,964	7,627	6,354
Allowance for Losses Unfunded Commitments	1,570	1,941	1,812
Accrued Interest Payable and Other Liabilities	19,074	14,279	13,594
Total Liabilities	1,980,053	1,936,278	1,761,894
Commitments and Contingencies			
Shareholders Equity:			
	72,476	75,506	71,566

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

Common Stock and Surplus (Shares Outstanding of 23,454, 23,567 and 23,384, respectively)			
Retained Earnings	195,215	184,771	173,489
Accumulated Other Comprehensive Income net of taxes of \$2,847, \$8,200 and \$11,537	4,271	12,277	17,305
<i>Total Equity</i>	271,962	272,554	262,360
<i>Total Liabilities and Equity</i>	\$ 2,252,015	\$ 2,208,832	\$ 2,024,254

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,	
	2004	2003	2004	2003
Interest Income:				
Interest and fees on loans	\$ 20,519	\$ 20,134	\$ 40,237	\$ 39,887
Interest on investment securities -				
U.S. Treasury securities	226	154	642	359
U.S. Government agencies and corporations	2,169	2,076	4,500	4,391
Obligations of states and political sub-divisions and other securities	3,635	3,624	7,321	7,094
Interest on fed funds sold and other	71	219	157	341
Total Interest Income	26,620	26,207	52,857	52,072
Interest Expense:				
Interest on NOW, money market and savings	609	738	1,201	1,500
Interest on time deposits less than \$100	847	1,162	1,746	2,506
Interest on time deposits of \$100 or more	498	633	1,002	1,323
Interest other	36	35	117	73
Total Interest Expense	1,990	2,568	4,066	5,402
Net Interest Income before provision	24,630	23,639	48,791	46,670
(Benefit) Provision for loan losses	(2,700)	150	(2,700)	260
Net Interest Income after provision	27,330	23,489	51,491	46,410
Other Operating Income:				
Service charges and fees	2,519	2,311	5,072	4,564
Commissions, fees and other service charges	3,451	3,462	6,601	6,485
Gains on sale of securities	9	27	382	29
Gain on sale of loans held for sale	229	987	374	1,960
Other non-interest income	1,702	697	2,481	1,360
Total Other Operating Income	7,910	7,484	14,910	14,398
Other Operating Expense:				
Salaries and employee benefits	11,182	9,210	21,899	18,859
Occupancy and furniture	3,096	2,860	6,208	5,632
Other operating expenses	6,599	5,956	12,464	11,910
Total Other Operating Expense	20,877	18,026	40,571	36,401
Income Before Taxes	14,363	12,947	25,830	24,407
Provision for income taxes	4,990	4,587	8,792	8,604
Net Income	\$ 9,373	\$ 8,360	\$ 17,038	\$ 15,803
Earnings per share:				
basic	\$ 0.40	\$ 0.36	\$ 0.72	\$ 0.67
diluted	\$ 0.39	\$ 0.34	\$ 0.71	\$ 0.64
Dividends per share	\$ 0.14	\$ 0.13	\$ 0.28	\$ 0.24

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

Average shares used in earnings per share calculations:

basic	23,550	23,442	23,560	23,520
diluted	23,962	24,477	24,003	24,557

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,	
	2004	2003	2004	2003
Net Income	\$ 9,373	\$ 8,360	\$ 17,038	\$ 15,803
Other Comprehensive Income Before Taxes:				
Unrealized (losses) gains on securities available for sale:				
Unrealized holding (losses) gains arising during period	(15,329)	6,173	(12,976)	6,807
Reclassification adjustment for (gains) included in net income	(9)	(27)	(382)	(29)
Other comprehensive (loss) income, before tax	(15,338)	6,146	(13,358)	6,778
Income tax (credit) expense related to items in comprehensive income	(6,135)	2,459	(5,352)	2,711
Other Comprehensive (Loss) Income, Net of Taxes	(9,203)	3,687	(8,006)	4,067
Comprehensive Income	\$ 170	\$ 12,047	\$ 9,032	\$ 19,870

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,	
	2004	2003
OPERATING ACTIVITIES		
Net Income	\$ 17,038	\$ 15,803
Adjustments to reconcile net income to net cash(used in) provided by operating activities:		
(Benefit) provision for credit losses	(2,700)	260
Depreciation and amortization	3,034	2,785
Net amortization of prem./discounts-investments	2,763	1,945
Gain on sale of loans held for sale	(374)	(1,960)
Gain on sale of other real estate owned	(1,078)	
Gain on sale of securities, net	(382)	(29)
Net decrease (increase) in loans held for sale	995	(25,355)
Change in deferred loan fees	(309)	389
Changes in assets and liabilities:		
Accrued interest receivable	496	925
Other assets, net	(1,052)	(1,248)
Other liabilities	4,424	(1,279)
Net cash provided by (used in) operating activities	22,855	(7,764)
INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	97,620	107,925
Purchases of investments	(13,112)	(95,200)
Increase in loans	(160,362)	(14,715)
Proceeds from investments in real estate		148
Proceeds from sale of other real estate owned	4,506	
Purchases of premises and equipment, net	(1,356)	(2,477)
Net cash used in investing activities	(72,704)	(4,319)
FINANCING ACTIVITIES		
Increase in deposits	42,014	87,187
Decrease in short-term borrowings	(2,663)	(4,619)
Exercise of stock options	532	1,480
Cash dividends paid	(6,594)	(5,623)
Repurchase of company stock	(3,562)	(7,502)
Net cash provided by financing activities	29,727	70,923
(Decrease) increase in cash and cash equivalents	(20,122)	58,840
Cash and cash equivalents, beginning of period	171,263	144,536
Cash and cash equivalents, end of period	\$ 151,141	\$ 203,376
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 4,291	\$ 5,514

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

Cash paid during the period for taxes on income	4,806	10,536
---	-------	--------

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

Mid-State Bancshares

Notes to Consolidated Financial Statements

(Information with respect to interim periods is unaudited)

NOTE A - BASIS OF PRESENTATION AND MANAGEMENT REPRESENTATION

The accompanying consolidated financial statements include the accounts of Mid-State Bancshares and its wholly owned subsidiary Mid-State Bank & Trust and the Bank's subsidiaries, MSB Properties and Mid-Coast Land Company (collectively the Company, Bank or Mid-State). All significant inter-company transactions have been eliminated in consolidation. These consolidated financial statements should be read in conjunction with the Form 10-K Annual Report for the year ended December 31, 2003 of Mid-State Bancshares. A summary of the Company's significant accounting policies is set forth in the Notes to Consolidated Financial Statements contained therein.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States on a basis consistent with the accounting policies reflected in the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2003. They do not, however, include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments including normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for any other interim period or for the year as a whole.

NOTE B - EARNINGS PER SHARE

The following is a reconciliation of net income and shares outstanding to the income and number of shares used to compute Earnings Per Share (EPS). Figures are in thousands, except earnings per share data.

	Three Month Period Ended June 30, 2004			Three Month Period Ended June 30, 2003		
	Earnings	Shares	EPS	Earnings	Shares	EPS
Net Income as reported	\$ 9,373			\$ 8,360		
Basic Earnings Per Share:						
Income available to Common Shareholders	\$ 9,373	23,550	\$ 0.40	\$ 8,360	23,442	\$ 0.36
Effect of dilutive securities:						
Stock Options		412			1,035	
Diluted Earnings Per Share:	\$ 9,373	23,962	\$ 0.39	\$ 8,360	24,477	\$ 0.34

Income available to Common
Shareholders

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

	Six Month Period Ended June 30, 2004			Six Month Period Ended June 30, 2003		
	Earnings	Shares	EPS	Earnings	Shares	EPS
Net Income as reported	\$ 17,038			\$ 15,803		
Basic Earnings Per Share:						
Income available to Common Shareholders	\$ 17,038	23,560	\$ 0.72	\$ 15,803	23,520	\$ 0.67
Effect of dilutive securities:						
Stock Options		443			1,037	
Diluted Earnings Per Share:						
Income available to Common Shareholders	\$ 17,038	24,003	\$ 0.71	\$ 15,803	24,557	\$ 0.64