

IRWIN FINANCIAL CORPORATION
Form 10-Q
August 13, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ [X]

**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2001

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: 0-6835

IRWIN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

INDIANA

35-1286807

(State or other jurisdiction of Incorporation or organization)

(IRS Employer Identification No.)

500 Washington Street, Columbus, IN 47201

(Address or principal executive offices)

(Zip Code)

(812) 376-1909

(Registrant's telephone number, including area code)

(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 ☐

As of August 9, 2001 there were outstanding 21,252,233 common shares, no par value, of the Registrant.

Part I		
Item 1		
IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES		
CONSOLIDATED BALANCE SHEET (Unaudited)		
<i>(In thousands, except for shares)</i>	June 30,	December 31,
Assets:	2001	2000
Cash and cash equivalents	\$ 128,853	\$ 83,493
Interest-bearing deposits with financial institutions	84,446	36,400
Trading assets	191,947	154,921
Investment securities (Market value: \$32,855 in 2001 and \$37,163 in 2000) - Note 2	32,648	37,095
Loans held for sale	1,016,792	579,788
Loans and leases, net of unearned income - Note 3	1,486,386	1,234,922
Less: Allowance for loan and lease losses - Note 4	(15,218)	(13,129)
	1,471,168	1,221,793
Servicing assets - Note 5	181,329	130,522
Accounts receivable	46,681	69,224
Accrued interest receivable	16,003	12,979
Premises and equipment	31,977	29,409
Other assets	59,813	66,805

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Total assets	\$ 3,261,657	\$ 2,422,429
Liabilities and Shareholders' Equity:		
Deposits		
Noninterest-bearing	\$ 398,186	\$ 263,159
Interest-bearing	747,183	517,127
Certificates of deposit over \$100,000	783,517	663,044
	1,928,886	1,443,330
Short-term borrowings- Note 6	776,926	475,502
Long-term debt- Note 7	29,631	29,608
Other liabilities	168,756	136,897
Company-obligated mandatorily redeemable preferred securities of subsidiary trust- Note 8	147,193	147,167
Total liabilities	3,051,392	2,232,504
Commitments and contingencies - Note 9		
Shareholders' equity		
Preferred stock, no par value - authorized		
4,000,000 shares; issued 96,336 shares as of June 30, 2001 and		
December 31, 2000	1,386	1,386
Common stock; no par value - authorized 40,000,000 shares;		
issued 23,402,080 shares as of June 30, 2001 and December 31, 2000;		
including 2,210,486 and 2,376,119 shares in treasury as of June 30,		
2001 and December 31, 2000, respectively	29,965	29,965
Additional paid-in capital	4,206	4,331
Minority interest	813	1,055
Accumulated other comprehensive income net of deferred income tax		
asset of (\$290) and (\$305) in 2001 and 2000, respectively	(890)	(962)
Retained earnings	220,955	201,729
	256,435	237,504

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Less treasury stock, at cost	(46,170)	(47,579)
Total shareholders' equity	210,265	189,925
Total liabilities and shareholders' equity	\$ 3,261,657	\$ 2,422,429
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		
IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES		
CONSOLIDATED STATEMENT OF INCOME (Unaudited)		
	Three Months Ended	
	June 30,	
<i>(In thousands, except for per share)</i>	2001	2000
Interest income:		
Loans and leases	\$ 31,263	\$ 19,614
Investment securities:		
Taxable	1,362	999
Tax-exempt	65	64
Loans held for sale	24,748	19,509
Trading account	7,592	2,682
Federal funds sold	56	46
Total interest income	65,086	42,914
Interest expense:		
Deposits	18,851	11,550
Short-term borrowings	8,100	8,949
Long-term debt	580	580
Preferred securities distribution	3,704	1,174
Total interest expense	31,235	22,253
Net interest income	33,851	20,661
Provision for loan and lease losses	2,804	1,119
Net interest income after provision for		
loan and lease losses	31,047	19,542
Other income:		
Loan origination fees	16,536	9,329
Gain from sales of loans	46,143	21,441
Loan servicing fees	15,574	14,802
Amortization and impairment of servicing assets	8,870	6,708
Net loan administration income	6,704	8,094
	3,689	5,471

Gain on sale of mortgage servicing assets		
Trading gains (losses)	(6,539)	4,902
Other	1,883	3,351
Total other income	68,416	52,588
Other expense:		
Salaries	43,123	29,527
Pension and other employee benefits	7,386	5,256
Office expense	4,035	3,244
Premises and equipment	7,430	7,048
Marketing and development	1,445	3,934
Other	14,973	9,026
Total other expense	78,392	58,035
Income before income taxes	21,071	14,095
Provision for income taxes	8,474	5,590
Income before minority interest	12,597	8,505
Minority interest	(211)	
Net income	\$ 12,808	\$ 8,505
Earnings per share of common stock available to shareholders:		
Basic - Note 10	\$ 0.61	\$ 0.41
Diluted - Note 10	\$ 0.56	\$ 0.40
Dividends per share of common stock	\$ 0.065	\$ 0.06
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		
IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES		
CONSOLIDATED STATEMENT OF INCOME (Unaudited)	Six Months Ended	
	June 30,	
<i>(In thousands, except for per share)</i>	2001	2000
Interest income:		
Loans and leases	\$ 60,514	\$ 40,088
Investment securities:		
Taxable	2,604	1,928
Tax-exempt	128	127
Loans held for sale	47,603	31,648

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Trading account	14,738	5,166
Federal funds sold	89	93
Total interest income	125,676	79,050
Interest expense:		
Deposits	37,904	20,010
Short-term borrowings	16,251	15,499
Long-term debt	1,160	1,163
Preferred securities distribution	7,408	2,348
Total interest expense	62,723	39,020
Net interest income	62,953	40,030
Provision for loan and lease losses - Note 4	4,356	2,254
Net interest income after provision for		
loan and lease losses	58,597	37,776
Other income:		
Loan origination fees	28,214	16,875
Gain from sales of loans	81,061	40,011
Loan servicing fees	31,627	29,923
Amortization and impairment of servicing assets	16,405	12,809
Net loan administration income	15,222	17,114
Gain on sale of mortgage servicing assets	5,781	5,722
Trading gains (losses)	(3,300)	8,291
Other	3,248	14,448
	130,226	102,461
Other expense:		
Salaries	84,406	55,482
Pension and other employee benefits	14,121	10,923
Office expense	7,678	6,513
Premises and equipment	14,858	13,105
Marketing and development	2,975	8,713
Other	28,938	17,235
	152,976	111,971
Income before income taxes	35,847	28,266
Provision for income taxes	14,254	11,279
Income before minority interest	21,593	16,987
Minority interest	(211)	
Income before cumulative effect of change in accounting principle	21,804	16,987

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Cumulative effect of change in accounting principle, net of tax	175	-
Net income	\$ 21,979	\$ 16,987
Earnings per share of common stock available to shareholders:		
Basic - Note 10	\$ 1.04	\$ 0.81
Diluted - Note 10	\$ 0.97	\$ 0.80
Dividends per share of common stock	\$ 0.13	\$ 0.12

IRWIN FINANCIAL CORPORATION AND SUBSIDIARIES							
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)							
FOR THE THREE MONTHS ENDED JUNE 30, 2001 AND 2000							
		Accumulated					
		Other					
		Compre-			Additional		
	Retained	hensive	Preferred	Common	Paid in	Treasury	Minority
Total	Earnings	Income	Stock	Stock	Capital	Stock	Interest
Balance at April 1, 2001	\$ 198,216	\$ 209,524	\$ (1,176)	\$ 1,386	\$ 29,965	\$ 4,065	\$ (46,470)
Net income	12,808						
Unrealized gain on investment							