

COMMUNITY BANK SYSTEM, INC.
Form 10-Q
May 10, 2017
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 March 31, 2017

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: 001-13695

(Exact name of registrant as specified in its charter)

Delaware 16 1213679
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

5790 Widewaters Parkway, DeWitt, New York 13214-1883
(Address of principal executive offices) (Zip Code)

(315) 445 2282
(Registrant's telephone number, including area code)

NONE

(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 to 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, a 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 Smaller reporting company Emerging growth company

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(Do not check if a smaller reporting
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

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

45,983,193 shares of Common Stock, \$1.00 par value per share, were outstanding on April 30, 2017.

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Part I. Financial Information

Item 1. Financial Statements

COMMUNITY BANK SYSTEM, INC.
CONSOLIDATED STATEMENTS OF CONDITION (Unaudited)
(In Thousands, Except Share Data)

	March 31, 2017	December 31, 2016
Assets:		
Cash and cash equivalents	\$291,186	\$173,857
Available-for-sale investment securities (cost of \$2,695,204 and \$2,706,863, respectively)	2,740,890	2,748,656
Other securities, at cost	47,828	35,736
Loans held for sale, at fair value	673	2,416
Loans	4,932,213	4,948,562
Allowance for loan losses	(47,096)	(47,233)
Net loans	4,885,117	4,901,329
Goodwill, net	542,986	465,142
Core deposit intangibles, net	6,553	7,107
Other intangibles, net	69,438	8,595
Intangible assets, net	618,977	480,844
Premises and equipment, net	111,154	112,318
Accrued interest and fees receivable	28,466	31,093
Other assets	189,569	180,188
Total assets	\$8,913,860	\$8,666,437
Liabilities:		
Noninterest-bearing deposits	\$1,642,158	\$1,646,039
Interest-bearing deposits	5,694,719	5,429,915
Total deposits	7,336,877	7,075,954
Borrowings	0	146,200
Subordinated debt held by unconsolidated subsidiary trusts	102,177	102,170
Accrued interest and other liabilities	178,776	144,013
Total liabilities	7,617,830	7,468,337
Commitments and contingencies (See Note J)		
Shareholders' equity:		
Preferred stock, \$1.00 par value, 500,000 shares authorized, 0 shares issued	0	0
Common stock, \$1.00 par value, 75,000,000 shares authorized; 46,430,517 and 44,950,352 shares issued, respectively	46,431	44,950
Additional paid-in capital	627,015	545,775
Retained earnings	626,258	614,692

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Accumulated other comprehensive income	10,354	7,843
Treasury stock, at cost (474,635 and 512,937 shares, respectively)	(14,028)	(15,160)
Total shareholders' equity	1,296,030	1,198,100
Total liabilities and shareholders' equity	\$8,913,860	\$8,666,437

The accompanying notes are an integral part of the consolidated financial statements.

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COMMUNITY BANK SYSTEM, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In Thousands, Except Per-Share Data)

	Three Months Ended March 31,	
	2017	2016
Interest income:		
Interest and fees on loans	\$52,384	\$51,650
Interest and dividends on taxable investments	13,566	13,596
Interest on nontaxable investments	4,008	4,510
Total interest income	69,958	69,756
Interest expense:		
Interest on deposits	1,730	1,894
Interest on borrowings	149	287
Interest on subordinated debt held by unconsolidated subsidiary trusts	805	694
Total interest expense	2,684	2,875
Net interest income	67,274	66,881
Provision for loan losses	1,828	1,341
Net interest income after provision for loan losses	65,446	65,540
Noninterest revenues:		
Deposit service fees	14,707	13,734
Other banking services	1,159	1,579
Employee benefit services	17,189	12,011