

COMMUNITY BANK SYSTEM, INC.
Form 10-Q
August 08, 2014

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 June 30, 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: 001-13695
(Exact name of registrant as specified in its charter)

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

5790 Widewaters Parkway, DeWitt, 13214-1883
New York (Zip Code)
(Address of principal executive offices) (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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(Do not check if a smaller reporting company)

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

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

40,693,859 shares of Common Stock, \$1.00 par value, were outstanding on July 31, 2014.

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Item 1. Financial Statements

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

	June 30, 2014	December 31, 2013
Assets:		
Cash and cash equivalents	\$161,903	\$149,647
Available-for-sale investment securities (cost of \$2,447,745 and \$2,217,165, respectively)	2,493,766	2,186,163
Other securities, at cost	40,653	32,562
Loans held for sale, at fair value	720	728
Loans	4,147,803	4,109,083
Allowance for loan losses	(44,615)	(44,319)
Net loans	4,103,188	4,064,764
Goodwill, net	375,174	374,991
Core deposit intangibles, net	11,666	13,460
Other intangibles, net	2,178	2,048
Intangible assets, net	389,018	390,499
Premises and equipment, net	90,999	93,636
Accrued interest and fees receivable	24,791	25,475
Other assets	156,305	152,390
Total assets	\$7,461,343	\$7,095,864
Liabilities:		
Noninterest-bearing deposits	\$1,257,223	\$1,203,346
Interest-bearing deposits	4,714,072	4,692,698
Total deposits	5,971,295	5,896,044
Borrowings	319,408	141,913
Subordinated debt held by unconsolidated subsidiary trusts	102,109	102,097
Accrued interest and other liabilities	113,516	79,998
Total liabilities	6,506,328	6,220,052
Commitments and contingencies (See Note J)		
Shareholders' equity:		

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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; 41,464,041 and 41,213,491 shares issued, respectively	41,464	41,213
Additional paid-in capital	403,831	396,528
Retained earnings	504,860	481,732
Accumulated other comprehensive income/(loss)	21,842	(26,546)
Treasury stock, at cost (776,091 and 782,173 shares, respectively)	(16,982)	(17,115)
Total shareholders' equity	955,015	875,812
Total liabilities and shareholders' equity	\$7,461,343	\$7,095,864

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income:				
Interest and fees on loans	\$46,073	\$46,412	\$91,766	\$93,530
Interest and dividends on taxable investments	12,772	12,566	25,242	27,782
Interest and dividends on nontaxable investments	5,264	5,162	10,340	10,753
Total interest income	64,109	64,140	127,348	132,065
Interest expense:				
Interest on deposits	2,068	2,703	4,303	5,845
Interest on borrowings	254	2,375	537	8,105
Interest on subordinated debt held by unconsolidated subsidiary trusts	617	630	1,229	1,258
Total interest expense	2,939	5,708	6,069	15,208
Net interest income	61,170	58,432	121,279	