

COMMUNITY BANK SYSTEM, INC.

Form 10-Q

August 09, 2018

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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, 2018

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

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company  
Emerging growth 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. 51,107,725 shares of Common Stock, \$1.00 par value per share, were outstanding on July 31, 2018.

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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)

	June 30, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	\$250,154	\$ 221,038
Available-for-sale investment securities (cost of \$2,972,889 and \$3,007,148, respectively)	2,939,944	3,031,088
Equity and other securities (cost of \$43,155 and \$50,291, respectively)	43,408	50,291
Loans held for sale, at fair value	1,281	461
Loans	6,238,009	6,256,757
Allowance for loan losses	(49,618 )	(47,583 )
Net loans	6,188,391	6,209,174
Goodwill, net	733,479	734,430
Core deposit intangibles, net	21,646	25,025
Other intangibles, net	61,002	65,633
Intangible assets, net	816,127	825,088
Premises and equipment, net	120,715	123,393
Accrued interest and fees receivable	34,921	36,177
Other assets	238,153	249,488
Total assets	\$10,633,094	\$ 10,746,198
Liabilities:		
Noninterest-bearing deposits	\$2,332,745	\$ 2,293,057
Interest-bearing deposits	6,181,248	6,151,363
Total deposits	8,513,993	8,444,420
Short-term borrowings	0	24,000
Securities sold under agreement to repurchase, short-term	181,765	337,011
Other long-term debt	2,020	2,071
Subordinated debt held by unconsolidated subsidiary trusts	122,826	122,814
Accrued interest and other liabilities	155,531	180,567
Total liabilities	8,976,135	9,110,883
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; 51,511,992 and 51,263,841 shares issued, respectively	51,512	51,264
Additional paid-in capital	904,913	894,879

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Retained earnings	750,779	700,557
Accumulated other comprehensive loss	(46,491 )	(3,699 )
Treasury stock, at cost (426,118 shares, including 205,017 shares held by deferred compensation arrangements at June 30, 2018 and 567,764 shares including 237,494 shares held by deferred compensation arrangements at December 31, 2017, respectively)	(15,334 )	(21,014 )
Deferred compensation arrangements (205,017 and 237,494 shares, respectively)	11,580	13,328
Total shareholders' equity	1,656,959	1,635,315
Total liabilities and shareholders' equity	\$10,633,094	\$10,746,198

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

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CONSOLIDATED STATEMENTS OF INCOME (Unaudited)  
(In Thousands, Except Per-Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Interest income:				
Interest and fees on loans	\$71,152	\$62,351	\$140,593	\$114,735
Interest and dividends on taxable investments	16,517	15,175	32,041	28,741
Interest on nontaxable investments	3,336	3,896	6,775	7,904
Total interest income	91,005	81,422	179,409	151,380
Interest expense:				
Interest on deposits	2,381	2,065	4,513	3,795
Interest on borrowings	446	392	926	541
Interest on subordinated debt held by unconsolidated subsidiary trusts	1,332	936	2,500	1,741
Total interest expense	4,159	3,393	7,939	6,077
Net interest income	86,846	78,029	171,470	145,303
Provision for loan losses	2,448	1,461	6,127	3,289
Net interest income after provision for loan losses	84,398	76,568	165,343	142,014
Noninterest revenues:				
Deposit service fees	18,964	16,655	38,141	31,362
Other banking services	1,163	1,407	2,406	2,566
Employee benefit services	22,542	20,662	45,548	37,851
Insurance services	7,415	6,965	14,774	13,365
Wealth management services	6,496	5,537	13,202	10,398
Unrealized loss on equity securities	(21 )	0	(21 )	0
Gain on sales of investment securities	0	0	0	2
Total noninterest revenues	56,559	51,226	114,050	95,544
Noninterest expenses:				
Salaries and employee benefits	52,402	46,564	104,261	89,471
Occupancy and equipment	9,437	8,637	19,968	16,833
Data processing and communications	10,212	10,395	18,954	18,916
Amortization of intangible assets	4,555	4,263	9,353	7,031
Legal and professional fees	2,745	2,619	5,525	5,033
Business development and marketing	2,654	2,451	4,714	4,532
Acquisition expenses	71	22,896	63	24,612
Other expenses	4,036	5,054	9,605	10,026
Total noninterest expenses	86,112	102,879	172,443	176,454
Income before income taxes	54,845	24,915	106,950	61,104
Income taxes	10,239	7,724	22,238	17,656
Net income	\$44,606	\$17,191	\$84,712	\$43,448
Basic earnings per share	\$0.87	\$0.35	\$1.65	\$0.92
Diluted earnings per share	\$0.86	\$0.35	\$1.63	\$0.91

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Cash dividends declared per share	\$0.34	\$0.32	\$0.68	\$0.64
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The accompanying notes are an integral part of the consolidated financial statements.

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COMMUNITY BANK SYSTEM, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(In Thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
<u>Pension and other post retirement obligations:</u>				
Amortization of actuarial losses included in net periodic pension cost, gross	\$ 303	\$ 211	\$ 606	\$ 476
Tax effect	(74 )	(80 )	(147 )	(182 )
Amortization of actuarial losses included in net periodic pension cost, net	229	131	459	294
Amortization of prior service cost included in net periodic pension cost, gross	(127 )	(28 )	(254 )	(59 )
Tax effect	31	10	62	22
Amortization of prior service cost included in net periodic pension cost, net	(96 )	(18 )	(192 )	(37 )
Unamortized actuarial gain due to plan merger, gross (See Note H)	0	1,857	0	1,857
Tax effect	0	(710 )	0	(710 )
Unamortized actuarial gain due to plan merger, net	0	1,147	0	1,147
Other comprehensive income related to pension and other post retirement obligations, net of taxes	133	1,260	267	1,404
<u>Unrealized (losses) gains on available-for-sale securities:</u>				
Net unrealized holding (losses)/gains arising during period, gross	(14,816 )	9,760	(56,632)	13,653
Tax effect	3,625	(3,732 )	13,781	(5,258 )
Net unrealized holding (losses)/gains arising during period, net	(11,191 )	6,028	(42,851)	8,395
Reclassification of other comprehensive income due to change in accounting principle – equity securities	(208 )	0	(208 )	0
Other comprehensive (loss)/income related to unrealized (losses)/gains on available-for-sale securities, net of taxes	(11,399 )	6,028	(43,059)	8,395
Other comprehensive (loss)/income, net of tax	(11,266 )	7,288	(42,792)	9,799
Net income	44,606	17,191	84,712	43,448
Comprehensive income	\$ 33,340	\$ 24,479	\$ 41,920	\$ 53,247

As of  
June 30,      December 31,  
2018            2017

Accumulated Other Comprehensive Income By Component:

Unrealized loss for pension and other post-retirement obligations	\$ (28,325)	\$ (28,677 )
Tax effect	6,959	7,044
Net unrealized loss for pension and other post-retirement obligations	(21,366)	(21,633 )
Unrealized (loss) gain on available-for-sale securities	(32,692)	23,940
Tax effect	7,775	(6,006 )
Reclassification of other comprehensive income due to change in accounting principle – equity securities	(208 )	0



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Net unrealized (loss) gain on available-for-sale securities	(25,125)	17,934
Accumulated other comprehensive loss	\$ (46,491)	\$ (3,699 )

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

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COMMUNITY BANK SYSTEM, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

Six months ended June 30, 2018

(In Thousands, Except Share Data)

	Common Stock		Additional		Accumulated	Treasury	Deferred	Total
	Shares Outstanding	Amount Issued	Paid-In Capital	Retained Earnings	Other Comprehensive Loss		Compensation Arrangements	
Balance at December 31, 2017	50,696,077	\$51,264	\$894,879	\$700,557	\$ (3,699 )	\$ (21,014)	\$ 13,328	\$1,635,315
Net income				84,712				84,712
Other comprehensive loss, net of tax					(42,584 )			(42,584 )
Cumulative effect of change in accounting principle – equity securities				208	(208 )			0
Cash dividends declared: Common, \$0.68 per share				(34,698 )				(34,698 )
Common stock issued under employee stock ownership plan	248,151	248	4,396					4,644
Stock-based compensation			3,396					3,396
Distribution of stock under deferred compensation arrangements	35,233					1,898	(1,898 )	0
Treasury stock issued to benefit plans, net	106,413		2,242			3,782	150	6,174

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Balance at June

30, 2018            51,085,874   \$51,512   \$904,913   \$750,779   \$ (46,491 )   \$ (15,334)   \$ 11,580   \$1,656,959

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

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COMMUNITY BANK SYSTEM, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In Thousands)

	Six Months Ended	
	June 30,	
	2018	2017
Operating activities:		
Net income	\$84,712	\$43,448
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,959	7,775
Amortization of intangible assets	9,353	7,031
Net accretion on securities, loans and borrowings	(4,784 )	(2,345 )
Stock-based compensation	3,396	2,730
Provision for loan losses	6,127	3,289
Amortization of mortgage servicing rights	229	248
Income from bank-owned life insurance policies	(784 )	(746 )
Net (gain) loss on sale of loans and other assets	(146 )	257
Change in other assets and other liabilities	5,558	30,397
Net cash provided by operating activities	111,620	92,084
Investing activities:		
Proceeds from maturities of available-for-sale investment securities	69,637	73,770
Proceeds from maturities of other investment securities	7,408	10,006
Purchases of available-for-sale investment securities	(31,669 )	(34,842 )
Purchases of other securities	(21 )	(1,447 )
Net change in loans	13,647	70,094
Cash paid for acquisitions, net of cash acquired of \$16 and \$51,793, respectively	(1,737 )	(105,402 )
Settlement of bank-owned life insurance policies	0	1,779
Purchases of premises and equipment, net	(5,298 )	(5,390 )
Net cash provided by investing activities	51,967	8,568
Financing activities:		
Net increase in deposits	69,573	101,243
Net change in borrowings	(179,297)	(134,838 )
Issuance of common stock	4,644	2,829
Purchases of treasury stock	(150 )	(3,078 )
Sales of treasury stock	6,174	6,169
Increase in deferred compensation arrangements	150	3,078
Cash dividends paid	(34,611 )	(28,849 )
Withholding taxes paid on share-based compensation	(954 )	(1,368 )
Net cash used in financing activities	(134,471)	(54,814 )
Change in cash and cash equivalents	29,116	45,838
Cash and cash equivalents at beginning of period	221,038	173,857
Cash and cash equivalents at end of period	\$250,154	\$219,695
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$7,896	\$6,010
Cash paid for income taxes	12,681	20,154
Supplemental disclosures of noncash financing and investing activities:		
Dividends declared and unpaid	17,547	16,331

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Transfers from loans to other real estate	1,845	2,048
Acquisitions:		
Common stock issued	0	340,737
Fair value of assets acquired, excluding acquired cash and intangibles	115	1,960,935
Fair value of liabilities assumed	31	1,869,876

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

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COMMUNITY BANK SYSTEM, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

JUNE 30, 2018

NOTE A: BASIS OF PRESENTATION

The interim financial data as of and for the three and six months ended June 30, 2018 is unaudited; however, in the opinion of Community Bank System, Inc. (the “Company”), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods in conformity with generally accepted accounting principles (“GAAP”). The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

NOTE B: ACQUISITIONS

On April 2, 2018, the Company, through its subsidiary, Benefit Plans Administrative Services, Inc. (“BPAS”), acquired certain assets of HR Consultants (SA), LLC (“HR Consultants”), a benefits consulting group headquartered in Puerto Rico. The Company paid \$0.3 million in cash to acquire the assets of HR Consultants and recorded intangible assets of \$0.3 million in conjunction with the acquisition. The effects of the acquired assets have been included in the consolidated financial statements since that date.

On January 2, 2018, the Company, through its subsidiary, OneGroup NY, Inc. (“OneGroup”), completed its acquisition of certain assets of Penna & Associates Agency, Inc. (“Penna”), an insurance agency headquartered in Johnson City, New York. The Company paid \$0.8 million in cash to acquire the assets of Penna, and recorded goodwill in the amount of \$0.3 million and a customer list intangible asset of \$0.3 million in conjunction with the acquisition. The effects of the acquired assets have been included in the consolidated financial statements since that date.

On January 2, 2018, the Company, through its subsidiary, Community Investment Services, Inc. (“CISI”), completed its acquisition of certain assets of Styles Bridges Associates (“Styles Bridges”), a financial services business headquartered in Canton, New York. The Company paid \$0.7 million in cash to acquire a customer list from Styles Bridges, and recorded a \$0.7 million customer list intangible asset in conjunction with the acquisition. The effects of the acquired assets have been included in the consolidated financial statements since that date.

On December 4, 2017, the Company, through its subsidiary, OneGroup, completed its acquisition of Gordon B. Roberts Agency, Inc. (“GBR”), an insurance agency headquartered in Oneonta, New York for \$3.7 million in Company stock and cash, comprised of \$1.35 million in cash and the issuance of 0.04 million shares of common stock. The transaction resulted in the acquisition of \$0.6 million of assets, \$0.6 million of other liabilities, goodwill in the amount of \$2.1 million and other intangible assets of \$1.6 million. The effects of the acquired assets and liabilities have been included in the consolidated financial statements since that date.

On November 17, 2017, the Company, through its subsidiary, CISI, completed its acquisition of certain assets of Northeast Capital Management, Inc. (“NECM”), a financial services business headquartered in Wilkes Barre, Pennsylvania. The Company paid \$1.2 million in cash to acquire a customer list from NECM, and recorded a \$1.2 million customer list intangible asset in conjunction with the acquisition. The effects of the acquired assets have been included in the consolidated financial statements since that date.

On May 12, 2017, the Company completed its acquisition of Merchants Bancshares, Inc. (“Merchants”), parent company of Merchants Bank, headquartered in South Burlington, Vermont, for \$345.2 million in Company stock and cash, comprised of \$82.9 million in cash and the issuance of 4.68 million shares of common stock. The acquisition extends the Company’s footprint into the Vermont and Western Massachusetts markets with the addition of 31 branch locations in Vermont and one location in Massachusetts. This transaction resulted in the acquisition of \$2.0 billion of

assets, including \$1.49 billion of loans and \$370.6 million of investment securities, as well as \$1.45 billion of deposits and \$189.0 million in goodwill. The effects of the acquired assets and liabilities have been included in the consolidated financial statements since that date. Revenues of approximately \$16.1 million and \$32.2 million from Merchants were included in the consolidated income statement for the three and six months ended June 30, 2018, respectively. Direct expenses, which may not include certain shared expenses, of approximately \$7.6 million and \$15.4 million from Merchants were included in the consolidated income statement for the three and six months ended June 30, 2018, respectively. Revenues of approximately \$8.9 million and direct expenses, which may not include certain shared expenses, of approximately \$4.0 million from Merchants were included in the consolidated income statement for the three and six months ended June 30, 2017.

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On March 1, 2017, the Company, through its subsidiary, OneGroup, completed its acquisition of certain assets of Dryfoos Insurance Agency, Inc. (“Dryfoos”), an insurance agency headquartered in Hazleton, Pennsylvania. The Company paid \$3.0 million in cash to acquire the assets of Dryfoos, and recorded goodwill in the amount of \$1.7 million and other intangible assets of \$1.7 million in conjunction with the acquisition. The effects of the acquired assets and liabilities have been included in the consolidated financial statements since that date.

On February 3, 2017, the Company completed its acquisition of Northeast Retirement Services, Inc. (“NRS”) and its subsidiary Global Trust Company (“GTC”), headquartered in Woburn, Massachusetts, for \$148.6 million in Company stock and cash. NRS was a privately held corporation focused on providing institutional transfer agency, master recordkeeping services, custom target date fund administration, trust product administration and customized reporting services to institutional clients. Its wholly-owned subsidiary, GTC, is chartered in the State of Maine as a non-depository trust company and provides fiduciary services for collective investment trusts and other products. The acquisition of NRS and GTC, hereafter referred to collectively as NRS, will strengthen and complement the Company’s existing employee benefit services businesses. Upon the completion of the merger, NRS became a wholly-owned subsidiary of BPAS and operates as Northeast Retirement Services, LLC, a Delaware limited liability company. This transaction resulted in the acquisition of \$36.1 million in net tangible assets, principally cash and certificates of deposit, \$60.2 million in customer list intangibles that will be amortized using the 150% declining balance method over 10 years, a \$23.0 million deferred tax liability associated with the customer list intangible, and \$75.3 million in goodwill. The effects of the acquired assets and liabilities have been included in the consolidated financial statements since that date. Revenues of \$9.7 million and \$19.8 million from NRS were included in the consolidated statement of income for the three and six months ended June 30, 2018, respectively. Expenses of \$6.0 million and \$12.0 million from NRS were included in the consolidated statement of income for the three and six months ended June 30, 2018, respectively. Revenues of \$8.4 million and \$13.4 million from NRS were included in the consolidated income statement for the three and six months ended June 30, 2017, respectively. Expenses of \$5.7 million and \$9.3 million from NRS were included in the consolidated income statement for the three and six months ended June 30, 2017, respectively.

On January 1, 2017, the Company, through its subsidiary, OneGroup, acquired certain assets of Benefits Advisory Service, Inc. (“BAS”), a benefits consulting group headquartered in Forest Hills, New York. The Company paid \$1.2 million in cash to acquire the assets of BAS and recorded intangible assets of \$1.2 million in conjunction with the acquisition. The effects of the acquired assets have been included in the consolidated financial statements since that date.

The assets and liabilities assumed in the acquisitions were recorded at their estimated fair values based on management’s best estimates using information available at the dates of the acquisition, and were subject to adjustment based on updated information not available at the time of acquisition. During the first quarter of 2018, the carrying amount of other liabilities associated with the NRS acquisition decreased by \$1.2 million as a result of an adjustment to deferred taxes. Goodwill associated with the NRS acquisition decreased \$1.2 million as a result of this adjustment. During the second quarter of 2018, the carrying amount of other liabilities associated with the GBR acquisition decreased by \$0.09 million as a result of updated information not available at the time of acquisition. Goodwill associated with the GBR acquisition decreased \$0.09 million as a result of this adjustment.

The above referenced acquisitions expanded the Company’s geographical presence in New York, Pennsylvania, Vermont, and Western Massachusetts and management expects that the Company will benefit from greater geographic diversity and the advantages of other synergistic business development opportunities.



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The following table summarizes the estimated fair value of the assets acquired and liabilities assumed after considering the measurement period adjustments described above:

	2018		2017
(000s omitted)	Other <sup>(1)</sup>		NRS
Consideration paid :			
Cash	\$	1,753	\$70,073
Community Bank System, Inc. common stock		0	78,483
Total net consideration paid		1,753	148,556
Recognized amounts of identifiable assets acquired and liabilities assumed:			
Cash and cash equivalents		16	11,063
Investment securities		0	20,294
Loans		0	0
Premises and equipment		10	411
Accrued interest receivable		0	72
Other assets		105	8,088
Core deposit intangibles		0	0
Other intangibles		1,343	60,200
<b>EBIT</b>	121	97	23.9%
<b>%</b>	36.1%	33.5%	

***Ecuador Operating Data***

	1Q11	1Q10	Var.%
<b>Wireless Subscribers (thousands)</b>	10,859	9,782	<b>11.0%</b>
<i>Postpaid</i>	1,409	1,119	<b>25.9%</b>
<i>Prepaid</i>	9,450	8,663	<b>9.1%</b>
<b>MOU</b>	165	164	<b>1.1%</b>
<b>ARPU (Usd)</b>	9	8	<b>5.1%</b>
<b>Churn (%)</b>	2.1%	1.5%	<b>0.6</b>
<b>Revenue Generating Units (RGUs)*</b>	125	63	<b>97.3%</b>
<i>* Fixed Line and Broadband</i>			

Our EBITDA for the quarter, 180 million dollars, was up 19.0% compared to the same period of 2010. It was equivalent to 53.7% of revenues, representing a margin expansion of 1.9 percentage points in twelve months.

In March we began using Claro as our brand for all services, fixed and mobile.

***Peru***

We ended March with 10.5 million accesses in Peru, 15.8% more than a year before. Our wireless subscriber base reached 10 million clients, 14.4% more than a year before, with our postpaid subscriber base jumping 52.0%. On the fixed-line front, we had 483 thousand RGUs which represents a 56.6% increase over the prior year as our broadband and PayTV accesses shot up 69.6% and 77.5%.

Our revenues totaled 846 million soles in the quarter and were 17.0% higher than those of the same period of 2010. Wireless gross service revenues were up 17.4% as data revenues jumped 71.2%. ARPUs were practically flat in spite of the 15.5% reduction in the average revenue per minute of voice thanks to their being supported by data and traffic expansion. Fixed-line revenues (which account for only 13% of total revenues) were up 22.0% as a result of the increase in PayTV and data revenues that more than offset the decline in fixed voice service revenues.

EBITDA for the quarter, 406 million soles, was 28.3% above that of the year-earlier quarter. It was equivalent to 47.9% of our revenues and represented a margin expansion of 4.2 percentage points on the back of cost efficiency gains.

A regulatory measure came to effect requiring all prepaid subscribers to register their personal information, thus to comply with government regulations, we disconnected 83 thousand prepaid lines in the month of March.

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**INCOME STATEMENT (IFRS)****Peru**

Millions of Soles

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Total Revenues</b>	<b>846</b>	<b>723</b>	<b>17.0%</b>
<b>Wireless Revenues</b>	754	654	15.3%
<b>Fixed Line and Other Revenues</b>	116	95	22.0%
<b>EBITDA</b>	406	316	28.3%
<b>% total revenues</b>	47.9%	43.7%	
<b>EBIT</b>	271	200	35.6%
<b>%</b>	32.0%	27.6%	

**Peru Operating Data**

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Wireless Subscribers (thousands)</b>	9,998	8,741	<b>14.4%</b>
<i>Postpaid</i>	1,444	950	<b>52.0%</b>
<i>Prepaid</i>	8,554	7,791	<b>9.8%</b>
<b>MOU</b>	106	95	<b>10.6%</b>
<b>ARPU (Sol)</b>	22	22	<b>-0.1%</b>
<b>Churn (%)</b>	3.4%	2.7%	<b>0.6</b>
<b>Revenue Generating Units (RGUs)*</b>	483	308	<b>56.6%</b>

\* *Fixed Line and Broadband***Central America and the Caribbean**

We added 193 thousand wireless subscribers in the quarter to finish the period with 17.5 million wireless clients. Our operations in Central America registered net gains that were 74.3% greater than the prior year. Along with 5.5 million RGUs (which rose 8.4% over the year) we had nearly 23 million accesses in the region.

First quarter revenues of 910 million dollars were 4.5% higher than those of the same quarter of 2010, split almost evenly between wireless and wire-line. Wireless gross service revenues rose 11.5% buoyed by a 77.7% increase in mobile data revenues. Fixed-line revenues declined 1.0% in the quarter, as the increase in PayTV and broadband revenues failed to compensate for the decline in fixed-voice revenues.

First quarter EBITDA of 327 million dollars was 5.5% higher than that of the prior year, with the margin for the quarter coming in at 36.0%, slightly above that of 2010.

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**INCOME STATEMENT (IFRS)**  
**Central America and The Caribbean**

Millions of Dollars

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Total Revenues</b>	<b>910</b>	<b>870</b>	<b>4.5%</b>
<b>Wireless Revenues</b>	464	420	10.4%
<b>Fixed Line and Other Revenues</b>	446	450	-1.0%
<b>EBITDA</b>	327	310	5.5%
<b>% total revenues</b>	36.0%	35.7%	
<b>EBIT</b>	83	113	-26.6%
<b>%</b>	9.1%	13.0%	

**Central America and the Caribbean Operating Data**

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Wireless Subscribers (thousands)</b>	17,462	15,981	<b>9.3%</b>
<i>Postpaid</i>	2,061	1,801	<b>14.4%</b>
<i>Prepaid</i>	15,400	14,180	<b>8.6%</b>
<b>MOU</b>	198	181	<b>9.1%</b>
<b>ARPU (Usd)</b>	8	8	<b>1.6%</b>
<b>Churn (%)</b>	3.3%	3.4%	<b>(0.0)</b>
<b>Revenue Generating Units (RGUs)*</b>	5,493	5,067	<b>8.4%</b>

\* *Fixed Line and Broadband*

**United States**

Tracfone, our U.S. subsidiary, added 780 thousand subscribers in the first quarter to finish March with 18.5 million clients, an increase of 19.9% over the prior year.

It obtained revenues of 868 million dollars that were 43.3% higher than those of the year-earlier quarter. ARPUs rose 27.8% as traffic per subscriber shot up 131.0% to 354 minutes per month resulting from the change in the mix of our subscriber base as StraighTalk continues to gain share among its commercial offerings.

The quarter's EBITDA, 63 million dollars, was 17.7% below that of 2010 and equivalent to 7.3% of revenues. However, before subscriber acquisition costs EBITDA actually rose 14.5% from a year before. It is important to consider that the StraighTalk plans represent a higher volume, but lower margin business. Consequently it brings about a significant expansion of revenues but a lower margin—all things equal—than the one made on the other commercial offerings.

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**INCOME STATEMENT (IFRS)****United States**

Millions of Dollars

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Total Revenues</b>	<b>868</b>	<b>605</b>	<b>43.3%</b>
<b>EBITDA</b>	63	77	-17.7%
<b>% total revenues</b>	7.3%	12.7%	
<b>EBIT</b>	56	70	-19.9%
<b>%</b>	6.5%	11.6%	

**United States Operating Data**

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Wireless Subscribers (thousands)</b>	18,529	15,452	<b>19.9%</b>
<b>MOU</b>	354	153	<b>131.0%</b>
<b>ARPU (Usd)</b>	14	11	<b>27.8%</b>
<b>Churn (%)</b>	4.1%	3.6%	<b>0.5</b>

\* Fixed Line and Broadband

**Exchange Rates Vs Us Dollar**

	<b>1Q11</b>	<b>1Q10</b>	<b>Var.%</b>
<b>Mexico</b>			
EoP	11.97	12.46	-4.0%
Average	12.08	12.80	-5.6%
<b>Brazil</b>			
EoP	1.63	1.78	-8.6%
Average	1.67	1.80	-7.5%
<b>Argentina</b>			
EoP	4.05	3.88	4.5%
Average	4.01	3.84	4.6%
<b>Chile</b>			
EoP	479	524	-8.6%
Average	482	519	-7.1%
<b>Colombia</b>			
EoP	1,879	1,929	-2.5%
Average	1,878	1,948	-3.6%
<b>Guatemala</b>			
EoP	7.69	7.99	-3.7%
Average	7.83	8.19	-4.3%
<b>Honduras</b>			
EoP	19.03	19.03	0.0%
Average	19.03	19.03	0.0%
<b>Nicaragua</b>			
EoP	22.15	21.09	5.0%
Average	22.02	20.97	5.0%
<b>Peru</b>			
EoP	2.81	2.84	-1.3%
Average	2.78	2.85	-2.5%
<b>Paraguay</b>			
EoP	4,130	4,698	-12.1%
Average	4,501	4,681	-3.9%
<b>Uruguay</b>			



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EoP	19.20	19.46	-1.3%
Average	19.60	19.65	-0.3%

***Dominican***

EoP	37.91	36.48	3.9%
Average	37.75	36.34	3.9%

***Jamaica***

EoP	85.75	89.51	-4.2%
Average	85.81	89.69	-4.3%

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**Exchange Rates Vs Peso**

	<b>1T11</b>	<b>1T10</b>	<b>Var.%</b>
<b>USA</b>			
EoP	0.08	0.08	4.1%
Average	0.08	0.08	5.9%
<b>Brazil</b>			
EoP	7.35	7.00	5.0%
Average	7.25	7.10	2.0%
<b>Argentina</b>			
EoP	2.95	3.21	-8.1%
Average	3.01	3.33	-9.7%
<b>Chile</b>			
EoP	0.025	0.024	5.0%
Average	0.025	0.025	1.7%
<b>Colombia</b>			
EoP	0.0064	0.0065	-1.5%
Average	0.0064	0.0066	-2.1%
<b>Guatemala</b>			
EoP	1.56	1.56	-0.3%
Average	1.54	1.56	-1.3%
<b>Honduras</b>			
EoP	0.63	0.66	-4.0%
Average	0.63	0.67	-5.6%
<b>Nicaragua</b>			
EoP	0.54	0.59	-8.6%
Average	0.55	0.61	-10.1%
<b>Peru</b>			
EoP	4.27	4.39	-2.7%
Average	4.35	4.49	-3.2%
<b>Paraguay</b>			
EoP	0.0029	0.0027	9.2%
Average	0.0027	0.0027	-1.8%
<b>Uruguay</b>			

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EoP	0.62	0.64	-2.7%
Average	0.62	0.65	-5.3%

***Dominican***

EoP	0.32	0.34	-7.6%
Average	0.32	0.35	-9.1%

***Jamaica***

EoP	0.14	0.14	0.2%
Average	0.14	0.14	-1.3%

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 03, 2011

AMÉRICA MÓVIL, S.A.B. DE C.V.

By:

*/s/ Carlos García Moreno*

Name:

**Carlos García Moreno**

Title:

**Chief Financial Officer**

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