

COMMUNITY BANK SYSTEM, INC.
Form 10-Q
November 07, 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 September 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 (State or other jurisdiction of incorporation or organization)	16-1213679 (I.R.S. Employer Identification No.)
5790 Widewaters Parkway, DeWitt, New York (Address of principal executive offices)	13214-1883 (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, 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.

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
o.
(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 .

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

40,598,363 shares of Common Stock, \$1.00 par value, were outstanding on October 31, 2014.

TABLE OF CONTENTS

Part Financial Information

I.

Item Financial Statements (Unaudited)

1.

Consolidated Statements of Condition
September 30, 2014 and December 31,
2013

Consolidated Statements of Income
Three and nine months ended September 30, 2014 and
2013

Consolidated Statements of Comprehensive Income/(Loss)
Three and nine months ended September 30, 2014 and
2013

Consolidated Statement of Changes in Shareholders' Equity
Nine months ended September 30,
2014

Consolidated Statements of Cash Flows
Nine months ended September 30, 2014 and
2013

Notes to the Consolidated Financial Statements
September 30,
2014

Item Management's Discussion and Analysis of Financial Condition and Results of Operations

2.

Item Quantitative and Qualitative Disclosures about Market Risk

3.

Item Controls and

4. Procedures

Part Other Information

II.

Item Legal

1. Proceedings

ItemRisk

1A. Factors

ItemUnregistered Sales of Equity Securities and Use of Proceeds

2.

ItemDefaults Upon Senior

3. Securities

ItemMine Safety

4. Disclosures

ItemOther

5. Information

ItemExhibits

6.

2

Part I. Financial Information

Item 1. Financial Statements

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

	September 30, 2014	December 31, 2013
Assets:		
Cash and cash equivalents	\$157,500	\$149,647
Available-for-sale investment securities (cost of \$2,421,718 and \$2,217,165, respectively)	2,465,931	2,186,163
Other securities, at cost	40,311	32,562
Loans held for sale, at fair value	726	728
Loans	4,217,244	4,109,083
Allowance for loan losses	(45,273)	(44,319)
Net loans	4,171,971	4,064,764
Goodwill, net	375,174	374,991
Core deposit intangibles, net	10,816	13,460
Other intangibles, net	1,976	2,048
Intangible assets, net	387,966	390,499
Premises and equipment, net	91,762	93,636
Accrued interest and fees receivable	27,564	25,475
Other assets	158,912	152,390
Total assets	\$7,502,643	\$7,095,864
Liabilities:		
Noninterest-bearing deposits	\$1,279,052	\$1,203,346
Interest-bearing deposits	4,688,279	4,692,698
Total deposits	5,967,331	5,896,044
Borrowings	343,805	141,913
Subordinated debt held by unconsolidated subsidiary trusts	102,115	102,097
Accrued interest and other liabilities	123,868	79,998
Total liabilities	6,537,119	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; 41,483,376 and 41,213,491 shares issued, respectively	41,483	41,213
Additional paid-in capital	405,313	396,528
Retained earnings	515,040	481,732
Accumulated other comprehensive income/(loss)	20,670	(26,546)
Treasury stock, at cost (776,091 and 782,173 shares, respectively)	(16,982)	(17,115)
Total shareholders' equity	965,524	875,812
Total liabilities and shareholders' equity	\$7,502,643	\$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 September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest income:				
Interest and fees on loans	\$46,883	\$47,606	\$138,649	\$141,136
Interest and dividends on taxable investments	12,239	13,394	37,481	41,176
Interest and dividends on nontaxable investments	5,165	5,132	15,505	15,885
Total interest income	64,287	66,132	191,635	198,197
Interest expense:				
Interest on deposits	1,962	2,530	6,265	8,375
Interest on borrowings	308	2,368	846	10,473
Interest on subordinated debt held by unconsolidated subsidiary trusts	623	633	1,852	1,891
Total interest expense	2,893	5,531	8,963	20,739
Net interest income	61,394			