

CITY HOLDING CO  
Form 10-Q  
August 09, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For The Quarterly Period Ended June 30, 2011

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 0-11733

CITY HOLDING COMPANY

(Exact name of registrant as specified in its charter)

West Virginia	55-0619957
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Gatewater Road	
Charleston, West Virginia	25313
(Address of principal executive offices)	(Zip Code)

(304) 769-1100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant has (1) 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 on 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

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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 definition 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

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 practical date.

Common stock, \$2.50 Par Value – 15,085,166 shares as of August 8, 2011.

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## FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements in Management's Discussion and Analysis of Financial Condition and Result of Operations are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such information involves risks and uncertainties that could result in the Company's actual results differing from those projected in the forward-looking statements. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include, but are not limited to: (1) the Company may incur additional loan loss provision due to negative credit quality trends in the future that may lead to a deterioration of asset quality; (2) the Company may incur increased charge-offs in the future; (3) the Company may experience increases in the default rates on previously securitized loans that would result in impairment losses or lower the yield on such loans; (4) the Company may not continue to benefit from strong recovery efforts on previously securitized loans resulting in improved yields on these assets; (5) the Company could have adverse legal actions of a material nature; (6) the Company may face competitive loss of customers; (7) the Company may be unable to manage its expense levels; (8) the Company may have difficulty retaining key employees; (9) changes in the interest rate environment may have results on the Company's operations materially different from those anticipated by the Company's market risk management functions; (10) changes in general economic conditions and increased competition could adversely affect the Company's operating results; (11) changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company's operating results; (12) the Company may experience difficulties growing loan and deposit balances; (13) the current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations; (14) continued deterioration in the financial condition of the U.S. banking system may impact the valuations of investments the Company has made in the securities of other financial institutions resulting in either actual losses or other than temporary impairments on such investments; and (15) the effects of the Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") recently adopted by the United States Congress. Forward-looking statements made herein reflect management's expectations as of the date such statements are made. Such information is provided to assist stockholders and potential investors in understanding current and anticipated financial operations of the Company and is included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date such statements are made.

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City Holding Company and Subsidiaries

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## PART I, ITEM 1 – FINANCIAL STATEMENTS

## Consolidated Balance Sheets

## City Holding Company and Subsidiaries

(in thousands)

	June 30 2011 (Unaudited)	December 31 2010 (Note A)
<b>Assets</b>		
Cash and due from banks	\$ 59,020	\$ 50,043
Interest-bearing deposits in depository institutions	6,825	5,336
Federal funds sold	35,000	11,000
Cash and Cash Equivalents	100,845	66,379
Investment securities available for sale, at fair value	440,889	429,720
Investment securities held-to-maturity, at amortized cost (approximate fair value at June 30, 2011 and December 31, 2010 - \$24,440 and \$23,100, respectively)	23,883	23,865
Total Investment Securities	464,772	453,585
Gross loans	1,897,344	1,865,000
Allowance for loan losses	(18,944 )	(18,224 )
Net Loans	1,878,400	1,846,776
Bank owned life insurance	77,705	76,231
Premises and equipment, net	64,403	64,530
Accrued interest receivable	7,704	7,264
Net deferred tax asset	29,937	29,235
Intangible assets	56,368	56,573
Other assets	33,686	36,722
Total Assets	\$ 2,713,820	\$ 2,637,295
<b>Liabilities</b>		
Deposits:		
Noninterest-bearing	\$ 353,495	\$ 337,927
Interest-bearing:		
Demand deposits	510,985	486,737
Savings deposits	421,134	397,042
Time deposits	949,007	949,669
Total Deposits	2,234,621	2,171,375
Short-term borrowings	127,199	112,710
Long-term debt	16,495	16,495
Other liabilities	25,126	21,854
Total Liabilities	2,403,441	2,322,434
<b>Shareholders' Equity</b>		
Preferred stock, par value \$25 per share: 500,000 shares authorized; none issued	-	-
Common stock, par value \$2.50 per share: 50,000,000 shares authorized; 18,499,282 shares issued at June 30, 2011 and December	46,249	46,249

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31, 2010, less 3,414,116 and 2,994,501 shares in treasury, respectively		
Capital surplus	102,938	103,057
Retained earnings	280,031	270,905
Cost of common stock in treasury	(117,001 )	(102,853 )
Accumulated other comprehensive income (loss):		
Unrealized gain on securities available-for-sale	1,976	1,022
Unrealized gain on derivative instruments	-	295
Underfunded pension liability	(3,814 )	(3,814 )
Total Accumulated Other Comprehensive Loss	(1,838 )	(2,497 )
Total Shareholders' Equity	310,379	314,861
Total Liabilities and Shareholders' Equity	\$ 2,713,820	\$ 2,637,295

See notes to consolidated financial statements.

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Consolidated Statements of Income (Unaudited)  
City Holding Company and Subsidiaries  
(in thousands, except earnings per share data)

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
<b>Interest Income</b>				
Interest and fees on loans	\$ 23,352	\$ 25,991	\$ 47,090	\$ 50,845
Interest on investment securities:				
Taxable	4,513	5,317	9,055	10,928
Tax-exempt	445	461	907	931
Interest on federal funds sold	13	1	26	1
Total Interest Income	28,323	31,770	57,078	62,705
<b>Interest Expense</b>				
Interest on deposits	5,568	6,831	11,279	14,015
Interest on short-term borrowings	77	98	149	198
Interest on long-term debt	158	163	315	323
Total Interest Expense	5,803	7,092	11,743	14,536
Net Interest Income	22,520	24,678	45,335	48,169
Provision for loan losses	1,286	1,823	2,372	2,903
Net Interest Income After Provision for Loan Losses	21,234	22,855	42,963	45,266
<b>Non-interest Income</b>				
Total investment securities impairment losses	-	(1,237 )	-	(4,440 )
Noncredit impairment losses recognized in other comprehensive income	-	944	-	2,496
Net investment securities impairment losses	-	(293 )	-	(1,944 )
Gains on sale of investment securities	3,128	62	3,128	62
Net investment securities gains (losses)	3,128	(231 )	3,128	(1,882 )
<b>Service charges</b>				
Insurance commissions	9,855	10,448	18,909	20,676
Trust and investment management fee income	1,504	1,244	3,125	2,641
Bank owned life insurance	730	567	1,483	1,429
Other income	745	813	1,503	1,541
Total Non-interest Income	575	437	1,051	985
Total Non-interest Income	16,537	13,278	29,199	25,390
<b>Non-interest Expense</b>				
Salaries and employee benefits	10,183	9,745	20,095	19,494
Occupancy and equipment	1,921	1,874	4,027	3,919

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Depreciation	1,140	1,174	2,276	2,392
FDIC insurance expense	932	918	1,884	1,813
Advertising	628	1,241	1,308	2,154
Bankcard expenses	633	448	1,134	924
Postage, delivery, and statement mailings	510	615	1,064	1,224
Office supplies	452	484	991	977
Legal and professional fees	3,511	398	3,980	761
Telecommunications	417	440	846	891
Reposessed asset (gains) losses, net of expenses	(7 )	78	191	1,024
Other expenses	2,592	2,550	4,974	4,943
Total Non-interest Expense	22,912	19,965	42,770	40,516
Income Before Income Taxes	14,859	16,168	29,392	30,140
Income tax expense	5,029	5,453	9,947	10,112
Net Income Available to Common Shareholders	\$ 9,830	\$ 10,715	\$ 19,445	\$ 20,028
Basic earnings per common share	\$ 0.65	\$ 0.68	\$ 1.27	\$ 1.27
Diluted earnings per common share	\$ 0.64	\$ 0.68	\$ 1.26	\$ 1.26
Dividends declared per common share	\$ 0.34	\$ 0.34	\$ 0.68	\$ 0.68
Average common shares outstanding:				
Basic	15,120	15,656	15,244	15,722
Diluted	15,193	15,721	15,322	15,785

See notes to consolidated financial statements.



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## Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

City Holding Company and Subsidiaries

Six Months Ended June 30, 2011 and 2010

(in thousands)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balances at December 31, 2009	\$ 46,249	\$ 102,917	\$ 253,167	\$ (90,877 )	\$ (2,554 )	\$ 308,902
Comprehensive income:						
Net income			20,028			20,028
Other comprehensive gain, net of deferred income taxes of \$2,185:						
Unrealized gain (loss) on available-for- sale securities of \$8,510, net of taxes					5,242	5,242
Net unrealized loss on interest rate floors of \$2,821, net of taxes					(1,738 )	(1,738 )
Total comprehensive income						23,532
Cash dividends declared (\$0.68 per share)			(10,685 )			(10,685 )
Issuance of stock awards, net		(192 )		682		490
Exercise of 1,700 stock options		(12 )		58		46
Purchase of 297,015 treasury shares				(9,710 )		(9,710 )
Balances at June 30, 2010	\$ 46,249	\$ 102,713	\$ 262,510	\$ (99,847 )	\$ 950	\$ 312,575

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
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Balances at							
December 31, 2010	\$ 46,249	\$ 103,057	\$ 270,905	\$ (102,853)	\$ (2,497 )	\$ 314,861	
Comprehensive							
income:							
Net income							