

FINANCIAL INSTITUTIONS INC

Form 10-Q

May 06, 2016

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

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: 000-26481

(Exact name of registrant as specified in its charter)

NEW YORK
(State or other jurisdiction of
incorporation or organization)

16-0816610
(I.R.S. Employer
Identification No.)

220 LIBERTY STREET, WARSAW, NEW YORK
(Address of principal executive offices)

14569
(Zip Code)

Registrant's telephone number, including area code: (585) 786-1100

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 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

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 (Do not check if a smaller company) 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

The registrant had 14,498,014 shares of Common Stock, \$0.01 par value, outstanding as of April 29, 2016.

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FINANCIAL INSTITUTIONS, INC.

Form 10-Q

For the Quarterly Period Ended March 31, 2016

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES****Consolidated Statements of Financial Condition (Unaudited)***(Dollars in thousands, except share and per share data)*

	March 31, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$ 110,944	\$ 60,121
Securities available for sale, at fair value	610,013	544,395
Securities held to maturity, at amortized cost (fair value of \$485,863 and \$490,064, respectively)	476,283	485,717
Loans held for sale	609	1,430
Loans (net of allowance for loan losses of \$27,568 and \$27,085, respectively)	2,087,466	2,056,677
Company owned life insurance	61,962	63,045
Premises and equipment, net	40,771	39,445
Goodwill and other intangible assets, net	76,567	66,946
Other assets	51,957	63,248
Total assets	\$ 3,516,572	\$ 3,381,024
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 617,394	\$ 641,972
Interest-bearing demand	622,443	523,366
Savings and money market	1,042,910	928,175
Time deposits	677,430	637,018
Total deposits	2,960,177	2,730,531
Short-term borrowings	179,200	293,100
Long-term borrowings, net of issuance costs of \$992 and \$1,010, respectively	39,008	38,990
Other liabilities	24,234	24,559
Total liabilities	3,202,619	3,087,180
Shareholders equity:		
Series A 3% preferred stock, \$100 par value; 1,533 shares authorized; 1,492 shares issued	149	149
Series B-1 8.48% preferred stock, \$100 par value; 200,000 shares authorized; 171,906 shares issued	17,191	17,191
Total preferred equity	17,340	17,340

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Common stock, \$0.01 par value; 50,000,000 shares authorized; 14,692,214 and 14,397,509 shares issued, respectively	147	144
Additional paid-in capital	81,010	72,690
Retained earnings	223,290	218,920
Accumulated other comprehensive loss	(4,105)	(11,327)
Treasury stock, at cost 197,131 and 207,317 shares, respectively	(3,729)	(3,923)
Total shareholders' equity	313,953	293,844
Total liabilities and shareholders' equity	\$ 3,516,572	\$ 3,381,024

See accompanying notes to the consolidated financial statements.

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	Three months ended March 31,	
	2016	2015
Interest income:		
Interest and fees on loans	\$ 22,057	\$ 20,137
Interest and dividends on investment securities	5,578	4,860
Total interest income	27,635	24,997
Interest expense:		
Deposits	1,959	1,620
Short-term borrowings	339	230
Long-term borrowings	618	
Total interest expense	2,916	1,850
Net interest income	24,719	23,147
Provision for loan losses	2,368	2,741
Net interest income after provision for loan losses	22,351	20,406
Noninterest income:		
Service charges on deposits	1,724	1,879
Insurance income	1,672	1,608
ATM and debit card	1,325	1,193
Investment advisory	1,243	487
Company owned life insurance	1,368	467
Investments in limited partnerships	56	474
Loan servicing	116	167
Net gain on sale of loans held for sale	78	69
Net gain on disposal of investment securities	613	1,062
Net gain on disposal of other assets	4	4
Other	1,018	887
Total noninterest income	9,217	8,297
Noninterest expense:		
Salaries and employee benefits	11,614	10,223
Occupancy and equipment	3,625	3,699
Professional services	1,447	968
Computer and data processing	804	702

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Supplies and postage	594	563
FDIC assessments	436	418
Advertising and promotions	377	239
Other	2,321	2,199
Total noninterest expense	21,218	19,011
Income before income taxes	10,350	9,692
Income tax expense	2,732	2,891
Net income	\$ 7,618	\$ 6,801
Preferred stock dividends	365	365
Net income available to common shareholders	\$ 7,253	\$ 6,436
Earnings per common share (Note 3):		
Basic	\$ 0.50	\$ 0.46
Diluted	\$ 0.50	\$ 0.46
Cash dividends declared per common share	\$ 0.20	\$ 0.20
Weighted average common shares outstanding:		
Basic	14,395	14,063
Diluted	14,465	14,113

See accompanying notes to the consolidated financial statements.

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FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in thousands)

	Three months ended March 31,	
	2016	2015
Net income	\$ 7,618	\$ 6,801
Other comprehensive income, net of tax:		
Net unrealized gains on securities available for sale	7,083	3,261
Pension and post-retirement obligations	139	135
Total other comprehensive income, net of tax	7,222	3,396
Comprehensive income	\$ 14,840	\$ 10,197

See accompanying notes to the consolidated financial statements.

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FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended March 31, 2016 and 2015

<i>(Dollars in thousands, except per share data)</i>	Preferred Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 2015	\$ 17,340	\$ 144	\$ 72,955	\$ 203,312	\$ (9,011)	\$ (5,208)	\$ 279,532
Comprehensive income:							
Net income				6,801			6,801
Other comprehensive income, net of tax					3,396		3,396
Purchases of common stock for treasury						(41)	(41)
Share-based compensation plans:							
Share-based compensation			103				103
Stock options exercised			3			69	72
Restricted stock awards issued, net			(874)			874	
Excess tax benefit on share-based compensation			4				4
Cash dividends declared:							
Series A 3% Preferred-\$0.75 per share				(1)			(1)
Series B-1 8.48% Preferred-\$2.12 per share				(364)			(364)
Common-\$0.20 per share				(2,813)			(2,813)
Balance at March 31, 2015	\$ 17,340	\$ 144	\$ 72,191	\$ 206,935	\$ (5,615)	\$ (4,306)	\$ 286,689
Balance at January 1, 2016	\$ 17,340	\$ 144	\$ 72,690	\$ 218,920	\$ (11,327)	\$ (3,923)	\$ 293,844
Comprehensive income:							
Net income				7,618			7,618
Other comprehensive income, net of tax					7,222		7,222
Common stock issued		3	8,097				8,100
Share-based compensation plans:							