

FINANCIAL INSTITUTIONS INC

Form 10-Q

May 09, 2018

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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, 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: **000-26481**

(Exact name of registrant as specified in its charter)

NEW YORK

(State or other jurisdiction of)

16-0816610

(I.R.S. Employer Identification No.)

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incorporation or organization)

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

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

The registrant had 15,905,415 shares of Common Stock, \$0.01 par value, outstanding as of April 30, 2018.

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FINANCIAL INSTITUTIONS, INC.

Form 10-Q

For the Quarterly Period Ended March 31, 2018

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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, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$ 122,914	\$ 99,195
Securities available for sale, at fair value	510,197	524,973
Securities held to maturity, at amortized cost (fair value of \$493,501 and \$512,983, respectively)	501,905	516,466
Loans held for sale	1,523	2,718
Loans (net of allowance for loan losses of \$35,594 and \$34,672, respectively)	2,757,670	2,700,345
Company owned life insurance	65,745	65,288
Premises and equipment, net	44,268	45,189
Goodwill and other intangible assets, net	74,415	74,703
Other assets	73,795	76,333
Total assets	\$ 4,152,432	\$ 4,105,210
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 702,900	\$ 718,498
Interest-bearing demand	717,567	634,203
Savings and money market	1,052,270	1,005,317
Time deposits	907,272	852,156
Total deposits	3,380,009	3,210,174
Short-term borrowings	327,600	446,200
Long-term borrowings, net of issuance costs of \$851 and \$869, respectively	39,149	39,131
Other liabilities	25,372	28,528
Total liabilities	3,772,130	3,724,033
Shareholders equity:		
Series A 3% preferred stock, \$100 par value; 1,533 shares authorized; 1,439 shares issued	144	144
Series B-1 8.48% preferred stock, \$100 par value; 200,000 shares authorized; 171,847 shares issued	17,185	17,185

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Total preferred equity	17,329	17,329
Common stock, \$0.01 par value; 50,000,000 shares authorized; 16,056,178 shares issued	161	161
Additional paid-in capital	121,805	121,058
Retained earnings	262,185	257,078
Accumulated other comprehensive loss	(18,163)	(11,916)
Treasury stock, at cost 154,763 and 131,240 shares, respectively	(3,015)	(2,533)
Total shareholders equity	380,302	381,177
Total liabilities and shareholders equity	\$ 4,152,432	\$ 4,105,210

See accompanying notes to the consolidated financial statements.

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	Three months ended March 31,	
	2018	2017
Interest income:		
Interest and fees on loans	\$ 29,758	\$ 24,616
Interest and dividends on investment securities	5,641	5,897
Other interest income	4	25
Total interest income	35,403	30,538
Interest expense:		
Deposits	3,456	2,231
Short-term borrowings	1,701	694
Long-term borrowings	618	618
Total interest expense	5,775	3,543
Net interest income	29,628	26,995
Provision for loan losses	2,949	2,781
Net interest income after provision for loan losses	26,679	24,214
Noninterest income:		
Service charges on deposits	1,738	1,745
Insurance income	1,399	1,431
ATM and debit card	1,421	1,329
Investment advisory	1,778	1,431
Company owned life insurance	450	445
Investments in limited partnerships	568	(30)
Loan servicing	115	120
Net gain on sale of loans held for sale	96	48
Net gain on investment securities	-	206
Net gain (loss) on other assets	3	(2)
Other	1,416	1,113
Total noninterest income	8,984	7,836
Noninterest expense:		
Salaries and employee benefits	13,429	11,369
Occupancy and equipment	4,407	3,964
Professional services	883	1,015
Computer and data processing	1,235	1,171

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Supplies and postage	512	537
FDIC assessments	508	457
Advertising and promotions	977	462
Amortization of intangibles	288	297
Other	1,868	1,670
Total noninterest expense	24,107	20,942
Income before income taxes	11,556	11,108
Income tax expense	2,268	3,165
Net income	\$ 9,288	\$ 7,943
Preferred stock dividends	365	365
Net income available to common shareholders	\$ 8,923	\$ 7,578
Earnings per common share (Note 3):		
Basic	\$ 0.56	\$ 0.52
Diluted	\$ 0.56	\$ 0.52
Cash dividends declared per common share	\$ 0.24	\$ 0.21
Weighted average common shares outstanding:		
Basic	15,890	14,479
Diluted	15,941	14,528

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,	
	2018	2017
Net income	\$ 9,288	\$ 7,943
Other comprehensive (loss) income, net of tax:		
Securities available for sale and transferred securities	(6,270)	594
Hedging derivative instruments	(104)	-
Pension and post-retirement obligations	127	171
Total other comprehensive (loss) income, net of tax	(6,247)	765
Comprehensive income	\$ 3,041	\$ 8,708

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, 2018 and 2017

(Dollars in thousands, except per share data)

	Preferred Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders Equity
Balance at December 31, 2016	\$ 17,340	\$ 147	\$ 81,755	\$ 237,687	\$ (13,951)	\$ (2,924)	\$ 320,054
Cumulative-effect adjustment	-	-	(279)	279	-	-	-
Balance at January 1, 2017	\$ 17,340	\$ 147	\$ 81,476	\$ 237,966	\$ (13,951)	\$ (2,924)	\$ 320,054
Comprehensive income:							
Net income	-	-	-	7,943	-	-	7,943
Other comprehensive income, net of tax	-	-	-	-	765	-	765
Purchases of common stock for treasury	-	-	-	-	-	(148)	(148)
Share-based compensation plans:							
Share-based compensation	-	-	239	-	-	-	239
Stock options exercised	-	-	4	-	-	239	243
Restricted stock awards forfeited	-	-	182	-	-	(182)	-
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-\$0.21 per share	-	-	-	-	-	-	-