

FINANCIAL INSTITUTIONS INC
Form 10-Q
May 08, 2012

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, 2012

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)

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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 13,811,691 shares of Common Stock, \$0.01 par value, outstanding as of April 30, 2012.

FINANCIAL INSTITUTIONS, INC.

Form 10-Q

For the Quarterly Period Ended March 31, 2012

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

<i>(Dollars in thousands, except share and per share data)</i>	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 76,931	\$ 57,489
Federal funds sold and interest-bearing deposits in other banks	94	94
Total cash and cash equivalents	77,025	57,583
Securities available for sale, at fair value	699,497	627,518
Securities held to maturity, at amortized cost (fair value of \$24,797 and \$23,964, respectively)	24,196	23,297
Loans held for sale	2,053	2,410
Loans (net of allowance for loan losses of \$23,763 and \$23,260, respectively)	1,497,265	1,461,516
Company owned life insurance	45,990	45,556
Premises and equipment, net	32,831	33,085
Goodwill	37,369	37,369
Other assets	44,594	48,019
Total assets	\$ 2,460,820	\$ 2,336,353
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 404,186	\$ 393,421
Interest-bearing demand	435,701	362,555
Savings and money market	530,754	474,947
Certificates of deposit	695,928	700,676
Total deposits	2,066,569	1,931,599
Short-term borrowings	117,347	150,698
Other liabilities	36,942	16,862
Total liabilities	2,220,858	2,099,159
Shareholders' equity:		
Series A 3% preferred stock, \$100 par value; 1,533 shares authorized and 1,500 shares issued	150	150
Series B-1 8.48% preferred stock, \$100 par value, 200,000 shares authorized and 173,235 shares issued	17,323	17,323
Total preferred equity	17,473	17,473
Common stock, \$0.01 par value, 50,000,000 shares authorized and 14,161,597 shares issued	142	142
Additional paid-in capital	66,793	67,247
Retained earnings	162,126	158,079
Accumulated other comprehensive (loss) income	(107)	945
Treasury stock, at cost 349,356 and 358,481 shares, respectively	(6,465)	(6,692)
Total shareholders' equity	239,962	237,194
Total liabilities and shareholders' equity	\$ 2,460,820	\$ 2,336,353

See accompanying notes to the consolidated financial statements.

FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

<i>(In thousands, except per share amounts)</i>	Three months ended March 31,	
	2012	2011
Interest income:		
Interest and fees on loans	\$ 19,536	\$ 19,035
Interest and dividends on investment securities	3,914	4,604
Total interest income	23,450	23,639
Interest expense:		
Deposits	2,398	3,197
Short-term borrowings	111	72
Long-term borrowings		532
Total interest expense	2,509	3,801
Net interest income	20,941	19,838
Provision for loan losses	1,385	810
Net interest income after provision for loan losses	19,556	19,028
Noninterest income:		
Service charges on deposits	1,835	2,105
ATM and debit card	1,077	1,016
Broker-dealer fees and commissions	587	386
Company owned life insurance	426	266
Net gain on sale of loans held for sale	333	224
Net gain on disposal of investment securities	331	3
Loan servicing	94	349
Impairment charges on investment securities	(91)	
Net gain on disposal of other assets	6	45
Other	853	754
Total noninterest income	5,451	5,148
Noninterest expense:		
Salaries and employee benefits	8,931	8,401
Occupancy and equipment	2,770	2,843
Professional services	711	682
Computer and data processing	600	603
Supplies and postage	458	452
FDIC assessments	297	607
Advertising and promotions	101	165
Other	1,789	1,597
Total noninterest expense	15,657	15,350
Income before income taxes	9,350	8,826
Income tax expense	3,154	3,006
Net income	\$ 6,196	\$ 5,820

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Preferred stock dividends	369	770
Accretion of discount on Series A preferred stock		1,305
Net income available to common shareholders	\$ 5,827	\$ 3,745
Earnings per common share (Note 2):		
Basic	\$ 0.43	\$ 0.33
Diluted	\$ 0.42	\$ 0.33
Cash dividends declared per common share	\$ 0.13	\$ 0.10
Weighted average common shares outstanding:		
Basic	13,675	11,336
Diluted	13,733	11,467
See accompanying notes to the consolidated financial statements.		

FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

<i>(Dollars in thousands)</i>	Three months ended	
	2012	2011
Net income	\$ 6,196	\$ 5,820
Other comprehensive (loss) income:		
Unrealized gains on securities:		
Change in net unrealized securities gains arising during period	(1,837)	1,255
Deferred tax benefit (expense)	728	(497)
Reclassification adjustment for gains included in income before income taxes	(240)	(3)
Related tax expense	95	1
Change in net unrealized gains on securities, net of tax	(1,254)	756
Change in pension and post-retirement obligations:		
Change in net actuarial gain\loss	335	145
Related tax expense	(133)	(58)
Change in pension and post-retirement obligations, net of tax	202	87
Other comprehensive (loss) income	(1,052)	843
Comprehensive income	\$ 5,144	\$ 6,663

See accompanying notes to the consolidated financial statements.

FINANCIAL INSTITUTIONS, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended March 31, 2012 and 2011

<i>(Dollars in thousands, except per share data)</i>	Preferred Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 2011	\$ 53,785	\$ 113	\$ 26,029	\$ 144,599	\$ (4,722)	\$ (7,660)	\$