

CITY HOLDING CO
Form 10-Q
August 03, 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 June 30, 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 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.

YesNo

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).

YesNo

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

Emerging growth company []

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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 [X]

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 – 15,456,442 shares as of August 1, 2018.

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 Results 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 materially 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 could have adverse legal actions of a material nature; (4) the Company may face competitive loss of customers; (5) the Company may be unable to manage its expense levels; (6) the Company may have difficulty retaining key employees; (7) 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; (8) changes in general economic conditions and increased competition could adversely affect the Company's operating results; (9) changes in regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company's operating results; (10) the Company may experience difficulties growing loan and deposit balances; (11) 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; (12) the effects of the Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the regulations promulgated and to be promulgated thereunder, which may subject the Company and its subsidiaries to a variety of new and more stringent legal and regulatory requirements which adversely affect their respective businesses; (13) the impact of new minimum capital thresholds established as a part of the implementation of Basel III; (14) the businesses of City Holding Company, City National Bank of West Virginia, Poage Bankshares, Inc., Town Square Bank, Farmer's Deposit Bancorp, Inc. and Farmers Deposit Bank may not integrate successfully or such integration may take longer to accomplish than expected (15) the expected cost savings and any revenue synergies from the merger of City Holding Company, City National Bank of West Virginia, Poage Bankshares, Inc., Town Square Bank, Farmer's Deposit Bancorp, Inc. and Farmers Deposit Bank may not be fully realized within the expected time frames; (16) the disruption from the merger of City Holding Company, City National Bank of West Virginia, Poage Bankshares, Inc., Town Square Bank, Farmer's Deposit Bancorp, Inc. may make it more difficult to maintain relationships with clients, associates, or suppliers; and (17) other risk factors relating to the banking industry or the Company as detailed from time to time in the Company's reports filed with the Securities and Exchange Commission, including those risk factors included in the disclosures under the heading "Item 1A Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017. 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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Part I - FINANCIAL INFORMATION

Item 1 - Financial Statements

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Consolidated Balance Sheets

City Holding Company and Subsidiaries

(in thousands)

	(Unaudited)	
	June 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$240,483	\$ 54,450
Interest-bearing deposits in depository institutions	25,041	28,058
Cash and Cash Equivalents	265,524	82,508
Investment securities available for sale, at fair value	552,603	550,389
Investment securities held-to-maturity, at amortized cost (approximate fair value at June 30, 2018 and December 31, 2017 - \$59,628 and \$65,646, respectively)	60,030	64,449
Other securities	28,920	14,147
Total Investment Securities	641,553	628,985
Gross loans	3,155,468	3,127,410
Allowance for loan losses	(16,876)	(18,836)
Net Loans	3,138,592	3,108,574
Bank owned life insurance	104,773	103,440
Premises and equipment, net	72,482	72,682
Accrued interest receivable	9,348	9,223
Net deferred tax asset	14,528	11,913
Goodwill and other intangible assets, net	78,342	78,595
Other assets	49,241	36,361
Total Assets	\$4,374,383	\$ 4,132,281
Liabilities		
Deposits:		
Noninterest-bearing	\$684,614	\$ 666,639
Interest-bearing:		
Demand deposits	785,933	769,245
Savings deposits	817,547	796,275
Time deposits	1,133,684	1,083,475
Total Deposits	3,421,778	3,315,634
Short-term borrowings:		
Federal funds purchased	181,375	54,000
Customer repurchase agreements	196,635	198,219
Long-term debt	16,495	16,495
Other liabilities	54,346	45,426
Total Liabilities	3,870,629	3,629,774
Shareholders' Equity		
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; 19,047,548 shares issued at June 30, 2018 and December 31, 2017, less 3,595,092 and 3,429,519 shares in treasury, respectively	47,619	47,619

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Capital surplus	140,091	140,960
Retained earnings	471,515	444,481
Cost of common stock in treasury	(136,520)	(124,909)
Accumulated other comprehensive income (loss):		
Unrealized (loss) on securities available-for-sale	(13,918)	(611)
Underfunded pension liability	(5,033)	(5,033)
Total Accumulated Other Comprehensive Income (Loss)	(18,951)	(5,644)
Total Shareholders' Equity	503,754	502,507
Total Liabilities and Shareholders' Equity	\$4,374,383	\$4,132,281
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,	
	2018	2017	2018	2017
Interest Income				
Interest and fees on loans	\$34,292	\$31,115	\$67,210	\$61,219
Interest and dividends on investment securities:				