

PEOPLES FINANCIAL SERVICES CORP.

Form 10-Q

May 06, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-Q

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

001-36388

(Commission File Number)

PEOPLES FINANCIAL SERVICES CORP.

(Exact name of registrant as specified in its charter)

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(State of incorporation)	(IRS Employer ID Number)
150 North Washington Avenue, Scranton, PA (Address of principal executive offices)	18503 (Zip code)

(570) 346-7741

(Registrant's telephone number, including area code)

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 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 as defined 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of the registrant's common stock, as of the latest practicable date: 7,396,404 at April 30, 2016.

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For the Quarter Ended March 31, 2016

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CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands, except share data)

	March 31, 2016	December 31, 2015
Assets:		
Cash and due from banks	\$ 23,699	\$ 28,218
Interest-bearing deposits in other banks	299	4,699
Federal funds sold		
Investment securities:		
Available-for-sale	264,175	284,935
Held-to-maturity: Fair value March 31, 2016, \$12,322; December 31, 2015, \$12,606	11,681	12,109
Total investment securities	275,856	297,044
Loans held for sale	78	
Loans, net	1,409,691	1,340,865
Less: allowance for loan losses	14,158	12,975
Net loans	1,395,533	1,327,890
Premises and equipment, net	29,386	28,157
Accrued interest receivable	5,455	5,796
Goodwill	63,370	63,370
Intangible assets	5,091	5,397
Other assets	63,603	58,487
Total assets	\$ 1,862,370	\$ 1,819,058
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 323,456	\$ 320,978
Interest-bearing	1,152,003	1,134,832
Total deposits	1,475,459	1,455,810
Short-term borrowings	60,350	38,325
Long-term debt	59,773	60,354
Accrued interest payable	506	560
Other liabilities	14,837	15,241
Total liabilities	1,610,925	1,570,290
Stockholders' equity:		
Common stock, par value \$2.00, authorized 25,000,000 shares, issued 7,399,298 shares at March 31, 2016 and 7,410,606 shares at December 31, 2015	14,799	14,821
Capital surplus	134,994	135,371
Retained earnings	103,288	100,701
Accumulated other comprehensive loss	(1,636)	(2,125)
Total stockholders' equity	251,445	248,768

Total liabilities and stockholders' equity	\$ 1,862,370	\$ 1,819,058
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See notes to consolidated financial statements

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Peoples Financial Services Corp.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in thousands, except per share data)

For the Three Months Ended March 31,	2016	2015
Interest income:		
Interest and fees on loans:		
Taxable	\$ 14,346	\$ 13,340
Tax-exempt	751	559
Interest and dividends on investment securities:		
Taxable	687	900
Tax-exempt	875	805
Dividends	10	9
Interest on interest-bearing deposits in other banks	17	8
Interest on federal funds sold		7
Total interest income	16,686	15,628
Interest expense:		
Interest on deposits	1,283	1,268
Interest on short-term borrowings	77	8
Interest on long-term debt	360	259
Total interest expense	1,720	1,535
Net interest income	14,966	14,093
Provision for loan losses	1,200	750
Net interest income after provision for loan losses	13,766	13,343
Noninterest income:		
Service charges, fees and commissions	1,444	1,612
Merchant services income	914	790
Commission and fees on fiduciary activities	482	459
Wealth management income	412	205
Mortgage banking income	204	222
Life insurance investment income	193	189
Net gain on sale of investment securities available-for-sale	242	832
Total noninterest income	3,891	4,309
Noninterest expense:		
Salaries and employee benefits expense	5,332	5,233
Net occupancy and equipment expense	2,437	2,468
Merchant services expense	632	533
Amortization of intangible assets	305	305
Other expenses	2,912	2,555
Total noninterest expense	11,618	11,094
Income before income taxes	6,039	6,558

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Income tax expense	1,157	1,514
Net income	4,882	5,044
Other comprehensive income (loss):		
Unrealized gain on investment securities available-for-sale	995	767
Reclassification adjustment for net gain on sales included in net income	(242)	(832)
Other comprehensive income (loss)	753	(65)
Income tax expense (benefit) related to other comprehensive loss	264	(23)
Other comprehensive income (loss), net of income taxes	489	(42)
Comprehensive income	\$ 5,371	\$ 5,002
Per share data:		
Net income:		
Basic	\$ 0.66	\$ 0.67
Diluted	\$ 0.66	\$ 0.67
Average common shares outstanding:		
Basic	7,403,510	7,548,358
Diluted	7,403,510	7,548,358
Dividends declared	\$ 0.31	\$ 0.31

See notes to consolidated financial statements

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

(Dollars in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2016	\$ 14,821				