

CHEMUNG FINANCIAL CORP

Form 10-Q

November 07, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

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

For Quarterly period ended September 30, 2013

Or

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

Commission File No. 0-13888

CHEMUNG FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

16-1237038
I.R.S. Employer Identification No.

One Chemung Canal Plaza, P.O. Box 1522, Elmira, NY
(Address of principal executive offices)

14902
(Zip Code)

(607) 737-3711 or (800) 836-3711
(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 (§ 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

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:

The number of shares of the registrant's common stock, \$.01 par value, outstanding on November 6, 2013 was 4,594,315.

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1: Financial Statements-Unaudited

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	SEPTEMBER 30, 2013	DECEMBER 31, 2012
ASSETS		
Cash and due from financial institutions	\$ 37,490,812	\$ 29,239,309
Interest-bearing deposits in other financial institutions	2,438,437	11,001,912
Total cash and cash equivalents	39,929,249	40,241,221
Trading assets, at fair value	313,021	348,241
Securities available for sale, at estimated fair value	259,275,117	239,685,763
Securities held to maturity, estimated fair value of \$7,047,300 at September 30, 2013 and \$6,421,486 at December 31, 2012	6,543,785	5,748,453
Federal Home Loan Bank and Federal Reserve Bank		
Stock, at cost	6,724,950	4,710,300
Loans, net of deferred origination fees and costs, and unearned income	967,634,345	893,516,941
Allowance for loan losses	(11,855,971)	(10,432,650)
Loans, net	955,778,374	883,084,291
Loans held for sale	866,430	1,057,309
Premises and equipment, net	25,086,834	25,484,385
Goodwill	21,824,443	21,824,443
Other intangible assets, net	4,481,019	5,143,820
Bank owned life insurance	2,774,487	2,711,681
Accrued interest receivable and other assets	17,493,059	18,119,801
Total assets	\$ 1,341,090,768	\$ 1,248,159,708
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Non-interest-bearing	\$ 297,053,277	\$ 300,610,463
Interest-bearing	791,392,176	744,123,551

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Total deposits	1,088,445,453	1,044,734,014
Securities sold under agreements to repurchase	30,499,228	32,710,650
Federal Home Loan Bank overnight advances	49,100,000	-
Federal Home Loan Bank term advances	26,045,925	27,225,363
Accrued interest payable and other liabilities	12,194,266	12,374,744
Total liabilities	1,206,284,872	1,117,044,771
Shareholders' equity:		
Common stock, \$.01 par value per share, 10,000,000 shares authorized; 5,310,076 issued at September 30, 2013 and December 31, 2012	53,101	53,101
Additional-paid-in capital	45,555,333	45,357,073
Retained earnings	110,740,100	107,078,182
Treasury stock, at cost (715,761 shares at September 30, 2013, 728,680 shares at December 31, 2012)	(18,265,940)	(18,566,490)
Accumulated other comprehensive loss	(3,276,698)	(2,806,929)
Total shareholders' equity	134,805,896	131,114,937
Total liabilities and shareholders' equity	1,341,090,768	\$ 1,248,159,708

See accompanying notes to unaudited consolidated financial statements.

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Nine Months Ended		Three Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30 2012
Interest and dividend income:				
Loans, including fees	\$33,605,486	\$34,078,132	\$11,245,062	\$11,373,583
Taxable securities	3,120,023	4,142,224	1,002,968	1,306,484
Tax exempt securities	844,736	976,622	258,478	300,374
Interest-bearing deposits	20,539	122,693	2,848	34,573
Total interest and dividend income	37,590,784	39,319,671	12,509,356	13,015,014
Interest expense:				
Deposits	1,790,994	2,486,771	572,385	759,778
Securities sold under agreements to repurchase	644,602	763,343	213,800	231,043
Borrowed funds	593,798	868,131	206,520	234,155
Total interest expense	3,029,394	4,118,245	992,705	1,224,976
Net interest income	34,561,390	35,201,426	11,516,651	11,790,038
Provision for loan losses	1,755,188	753,897	873,704	225,000
Net interest income after provision for loan losses	32,806,202	34,447,529	10,642,947	11,565,038
Other operating income:				
Wealth management group fee income	5,448,240	5,170,016	1,813,113	1,667,628
Service charges on deposit accounts	3,377,489	3,143,061	1,222,445	1,110,897
Net gain on securities transactions	1,228	300,516	-	597
Net gain on sales of loans held for sale	424,867	270,265	133,698	125,885

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Casualty gains	-	790,248	-	9,813
Net gains (losses) on sales of other real estate owned	33,448	(72,004)	17,452	(67,503)
Income from bank owned life insurance	62,806	64,840	21,120	21,571
Other	3,499,290	3,328,328	1,142,825	1,123,831
Total other operating income	12,847,368	12,995,270	4,350,653	3,992,719
Other operating expenses:				
Salaries and wages	14,138,310	13,710,584	4,721,318	4,661,858
Pension and other employee benefits	4,161,178	4,137,878	1,372,179	1,381,401
Net occupancy expenses	4,016,094	3,849,173	1,315,098	1,269,165
Furniture and equipment expenses	1,599,896	1,599,842	514,369	503,995
Data processing expense	3,432,772	3,279,379	1,192,035	971,601
Professional services	713,039	694,756	187,571	185,619
Amortization of intangible assets	662,801	808,258	213,723	260,069
Marketing and advertising expense	781,804	915,632	296,947	270,567
Other real estate owned expenses	137,844	286,137	75,476	154,238
FDIC insurance	625,216	615,360	205,845	205,317
Merger and acquisition related expenses	216,968	30,145	216,968	21,600
Loan expense	537,592	548,165	202,474	223,120
Other	3,905,449	3,677,793	1,298,699	1,231,911
Total other operating expenses	34,928,963	34,153,102	11,812,702	11,340,461
Income before income tax expense	10,724,607	13,289,697	3,180,898	4,217,296
Income tax expense	3,479,062	4,397,279	1,001,728	1,383,451
Net income	\$ 7,245,545	\$ 8,892,418	\$ 2,179,170	\$ 2,833,845
Weighted average shares outstanding	4,658,199	4,639,985	4,660,336	4,641,547
Basic and diluted earnings per share	\$ 1.56	\$ 1.92	\$ 0.47	\$ 0.61

See accompanying notes to unaudited consolidated financial statements.

CHEMUNG FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 7,245,545	\$8,892,418	\$2,179,170	\$2,833,845
Other comprehensive income				
Unrealized holding (losses) gains on securities available for sale	(1,900,709)	1,633,195	1,403,995	959,668
Reclassification adjustment gains realized in net income	(1,228)	(300,516)	-	(597)
Net unrealized (losses) gains	(1,901,937)	1,332,679	1,403,995	959,071
Tax effect	(731,105)	544,460	539,696	368,668
Net of tax amount	(1,170,832)	788,219		