

CITY HOLDING CO
Form 10-Q
November 06, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Quarterly Period Ended September 30, 2006

OR

TRANSITION REPORT PURSANT 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.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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 - 17,560,399 shares as of November 3, 2006.

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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 Result 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 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 provision for loan losses 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 may experience increases in the default rates on previously securitized loans that would result in impairment losses or lower the yield on such loans; (4) the Company may continue to benefit from strong recovery efforts on previously securitized loans resulting in improved yields on this asset; (5) the Company could have adverse legal actions of a material nature; (6) the Company may face competitive loss of customers; (7) the Company may be unable to manage its expense levels; (8) the Company may have difficulty retaining key employees; (9) 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; (10) changes in general economic conditions and increased competition could adversely affect the Company's operating results; (11) changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company's operating results; and (12) the Company may experience difficulties growing loan and deposit balances. 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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	September 30	December 31
	2006	2005
	<i>(Unaudited)</i>	<i>(Note A)</i>
Assets		
Cash and due from banks	\$ 51,460	\$ 81,822
Interest-bearing deposits in depository institutions	35,800	4,451
Federal funds sold	15,000	-
Cash and Cash Equivalents	102,260	86,273
-		
Securities available for sale, at fair value	465,752	549,966
Securities held-to-maturity, at amortized cost (approximate fair value at September 30, 2006 and December 31, 2005 - \$56,452 and \$58,892)	53,791	55,397
Total Securities	519,543	605,363
Gross loans	1,697,201	1,612,827
Allowance for loan losses	(15,557)	(16,790)
Net Loans	1,681,644	1,596,037
Bank owned life insurance	54,619	52,969
Premises and equipment	43,545	42,542
Accrued interest receivable	12,934	13,134
Net deferred tax asset	26,308	27,929
Intangible assets	59,038	59,559
Other assets	27,665	18,791
Total Assets	\$ 2,527,556	\$ 2,502,597
Liabilities		
Deposits:		
Noninterest-bearing	\$ 335,887	\$ 376,076
Interest-bearing:		
Demand deposits	420,613	437,639
Savings deposits	316,300	302,571
Time deposits	907,025	812,134
Total Deposits	1,979,825	1,928,420
Short-term borrowings	135,960	152,255
Long-term debt	76,669	98,425
Other liabilities	36,775	31,356
Total Liabilities	2,229,229	2,210,456
Shareholders' Equity		
Preferred stock, par value \$25 per share: 500,000 shares authorized; none issued	-	-
	46,249	46,249

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Common stock, par value \$2.50 per share: 50,000,000 shares authorized; 18,499,282 shares issued and outstanding at September 30, 2006 and December 31, 2005, less 938,883 and 395,465 shares in treasury, respectively			
Capital surplus		104,082	104,435
Retained earnings		186,171	160,747
Cost of common stock in treasury		(30,893)	(11,278)
Accumulated other comprehensive income:			
Unrealized loss on securities available-for-sale		(4,562)	(4,839)
Unrealized gain on derivative instruments		453	-
Underfunded pension liability		(3,173)	(3,173)
Total Accumulated Other Comprehensive Loss		(7,282)	(8,012)
Total Shareholders' Equity		298,327	292,141
Total Liabilities and Shareholders' Equity	\$	2,527,556	\$ 2,502,597

See notes to consolidated financial statements.

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	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Interest Income				
Interest and fees on loans	\$ 31,774	\$ 28,083	\$ 91,788	\$ 74,796
Interest on investment securities:				
Taxable	6,870	7,288	21,618	22,616
Tax-exempt	437	508	1,359	1,390
Interest on loans held for sale	122	-	322	-
Interest on deposits in depository institutions	452	31	1,018	73
Interest on federal funds sold	92	-	92	4
Total Interest Income	39,747	35,910	116,197	98,879
Interest Expense				
Interest on deposits	11,782	7,763	31,503	20,236
Interest on short-term borrowings	1,343	956	3,795	2,320
Interest on long-term debt	1,108	1,571	3,607	4,818
Total Interest Expense	14,233	10,290	38,905	27,374
Net Interest Income	25,514	25,620	77,292	71,505
Provision for loan losses	1,225	600	2,900	600
Net Interest Income After Provision for Loan Losses	24,289	25,020	74,392	70,905
Non-Interest Income				
Investment securities (losses) gains	(2,067)	5	(2,067)	26
Service charges	10,833	10,433	31,597	28,561
Insurance commissions	526	595	1,661	1,732
Trust and investment management fee income	572	468	1,642	1,521
Bank owned life insurance	561	552	1,776	2,088
Gain on sale of credit card portfolio	3,563	-	3,563	-
Other income	778	959	2,445	2,626
Total Non-Interest Income	14,766	13,012	40,617	36,554
Non-Interest Expense				
Salaries and employee benefits	8,733	8,739	26,129	25,063
Occupancy and equipment	1,602	1,687	4,825	4,726
Depreciation	1,061	1,096	3,182	3,034
Professional fees and litigation expense	379	456	1,345	1,535
Postage, delivery, and statement mailings	765	670	2,098	1,938
Advertising	810	764	2,339	2,231
Telecommunications	498	702	1,499	1,688
Bankcard expenses	485	512	1,486	1,597
Insurance and regulatory	384	385	1,153	1,116

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Office supplies	417	327	1,171	805
Repossessed asset gains, net of expenses	20	(35)	(105)	(50)
Loss on repurchase of trust preferred securities	379	-	661	-
Other expenses	2,600	2,619	7,402	7,091
Total Non-Interest Expense	18,133	17,922	53,185	50,774
Income Before Income Taxes	20,922	20,110	61,824	56,685
Income tax expense	7,302	6,938	21,577	19,486
Net Income	\$ 13,620	\$ 13,172		