

FIRST OF LONG ISLAND CORP  
Form 10-Q  
May 02, 2016  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

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**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, 2016

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 001-32964

THE FIRST OF LONG ISLAND CORPORATION  
(Exact name of registrant as specified in its charter)

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

11-2672906  
(I.R.S. Employer Identification No.)

10 Glen Head Road, Glen Head, NY  
(Address of principal executive offices)

11545  
(Zip Code)

(516) 671-4900  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name, former address and former fiscal year, if changed since last report)

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 X 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 X 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 [X]

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 X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Title of Each Class	Outstanding at April 25, 2016
Common stock, \$.10 par value per share	14,273,793

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**PART 1. FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(dollars in thousands)	<b>March 31, 2016</b>	December 31, 2015
<b>Assets:</b>		
Cash and cash equivalents	<b>\$42,321</b>	\$39,635
Investment securities:		
Held-to-maturity, at amortized cost (fair value of \$14,069 and \$14,910)	<b>13,578</b>	14,371
Available-for-sale, at fair value	<b>784,972</b>	737,700
	<b>798,550</b>	752,071
Loans held-for-sale	-	105
Loans:		
Commercial and industrial	<b>102,257</b>	93,056
Secured by real estate:		
Commercial mortgages	<b>1,044,950</b>	1,036,331
Residential mortgages	<b>1,068,824</b>	1,025,215
Home equity lines	<b>87,290</b>	87,848
Consumer and other	<b>5,831</b>	5,733
	<b>2,309,152</b>	2,248,183
Allowance for loan losses	<b>(27,524 )</b>	(27,256 )
	<b>2,281,628</b>	2,220,927
Restricted stock, at cost	<b>20,492</b>	28,435
Bank premises and equipment, net	<b>30,986</b>	30,330
Bank-owned life insurance	<b>32,681</b>	32,447
Pension plan assets, net	<b>14,394</b>	14,337
Other assets	<b>13,324</b>	12,056
	<b>\$3,234,376</b>	\$3,130,343
<b>Liabilities:</b>		
Deposits:		
Checking	<b>\$767,797</b>	\$777,994
Savings, NOW and money market	<b>1,481,455</b>	1,195,968
Time, \$100,000 and over	<b>197,466</b>	198,147
Time, other	<b>109,285</b>	112,566
	<b>2,556,003</b>	2,284,675
Short-term borrowings	<b>11,810</b>	211,502
Long-term debt	<b>389,212</b>	365,712
Accrued expenses and other liabilities	<b>8,621</b>	12,313

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Deferred income taxes payable	<b>8,294</b>	5,205
	<b>2,973,940</b>	2,879,407

**Stockholders' Equity:**

Common stock, par value \$.10 per share:

Authorized, 40,000,000 shares

Issued and outstanding, 14,212,354 and 14,116,677 shares

Surplus

Retained earnings

Accumulated other comprehensive income, net of tax

	<b>1,421</b>	1,412
	<b>58,914</b>	56,931
	<b>189,646</b>	185,069
	<b>249,981</b>	243,412
	<b>10,455</b>	7,524
	<b>260,436</b>	250,936
	<b>\$3,234,376</b>	\$3,130,343

*See notes to unaudited consolidated financial statements*

**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(dollars in thousands, except per share data)	Three Months Ended March 31,	
	<b>2016</b>	2015
<b>Interest and dividend income:</b>		
Loans	<b>\$19,814</b>	\$16,551
Investment securities:		
Taxable	<b>1,890</b>	2,118
Nontaxable	<b>3,403</b>	3,389
	<b>25,107</b>	22,058
<b>Interest expense:</b>		
Savings, NOW and money market deposits	<b>933</b>	545
Time deposits	<b>1,375</b>	1,581
Short-term borrowings	<b>124</b>	81
Long-term debt	<b>1,974</b>	2,045
	<b>4,406</b>	4,252
Net interest income	<b>20,701</b>	17,806
<b>Provision for loan losses</b>	<b>253</b>	411
Net interest income after provision for loan losses	<b>20,448</b>	17,395
<b>Noninterest income:</b>		
Investment Management Division income	<b>476</b>	507
Service charges on deposit accounts	<b>634</b>	656
Other	<b>644</b>	793
	<b>1,754</b>	1,956
<b>Noninterest expense:</b>		
Salaries	<b>5,578</b>	5,052
Employee benefits	<b>1,669</b>	1,363
Occupancy and equipment	<b>2,377</b>	2,458
Other	<b>2,807</b>	2,274
	<b>12,431</b>	11,147
Income before income taxes	<b>9,771</b>	8,204
<b>Income tax expense</b>	<b>2,341</b>	1,719
<b>Net income</b>	<b>\$7,430</b>	\$6,485
<b>Earnings per share:</b>		
Basic	<b>\$.52</b>	\$.47
Diluted	<b>\$.52</b>	\$.46
<b>Cash dividends declared per share</b>	<b>\$.20</b>	\$.19

*See notes to unaudited consolidated financial statements*





**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(dollars in thousands)	Three Months Ended March 31,	
	<b>2016</b>	2015
<b>Net income</b>	<b>\$7,430</b>	\$6,485
<b>Other comprehensive income:</b>		
Change in net unrealized holding gains on available-for-sale securities	<b>5,142</b>	2,584
Change in funded status of pension plan	<b>61</b>	-
Other comprehensive income before income taxes	<b>5,203</b>	2,584
<b>Income tax expense</b>	<b>2,272</b>	977
<b>Other comprehensive income</b>	<b>2,931</b>	1,607
<b>Comprehensive income</b>	<b>\$10,361</b>	\$8,092

*See notes to unaudited consolidated financial statements*

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)**

(dollars in thousands)	<b>Three Months Ended March 31, 2016</b>					
	<b>Common Stock Shares</b>	<b>Amount</b>	<b>Surplus</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Balance, January 1, 2016	<b>14,116,677</b>	<b>\$ 1,412</b>	<b>\$56,931</b>	<b>\$185,069</b>	<b>\$ 7,524</b>	<b>\$250,936</b>
Net income				<b>7,430</b>		<b>7,430</b>
Other comprehensive income					<b>2,931</b>	<b>2,931</b>
Repurchase of common stock	<b>(13,393 )</b>	<b>(1 )</b>	<b>(369 )</b>			<b>(370 )</b>
Common stock issued under stock compensation plans, including tax benefit	<b>58,469</b>	<b>5</b>	<b>420</b>			<b>425</b>
Common stock issued under dividend reinvestment and stock purchase plan	<b>50,601</b>	<b>5</b>	<b>1,424</b>			<b>1,429</b>
Stock-based compensation			<b>508</b>			<b>508</b>
Cash dividends declared				<b>(2,853 )</b>		<b>(2,853 )</b>
Balance, March 31, 2016	<b>14,212,354</b>	<b>\$ 1,421</b>	<b>\$58,914</b>	<b>\$189,646</b>	<b>\$ 10,455</b>	<b>\$260,436</b>

(dollars in thousands)	<b>Three Months Ended March 31, 2015</b>					
	<b>Common Stock Shares</b>	<b>Amount</b>	<b>Surplus</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Balance, January 1, 2015	13,887,134	\$ 1,389	\$51,009	\$170,120	\$ 10,785	\$233,303
Net income				6,485		6,485
Other comprehensive income					1,607	1,607
Repurchase of common stock	(12,227 )	(1 )	(286 )			(287 )
Common stock issued under stock compensation plans, including tax benefit	57,390	6	399			405
Common stock issued under dividend reinvestment and stock purchase plan	26,617	2	629			631
Stock-based compensation			440			440
Cash dividends declared				(2,650 )		(2,650 )
Balance, March 31, 2015	13,958,914	\$ 1,396	\$52,191	\$173,955	\$ 12,392	\$239,934

*See notes to unaudited consolidated financial statements*



**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(dollars in thousands)	Three Months Ended March 31,	
	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Net income	<b>\$7,430</b>	\$6,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	<b>253</b>	411
Provision for deferred income taxes	<b>817</b>	250
Depreciation and amortization	<b>848</b>	791
Premium amortization on investment securities, net	<b>920</b>	1,357
Net loss on sales of loans held-for-sale	<b>5</b>	-
Stock-based compensation expense	<b>508</b>	440
Accretion of cash surrender value on bank-owned life insurance	<b>(234)</b>	(230)
Pension expense (credit)	<b>4</b>	(122)
Increase in other assets	<b>(1,268)</b>	(87)
Decrease in accrued expenses and other liabilities	<b>(3,724)</b>	(861)
Net cash provided by operating activities	<b>5,559</b>	8,434
<b>Cash Flows From Investing Activities:</b>		
Proceeds from maturities and redemptions of investment securities:		
Held-to-maturity	<b>812</b>	988
Available-for-sale	<b>22,369</b>	25,003
Purchases of available-for-sale investment securities	<b>(65,438)</b>	(9,893)
Proceeds from sales of loans held-for-sale	<b>100</b>	-
Net increase in loans	<b>(60,954)</b>	(78,579)
Net decrease in restricted stock	<b>7,943</b>	3,725
Purchases of premises and equipment, net	<b>(1,504)</b>	(1,274)
Net cash used in investing activities	<b>(96,672)</b>	(60,030)
<b>Cash Flows From Financing Activities:</b>		
Net increase in deposits	<b>271,328</b>	146,697
Net decrease in short-term borrowings	<b>(199,692)</b>	(127,308)
Proceeds from long-term debt	<b>23,500</b>	42,225
Proceeds from issuance of common stock, net	<b>1,429</b>	631
Proceeds from exercise of stock options	<b>220</b>	247
Tax benefit from stock compensation plans	<b>205</b>	158
Repurchase and retirement of common stock	<b>(370)</b>	(287)
Cash dividends paid	<b>(2,821)</b>	(2,639)
Net cash provided by financing activities	<b>93,799</b>	59,724
Net increase in cash and cash equivalents	<b>2,686</b>	8,128
Cash and cash equivalents, beginning of year	<b>39,635</b>	32,944
Cash and cash equivalents, end of period	<b>\$42,321</b>	\$41,072

**Supplemental Information:**

Cash paid for:		
Interest	<b>\$7,426</b>	\$4,159
Income taxes	<b>694</b>	575
Noncash investing and financing activities:		
Cash dividends payable	<b>2,855</b>	2,652

*See notes to unaudited consolidated financial statements*

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS*****1 - BASIS OF PRESENTATION***

The accounting and reporting policies of The First of Long Island Corporation (“Corporation”) reflect banking industry practice and conform to generally accepted accounting principles in the United States. In preparing the consolidated financial statements, management is required to make estimates, such as the allowance for loan losses, and assumptions that affect the reported asset and liability balances, revenue and expense amounts, and the disclosure of contingent assets and liabilities. Actual results could differ significantly from those estimates.

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, The First National Bank of Long Island (“Bank”). The Bank has two wholly owned subsidiaries: FNY Service Corp., an investment company, and The First of Long Island Agency, Inc., a licensed insurance agency under the laws of the State of New York. The Bank and FNY Service Corp. jointly own another subsidiary, The First of Long Island REIT, Inc., a real estate investment trust. The consolidated entity is referred to as the “Corporation” and the Bank and its subsidiaries are collectively referred to as the “Bank.” All intercompany balances and amounts have been eliminated. For further information refer to the consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2015.

The consolidated financial information included herein as of and for the periods ended March 31, 2016 and 2015 is unaudited. However, such information reflects all adjustments which are, in the opinion of management, necessary for a fair statement of results for the interim periods. The December 31, 2015 consolidated balance sheet was derived from the Corporation's December 31, 2015 audited consolidated financial statements. When appropriate, items in the prior year financial statements are reclassified to conform to the current period presentation.

***2 – EARNINGS PER SHARE***

The following table is a reconciliation of basic and diluted earnings per share (“EPS”) for the periods indicated.

	Three Months Ended March 31,	
(dollars in thousands, except per share data)	2016	2015
Net income	\$7,430	\$6,485
Income allocated to participating securities (1)	31	-

Income allocated to common stockholders	\$7,399	\$6,485
Weighted average:		
Common shares	14,183,719	13,924,791
Dilutive stock options and restricted stock units (1)	152,864	150,190
	14,336,583	14,074,981
Earnings per share:		
Basic	\$.52	\$.47
Diluted	\$.52	\$.46

(1) In January 2016, the Board of Directors awarded 68,010 restricted stock units (“RSUs”) which accrue dividends at the same rate as the dividends declared by the Board of Directors on the Corporation’s common stock. For purposes of computing EPS, these RSUs are considered to participate with common stock in the undistributed earnings of the Corporation and, therefore, the Corporation is required to calculate basic and diluted EPS using the two-class method. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities. See Note 6 for additional details on the RSUs awarded in 2016.

### ***3 - COMPREHENSIVE INCOME***

Comprehensive income includes net income and other comprehensive income. Other comprehensive income includes revenues, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but excluded from net income. Other comprehensive income for the Corporation consists of unrealized holding gains or losses on available-for-sale securities and changes in the funded status of the Bank’s defined benefit pension plan, both net of related income taxes. Accumulated other comprehensive income is recognized as a separate component of stockholders’ equity.



The components of other comprehensive income and the related tax effects are as follows:

	Three Months Ended March 31, 2016    2015 <i>(in thousands)</i>	
Change in net unrealized holding gains on available-for-sale securities:		
Change arising during the period	\$5,142	\$2,584
Tax effect	2,298	1,014
	2,844	1,570
Change in funded status of pension plan:		
Amortization of net actuarial loss included in pension expense (1)	61	-
Tax effect	(26 )	(37 )
	87	37
Other comprehensive income	\$2,931	\$1,607

(1) Represents the amortization into expense of net actuarial loss relating to the Bank's defined benefit pension plan. This item is included in net periodic pension cost (see Note 7) and in the consolidated statements of income in the line item, "Employee benefits." The related income tax expense is included in the consolidated statements of income in the line item, "Income tax expense."

The following table sets forth the components of accumulated other comprehensive income, net of tax:

	Balance 12/31/15	Current Period Change	Balance 3/31/16
	<i>(in thousands)</i>		
Unrealized holding gains on available-for-sale securities	\$11,675	\$2,844	\$14,519
Unrealized actuarial losses on pension plan	(4,151 )	87	(4,064 )
Accumulated other comprehensive income, net of tax	\$7,524	\$2,931	\$10,455

#### **4 - INVESTMENT SECURITIES**

The following tables set forth the amortized cost and estimated fair values of the Bank's investment securities.

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March 31, 2016

	Gross	Gross	
Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value

(in thousands)

**Held-to-Maturity Securities:**

State and municipals	\$ 12,203	\$ 366	\$ -	\$ 12,569
Pass-through mortgage securities	560	69	-	629
Collateralized mortgage obligations	815	56	-	871
	\$ 13,578	\$ 491	\$ -	\$ 14,069

**Available-for-Sale Securities:**

State and municipals	\$ 432,979	\$ 21,097	\$ (119)	) \$ 453,957
Pass-through mortgage securities	176,688	1,225	(381)	) 177,532
Collateralized mortgage obligations	150,534	3,201	(252)	) 153,483
	\$ 760,201	\$ 25,523	\$ (752)	) \$ 784,972

December 31, 2015

**Held-to-Maturity Securities:**

State and municipals	\$ 12,922	\$ 410	\$ -	\$ 13,332
Pass-through mortgage securities	576	67	-	643
Collateralized mortgage obligations	873	62	-	935
	\$ 14,371	\$ 539	\$ -	\$ 14,910

**Available-for-Sale Securities:**

State and municipals	\$ 416,957	\$ 18,892	\$ (156)	) \$ 435,693
Pass-through mortgage securities	148,402	810	(1,947)	) 147,265
Collateralized mortgage obligations	152,712	2,720	(690)	) 154,742
	\$ 718,071	\$ 22,422	\$ (2,793)	) \$ 737,700

At March 31, 2016 and December 31, 2015, investment securities with a carrying value of \$450,065,000 and \$405,769,000, respectively, were pledged as collateral to secure public deposits and borrowed funds.

There were no holdings of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of stockholders' equity at March 31, 2016 and December 31, 2015.

**Securities With Unrealized Losses.** The following tables set forth securities with unrealized losses presented by the length of time the securities have been in a continuous unrealized loss position.

	<b>March 31, 2016</b>		12 Months		Total	
	Less than 12 Months Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	<i>(in thousands)</i>					
State and municipals	\$14,432	\$ (99 )	\$3,821	\$ (20 )	\$18,253	\$ (119 )
Pass-through mortgage securities	29,699	(28 )	49,278	(353 )	78,977	(381 )
Collateralized mortgage obligations	15,033	(28 )	11,849	(224 )	26,882	(252 )
Total temporarily impaired	\$59,164	\$ (155 )	\$64,948	\$ (597 )	\$124,112	\$ (752 )
	<b>December 31, 2015</b>					
State and municipals	\$13,148	\$ (78 )	\$5,837	\$ (78 )	\$18,985	\$ (156 )
Pass-through mortgage securities	98,504	(1,348 )	27,365	(599 )	125,869	(1,947 )
Collateralized mortgage obligations	39,133	(305 )	12,743	(385 )	51,876	(690 )
Total temporarily impaired	\$150,785	\$ (1,731 )	\$45,945	\$ (1,062 )	\$196,730	\$ (2,793 )

Because the unrealized losses reflected in the preceding tables are deemed by management to be attributable to changes in interest rates and not credit losses, and because management does not have the intent to sell these securities and it is not more likely than not that it will be required to sell these securities before their anticipated recovery, the Bank does not consider these securities to be other-than-temporarily impaired at March 31, 2016.

**Sales of Available-for-Sale and Held-to-Maturity Securities.** There were no sales of available-for-sale or held-to-maturity securities during the three months ended March 31, 2016 and 2015.

**Maturities.** The following table sets forth by maturity the amortized cost and fair value of the Bank's state and municipal securities at March 31, 2016 based on the earlier of their stated maturity or, if applicable, their pre-refunded date. The remaining securities in the Bank's investment securities portfolio are mortgage-backed securities, consisting of pass-through securities and collateralized mortgage obligations. Although these securities are expected to have substantial periodic repayments they are reflected in the table below in aggregate amounts.

	Amortized Cost	Fair Value
	<i>(in thousands)</i>	
<b>Held-to-Maturity Securities:</b>		
Within one year	\$3,265	\$3,276
After 1 through 5 years	6,493	6,754
After 5 through 10 years	2,077	2,153