

CNB FINANCIAL CORP/PA
Form 10-Q
August 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 - Q

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

For the quarterly period ended June 30, 2013

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 000-13396

CNB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1450605
(I.R.S. Employer
Identification No.)

1 South Second Street

P.O. Box 42

Clearfield, Pennsylvania 16830

(Address of principal executive offices)

Registrant's telephone number, including area code, (814) 765-9621

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. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

The number of shares outstanding of the issuer's common stock as of August 5, 2013

COMMON STOCK NO PAR VALUE PER SHARE: 12,512,244 SHARES

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Forward-Looking Statements

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, liquidity, results of operations, future performance and business. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that are not historical facts. Forward-looking statements include statements with respect to beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors (some of which are beyond our control). Forward-looking statements often include words such as believes, expects, anticipates, estimates, intends, plans or similar expressions or future conditional verbs such as may, will, should, would and could. Such known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements include, but are not limited to: changes in general business, industry or economic conditions or competition; changes in any applicable law, rule, regulation, policy, guideline or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise; adverse changes or conditions in capital and financial markets; changes in interest rates; higher than expected costs or other difficulties related to integration of combined or merged businesses; the inability to realize expected cost savings or achieve other anticipated benefits in connection with business combinations and other acquisitions, including the previously announced acquisition of FC Banc Corp.; changes in the quality or composition of our loan and investment portfolios; adequacy of loan loss reserves; increased competition; loss of certain key officers; continued relationships with major customers; deposit attrition; rapidly changing technology; unanticipated regulatory or judicial proceedings and liabilities and other costs; changes in the cost of funds, demand for loan products or demand for financial services; and other economic, competitive, governmental or technological factors affecting our operations, markets, products, services and prices. Some of these and other factors are discussed in our annual and quarterly reports filed with the Securities and Exchange Commission. Such factors could cause actual results to differ materially from those in the forward-looking statements.

The forward-looking statements are based upon management's beliefs and assumptions and are made as of the date of the filing of this document. We undertake no obligation to publicly update or revise any forward-looking statements included in this document or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise, except to the extent required by law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur and you should not put undue reliance on any forward-looking statements.

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Part I Financial Information

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except share data

	(unaudited)	
	June 30, 2013	December 31, 2012
<u>ASSETS</u>		
Cash and due from banks	\$ 20,773	\$ 28,570
Interest bearing deposits with other banks	4,021	3,311
Total cash and cash equivalents	24,794	31,881
Interest bearing time deposits with other banks	277	225
Securities available for sale	724,298	737,311
Trading securities	4,729	4,459
Loans held for sale	53	2,398
Loans	986,482	931,225
Less: unearned discount	(3,535)	(3,401)
Less: allowance for loan losses	(15,500)	(14,060)
Net loans	967,447	913,764
FHLB and other equity interests	7,565	6,684
Premises and equipment, net	24,833	24,072
Bank owned life insurance	29,383	27,645
Mortgage servicing rights	696	714
Goodwill	10,946	10,946
Accrued interest receivable and other assets	14,424	12,980
TOTAL	\$ 1,809,445	\$ 1,773,079
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Non-interest bearing deposits	\$ 176,700	\$ 175,239
Interest bearing deposits	1,369,846	1,309,764
Total deposits	1,546,546	1,485,003
FHLB and other borrowings	100,477	97,806
Subordinated debentures	20,620	20,620
Accrued interest payable and other liabilities	10,822	24,286
Total liabilities	1,678,465	1,627,715
Common stock, \$0 par value; authorized 50,000,000 shares; issued 12,599,603 shares	0	0
Additional paid in capital	43,950	44,223
Retained earnings	92,080	88,960
Treasury stock, at cost (88,508 shares at June 30, 2013)		

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and 123,699 shares at December 31, 2012)	(1,222)	(1,743)
Accumulated other comprehensive income (loss)	(3,828)	13,924
Total shareholders' equity	130,980	145,364
TOTAL	\$ 1,809,445	\$ 1,773,079

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Three months ended June 30,	
	2013	2012
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 12,281	\$ 12,394
Securities:		
Taxable	3,474	3,890
Tax-exempt	965	905
Dividends	38	18
Total interest and dividend income	16,758	17,207
INTEREST EXPENSE:		
Deposits	1,955	2,946
Borrowed funds	779	787
Subordinated debentures (includes \$105 and \$98 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2013 and 2012, respectively)	198	200
Total interest expense	2,932	3,933
NET INTEREST INCOME	13,826	13,274
PROVISION FOR LOAN LOSSES	3,115	1,746
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,711	11,528
NON-INTEREST INCOME:		
Wealth and asset management fees	538	426
Service charges on deposit accounts	1,019	996
Other service charges and fees	524	468
Net realized gains on available-for-sale securities (includes \$252 and \$731 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2013 and 2012, respectively)	252	731
Net realized and unrealized gains (losses) on trading securities	28	(140)
Mortgage banking	271	196
Bank owned life insurance	815	262
Other	324	325
Total non-interest income	3,771	3,264
NON-INTEREST EXPENSES:		
Salaries and benefits	5,332	4,619
Net occupancy expense	1,281	1,107
Data processing	1,088	692
State and local taxes	436	365
Legal, professional, and examination fees	502	299
Advertising	246	250
FDIC insurance premiums	319	274
Other	1,589	1,227

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Total non-interest expenses	10,793	8,833
INCOME BEFORE INCOME TAXES	3,689	5,959
INCOME TAX EXPENSE (includes \$51 and \$222 income tax expense from reclassification items in 2013 and 2012, respectively)	738	1,623
NET INCOME	\$ 2,951	\$ 4,336
EARNINGS PER SHARE:		
Basic	\$ 0.24	\$ 0.35
Diluted	\$ 0.24	\$ 0.35
DIVIDENDS PER SHARE:		
Cash dividends per share	\$ 0.165	\$ 0.165

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Six months ended	
	June 30, 2013	2012
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 24,583	\$ 24,649
Federal funds sold		
Securities:		
Taxable	6,883	7,575
Tax-exempt	1,922	1,776
Dividends	74	31
Total interest and dividend income	33,462	34,031
INTEREST EXPENSE:		
Deposits	4,189	6,095
Borrowed funds	1,608	1,584
Subordinated debentures (includes \$202 and \$192 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2013 and 2012, respectively)	388	401
Total interest expense	6,185	8,080
NET INTEREST INCOME	27,277	25,951
PROVISION FOR LOAN LOSSES	4,045	2,850
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	23,232	23,101
NON-INTEREST INCOME:		
Wealth and asset management fees	1,112	813
Service charges on deposit accounts	1,961	1,971
Other service charges and fees	954	900
Net realized gains on available-for-sale securities (includes \$328 and \$1,297 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2013 and 2012, respectively)	328	1,297