

CNB FINANCIAL CORP/PA  
Form 10-Q  
August 07, 2014

**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 the quarterly period ended June 30, 2014

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 4, 2014

**COMMON STOCK NO PAR VALUE PER SHARE: 14,367,220 SHARES**

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**PART I.**

**FINANCIAL INFORMATION**

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### Forward-Looking Statements

The information below includes 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 the financial condition, liquidity, results of operations, future performance and our 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 the words believes, expects, anticipates, estimates, forecasts, intends, plans, targets, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, would and could. Forward-looking statements are not guaranteed and are subject to 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, (i) changes in general business, industry or economic conditions or competition; (ii) 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; (iii) adverse changes or conditions in capital and financial markets; (iv) changes in interest rates; (v) higher than expected costs or other difficulties related to integration of combined or merged businesses; (vi) the inability to realize expected cost savings or achieve other anticipated benefits in connection with business combinations and other acquisitions; (vii) changes in the quality or composition of our loan and investment portfolios; (viii) adequacy of loan loss reserves; (ix) increased competition; (x) loss of certain key officers; (xi) continued relationships with major customers; (xii) deposit attrition; (xiii) rapidly changing technology; (xiv) unanticipated regulatory or judicial proceedings and liabilities and other costs; (xv) changes in the cost of funds, demand for loan products or demand for financial services; and (xvi) 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 have an adverse impact on our financial position and our results of operations.

The forward-looking statements contained herein are based upon management's beliefs and assumptions. Any forward-looking statement made herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

## Part I Financial Information

## Item 1. Financial Statements

## CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except share data

	(unaudited) June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Cash and due from banks	\$ 31,358	\$ 25,769
Interest bearing deposits with other banks	2,993	3,864
Total cash and cash equivalents	34,351	29,633
Interest bearing time deposits with other banks	225	275
Securities available for sale	695,419	685,991
Trading securities	4,429	4,127
Loans held for sale	942	487
Loans	1,312,379	1,299,259
Less: unearned discount	(4,048)	(3,896)
Less: allowance for loan losses	(17,415)	(16,234)
Net loans	1,290,916	1,279,129
FHLB and other equity interests	9,040	7,533
Premises and equipment, net	32,758	31,589
Bank owned life insurance	34,283	33,804
Mortgage servicing rights	939	904
Goodwill	27,194	27,194
Core deposit intangible	3,979	4,583
Accrued interest receivable and other assets	22,190	26,040
Total Assets	\$ 2,156,665	\$ 2,131,289
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Non-interest bearing deposits	\$ 225,366	\$ 221,293
Interest bearing deposits	1,625,681	1,614,021
Total deposits	1,851,047	1,835,314
FHLB and other long-term borrowings	75,838	75,000
Other short-term borrowings	9,770	12,950
Subordinated debentures	20,620	20,620
Accrued interest payable and other liabilities	22,204	22,494
Total liabilities	1,979,479	1,966,378
Common stock, \$0 par value; authorized 50,000,000 shares; issued 14,473,482 shares	0	0
Additional paid in capital	77,766	77,923
Retained earnings	103,075	97,066
Treasury stock, at cost (101,499 shares at June 30, 2014 and 45,702 shares at December 31, 2013)	(1,671)	(633)
Accumulated other comprehensive loss	(1,984)	(9,445)

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Total shareholders' equity	177,186	164,911
Total Liabilities and Shareholders' Equity	\$ 2,156,665	\$ 2,131,289

See Notes to Consolidated Financial Statements

## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Three months ended June 30,	
	2014	2013
<b>INTEREST AND DIVIDEND INCOME:</b>		
Loans including fees	\$ 17,069	\$ 12,281
<b>Securities:</b>		
Taxable	3,350	3,474
Tax-exempt	927	965
Dividends	72	38
<b>Total interest and dividend income</b>	<b>21,418</b>	<b>16,758</b>
<b>INTEREST EXPENSE:</b>		
Deposits	2,077	1,955
Borrowed funds	713	779
Subordinated debentures (includes \$94 and \$105 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2014 and 2013, respectively)	185	198
<b>Total interest expense</b>	<b>2,975</b>	<b>2,932</b>
<b>NET INTEREST INCOME</b>	<b>18,443</b>	<b>13,826</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>1,501</b>	<b>3,115</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>16,942</b>	<b>10,711</b>
<b>NON-INTEREST INCOME:</b>		
Wealth and asset management fees	753	538
Service charges on deposit accounts	1,145	1,019
Other service charges and fees	670	524
Net realized gains on available-for-sale securities (includes \$138 and \$252 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2014 and 2013, respectively)	138	252
Net realized and unrealized gains on trading securities	99	28
Mortgage banking	183	271
Bank owned life insurance	239	815
Other	287	324
<b>Total non-interest income</b>	<b>3,514</b>	<b>3,771</b>
<b>NON-INTEREST EXPENSES:</b>		
Salaries and benefits	6,443	5,332
Net occupancy expense	1,760	1,281
Amortization of core deposit intangible	301	0
Data processing	841	798
State and local taxes	454	436
Legal, professional, and examination fees	302	253
Advertising	431	246
FDIC insurance premiums	344	319
Merger costs	0	539
Other	1,732	1,589

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Total non-interest expenses	12,608	10,793
INCOME BEFORE INCOME TAXES	7,848	3,689
INCOME TAX EXPENSE (includes \$15 and \$51 income tax expense from reclassification items in 2014 and 2013, respectively)	2,231	738
NET INCOME	\$ 5,617	\$ 2,951
EARNINGS PER SHARE:		
Basic	\$ 0.39	\$ 0.24
Diluted	\$ 0.39	\$ 0.24
DIVIDENDS PER SHARE:		
Cash dividends per share	\$ 0.165	\$ 0.165

See Notes to Consolidated Financial Statements



## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Six months ended June 30,	
	2014	2013
<b>INTEREST AND DIVIDEND INCOME:</b>		
Loans including fees	\$ 34,154	\$ 24,583
<b>Securities:</b>		
Taxable	6,690	6,883
Tax-exempt	1,836	1,922
Dividends	175	74
<b>Total interest and dividend income</b>	<b>42,855</b>	<b>33,462</b>
<b>INTEREST EXPENSE:</b>		
Deposits	4,149	4,189
Borrowed funds	1,611	1,608
Subordinated debentures (includes \$191 and \$202 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2014 and 2013, respectively)	372	388
<b>Total interest expense</b>	<b>6,132</b>	<b>6,185</b>
<b>NET INTEREST INCOME</b>	<b>36,723</b>	<b>27,277</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>2,520</b>	<b>4,045</b>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>34,203</b>	<b>23,232</b>
<b>NON-INTEREST INCOME:</b>		
Wealth and asset management fees	1,425	