

CNB FINANCIAL CORP/PA
Form 10-Q
November 06, 2009
Table of Contents

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 September 30, 2009

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 0-13396

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 periods 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 (section 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, or 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. (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 Act). Yes No

The number of shares outstanding of the issuer's common stock as of November 2, 2009

COMMON STOCK: \$0 PAR VALUE, 8,737,551 SHARES

Table of Contents

INDEX

PART I.

FINANCIAL INFORMATION

Sequential

Page Number

ITEM 1	Financial Statements (unaudited)
PAGE 3.	<u>Consolidated Balance Sheets – September 30, 2009 and December 31, 2008</u>
PAGE 4.	<u>Consolidated Statements of Income – Three months ended September 30, 2009 and 2008</u>
PAGE 5.	<u>Consolidated Statements of Income – Nine months ended September 30, 2009 and 2008</u>
PAGE 6.	<u>Consolidated Statements of Comprehensive Income – Three and nine month periods ended September 30, 2009 and 2008</u>
PAGE 7.	<u>Consolidated Statements of Cash Flows – Nine months ended September 30, 2009 and 2008</u>
PAGE 8.	<u>Notes to Consolidated Financial Statements</u>
ITEM 2	<u>Management’s Discussion and Analysis</u>
PAGE 22.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>
ITEM 3	<u>Quantitative and Qualitative Disclosures</u>
PAGE 33.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
ITEM 4	<u>Controls and Procedures</u>
PAGE 34.	<u>Controls and Procedures</u>

PART II.

OTHER INFORMATION

PAGE 35.	ITEM 1	<u>Legal Proceedings</u>
PAGE 35.	ITEM 1A	<u>Risk Factors</u>
PAGE 35.	ITEM 2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
PAGE 35.	ITEM 3	<u>Defaults Upon Senior Securities</u>
PAGE 35.	ITEM 4	<u>Submission of Matters for Security Holders Vote</u>
PAGE 35.	ITEM 5	<u>Other Information</u>
PAGE 35.	ITEM 6	<u>Exhibits</u>
PAGE 36.		<u>Signatures</u>

Table of Contents

CNB FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS

Dollars in thousands

	(unaudited) September 30, 2009	December 31, 2008
<u>ASSETS</u>		
Cash and due from banks	\$ 19,313	\$ 28,414
Interest bearing deposits with other banks	2,338	2,783
Federal funds sold		59
Total cash and cash equivalents	21,651	31,256
Interest bearing time deposits with other banks	6,388	6,515
Securities available for sale	300,002	237,289
Trading securities	1,025	892
Loans held for sale	3,818	3,332
Loans	696,184	676,152
Less: unearned discount	(3,656)	(4,596)
Less: allowance for loan losses	(9,465)	(8,719)
Net loans	683,063	662,837
FHLB and other equity interests	7,049	5,815
Premises and equipment, net	22,551	23,578
Bank owned life insurance	16,260	15,720
Mortgage servicing rights	856	552
Goodwill	10,821	10,821
Other intangible assets	111	185
Assets held for sale	699	
Accrued interest receivable and other assets	16,006	17,726
TOTAL	\$ 1,090,300	\$ 1,016,518
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Non-interest bearing deposits	\$ 110,208	\$ 97,999
Interest bearing deposits	778,406	716,597
Total deposits	888,614	814,596
Treasury, tax and loan borrowings	912	719
FHLB and other borrowings	100,230	107,478
Subordinated debentures	20,620	20,620
Accrued interest payable and other liabilities	11,347	10,638
Total liabilities	1,021,723	954,051

Common stock, \$0 par value; authorized 50,000,000 shares; issued 9,233,750 shares

Edgar Filing: CNB FINANCIAL CORP/PA - Form 10-Q

Additional paid in capital	12,732	12,913
Retained earnings	68,570	65,890
Treasury stock, at cost (506,692 shares at September 30, 2009 and 637,694 shares at December 31, 2008)	(7,500)	(9,332)
Accumulated other comprehensive loss	(5,225)	(7,004)
Total shareholders equity	68,577	62,467
TOTAL	\$ 1,090,300	\$ 1,016,518

See Notes to Consolidated Financial Statements

Table of Contents**CNB FINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF INCOME (unaudited)**

Dollars in thousands, except per share data

	Three months ended September 30, 2008 (restated)	
	2009	2008
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 11,516	\$ 12,105
Deposits with banks	46	98
Federal funds sold		100
Securities:		
Taxable	1,920	1,781
Tax-exempt	536	351
Dividends	8	37
Total interest and dividend income	14,026	14,472
INTEREST EXPENSE:		
Deposits	3,228	3,965
Borrowed funds	1,110	1,139
Subordinated debentures	204	228
Total interest expense	4,542	5,332
NET INTEREST INCOME	9,484	9,140
PROVISION FOR LOAN LOSSES	1,094	716
Net interest income after provision for loan losses	8,390	8,424
OTHER INCOME (LOSS):		
Trust and asset management fees	220	329
Service charges on deposit accounts	1,153	1,172
Other service charges and fees	325	386
Net realized losses from sales of securities for which fair value was elected		(348)
Net unrealized gains (losses) on securities for which fair value was elected	191	(1,032)
Mortgage banking	278	144
Bank owned life insurance	180	156
Wealth management	119	150
Other	238	142
	2,704	1,099
Total other-than-temporary impairment losses on available-for-sale securities	(435)	(3,680)
Less portion of loss recognized in other comprehensive loss	536	

Edgar Filing: CNB FINANCIAL CORP/PA - Form 10-Q

Net impairment losses recognized in earnings	(971)	(3,680)
Net realized gains on available-for-sale securities	333	
Net impairment losses recognized in earnings and realized gains on available-for-sale securities	(638)	(3,680)
Total other income (loss)	2,066	(2,581)
OTHER EXPENSES:		
Salaries and benefits	3,705	3,686
Net occupancy expense of premises	1,019	914
FDIC insurance premiums	327	158
Amortization of intangibles	25	25
Other	2,408	2,500
Total other expenses	7,484	7,283
INCOME (LOSS) BEFORE INCOME TAXES	2,972	(1,440)
INCOME TAX EXPENSE (BENEFIT)	723	(696)
NET INCOME (LOSS)	\$ 2,249	\$ (744)
EARNINGS (LOSS) PER SHARE:		
Basic	\$ 0.26	\$ (0.09)
Diluted	\$ 0.26	\$ (0.09)
DIVIDENDS PER SHARE,		
Cash dividends per share	\$ 0.165	\$ 0.16

See Notes to Consolidated Financial Statements

Table of Contents**CNB FINANCIAL CORPORATION****CONSOLIDATED STATEMENTS OF INCOME (unaudited)****Dollars in thousands, except per share data**

	Nine months ended September 30, 2008 (restated)	
	2009	(restated)
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 34,350	\$ 35,308
Deposits with banks	178	258
Federal funds sold		332
Securities:		
Taxable	5,698	5,354
Tax-exempt	1,562	964
Dividends	26	209
Total interest and dividend income	41,814	42,425
INTEREST EXPENSE:		
Deposits	9,679	11,117
Borrowed funds	3,428	3,366
Subordinated debentures	653	761
Total interest expense		