

CNB FINANCIAL CORP/PA  
Form 10-Q  
May 08, 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 March 31, 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 May 4, 2009

COMMON STOCK: \$0 PAR VALUE, 8,635,641 SHARES

**Table of Contents**

INDEX

**PART I.**

**FINANCIAL INFORMATION**

**Sequential**

**Page Number**

ITEM 1 Financial Statements (unaudited)

PAGE 3. Consolidated Balance Sheets March 31, 2009 and December 31, 2008

PAGE 4. Consolidated Statements of Income Three months ended March 31, 2009 and 2008

PAGE 5. Consolidated Statements of Comprehensive Income Three months ended March 31, 2009 and 2008

PAGE 6. Consolidated Statements of Cash Flows Three months ended March 31, 2009 and 2008

PAGE 7. Notes to Consolidated Financial Statements

ITEM 2 Management's Discussion and Analysis

PAGE 15. Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 3 Quantitative and Qualitative Disclosures

PAGE 25. Quantitative and Qualitative Disclosures about Market Risk

ITEM 4 Controls and Procedures

PAGE 26. Controls and Procedures

**PART II.**

**OTHER INFORMATION**

PAGE 26. ITEM 1 Legal Proceedings

PAGE 26. ITEM 1A Risk Factors

PAGE 26. ITEM 2 Unregistered Sales of Equity Securities and Use of Proceeds

PAGE 26. ITEM 3 Defaults Upon Senior Securities

PAGE 26. ITEM 4 Submission of Matters for Security Holders Vote

PAGE 27. ITEM 5 Other Information

PAGE 27. ITEM 6 Exhibits

PAGE 28. Signatures

**Table of Contents****CNB FINANCIAL CORPORATION****CONSOLIDATED BALANCE SHEETS**

Dollars in thousands

	(unaudited) March 31, 2009	December 31, 2008
<b><u>ASSETS</u></b>		
Cash and due from banks	\$ 37,515	\$ 28,414
Interest bearing deposits with other banks	1,497	2,783
Federal funds sold		59
<b>Total cash and cash equivalents</b>	<b>39,012</b>	<b>31,256</b>
Interest bearing time deposits with other banks	5,941	6,515
Securities available for sale	234,881	237,289
Trading securities	741	892
Loans held for sale	3,331	3,332
Loans	680,962	676,152
Less: unearned discount	(3,797)	(4,596)
Less: allowance for loan losses	(9,024)	(8,719)
<b>Net loans</b>	<b>668,141</b>	<b>662,837</b>
FHLB and other equity interests	6,851	5,815
Premises and equipment, net	23,487	23,578
Bank owned life insurance	15,900	15,720
Mortgage servicing rights	568	552
Goodwill	10,821	10,821
Other intangible assets	160	185
Accrued interest receivable and other assets	17,407	17,726
<b>TOTAL</b>	<b>\$ 1,027,241</b>	<b>\$ 1,016,518</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Non-interest bearing deposits	\$ 100,246	\$ 97,999
Interest bearing deposits	724,445	716,597
<b>Total deposits</b>	<b>824,691</b>	<b>814,596</b>
Treasury, tax and loan borrowings	961	719
FHLB and other borrowings	107,455	107,478
Subordinated debentures	20,620	20,620
Accrued interest payable and other liabilities	11,052	10,638
<b>Total liabilities</b>	<b>964,779</b>	<b>954,051</b>
Common stock, \$0 par value; authorized 50,000,000 shares; issued 9,233,750 shares		
Additional paid in capital	12,837	12,913

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Retained earnings	66,694	65,890
Treasury stock, at cost (609,144 shares at March 31, 2009 and 637,694 shares at December 31, 2008)	(8,926)	(9,332)
Accumulated other comprehensive loss	(8,143)	(7,004)
Total shareholders' equity	62,462	62,467
<b>TOTAL</b>	<b>\$ 1,027,241</b>	<b>\$ 1,016,518</b>

See Notes to Consolidated Financial Statements

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

Dollars in thousands, except per share data

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>INTEREST AND DIVIDEND INCOME:</b>		
Loans including fees	\$ 11,430	\$ 11,609
Deposits with banks	72	81
Federal funds sold		151
Securities:		
Taxable	1,906	1,774
Tax-exempt	537	305
Dividends	10	110
<b>Total interest and dividend income</b>	<b>13,955</b>	<b>14,030</b>
<b>INTEREST EXPENSE:</b>		
Deposits	3,331	3,542
Borrowed funds	1,191	1,132
Subordinated debentures	230	314
<b>Total interest expense</b>	<b>4,752</b>	<b>4,988</b>
<b>NET INTEREST INCOME</b>	<b>9,203</b>	<b>9,042</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>862</b>	<b>509</b>
<b>Net interest income after provision for loan losses</b>	<b>8,341</b>	<b>8,533</b>
<b>OTHER INCOME:</b>		
Trust and asset management fees	210	340
Service charges on deposit accounts	933	1,002
Other service charges and fees	349	296
Net realized (losses) gains on securities available for sale	(16)	117
Net realized losses from sales of securities for which fair value was elected		(175)
Net unrealized losses on securities for which fair value was elected	(151)	(646)
Mortgage banking	153	93
Bank owned life insurance	180	174
Wealth management	160	212
Other	133	133
<b>Total other income</b>	<b>1,951</b>	<b>1,546</b>
<b>OTHER EXPENSES:</b>		
Salaries and benefits	3,565	3,889
Net occupancy expense of premises	1,104	975

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Amortization of intangibles	25	25
Other	2,665	2,464
<b>Total other expenses</b>	<b>7,359</b>	<b>7,353</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,933</b>	<b>2,726</b>
<b>INCOME TAX EXPENSE</b>	<b>707</b>	<b>724</b>
<b>NET INCOME</b>	<b>\$ 2,226</b>	<b>\$ 2,002</b>
<b>EARNINGS PER SHARE:</b>		
Basic	\$ 0.26	\$ 0.23
Diluted	\$ 0.26	\$ 0.23
<b>DIVIDENDS PER SHARE,</b>		
Cash dividends per share	\$ 0.165	\$ 0.16

See Notes to Consolidated Financial Statements

**Table of Contents****CNB FINANCIAL CORPORATION**

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)

Dollars in thousands

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>NET INCOME</b>	<b>\$ 2,226</b>	<b>\$ 2,002</b>
Other comprehensive loss, net of tax:		
Change in fair value of interest rate swap agreement designated as a cash flow hedge, net of tax of (\$13)	23	
Unrealized gains (losses) on securities available for sale:		
Unrealized gains (losses) arising during the period, net of tax of \$629 and \$685, respectively	(1,173)	(1,273)
Reclassification adjustment for accumulated (gains) losses included in net income, net of tax of (\$5) and \$41, respectively	11	(76)
<b>Other comprehensive loss</b>	<b>(1,139)</b>	<b>(1,349)</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 1,087</b>	<b>\$ 653</b>

See Notes to Consolidated Financial Statements



**Table of Contents****CNB FINANCIAL CORPORATION**

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Dollars in thousands

	<b>Three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 2,226	\$ 2,002
Adjustments to reconcile net income to net cash provided by operations:		
Provision for loan losses	862	509
Depreciation and amortization	501	472
Amortization, accretion and deferred loan fees and costs	205	(108)
Net realized losses on securities available for sale	16	58
Net realized and unrealized losses on securities for which fair value was elected	151	646
Gain on sale of loans	(122)	(65)
Proceeds from sale of loans	10,241	2,029
Origination of loans held for sale	(10,177)	(3,018)
Increase in bank owned life insurance	(180)	(174)
Stock-based compensation expense	25	31
Changes in:		
Accrued interest receivable and other assets	945	354
Accrued interest payable and other liabilities	450	472
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>5,143</b>	<b>3,208</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net decrease in interest bearing time deposits with other banks	574	804
Proceeds from maturities, prepayments and calls of securities	20,514	7,446
Proceeds from sales of securities	32,012	12,424
Purchase of securities	(52,071)	(29,485)
Loan origination and payments, net	(6,235)	(15,507)
Redemption (purchase) of FHLB and other equity interests	(1,036)	152
Purchase of premises and equipment	(342)	(2,019)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,584)</b>	<b>(26,185)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in:		