

ENB Financial Corp
Form 10-Q
August 14, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 June 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 _____

ENB Financial Corp
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or Other Jurisdiction of
Incorporation)

000-53297
(Commission File Number)

51-0661129
(IRS Employer Identification No)

31 E. Main St., Ephrata, PA
(Address of principal executive offices)

17522-0457
(Zip Code)

Registrant's telephone number, including area code (717) 733-4181

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

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 (§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

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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 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 (Do not check if a smaller reporting company) 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 12, 2009, the registrant had 2,833,880 shares of \$0.20 (par) Common Stock outstanding.

ENB FINANCIAL CORP
INDEX TO FORM 10-Q
June 30, 2009

Part I – FINANCIAL INFORMATION

Item 1.	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets at June 30, 2009 and 2008 and December 31, 2008 (Unaudited)</u>	3
	<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2009 and 2008 (Unaudited)</u>	4
	<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2009 and 2008 (Unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2009 and 2008 (Unaudited)</u>	6
	<u>Notes to the Unaudited Consolidated Interim Financial Statements</u>	7-17
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18-40
Item 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	41-43
Item 4.	<u>Controls and Procedures</u>	43
Item 4T.	<u>Controls and Procedures</u>	43
Part II – OTHER INFORMATION		44
Item 1.	<u>Legal Proceedings</u>	44
Item 1A.	<u>Risk Factors</u>	44
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3.	<u>Defaults Upon Senior Securities</u>	44
Item 4.	<u>Submission of Matters to a Vote of Security Holders</u>	44
Item 5.	<u>Other Information</u>	44
Item 6.	<u>Exhibits</u>	45
<u>SIGNATURE PAGE</u>		46

EXHIBIT INDEX

2

Index

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ENB Financial Corp
Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except share data)	June 30, 2009 \$	December 31, 2008 \$	June 30, 2008 \$
ASSETS			
Cash and due from banks	13,541	19,286	17,197
Interest-bearing deposits in other banks	118	106	160
Federal funds sold	-	-	2,870
Total cash and cash equivalents	13,659	19,392	20,227
Securities available for sale (at fair value)	240,581	214,421	231,021
Loans held for sale	945	245	611
Loans (net of unearned income)	420,644	411,954	386,174
Less: Allowance for loan losses	4,447	4,203	4,033
Net loans	416,197	407,751	382,141
Premises and equipment	19,842	19,913	18,311
Regulatory stock	4,916	4,915	4,767
Bank owned life insurance	14,859	14,512	14,207
Other assets	8,147	7,274	7,267
Total assets	719,146	688,423	678,552
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits:			
Noninterest-bearing	112,295	114,262	111,715
Interest-bearing	445,187	396,850	397,395
Total deposits	557,482	511,112	509,110
Short-term borrowings	1,880	11,800	-
Long-term debt	87,000	92,000	97,000

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Other liabilities	5,113	5,466	4,308
Total liabilities	651,475	620,378	610,418
Stockholders' equity:			
Common stock, par value \$0.20;			
Shares: Authorized 12,000,000			
Issued 2,869,557 and Outstanding 2,833,880			
(Issued 2,869,557 and Outstanding 2,844,195 as of 12-31-08)			
(Issued and Outstanding 2,869,557 as of 6-30-08)	574	574	574
Capital surplus	4,442	4,457	4,457
Retained earnings	65,213	64,629	65,211
Accumulated other comprehensive loss, net of tax	(1,648)	(963)	(2,108)
Less: Treasury stock shares at cost 35,677 (25,362 shares as of 12-31-08)	(910)	(652)	-
Total stockholders' equity	67,671	68,045	68,134
Total liabilities and stockholders' equity	719,146	688,423	678,552

See Unaudited Notes to the Consolidated Interim Financial Statements

Index

ENB Financial Corp
Consolidated Statement of Income (Unaudited)
Periods Ended June 30, 2009 and 2008

	Three Months		Six Months	
	2009	2008	2009	2008
(Dollars in thousands, except share data)	\$	\$	\$	\$
Interest and dividend income:				
Interest and fees on loans	5,657	5,899	11,316	11,955
Interest on securities available for sale				
Taxable	2,197	2,077	4,288	3,858
Tax-exempt	520	600	1,136	1,246
Interest on federal funds sold	2	14	2	25
Interest on deposits at other banks	-	1	-	3
Dividend income	35	77	75	166
Total interest and dividend income	8,411	8,668	16,817	17,253
Interest expense:				
Interest on deposits	2,386	2,615	4,690	5,378
Interest on short-term borrowings	2	8	9	20
Interest on long-term debt	968	1,018	1,931	1,995
Total interest expense	3,356	3,641	6,630	7,393
Net interest income	5,055	5,027	10,187	9,860
Provision for loan losses	226	150	376	349
Net interest income after provision for loan losses	4,829	4,877	9,811	9,511
Other income:				
Trust and investment services income	327	261	544	535
Service fees	660	452	1,285	883
Commissions	362	338	683	644
Gains on securities transactions, net	88	86	156	112
Gains on sale of mortgages	80	37	147	75
Earnings on bank owned life insurance	159	156	316	303
Other	74	33	191	167
Total other income	1,750	1,363	3,322	2,719
Operating expenses:				
Salaries and employee benefits	2,708	2,607	5,572	5,245
Occupancy	354	306	704	608
Equipment	210	237	417	469
Advertising & marketing	101	86	204	167
Computer software & data processing	400	369	770	757

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Bank shares tax	183	225	364	364
Professional services	452	352	943	606
FDIC Insurance	299	13	716	27
Other	424	397	876	753
Total operating expenses	5,131	4,592	10,566	8,996
Income before income taxes	1,448	1,648	2,567	3,234
Provision for federal income taxes	188	220	226	411
Net income	1,260	1,428	2,341	2,823
Earnings per share of common stock	0.45	0.50	0.83	0.99
Cash dividends paid per share	0.31	0.31	0.62	0.62
Weighted average shares outstanding	2,834,073	2,865,735	2,835,506	2,863,989

See Unaudited Notes to the Consolidated Interim Financial Statements

Index

ENB Financial Corp
 Consolidated Statement of Comprehensive Income (Unaudited)
 Periods Ended June 30, 2009 and 2008

(Dollars in thousands)	Three Months		Six Months	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net income	1,260	1,428	2,341	2,823
Other comprehensive income (loss) arising during the period	851	(3,713)	(1,194)	(3,033)
Reclassification adjustment for gains realized in income	(88)	(86)	(156)	(112)
Other comprehensive income (loss) before tax	939	(3,627)	(1,038)	(2,921)
Income taxes (benefit) related to comprehensive income (loss)	319	(1,233)	(353)	(993)
Other comprehensive income (loss)	620	(2,394)	(685)	(1,928)
Comprehensive income (loss)	1,880	(966)	1,656	895

See Unaudited Notes to the Consolidated Interim Financial Statements

Index

ENB Financial Corp
Consolidated Statements of Cash Flows
Periods Ended June 30, 2009 and 2008

	Six Months Ended June 30,	
	2009	2008
	\$	\$
(DOLLARS IN THOUSANDS)		
Cash flows from operating activities:		
Net income	2,341	2,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities and loan fees	334	168
Increase in interest receivable	(274)	(161)
Increase in interest payable	7	55
Provision for loan losses	376	349
Gains on securities transactions	(156)	(112)
Gains on sale of mortgages	(147)	(75)
Loans originated for sale	(2,556)	(1,161)
Proceeds from sales of loans	2,003	990
Earnings on bank owned life insurance	(316)	(303)
Losses on sale of other real estate owned	-	6
Depreciation of premises and equipment and amortization of software	626	573
Deferred income tax	(205)	(376)
Other assets and other liabilities, net	(416)	311
 Net cash provided by operating activities	 1,617	 3,087
 Cash flows from investing activities:		
Securities available for sale:		
Proceeds from maturities, calls, and repayments	29,105	35,174
Proceeds from sales	10,166	7,793
Purchases	(66,666)	(84,028)
Proceeds from sale of other real estate owned	-	150
Purchase of regulatory bank stock	-	(656)
Purchase of BOLI	(31)	(33)
Net decrease in loans	(8,805)	(1,150)
Purchases of premises and equipment	(448)	(1,021)
Purchase of computer software	(91)	(85)
 Net cash used in investing activities	 (36,770)	 (43,856)
 Cash flows from financing activities:		
Net increase in demand, NOW, and savings accounts	12,260	13,587
Net increase in time deposits	34,110	16,796
Net decrease in short term borrowings	(9,920)	(100)
Proceeds from long-term debt	7,500	15,000
Repayments of long-term debt	(12,500)	-
Dividends paid	(1,757)	(1,776)

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Treasury stock sold	184	192
Treasury stock purchased	(457)	-
Net cash provided by financing activities	29,420	43,699
Net increase (decrease) in cash and cash equivalents	(5,733)	2,930
Cash and cash equivalents at beginning of period	19,392	17,297
Cash and cash equivalents at end of period	13,659	20,227
Supplemental disclosures of cash flow information:		
Interest paid	6,622	7,338
Income taxes paid	210	600

See Unaudited Notes to the Consolidated Interim Financial Statements

Index

ENB FINANCIAL CORP

Notes to the Unaudited Interim Financial Statements

1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and to general practices within the banking industry. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. Certain items previously reported have been reclassified to conform to the current period's reporting format. Such reclassifications did not affect net income or stockholders' equity.

ENB Financial Corp ("the Corporation") is the successor issuer of Ephrata National Bank ("the Bank"). On July 1, 2008, ENB Financial Corp became the bank holding company for Ephrata National Bank, which is now a wholly owned subsidiary of ENB Financial Corp. This Form 10-Q, for the second quarter of 2009, is reporting on the results of operations and financial condition of ENB Financial Corp.

Operating results for the three and six months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the year ended December 31, 2009. For further information, refer to the financial statements and footnotes thereto included in ENB Financial Corp's Annual Report on Form 10-K for the year ended December 31, 2008.

2. Securities Available for Sale

(DOLLARS IN THOUSANDS)

The amortized cost and fair value of securities held at June 30, 2009, and December 31, 2008, are as follows:

	Amortized Cost \$	Gross Unrealized Gains \$	Gross Unrealized Losses \$	Fair Value \$
June 30, 2009				
U.S. treasuries & government agencies	53,975	629	(482)	54,122
Mortgage-backed securities	50,900	995	(197)	51,698
Collateralized mortgage obligations	46,978	774	(61)	47,691
Private label collateralized mortgage obligations	18,576	-	(4,157)	14,419
Corporate bonds	16,252	111	(228)	16,135
Obligations of states and political subdivisions	53,398	900	(669)	53,629
Total debt securities	240,079	3,409	(5,794)	237,694
Marketable equity securities	3,000	-	(113)	2,887
Total securities available for sale	243,079	3,409	(5,907)	240,581
December 31, 2008				
U.S. treasuries & government agencies	46,938	447	(321)	47,064
Mortgage-backed securities	45,405	761	(73)	46,093

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Collateralized mortgage obligations	35,484	566	(1)	36,049
Private label collateralized mortgage obligations	20,511	-	(2,217)	18,294
Corporate bonds	12,108	83	(554)	11,637
Obligations of states and political subdivisions	52,433	874	(786)	52,521
Total debt securities	212,879	2,731	(3,952)	211,658
Marketable equity securities	3,000	-	(237)	2,763
Total securities available for sale	215,879	2,731	(4,189)	214,421

7

Index

ENB FINANCIAL CORP

The amortized cost and fair value of debt securities available for sale at June 30, 2009, by contractual maturity are shown below. Actual maturities may differ from contractual maturities due to certain call or prepayment provisions.

CONTRACTUAL MATURITY OF DEBT SECURITIES
(DOLLARS IN THOUSANDS)

	Amortized Cost \$	Fair Value \$
Due in one year or less	35,283	35,688
Due after one year through five years	88,763	88,327
Due after five years through ten years	85,958	84,745
Due after ten years	30,075	28,934
Total debt securities	240,079	237,694

Proceeds from sales of securities available for sale, along with the associated gross realized gains and gross realized losses, are shown below. Realized gains and losses are computed on the basis of specific identification.

PROCEEDS FROM SALES OF SECURITIES AVAILABLE FOR SALE
(DOLLARS IN THOUSANDS)

	Six Months Ended June 30,	
	2009	2008
	\$	\$
Proceeds from sales	10,166	7,793
Gross realized gains	216	112
Gross realized losses	60	-

Securities available for sale with a par value of \$63,851,000 and \$63,455,000 at June 30, 2009, and December 31, 2008, respectively, were pledged or restricted for public funds, borrowings, or other purposes as required by law. The fair value of these pledged securities was \$65,789,000 at June 30, 2009, and \$64,779,000 at December 31, 2008.

Management evaluates all of the Corporation's securities for other than temporary impairment (OTTI) on a periodic basis. As of June 30, 2009, and December 31, 2008, all of the Corporation's securities carrying unrealized losses were determined to be temporarily impaired and not permanently impaired. Information pertaining to securities with gross unrealized losses at June 30, 2009, and December 31, 2008, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

Index

ENB FINANCIAL CORP

TEMPORARY IMPAIRMENTS OF SECURITIES
(DOLLARS IN THOUSANDS)

	Less than 12 months		More than 12 months		Total	Gross Unrealized Losses \$
	Fair Value \$	Gross Unrealized Losses \$	Fair Value \$	Gross Unrealized Losses \$	Fair Value \$	
As of June 30, 2009						
U.S. treasuries & government agencies	25,276	482	-	-	25,276	482
Mortgage-backed securities	11,721	180	1,854	17	13,575	197
Collateralized mortgage obligations	8,058	61	-	-	8,058	61
Private label collateralized mortgage obligations	1,251	454	13,168	3,703	14,419	4,157
Corporate bonds	3,955	55	3,327	173	7,282	228
Obligations of state and political subdivisions	8,846	143	9,348	526	18,194	669
					-	-
Total debt securities	59,107	1,375	27,697	4,419	86,804	5,794
					-	-
Marketable equity securities	-	-	2,887	113	2,887	113
					-	-