

FARMERS NATIONAL BANC CORP /OH/
Form 10-Q
August 10, 2015

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, 2015

Commission file number 001-35296

FARMERS NATIONAL BANC CORP.

(Exact name of registrant as specified in its charter)

OHIO	34-1371693
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No)
20 South Broad Street Canfield, OH	44406
(Address of principal executive offices)	(Zip Code)

(330) 533-3341

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

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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

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.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2015
Common Stock, No Par Value	25,671,567 shares

PART I - FINANCIAL INFORMATION

Item 1 Financial Statements (Unaudited)

Included in Part I of this report:

Farmers National Banc Corp. and Subsidiaries

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10-Q Certifications

Section 906 Certifications

CONSOLIDATED BALANCE SHEETS

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Unaudited)	(In Thousands of Dollars)	
	June 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$ 18,204	\$ 11,410
Federal funds sold and other	18,824	16,018
TOTAL CASH AND CASH EQUIVALENTS	37,028	27,428
Securities available for sale	386,319	389,829
Loans held for sale	399	511
Loans	1,134,838	663,852
Less allowance for loan losses	7,286	7,632
NET LOANS	1,127,552	656,220
Premises and equipment, net	23,459	17,049
Goodwill	32,272	5,591
Other intangibles	7,297	3,222
Bank owned life insurance	25,562	16,367
Other assets	32,515	20,750
TOTAL ASSETS	\$ 1,672,403	\$ 1,136,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 286,131	\$ 184,697
Interest-bearing	1,034,438	731,006
TOTAL DEPOSITS	1,320,569	915,703
Short-term borrowings	85,704	59,136
Long-term borrowings	69,887	28,381
Other liabilities	13,668	10,187
TOTAL LIABILITIES	1,489,828	1,013,407
Commitments and contingent liabilities		
Stockholders' Equity:		
Common Stock - Authorized 35,000,000 shares; issued 26,294,014 in 2015 and 19,031,059 in 2014	165,185	106,021
Retained earnings	22,863	20,944
Accumulated other comprehensive income (loss)	(975)	1,093
Treasury stock, at cost; 622,447 shares	(4,498)	(4,498)
TOTAL STOCKHOLDERS' EQUITY	182,575	123,560
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,672,403	\$ 1,136,967

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Unaudited)	(In Thousands except Per Share Data)			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$8,634	\$7,589	\$16,318	\$15,073
Taxable securities	1,405	1,838	3,052	3,709
Tax exempt securities	662	639	1,277	1,295
Dividends	46	48	94	95
Federal funds sold and other interest income	6	4	11	9
TOTAL INTEREST AND DIVIDEND INCOME	10,753	10,118	20,752	20,181
INTEREST EXPENSE				
Deposits	879	1,022	1,766	2,083
Short-term borrowings	16	13	27	24
Long-term borrowings	109	131	218	266
TOTAL INTEREST EXPENSE	1,004	1,166	2,011	2,373
NET INTEREST INCOME	9,749	8,952	18,741	17,808
Provision for loan losses	850	300	1,300	630
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,899	8,652	17,441	17,178
NONINTEREST INCOME				
Service charges on deposit accounts	672	614	1,275	1,204
Bank owned life insurance income	165	120	304	227
Trust fees	1,509	1,552	3,156	3,049
Insurance agency commissions	118	75	264	170
Security gains	35	84	45	84
Retirement plan consulting fees	778	272	1,282	636
Investment commissions	256	243	554	437
Net gains on sale of loans	156	71	279	136
Other operating income	720	766	1,287	1,287
TOTAL NONINTEREST INCOME	4,409	3,797	8,446	7,230
NONINTEREST EXPENSES				
Salaries and employee benefits	5,663	5,096	11,205	10,118
Occupancy and equipment	1,201	1,097	2,312	2,250
State and local taxes	243	230	488	463
Professional fees	546	574	1,022	1,166
Merger related cost	1,912	0	2,157	0
Advertising	282	274	499	477
FDIC insurance	178	187	355	371
Intangible amortization	167	191	334	383
Core processing charges	382	389	763	750
Other operating expenses	1,513	1,340	2,703	2,541
TOTAL NONINTEREST EXPENSES	12,087	9,378	21,838	18,519
INCOME BEFORE INCOME TAXES	1,221	3,071	4,049	5,889

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INCOME TAXES	409	720	1,026	1,347
NET INCOME	\$812	\$2,351	\$3,023	\$4,542
EARNINGS PER SHARE - basic and diluted	\$0.04	\$0.13	\$0.16	\$0.24

See accompanying notes

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Unaudited)	(In Thousands of Dollars)			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
NET INCOME	\$812	\$2,351	\$3,023	\$4,542
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on available for sale securities	(5,447)	2,934	(3,136)	7,021
Reclassification adjustment for (gains) realized in income	(35)	(84)	(45)	(84)
Net unrealized holding gains (losses)	(5,482)	2,850	(3,181)	6,937
Income tax effect	1,919	(997)	1,113	(2,429)
Other comprehensive income (loss), net of tax	(3,563)	1,853	(2,068)	4,508
TOTAL COMPREHENSIVE INCOME (LOSS)	\$(2,751)	\$4,204	\$955	\$9,050

See accompanying notes

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Unaudited)	(In Thousands of Dollars) For the Six Months Ended June 30,
COMMON STOCK	
	2015
Beginning balance	\$ 106,021
Issued 7,262,955 shares as part of the acquisition of NBOH	59,048
Stock compensation expense for 127,875 shares	116
Ending balance	165,185
RETAINED EARNINGS	
Beginning balance	20,944
Net income	3,023
Dividends declared at \$.03 per share	(1,104)
Ending balance	22,863
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	
Beginning balance	1,093
Other comprehensive income (loss)	(2,068)
Ending balance	(975)
TREASURY STOCK, AT COST	(4,498)
TOTAL STOCKHOLDERS' EQUITY	\$ 182,575

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

(Unaudited)	(In Thousands of Dollars)	
	Six Months Ended	
	June 30,	June 30,
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$3,023	\$4,542
Adjustments to reconcile net income to net cash from operating activities:		
Provision for loan losses	1,300	630
Depreciation and amortization	938	1,003
Net amortization of securities	859	719
Security gains	(45)	(84)
Stock compensation expense	116	0
Loss on sale of other real estate owned	14	2
Earnings on bank owned life insurance	(304)	(227)
Origination of loans held for sale	(8,442)	(6,989)
Proceeds from loans held for sale	8,833	7,008
Net gains on sale of loans	(279)	(136)
Net change in other assets and liabilities	(2,780)	(512)
NET CASH FROM OPERATING ACTIVITIES	3,233	5,956
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities and repayments of securities available for sale	32,279	25,313
Proceeds from sales of securities available for sale	54,957	33,254
Purchases of securities available for sale	(35,745)	(38,564)
Loan originations and payments, net	(42,577)	(8,150)
Proceeds from sale of other real estate owned	199	35
Purchase of bank owned life insurance	(6,000)	0
Additions to premises and equipment	(687)	(787)
Net cash received in business combination	21,303	0
NET CASH FROM INVESTING ACTIVITIES	23,729	11,101
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	(18,795)	(7,773)
Net change in short-term borrowings	13,037	(7,125)
Repayment of Federal Home Loan Bank borrowings and other debt	(55,500)	(507)
New Federal Home Loan Bank advance borrowings	45,000	0
Cash dividends paid	(1,104)	(1,127)
Proceeds from reissuance of treasury shares	0	32
NET CASH FROM FINANCING ACTIVITIES	(17,362)	(16,500)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,600	557
Beginning cash and cash equivalents	27,428	27,513
Ending cash and cash equivalents	\$37,028	\$28,070
Supplemental cash flow information:		
Interest paid	\$1,861	\$2,391
Income taxes paid	\$1,490	\$875

Supplemental noncash disclosures:

Transfer of loans to other real estate	\$453	\$218
Security purchases not settled	\$527	\$0
Issuance of stock for NBOH acquisition	\$59,048	\$0

See accompanying notes

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Principles of Consolidation:

Farmers National Banc Corp. (“Company”) is a one-bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Company provides full banking services through its nationally chartered subsidiary, The Farmers National Bank of Canfield (“Bank”). The Company provides trust services through its subsidiary, Farmers Trust Company (“Trust”), retirement consulting services through National Associates, Inc. (“NAI”) and insurance services through the Bank’s subsidiary, Farmers National Insurance (“Insurance”). In addition to the Insurance subsidiary, the Bank has created Farmers of Canfield Investment Co. (“Investments”), with the primary purpose of investing in municipal securities. The consolidated financial statements include the accounts of the Company, the Bank and its subsidiaries, along with the Trust and NAI. All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation:

The unaudited condensed consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2014 Annual Report to Shareholders included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The interim consolidated financial statements include all adjustments (consisting of only normal recurring items) that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods presented. The results of operations for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year. Certain items included in the prior period financial statements were reclassified to conform to the current period presentation. There was no effect on net income or total stockholders’ equity.

Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segments:

The Company provides a broad range of financial services to individuals and companies in northeastern Ohio. Operations are managed and financial performance is primarily aggregated and reported in three lines of business, the Bank segment, the Trust segment and the Retirement Consulting segment.

Comprehensive Income:

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized gains and losses on securities available for sale and changes in the funded status of the post-retirement health plan, which are recognized as separate components of equity, net of tax effects. For the six month period ended June 30, 2015, there was no change in the funded status of the post-retirement health plan.

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Securities:

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolio at June 30, 2015 and December 31, 2014 and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive income:

(In Thousands of Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2015				
U.S. Treasury and U.S. government sponsored entities	\$ 18,719	\$ 475	\$ (172)	\$ 19,022
State and political subdivisions	124,516	1,783	(2,042)	124,257
Corporate bonds	934	5	(5)	934
Mortgage-backed securities - residential	206,714	1,760	(2,215)	206,259
Collateralized mortgage obligations	16,067	0	(693)	15,374
Small Business Administration	20,935	1	(702)	20,234
Equity securities	123	118	(2)	239
Totals	\$ 388,008	\$ 4,142	\$ (5,831)	\$ 386,319

(In Thousands of Dollars)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2014				
U.S. Treasury and U.S. government sponsored entities	\$ 24,515	\$ 418	\$ (112)	\$ 24,821
State and political subdivisions	90,369	2,183	(671)	91,881
Corporate bonds	936	3	(8)	931
Mortgage-backed securities - residential	223,216	2,395	(1,249)	224,362
Collateralized mortgage obligations	25,988	98	(911)	25,175
Small Business Administration	23,193	1	(775)	22,419
Equity securities	120	121	(1)	240
Totals	\$ 388,337	\$ 5,219	\$ (3,727)	\$ 389,829

Proceeds from the sale of portfolio securities were \$19.4 million during the three month period and \$55.0 million during the six month period ended June 30, 2015. Gross gains of \$36 thousand and \$109 thousand and gross losses of \$1 thousand and \$64 thousand were realized on these sales during the three and six month period ended June 30, 2015. Gross gains from the sale of portfolio securities were \$333 thousand along with gross losses of \$249 thousand during the three and six month period ended June 30, 2014.

The amortized cost and fair value of the debt securities portfolio are shown by expected maturity. Expected maturities may differ from contractual maturities if issuers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

June 30, 2015

(In Thousands of Dollars)	Amortized Fair	
	Cost	Value
Maturity		
Within one year	\$18,524	\$18,704
One to five years	68,339	68,651
Five to ten years	48,694	48,425
Beyond ten years	8,612	8,433
Mortgage-backed, collateralized mortgage obligations and Small Business Administration securities	243,716	241,867
Total	\$387,885	\$386,080

The following table summarizes the investment securities with unrealized losses at June 30, 2015 and December 31, 2014, aggregated by major security type and length of time in a continuous unrealized loss position.

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(In Thousands of Dollars)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
June 30, 2015						
Available-for-sale						
U.S. Treasury and U.S. government sponsored entities	\$5,635	\$ (172)	\$200	\$ 0	\$5,835	\$ (172)
State and political subdivisions	48,992	(783)	14,587	(1,259)	63,579	(2,042)
Corporate bonds	0	0	478	(5)	478	(5)
Mortgage-backed securities - residential	73,736	(871)	43,634	(1,344)	117,370	(2,215)
Collateralized mortgage obligations	1,392	(1)	13,642	(692)	15,034	(693)
Small Business Administration	0	0	20,145	(702)	20,145	(702)
Equity securities	25	(2)	0	0	25	(2)
Total	\$129,780	\$ (1,829)	\$92,686	\$ (4,002)	\$222,466	\$ (5,831)

(In Thousands of Dollars)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
December 31, 2014						
Available-for-sale						
U.S. Treasury and U.S. government sponsored entities	\$498	\$ (2)	\$10,159	\$ (110)	\$10,657	\$ (112)
State and political subdivisions	987	(11)	24,063	(660)	25,050	(671)
Corporate bonds	0	0	476	(8)	476	(8)
Mortgage-backed securities - residential	25,770	(202)	55,576	(1,047)	81,346	(1,249)
Collateralized mortgage obligations	0	0	19,541	(911)	19,541	(911)
Small Business Administration	0	0	22,319	(775)	22,319	(775)
Equity securities	26	(1)	0	0	26	(1)
Total	\$27,281	\$ (216)	\$132,134	\$ (3,511)	\$159,415	\$ (3,727)

Other-Than-Temporary-Impairment

Management evaluates securities for other-than-temporary impairment (“OTTI”) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. Investment securities are generally evaluated for OTTI under FASB Accounting Standards Codification (“ASC”) 320, Investments – Debt and Equity Securities. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, whether the market decline was affected by macroeconomic conditions and whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. In analyzing an issuer’s financial condition, the Company may consider whether the securities are issued by the federal government or its agencies, or U.S. government sponsored enterprises, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition. The assessment of whether an other-than-temporary decline exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

When OTTI occurs, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis. If an entity intends to sell or it is more likely than not it will be required to sell the security before recovery of its amortized cost basis, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. The previous amortized cost basis less the OTTI recognized in earnings becomes the new amortized cost basis of the investment. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income or loss. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

As of June 30, 2015, the Company's security portfolio consisted of 427 securities, 191 of which were in an unrealized loss position. The majority of the unrealized losses on the Company's securities are related to its holdings of mortgage-backed securities, collateralized mortgage obligations, state and political subdivision securities, and Small Business Administration securities as discussed below.

Unrealized losses on debt securities issued by state and political subdivisions have not been recognized into income. These securities have maintained their investment grade ratings and management does not have the intent and does not expect to be required to sell these securities before their anticipated recovery. The fair value is expected to recover as the securities approach their maturity date.

All of the Company's holdings of collateralized mortgage obligations and residential mortgage-backed securities were issued by U.S. government-sponsored entities. Unrealized losses on these securities have not been recognized into income. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, the issues are guaranteed by the issuing entity which the U.S. government has affirmed its commitment to support, and because the Company does not have the intent to sell these residential mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be OTTI.

Management does not believe any unrealized losses on Small Business Administration securities represent an other-than-temporary impairment. The securities are issued and backed by the full faith and credit of the U.S. government and the Company does not have the intent to sell these securities before their anticipated recovery. The fair value of these securities is expected to recover as they approach their maturity.

Loans:

Loan balances were as follows:

	June 30,	December 31,
(In Thousands of Dollars)	2015	2014
Commercial real estate		
Owner occupied	\$ 193,080	\$ 74,829
Non-owner occupied	162,932	122,228
Other	71,016	26,137
Commercial	202,552	120,493
Residential real estate		
1-4 family residential	244,676	153,055
Home equity lines of credit	75,144	31,255
Consumer		
Indirect	121,474	120,931
Direct	58,197	9,071
Other	4,114	3,626
Subtotal	\$ 1,133,185	\$ 661,625
Net deferred loan costs	1,653	2,227
Allowance for loan losses	(7,286)	(7,632)
Net loans	\$ 1,127,552	\$ 656,220

The following tables present the activity in the allowance for loan losses by portfolio segment for the three and six month periods ended June 30, 2015 and 2014:

Three Months Ended June 30, 2015

(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses						
Beginning balance	\$ 2,917	\$ 1,351	\$ 1,640	\$ 1,705	\$ 110	\$7,723
Provision for loan losses	223	183	49	505	(110)	850
Loans charged off	(516)	(254)	(160)	(566)	0	(1,496)
Recoveries	9	0	19	181	0	209
Total ending allowance balance	\$ 2,633	\$ 1,280	\$ 1,548	\$ 1,825	\$ 0	\$7,286

Six Months Ended June 30, 2015

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(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses						
Beginning balance	\$ 2,676	\$ 1,420	\$ 1,689	\$ 1,663	\$ 184	\$7,632
Provision for loan losses	455	113	59	857	(184)	1,300
Loans charged off	(520)	(254)	(241)	(1,099)	0	(2,114)
Recoveries	22	1	41	404	0	468
Total ending allowance balance	\$ 2,633	\$ 1,280	\$ 1,548	\$ 1,825	\$ 0	\$7,286

Three Months Ended June 30, 2014

(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses						
Beginning balance	\$ 2,751	\$ 1,065	\$ 1,681	\$ 1,496	\$ 394	\$7,387
Provision for loan losses	(36)	25	305	144	(138)	300
Loans charged off	(33)	(19)	(210)	(388)	0	(650)
Recoveries	40	5	8	266	0	319
Total ending allowance balance	\$ 2,722	\$ 1,076	\$ 1,784	\$ 1,518	\$ 256	\$7,356

Six Months Ended June 30, 2014

(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses						
Beginning balance	\$ 2,752	\$ 1,219	\$ 1,964	\$ 1,419	\$ 214	\$7,568
Provision for loan losses	(14)	(137)	77	662	42	630
Loans charged off	(90)	(19)	(280)	(1,097)	0	\$(1,486)
Recoveries	74	13	23	534	0	644
Total ending allowance balance	\$ 2,722	\$ 1,076	\$ 1,784	\$ 1,518	\$ 256	\$7,356

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The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2015 and December 31, 2014. The recorded investment in loans includes the unpaid principal balance and unamortized loan origination fees and costs, but excludes accrued interest receivable, which is not considered to be material:

June 30, 2015

(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses:						
Ending allowance balance attributable to						
loans:						
Individually evaluated for impairment	\$ 195	\$ 27	\$ 78	\$ 0	\$ 0	\$ 300
Collectively evaluated for impairment	2,438	1,253	1,470	1,825	0	6,986
Acquired with deteriorated credit quality	0	0	0	0	0	0
Total ending allowance balance	\$ 2,633	\$ 1,280	\$ 1,548	\$ 1,825	\$ 0	\$ 7,286
Loans:						
Loans individually evaluated for						
impairment	\$ 6,228	\$ 741	\$ 3,515	\$ 61	\$ 0	\$ 10,545
Loans collectively evaluated for						
impairment	416,287	199,696	315,143	187,467	0	1,118,593
Loans acquired with deteriorated credit quality	3,793	1,571	284	52	0	5,700
Total ending loans balance	\$ 426,308	\$ 202,008	\$ 318,942	\$ 187,580	\$ 0	\$ 1,134,838

December 31, 2014

(In Thousands of Dollars)	Commercial		Residential			Total
	Real Estate	Commercial	Real Estate	Consumer	Unallocated	
Allowance for loan losses:						
Ending allowance balance attributable to						
to						

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loans:						
Individually evaluated for impairment	\$ 514	\$ 272	\$ 88	\$ 0	\$ 0	\$ 874
Collectively evaluated for impairment	2,162	1,148	1,601	1,663	184	6,758
Total ending allowance balance	\$ 2,676	\$ 1,420	\$ 1,689	\$ 1,663	\$ 184	\$ 7,632

Loans:						
Loans individually evaluated for impairment	\$ 7,139	\$ 1,940	\$ 3,425	\$ 93	\$ 0	\$ 12,597
Loans collectively evaluated for impairment	215,434	118,210	180,428	137,183	0	651,255
Total ending loans balance	\$ 222,573	\$ 120,150	\$ 183,853	\$ 137,276	\$ 0	\$ 663,852

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The following tables present information related to impaired loans by class of loans as of June 30, 2015 and December 31, 2014:

	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated
(In Thousands of Dollars)	Balance	Investment	Allocated
June 30, 2015			
With no related allowance recorded:			
Commercial real estate			
Owner occupied	\$ 2,137	\$ 2,003	\$ 0
Non-owner occupied	380	379	0
Commercial	425	404	0
Residential real estate			
1-4 family residential	2,481	2,226	0
Home equity lines of credit	289	275	0
Consumer	129	61	0
Subtotal	5,841	5,348	0
With an allowance recorded:			
Commercial real estate			
Owner occupied	2,851	2,332	136
Non-owner occupied	1,515	1,514	59
Commercial	518	337	27
Residential real estate			
1-4 family residential	952	925	76
Home equity lines of credit	89	89	2
Subtotal	5,925	5,197	300
Total	\$ 11,766	\$ 10,545	\$ 300

	Unpaid Principal	Recorded Investment	Allowance for Loan Losses Allocated
(In Thousands of Dollars)	Balance	Investment	Allocated
December 31, 2014			
With no related allowance recorded:			