

CITIZENS & NORTHERN CORP
Form 10-Q
August 07, 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 _____.

Commission file number: 000-16084

CITIZENS & NORTHERN CORPORATION

(Exact name of Registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

23-2451943
(I.R.S. Employer
Identification No.)

90-92 MAIN STREET, WELLSBORO, PA 16901
(Address of principal executive offices) (Zip code)
570-724-3411

(Registrant's telephone number including area code)

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: CITIZENS & NORTHERN CORP - Form 10-Q

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

Common Stock (\$1.00 par value) 8,993,750 Shares Outstanding on July 30, 2009

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

CITIZENS & NORTHERN CORPORATION

Index

Part I. Financial Information	
Item 1. Financial Statements	
Consolidated Balance Sheet – June 30, 2009 and December 31, 2008	Page 3
Consolidated Statement of Income - Three Months and Six Months Ended June 30, 2009 and 2008	Page 4
Consolidated Statement of Cash Flows - Six Months Ended June 30, 2009 and 2008	Page 5
Consolidated Statement of Changes in Stockholders' Equity- Six Months Ended June 30, 2009	Page 6
Notes to Consolidated Financial Statements	Pages 7 through 20
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	Pages 21 through 38
Item 3. Quantitative and Qualitative Disclosures About Market Risk	Pages 39 through 42
Item 4. Controls and Procedures	Page 42
Part II. Other Information	Pages 43 through 46
Signatures	Page 46
Exhibit 31.1. Rule 13a-14(a)/15d-14(a) Certification - Chief Executive Officer	Page 47
Exhibit 31.2. Rule 13a-14(a)/15d-14(a) Certification - Chief Financial Officer	Page 48
Exhibit 32. Section 1350 Certifications	Page 49

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

CONSOLIDATED BALANCE SHEET (In Thousands Except Share Data)	June 30, 2009 (Unaudited)	December 31, 2008 (Note)
ASSETS		
Cash and due from banks:		
Noninterest-bearing	\$ 17,830	\$ 18,105
Interest-bearing	33,449	5,923
Total cash and cash equivalents	51,279	24,028
Trading securities	547	2,306
Available-for-sale securities	415,791	419,688
Held-to-maturity securities	402	406
Loans, net	719,347	735,687
Bank-owned life insurance	22,574	22,297
Accrued interest receivable	5,606	5,846
Bank premises and equipment, net	25,118	25,909
Foreclosed assets held for sale	922	298
Deferred tax asset, net	20,291	16,389
Intangible asset - Core deposit intangibles	665	826
Intangible asset - Goodwill	11,942	12,014
Other assets	22,525	15,943
TOTAL ASSETS	\$ 1,297,009	\$ 1,281,637
LIABILITIES		
Deposits:		
Noninterest-bearing	\$ 127,380	\$ 124,922
Interest-bearing	758,564	739,135
Total deposits	885,944	864,057
Dividends payable	2,324	2,147
Short-term borrowings	39,390	48,547
Long-term borrowings	221,658	236,926
Accrued interest and other liabilities	11,135	7,934
TOTAL LIABILITIES	1,160,451	1,159,611
STOCKHOLDERS' EQUITY		
Preferred stock, \$1,000 par value; authorized 30,000 shares; \$1,000 liquidation preference per share; 26,440 shares issued at June 30, 2009 and no shares issued at December 31, 2008	25,664	0
Common stock, par value \$1.00 per share; authorized 20,000,000 shares in 2009 and 2008; issued 9,284,148 in 2009 and 2008	9,284	9,284
Paid-in capital	45,453	44,308
Retained earnings	79,486	97,757
Unamortized stock compensation	(83)	(48)
Treasury stock, at cost; 306,178 shares at June 30, 2009 and 348,041 shares at December 31, 2008	(5,331)	(6,061)
Sub-total	154,473	145,240
Accumulated other comprehensive loss:		
Unrealized losses on available-for-sale securities (including \$6,665 at		

Edgar Filing: CITIZENS & NORTHERN CORP - Form 10-Q

June 30, 2009 for which a portion of an other-than-temporary impairment loss has been recognized in earnings)	(17,560)	(23,120)
Defined benefit plans	(355)	(94)
Total accumulated other comprehensive loss	(17,915)	(23,214)
TOTAL STOCKHOLDERS' EQUITY	136,558	122,026
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,297,009	\$ 1,281,637

The accompanying notes are an integral part of these consolidated financial statements.

Note: The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

CITIZENS & NORTHERN CORPORATION – FORM 10-Q

CONSOLIDATED STATEMENT OF INCOME
(In Thousands, Except Per Share Data)

	3 Months Ended		Fiscal Year To Date	
	June 30, 2009 (Current)	June 30, 2008 (Prior Year)	6 Months Ended June 30, 2009 (Current)	June 30, 2008 (Prior Year)
INTEREST INCOME				
Interest and fees on loans	\$ 11,356	\$ 12,269	\$ 22,713	\$ 24,581
Interest on balances with depository institutions	3	5	4	18
Interest on loans to political subdivisions	415	345	808	710
Interest on federal funds sold	7	24	15	74
Interest on trading securities	8	10	31	43
Income from available-for-sale and held-to-maturity securities:				
Taxable	4,268	4,768	8,922	9,759
Tax-exempt	1,124	736	2,060	1,439
Dividends	160	216	359	449
Total interest and dividend income	17,341	18,373	34,912	37,073
INTEREST EXPENSE				
Interest on deposits	3,699	4,757	7,680	10,384
Interest on short-term borrowings	140	237	310	543
Interest on long-term borrowings	2,325	2,730	4,780	5,453
Total interest expense	6,164	7,724	12,770	16,380
Interest margin	11,177	10,649	22,142	20,693
Provision (credit) for loan losses	93	(376)	(80)	528
Interest margin after provision (credit) for loan losses	11,084	11,025	22,222	20,165
OTHER INCOME				
Trust and financial management revenue	870	975	1,639	1,852
Service charges on deposit accounts	1,150	1,103	2,197	2,049
Service charges and fees	227	187	417	