

DNB FINANCIAL CORP /PA/
Form 10-Q
November 09, 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: September 30, 2015

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: 1-34242

DNB Financial Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania

23-2222567

Pennsylvania

23-2222567

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

4 Brandywine Avenue - Downingtown, PA 19335

(Address of principal executive offices and Zip Code)

(610) 269-1040

(Registrant's telephone number, including area code)

Not Applicable

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

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, or a non-accelerated filer, or a smaller reporting company. See definition of “accelerated filer”, “large 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.

Common Stock (\$1.00 Par Value)

(Class) 2,809,917 (Shares Outstanding as of November 9, 2015)

DNB FINANCIAL CORPORATION AND SUBSIDIARY

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

DNB Financial Corporation and Subsidiary

Consolidated Statements of Financial Condition (Unaudited)

	September 30, 2015	December 31, 2014
(Dollars in thousands, except share and per share data)		
Assets		
Cash and due from banks	\$ 18,959	\$ 12,504
Federal Funds Sold	-	-
Cash and cash equivalents	18,959	12,504
Available-for-sale investment securities at fair value (amortized cost of \$162,088 and \$172,867)	162,063	172,202
Held-to-maturity investment securities (fair value of \$66,007 and \$60,099)	65,300	59,454
Total investment securities	227,363	231,656
Loans held for sale	-	617
Loans and leases	470,396	455,603
Allowance for credit losses	(4,729)	(4,906)
Net loans and leases	465,667	450,697
Restricted stock	2,964	2,587
Office property and equipment, net	6,630	7,668
Accrued interest receivable	2,542	2,253
Other real estate owned & other repossessed property	2,235	901
Bank owned life insurance (BOLI)	9,267	9,098
Core deposit intangible	70	82
Net deferred taxes	3,512	3,446
Other assets	2,682	1,821
Total assets	\$ 741,891	\$ 723,330
Liabilities and Stockholders' Equity		
Liabilities		
Non-interest-bearing deposits	\$ 120,018	\$ 102,107
Interest-bearing deposits:		
NOW	189,502	205,816
Money market	139,213	143,483
Savings	71,316	66,634

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Time	69,744	76,805
Brokered deposits	18,665	10,238
Total deposits	608,458	605,083
Federal Home Loan Bank of Pittsburgh (FHLBP) advances	20,000	20,000
Repurchase agreements	30,501	19,221
Junior subordinated debentures	9,279	9,279
Subordinated debt	9,750	-
Other borrowings	475	505
Total borrowings	70,005	49,005
Accrued interest payable	322	351
Other liabilities	4,738	4,983
Total liabilities	683,523	659,422
Stockholders' Equity		
Preferred stock, \$10.00 par value; 1,000,000 shares authorized; \$1,000 liquidation preference per share; 3,250 and 13,000 issued, respectively	3,250	13,000
Common stock, \$1.00 par value; 10,000,000 shares authorized; 2,919,126 and 2,903,610 issued, respectively; 2,806,549 and 2,778,724 outstanding, respectively	2,961	2,931
Treasury stock, at cost; 112,577 and 124,886 shares, respectively	(2,076)	(2,301)
Surplus	35,147	34,745
Retained earnings	20,259	17,132
Accumulated other comprehensive loss	(1,173)	(1,599)
Total stockholders' equity	58,368	63,908
Total liabilities and stockholders' equity	\$ 741,891	\$ 723,330
See accompanying notes to unaudited consolidated financial statements.		

DNB Financial Corporation and Subsidiary

Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Interest Income:				
Interest and fees on loans and leases	\$ 5,083	\$ 4,948	\$ 15,006	\$ 14,610
Interest and dividends on investment securities:				
Taxable	714	671	2,208	2,120
Exempt from federal taxes	354	275	1,042	826
Interest on cash and cash equivalents	10	11	32	28
Total interest and dividend income	6,161	5,905	18,288	17,584
Interest Expense:				
Interest on NOW, money market and savings	148	121	450	408
Interest on time deposits	84	149	291	566
Interest in brokered deposits	68	23	118	28
Interest on FHLB advances	198	148	589	443
Interest on repurchase agreements	16	10	35	29
Interest on junior subordinated debentures	77	75	224	221
Interest on subordinated debt	103	-	237	-
Interest on other borrowings	17	18	51	55
Total interest expense	711	544	1,995	1,750
Net interest income	5,450	5,361	16,293	15,834
Provision for credit losses	100	300	815	930
Net interest income after provision for credit losses	5,350	5,061	15,478	14,904
Non-interest Income:				
Service charges	292	303	860	935
Wealth management	317	343	1,091	979
Mortgage banking	38	30	127	30
Increase in cash surrender value of BOLI	57	58	169	174
Gain on sale of investment securities, net	10	86	74	423
Gain on sale of loans	-	-	416	-
Other fees	323	307	973	919
Total non-interest income	1,037	1,127	3,710	3,460
Non-interest Expense:				
Salaries and employee benefits	2,615	2,431	7,897	7,406
Furniture and equipment	303	311	908	974
Occupancy	431	497	1,500	1,637
Professional and consulting	317	296	906	920
Advertising and marketing	141	149	480	500
Printing and supplies	35	42	122	129

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FDIC insurance	129	123	376	355
PA shares tax	151	151	452	451
Telecommunications	63	68	184	188
Postage	20	17	65	59
Loss on sale or write down of OREO, net	154	-	154	7
Other expenses	400	447	1,263	1,274
Total non-interest expense	4,759	4,532	14,307	13,900
Income before income tax expense	1,628	1,656	4,881	4,464
Income tax expense	359	427	1,125	1,111
Net income	\$ 1,269	\$ 1,229	\$ 3,756	\$ 3,353
Preferred stock dividends and accretion of discount	8	33	42	103
Net income available to Common Shareholders	\$ 1,261	\$ 1,196	\$ 3,714	\$ 3,250
Earnings per common share:				
Basic	\$ 0.45	\$ 0.43	\$ 1.33	\$ 1.18
Diluted	\$ 0.44	\$ 0.43	\$ 1.31	\$ 1.16
Cash dividends per common share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21
Weighted average common shares outstanding:				
Basic	2,806,549	2,769,451	2,798,360	2,763,597
Diluted	2,852,237	2,816,703	2,844,319	