

FARMERS NATIONAL BANC CORP /OH/
Form 10-Q
May 11, 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 March 31, 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 April 30, 2015 |
|----------------------------|-------------------------------|
| Common Stock, No Par Value | 18,408,612 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) | |
|--|---------------------------|---------------------|
| | March 31, | December 31, |
| | 2015 | 2014 |
| ASSETS | | |
| Cash and due from banks | \$ 11,800 | \$ 11,410 |
| Federal funds sold and other | 15,129 | 16,018 |
| TOTAL CASH AND CASH EQUIVALENTS | 26,929 | 27,428 |
| Securities available for sale | 369,919 | 389,829 |
| Loans held for sale | 146 | 511 |
| Loans | 673,784 | 663,852 |
| Less allowance for loan losses | 7,723 | 7,632 |
| NET LOANS | 666,061 | 656,220 |
| Premises and equipment, net | 16,963 | 17,049 |
| Goodwill | 5,591 | 5,591 |
| Other intangibles | 3,055 | 3,222 |
| Bank owned life insurance | 22,506 | 16,367 |
| Other assets | 22,481 | 20,750 |
| TOTAL ASSETS | \$ 1,133,651 | \$ 1,136,967 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Noninterest-bearing | \$ 174,112 | \$ 184,697 |
| Interest-bearing | 735,296 | 731,006 |
| TOTAL DEPOSITS | 909,408 | 915,703 |
| Short-term borrowings | 62,218 | 59,136 |
| Long-term borrowings | 18,120 | 28,381 |
| Other liabilities | 17,134 | 10,187 |
| TOTAL LIABILITIES | 1,006,880 | 1,013,407 |
| Commitments and contingent liabilities | | |
| Stockholders' Equity: | | |
| Common Stock - Authorized 35,000,000 shares; issued 19,031,059 | 106,079 | 106,021 |
| Retained earnings | 22,603 | 20,944 |
| Accumulated other comprehensive income | 2,587 | 1,093 |
| Treasury stock, at cost; 622,447 shares | (4,498) | (4,498) |
| TOTAL STOCKHOLDERS' EQUITY | 126,771 | 123,560 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 1,133,651 | \$ 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 March 31, 2015 | |
|--|---|-------------------|
| | March 31, 2015 | March 31, 2014 |
| INTEREST AND DIVIDEND INCOME | | |
| Loans, including fees | \$7,684 | \$7,484 |
| Taxable securities | 1,647 | 1,871 |
| Tax exempt securities | 615 | 656 |
| Dividends | 48 | 47 |
| Federal funds sold and other interest income | 5 | 5 |
| TOTAL INTEREST AND DIVIDEND INCOME | 9,999 | 10,063 |
| INTEREST EXPENSE | | |
| Deposits | 887 | 1,061 |
| Short-term borrowings | 11 | 11 |
| Long-term borrowings | 109 | 135 |
| TOTAL INTEREST EXPENSE | 1,007 | 1,207 |
| NET INTEREST INCOME | 8,992 | 8,856 |
| Provision for loan losses | 450 | 330 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 8,542 | 8,526 |
| NONINTEREST INCOME | | |
| Service charges on deposit accounts | 603 | 590 |
| Bank owned life insurance income | 139 | 107 |
| Trust fees | 1,647 | 1,497 |
| Insurance agency commissions | 146 | 95 |
| Security gains | 10 | 0 |
| Retirement plan consulting fees | 504 | 364 |
| Investment commissions | 298 | 194 |
| Net gains on sale of loans | 123 | 65 |
| Other operating income | 567 | 521 |
| TOTAL NONINTEREST INCOME | 4,037 | 3,433 |
| NONINTEREST EXPENSES | | |
| Salaries and employee benefits | 5,542 | 5,022 |
| Occupancy and equipment | 1,111 | 1,153 |
| State and local taxes | 245 | 233 |
| Professional fees | 476 | 592 |
| Merger related cost | 245 | 0 |
| Advertising | 217 | 203 |
| FDIC insurance | 177 | 184 |
| Intangible amortization | 167 | 192 |
| Core processing charges | 381 | 361 |

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| | | |
|--|---------|---------|
| Other operating expenses | 1,190 | 1,201 |
| TOTAL NONINTEREST EXPENSES | 9,751 | 9,141 |
| INCOME BEFORE INCOME TAXES | 2,828 | 2,818 |
| INCOME TAXES | 617 | 627 |
| NET INCOME | \$2,211 | \$2,191 |
| EARNINGS PER SHARE - basic and diluted | \$0.12 | \$0.12 |

See accompanying notes

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

| (Unaudited) | (In Thousands of Dollars) | |
|---|----------------------------|-----------|
| | For the Three Months Ended | |
| | March 31, | March 31, |
| | 2015 | 2014 |
| NET INCOME | \$2,211 | \$2,191 |
| Other comprehensive income: | | |
| Net unrealized holding gains on available for sale securities | 2,310 | 4,087 |
| Reclassification adjustment for (gains) losses realized in income | (10) | 0 |
| Net unrealized holding gains | 2,300 | 4,087 |
| Income tax effect | (806) | (1,432) |
| Other comprehensive income, net of tax | 1,494 | 2,655 |
| TOTAL COMPREHENSIVE INCOME | \$3,705 | \$4,846 |

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

FARMERS NATIONAL BANC CORP. AND SUBSIDIARIES

| (Unaudited) | (In Thousands of Dollars) | |
|--|---------------------------|-----------------|
| | Three Months Ended | |
| | March 31, 2015 | March 31, 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$2,211 | \$2,191 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Provision for loan losses | 450 | 330 |
| Depreciation and amortization | 467 | 498 |
| Net amortization of securities | 363 | 330 |
| Security gains | (10) | 0 |
| Stock compensation expense | 58 | 0 |
| Loss on sale of other real estate owned | 13 | 0 |
| Earnings on bank owned life insurance | (139) | (107) |
| Origination of loans held for sale | (3,509) | (3,557) |
| Proceeds from loans held for sale | 3,997 | 2,754 |
| Net gains on sale of loans | (123) | (65) |
| Net change in other assets and liabilities | (2,913) | (2,046) |
| NET CASH FROM OPERATING ACTIVITIES | 865 | 328 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from maturities and repayments of securities available for sale | 11,420 | 10,332 |
| Proceeds from sales of securities available for sale | 40,913 | 9 |
| Purchases of securities available for sale | (23,182) | (11,022) |
| Loan originations and payments, net | (10,413) | 3,967 |
| Proceeds from sale of other real estate owned | 113 | 17 |
| Purchase of bank owned life insurance | (6,000) | 0 |
| Additions to premises and equipment | (189) | (472) |
| NET CASH FROM INVESTING ACTIVITIES | 12,662 | 2,831 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net change in deposits | (6,295) | 7,817 |
| Net change in short-term borrowings | 3,082 | (8,364) |
| Repayment of Federal Home Loan Bank borrowings and other debt | (25,261) | (260) |
| New Federal Home Loan Bank advance borrowings | 15,000 | 0 |
| Cash dividends paid | (552) | (564) |
| Proceeds from reissuance of treasury shares | 0 | 32 |
| NET CASH FROM FINANCING ACTIVITIES | (14,026) | (1,339) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (499) | 1,820 |
| Beginning cash and cash equivalents | 27,428 | 27,513 |
| Ending cash and cash equivalents | \$26,929 | \$29,333 |
| Supplemental cash flow information: | | |
| Interest paid | \$1,031 | \$1,209 |

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| | | |
|--|---------|-------|
| Income taxes paid | \$300 | \$0 |
| Supplemental noncash disclosures: | | |
| Transfer of loans to other real estate | \$122 | \$20 |
| Security purchases not settled | \$7,298 | \$202 |

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. Other comprehensive income 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 three month period ended March 31, 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 March 31, 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 |
|--|-------------------|------------------------------|-------------------------------|-------------------|
| March 31, 2015 | | | | |
| U.S. Treasury and U.S. government sponsored entities | \$ 18,812 | \$ 401 | \$ (7) | \$ 19,206 |
| State and political subdivisions | 94,081 | 1,890 | (393) | 95,578 |
| Corporate bonds | 935 | 9 | (3) | 941 |
| Mortgage-backed securities - residential | 215,561 | 3,431 | (688) | 218,304 |
| Collateralized mortgage obligations | 14,872 | 0 | (507) | 14,365 |
| Small Business Administration | 21,745 | 1 | (463) | 21,283 |
| Equity securities | 121 | 123 | (2) | 242 |
| Totals | \$ 366,127 | \$ 5,855 | \$ (2,063) | \$ 369,919 |

| (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 \$40.9 million during the three month period ended March 31, 2015. Gross gains of \$73 thousand and gross losses of \$63 thousand were realized on these sales during the three month period ended March 31, 2015. Proceeds from the sale of portfolio securities were \$9 thousand during the three month period ended March 31, 2014, with no gains or losses realized.

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.

| (In Thousands of Dollars) | March 31, 2015 | |
|---|------------------|------------------|
| | Amortized Cost | Fair Value |
| Maturity | | |
| Within one year | \$11,824 | \$11,931 |
| One to five years | 53,858 | 54,858 |
| Five to ten years | 32,934 | 33,692 |
| Beyond ten years | 15,212 | 15,244 |
| Mortgage-backed, collateralized mortgage obligations and Small Business Administration securities | 252,178 | 253,952 |
| Total | \$366,006 | \$369,677 |

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

| (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 |
| March 31, 2015 | | | | | | |
| Available-for-sale | | | | | | |
| U.S. Treasury and U.S. government sponsored entities | \$0 | \$ 0 | \$5,202 | \$ (7) | \$5,202 | \$ (7) |
| State and political subdivisions | 4,619 | (29) | 16,437 | (364) | 21,056 | (393) |
| Corporate bonds | 0 | 0 | 480 | (3) | 480 | (3) |
| Mortgage-backed securities - residential | 14,859 | (105) | 47,348 | (583) | 62,207 | (688) |
| Collateralized mortgage obligations | 0 | 0 | 14,365 | (507) | 14,365 | (507) |
| Small Business Administration | 0 | 0 | 21,188 | (463) | 21,188 | (463) |
| Equity securities | 23 | (2) | 0 | 0 | 23 | (2) |
| Total | \$19,501 | \$ (136) | \$105,020 | \$ (1,927) | \$124,521 | \$ (2,063) |

| (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 March 31, 2015, the Company's security portfolio consisted of 321 securities, 82 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. Generally 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 and 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:

| | March 31, | December 31, |
|--------------------------------|------------------|------------------|
| (In Thousands of Dollars) | 2015 | 2014 |
| Commercial real estate | | |
| Owner occupied | \$77,720 | \$74,829 |
| Non-owner occupied | 125,254 | 122,228 |
| Other | 29,016 | 26,137 |
| Commercial | 122,762 | 120,493 |
| Residential real estate | | |
| 1-4 family residential | 154,076 | 153,055 |
| Home equity lines of credit | 32,310 | 31,255 |
| Consumer | | |
| Indirect | 118,065 | 120,931 |
| Direct | 8,888 | 9,071 |
| Other | 3,552 | 3,626 |
| Subtotal | \$671,643 | \$661,625 |
| Net deferred loan costs | 2,141 | 2,227 |
| Allowance for loan losses | (7,723) | (7,632) |
| Net loans | \$666,061 | \$656,220 |

The following tables present the activity in the allowance for loan losses by portfolio segment for the three month periods ended March 31, 2015 and 2014:

Three Months Ended March 31, 2015

| (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 | 232 | (70) | 10 | 352 | (74) | 450 |
| Loans charged off | (4) | 0 | (81) | (533) | 0 | (618) |
| Recoveries | 13 | 1 | 22 | 223 | 0 | 259 |
| Total ending allowance balance | \$ 2,917 | \$ 1,351 | \$ 1,640 | \$ 1,705 | \$ 110 | \$7,723 |

Three Months Ended March 31, 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 | 22 | (162) | (228) | 518 | 180 | 330 |
| Loans charged off | (57) | 0 | (70) | (709) | 0 | (836) |
| Recoveries | 34 | 8 | 15 | 268 | 0 | 325 |
| Total ending allowance balance | \$ 2,751 | \$ 1,065 | \$ 1,681 | \$ 1,496 | \$ 394 | \$7,387 |

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 March 31, 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:

March 31, 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 | \$ 735 | \$ 219 | \$ 101 | \$0 | \$ 0 | \$1,055 |
| Collectively evaluated for impairment | 2,182 | 1,132 | 1,539 | 1,705 | 110 | 6,668 |
| Total ending allowance balance | \$ 2,917 | \$ 1,351 | \$ 1,640 | \$ 1,705 | \$ 110 | \$7,723 |
| Loans: | | | | | | |
| Loans individually evaluated for impairment | \$ 7,080 | \$ 1,088 | \$ 3,608 | \$ 100 | \$ 0 | \$11,876 |
| Loans collectively evaluated for impairment | 224,240 | 121,335 | 182,326 | 134,007 | 0 | 661,908 |
| Total ending loans balance | \$ 231,320 | \$ 122,423 | \$ 185,934 | \$ 134,107 | \$ 0 | \$673,784 |

December 31, 2014

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| (In Thousands of Dollars) | Commercial | | Residential | | Unallocated | Total |
|---|-------------|------------|-------------|------------|-------------|------------|
| | Real Estate | Commercial | Real Estate | Consumer | | |
| Allowance for loan losses: | | | | | | |
| Ending allowance balance attributable to | | | | | | |
| 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 March 31, 2015 and December 31, 2014:

| | Unpaid Principal | Recorded Investment | Allowance for Loan Losses Allocated |
|-------------------------------------|---------------------|------------------------|--|
| (In Thousands of Dollars) | Balance | Investment | Allocated |
| March 31, 2015 | | | |
| With no related allowance recorded: | | | |
| Commercial real estate | | | |
| Owner occupied | \$ 2,437 | \$ 2,302 | \$ 0 |
| Non-owner occupied | 385 | 384 | 0 |
| Commercial | 440 | 419 | 0 |
| Residential real estate | | | |
| 1-4 family residential | 2,360 | 2,137 | 0 |
| Home equity lines of credit | 296 | 281 | 0 |
| Consumer | 175 | 100 | 0 |
| Subtotal | 6,093 | 5,623 | 0 |
| With an allowance recorded: | | | |
| Commercial real estate | | | |
| Owner occupied | 2,870 | 2,863 | 671 |
| Non-owner occupied | 1,532 | 1,531 | 64 |
| Commercial | 686 | 669 | 219 |
| Residential real estate | | | |
| 1-4 family residential | 1,126 | 1,101 | 98 |
| Home equity lines of credit | 89 | 89 | 3 |
| Subtotal | 6,303 | 6,253 | 1,055 |
| Total | \$ 12,396 | \$ 11,876 | \$ 1,055 |

| | Unpaid Principal | Recorded Investment | Allowance for Loan Losses Allocated |
|-------------------------------------|---------------------|------------------------|---|
| (In Thousands of Dollars) | Balance | Investment | Allocated |
| December 31, 2014 | | | |
| With no related allowance recorded: | | | |
| Commercial real estate | | | |
| Owner occupied | \$ 2,448 | \$ 2,318 | \$ 0 |
| Non-owner occupied | 391 | 391 | 0 |
| Commercial | 531 | 511 | 0 |
| Residential real estate | | | |
| 1-4 family residential | 2,421 | 2,156 | 0 |
| Home equity lines of credit | 476 | 251 | 0 |
| Consumer | 185 | 93 | 0 |

| | | | |
|----------|-------|-------|---|
| Subtotal | 6,452 | 5,720 | 0 |
|----------|-------|-------|---|

With an allowance recorded:

| | | | |
|-----------------------------|-----------|-----------|--------|
| Commercial real estate | | | |
| Owner occupied | 2,882 | 2,882 | 446 |
| Non-owner occupied | 1,548 | 1,548 | 68 |
| Commercial | 1,444 | 1,429 | 272 |
| Residential real estate | | | |
| 1-4 family residential | 944 | 928 | 85 |
| Home equity lines of credit | 90 | 90 | 3 |
| Subtotal | 6,908 | 6,877 | 874 |
| Total | \$ 13,360 | \$ 12,597 | \$ 874 |

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The following table presents the average recorded investment in impaired loans by class and interest income recognized by loan class for the three month periods ended March 31, 2015 and 2014:

| (In Thousands of Dollars) | Average Recorded Investment | | Interest Income Recognized | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | For Three Months Ended March 31, 2015 | For Three Months Ended March 31, 2014 | For Three Months Ended March 31, 2015 | For Three Months Ended March 31, 2014 |
| With no related allowance recorded: | | | | |
| Commercial real estate | | | | |
| Owner occupied | \$2,311 | \$2,575 | \$ 16 | \$ 5 |
| Non-owner occupied | 387 | 391 | 6 | 0 |
| Other | 0 | 0 | 0 | 0 |
| Commercial | 463 | 931 | 6 | 5 |
| Residential real estate | | | | |
| 1-4 family residential | 2,125 | 1,332 | 31 | 14 |
| Home equity lines of credit | 251 | 115 | 3 | 2 |
| Consumer | 91 | 239 | 4 | 0 |
| Subtotal | 5,628 | 5,583 | 66 | 26 |
| With an allowance recorded: | | | | |
| Commercial real estate | | | | |
| Owner occupied | 2,870 | 1,654 | 24 | 25 |
| Non-owner occupied | 1,537 | 1,586 | 20 | 20 |
| Commercial | 1,117 | 1,391 | 1 | 1 |
| Residential real estate | | | | |
| 1-4 family residential | 983 | | | |