

SB FINANCIAL GROUP, INC.  
Form 10-Q  
November 07, 2013

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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, 2013

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 0-13507

SB FINANCIAL GROUP, INC.

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(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of  
incorporation or organization)

34-1395608  
(I.R.S. Employer  
Identification No.)

401 Clinton Street, Defiance, Ohio 43512  
(Address of principal executive offices)  
(Zip Code)

(419) 783-8950

(Registrant's telephone number, including area code)

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(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

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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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerate 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 Shares, without par value	4,869,629 shares
(class)	(Outstanding at November 7, 2013)

SB FINANCIAL GROUP, INC.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

SB Financial Group, Inc.  
Condensed Consolidated Balance Sheets  
September 30, 2013 and December 31, 2012

(\$ in Thousands)	September 2013 (unaudited)	December 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 19,016	\$ 19,144
Securities available for sale, at fair value	86,620	98,702
Other securities - FRB and FHLB Stock	3,748	3,748
Total investment securities	90,368	102,450
Loans held for sale	2,407	6,147
Loans, net of unearned income	475,233	463,389
Allowance for loan losses	(7,120 )	(6,811 )
Net loans	468,113	456,578
Premises and equipment, net	12,399	12,633
Purchased software	320	330
Cash surrender value of life insurance	12,826	12,577
Goodwill	16,353	16,353
Core deposits and other intangibles	784	1,219
Foreclosed assets held for sale, net	1,430	2,367
Mortgage servicing rights	5,076	3,775
Accrued interest receivable	1,694	1,235
Other assets	2,626	3,426
Total assets	\$ 633,412	\$ 638,234
<b>LIABILITIES AND EQUITY</b>		
<b>Deposits</b>		
Non interest bearing demand	\$ 78,217	77,799
Interest bearing demand	124,860	117,289
Savings	61,899	57,461
Money market	78,406	80,381
Time deposits	178,161	194,071
Total deposits	521,543	527,001
Notes payable	680	1,702
Advances from Federal Home Loan Bank	16,000	21,000
Repurchase agreements	14,836	10,333
Trust preferred securities	20,620	20,620
Accrued interest payable	448	138

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Other liabilities	3,748	4,156
Total liabilities	577,875	584,950
Equity		
Preferred stock	-	-
Common stock	12,569	12,569
Additional paid-in capital	15,399	15,374
Retained earnings	28,846	25,280
Accumulated other comprehensive income	415	1,830
Treasury stock	(1,692 )	(1,769 )
Total equity	55,537	53,284
Total liabilities and equity	\$ 633,412	\$ 638,234

See notes to condensed consolidated financial statements (unaudited)

Note: The balance sheet at December 31, 2012 has been derived from the audited consolidated financial statements at that date

SB FINANCIAL GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME - (Unaudited)

(\$ in thousands, except share data)	Three Months Ended		Nine Months Ended	
	September 2013	September 2012	September 2013	September 2012
Interest income				
Loans				
Taxable	\$ 5,649	\$ 6,106	\$ 17,406	\$ 18,071
Nontaxable	14	21	54	68
Securities				
Taxable	305	383	931	1,185
Nontaxable	178	156	522	449
Total interest income	6,146	6,666	18,913	19,773
Interest expense				
Deposits	539	694	1,718	2,316
Other borrowings	11	17	37	49
Repurchase Agreements	2	11	7	139
Federal Home Loan Bank advances	83	92	257	241
Trust preferred securities	336	418	1,077	1,451
Total interest expense	971	1,232	3,096	4,196
Net interest income	5,175	5,434	15,817	15,577
Provision for loan losses	401	300	900	950
Net interest income after provision for loan losses	4,774	5,134	14,917	14,627
Noninterest income				
Trust fees	669	646	1,964	1,895
Customer service fees	659	677	1,914	1,976
Gain on sale of mtg. loans & OMSR's	1,356	1,572	4,290	4,148
Mortgage loan servicing fees, net	432	(192 )	1,029	(28 )
Gain on sale of non-mortgage loans	44	170	282	170
Data service fees	333	485	1,205	1,704
Net gain on sales of securities	28	-	48	-
Gain/(loss) on sale/disposal of assets	15	(151 )	(219 )	(257 )
Other income	174	201	584	589
Total non-interest income	3,710	3,408	11,097	10,197
Noninterest expense				
Salaries and employee benefits	3,343	3,597	10,470	10,693
Net occupancy expense	507	515	1,561	1,591
Equipment expense	701	722	2,159	2,145
FDIC insurance expense	98	91	301	528
Data processing fees	189	103	460	337
Professional fees	456	451	1,384	1,226
Marketing expense	135	85	335	278

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Printing and office supplies	49	39	246	184
Telephone and communication	156	151	472	434
Postage and delivery expense	199	223	623	652
State, local and other taxes	140	128	412	366
Employee expense	125	118	403	343
Other intangible amortization expense	129	157	435	472
OREO Impairment	-	-	33	58
Other expenses	335	345	1,018	965
Total non-interest expense	6,562	6,725	20,312	20,272
Income before income tax expense	1,922	1,817	5,702	4,552
Income tax expense	578	513	1,721	1,262
Net income	\$ 1,344	\$ 1,304	\$ 3,981	\$ 3,290
Common share data:				
Basic earnings per common share	\$ 0.28	\$ 0.27	\$ 0.82	\$ 0.68
Diluted earnings per common share	\$ 0.28	\$ 0.27	\$ 0.82	\$ 0.68

See notes to condensed consolidated financial statements (unaudited)

SB Financial Group, Inc.  
Consolidated Statements of Comprehensive Income (unaudited)

(\$'s in thousands)	Three Months Ended Sep. 30,		Nine Months Ended Sep. 30,	
	2013	2012	2013	2012
Net income	\$1,344	\$1,304	\$3,981	\$3,290
Other comprehensive (loss)/income:				
Available-for-sale investment securities:				
Gross unrealized holding (loss) gain arising in the period	(95 )	515	(2,096 )	1,014
Related tax benefit (expense)	33	(175 )	713	(345 )
Less: reclassification adjustment for (loss) realized in income	(28 )	-	(48 )	-
Related tax benefit	9	-	16	-
Net effect on other comprehensive (loss) income	(81 )	340	(1,415 )	669
Total comprehensive income	\$(1,263 )	\$1,644	\$2,566	\$3,959

See notes to condensed consolidated financial statements (unaudited)



SB Financial Group, Inc.  
Condensed Consolidated Statements of Changes in Stockholders Equity (Unaudited)

(\$'s in thousands)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, January 1, 2013	\$-	\$12,569	\$ 15,374	\$25,280	\$ 1,830	\$(1,769 )	\$53,284
Net Income				3,981			3,981
Other Comprehensive Loss					(1,415 )		(1,415 )
Dividends on Common Stk., \$0.85 per share				(415 )			(415 )
Stock options exercised			(27 )			77	51
Expense of stock option plan			52				52
Balance, September 30, 2013	\$-	\$12,569	\$ 15,399	\$28,846	\$ 415	\$(1,692 )	\$55,537
Balance, January 1, 2012	\$-	\$12,569	\$ 15,323	\$20,466	\$ 1,343	\$(1,769 )	\$47,932
Net Income				3,290			3,290
Other Comprehensive Income					669		669
Expense of stock option plan			39				39
Balance, September 30, 2012	\$-	\$12,569	\$ 15,362	\$23,756	\$ 2,012	\$(1,769 )	\$51,930

See notes to condensed consolidated financial statements (unaudited)

SB Financial Group, Inc.  
Condensed Consolidated Statements of Cash Flows (Unaudited)

(\$'s in thousands)	Nine Months Ended Sep. 30,	
	2013	2012
<b>Operating Activities</b>		
Net Income	\$3,981	\$3,290
Items (using)/providing cash		
Depreciation & amortization	813	941
Provision for loan losses	900	950
Expense of share-based compensation plan	52	39
Amortization of premiums and discounts on securities	755	970
Amortization of intangible assets	435	472
Amortization of originated mortgage servicing rights	699	973
Recapture of originated mortgage servicing rights impairment	(649 )	(419 )
Impairment of mortgage servicing rights	-	305
Proceeds from sale of loans held for sale	221,444	238,894
Originations of loans held for sale	(209,104)	(242,306)
Gain from sale of loans	(4,572 )	(4,318 )
Gain on sales of available for sale securities	(48 )	-
Loss on sale of foreclosed assets	121	254
Income from bank owned life insurance	(249 )	(267 )
OREO impairment	33	58
Changes in		
Interest receivable	(459 )	(196 )
Other assets	(3,694 )	1,783
Interest payable and other liabilities	(98 )	1,190
<b>Net cash provided by operating activities</b>	<b>10,360</b>	<b>2,613</b>
<b>Investing Activities</b>		
Purchase of available-for-sale securities	(21,494 )	(23,956 )
Purchase of Federal Home Loan Bank stock	-	(63 )
Proceeds from maturities of available-for-sale securities	23,278	34,730
Proceeds from sales of available-for-sale-securities	7,390	-
Net change in loans	(13,350 )	(14,255 )
Purchase of premises and equipment and software	(918 )	(942 )
Proceeds from sales or disposal of premises and equipment	315	701
Proceeds from sale of foreclosed assets	1,657	261
<b>Net cash used in investing activities</b>	<b>(3,122 )</b>	<b>(3,524 )</b>
<b>Financing Activities</b>		
Net increase in demand deposits, money market, interest checking and savings accounts	10,452	15,673
Net decrease in certificates of deposit	(15,910 )	(19,187 )
Net increase/(decrease) in securities sold under agreements to repurchase	4,503	(5,044 )
Proceeds from Federal Home Loan Bank advances	9,000	41,500
Repayment of Federal Home Loan Bank advances	(14,000 )	(35,776 )

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Proceeds from stock options exercised	26	-
Dividends on common stock	(415 )	-
Repayment of notes payable	(1,022 )	(813 )
Net cash used in financing activities	(7,366 )	(3,647 )
Decrease in Cash and Cash Equivalents	(128 )	(4,558 )
Cash and Cash Equivalents, Beginning of Year	19,144	14,846
Cash and Cash Equivalents, End of Period	\$19,016	\$10,289
Supplemental Cash Flows Information		
Interest paid	\$2,786	\$2,927
Income taxes paid	\$550	\$70
Transfer of loans to foreclosed assets	\$915	\$983

See notes to condensed consolidated financial statements (unaudited)

SB FINANCIAL GROUP, INC.  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE A—BASIS OF PRESENTATION

SB Financial Group, Inc. (the “Company”) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiaries, The State Bank and Trust Company (“State Bank”), RFCBC, Inc. (“RFCBC”), Rurbanc Data Services, Inc. dba RDSI Banking Systems (“RDSI”), Rurban Statutory Trust I (“RST I”), and Rurban Statutory Trust II (“RST II”). State Bank owns all the outstanding stock of Rurban Mortgage Company (“RMC”), Rurban Investments, Inc. (“RII”) and State Bank Insurance, LLC (“SBI”). Effective April 18, 2013, the Company changed its name from Rurban Financial Corp. to SB Financial Group, Inc.

The consolidated financial statements include the accounts of the Company, State Bank, RFCBC, RDSI, RMC, RII, and SBI. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present the financial position, results of operations and cash flows of the Company. Those adjustments consist only of normal recurring adjustments. Results of operations for the three and nine months ended September 30, 2013, are not necessarily indicative of results for the complete year.

The condensed consolidated balance sheet of the Company as of December 31, 2012 has been derived from the audited consolidated balance sheet of the Company as of that date.

For further information, refer to the consolidated financial statements and footnotes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE B—EARNINGS PER SHARE

Earnings per share (EPS) have been computed based on the weighted average number of shares outstanding during the periods presented. For the period ended September 30, 2013, share based awards totaling 95,070 common shares were not considered in computing diluted EPS as they were anti-dilutive. For the period ended September 30, 2012, share based awards totaling 302,474 common shares were not considered in computing diluted EPS as they were anti-dilutive. The average number of shares used in the computation of basic and diluted earnings per share were:

(shares in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
Basic earnings per share	4,867	4,862	4,865	4,862
Diluted earnings per share	4,881	4,862	4,877	4,862

## NOTE C - SECURITIES

The amortized cost and appropriate fair values, together with gross unrealized gains and losses, of securities at September 30, 2013 and December 31, 2012 were as follows:

(\$'s in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
Available-for-Sale Securities:				
September 30, 2013:				
U.S. Treasury and Government agencies	\$ 12,610	\$ 128	\$ (117 )	\$ 12,621
Mortgage-backed securities	53,026	573	(327 )	53,272
State and political subdivisions	18,966	660	(299 )	19,327
Money Market Mutual Funds	1,377	-	-	1,377
Equity securities	23	-	-	23
	\$ 86,002	\$ 1,361	\$ (743 )	\$ 86,620

(\$'s in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Securities:				
December 31, 2012:				
U.S. Treasury and Government agencies	\$ 14,301	\$ 210	\$ -	\$ 14,511
Mortgage-backed securities	62,661	1,136	(33 )	63,764
State and political subdivisions	16,789	1,462	(2 )	18,249
Money Market Mutual Funds	2,155	-	-	2,155
Equity securities	23	-	-	23
	\$ 95,929	\$ 2,808	\$ (35 )	\$ 98,702

The amortized cost and fair value of securities available for sale at September 30, 2013, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(\$'s in thousands)	Amortized Cost	Available for Sale Fair Value
September 30, 2013:		
Within one year		\$ 1,022
Due after one year through five years		1,387
Due after five years through ten years		10,950
Due after ten years		18,217
		31,576
Mortgage-backed securities, money market mutual funds & equity securities		54,426
Totals		\$ 86,002
		\$ 86,620

The fair value of securities pledged as collateral, to secure public deposits and for other purposes, was \$67.2 million at September 30, 2013 and \$49.8 million at December 31, 2012. The fair value of securities delivered for repurchase agreements was \$16.6 million at September 30, 2013 and \$16.2 million at December 31, 2012.

Gross gains of \$0.03 million and \$0.05 million resulting from sales of available-for-sale securities, were realized during the three and nine month periods ending September 30, 2013, respectively. The \$0.05 million gain on sale was a reclassification from accumulated other comprehensive income and is included in the net gain on sales of securities. The related \$0.02 million tax benefit is a reclassification from accumulated other comprehensive income and is included in the income tax expense line item in the income statement. There were no realized gains or losses from sales of available-for-sale securities for the three or nine month periods ending September 30, 2012.

Certain investments in debt securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments was \$25.9 million at September 30, 2013, and \$6.0 million at December 31, 2012, which was approximately 29.9 and 6.1 percent, respectively, of the Company's available-for-sale investment portfolio at such dates. Based on evaluation of available evidence, including recent changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

Securities with unrealized losses, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2013 and December 31, 2012 are as follows:

(\$ in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2013						
Available-for-Sale Securities:						
US Treasury and Government Agencies	\$3,995	\$ (117 )	\$-	\$ -	\$3,995	\$ (117 )
Mortgage-backed securities	17,027	(327 )	-	-	17,027	(327 )
State and political subdivisions	4,909	(299 )	-	-	4,909	(299 )
	\$25,931	\$ (743 )	\$-	\$ -	\$25,931	\$ (743 )

(\$ in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2012						
Available-for-Sale Securities:						
Mortgage-backed securities	\$5,202	\$ (33 )	\$342	\$ -	\$5,544	\$ (33 )
State and political subdivisions	229	(1 )	251	(1 )	480	(2 )
	\$5,431	\$ (34 )	\$593	\$ (1 )	\$6,024	\$ (35 )

During the quarter ended September 30, 2013, interest rates remained level from the quarter ended June 30, 2013. The increase in rates from December 31, 2012 resulted in higher unrealized losses in the investment portfolio. Specifically, at September 30, 2013, 29 bonds in the portfolio (25%) have an unrealized loss. The investment portfolio duration for the Company is in line with peer banks and the percentage decrease in value was in line with our estimates for this level of interest rate increase. In addition, management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concern warrants such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent of the Company to not sell the investment and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost. Management has determined there is no other-than-temporary-impairment on these

securities.

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#### NOTE D – LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoffs, are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, all loan classes are placed on non-accrual status not later than 90 days past due, unless the loan is well-secured and in the process of collection. All interest accrued, but not collected for loans that are placed on non-accrual or charged-off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the non-collectability of a loan balance is probable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as new information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected on the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that State Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration each of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial, agricultural, and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

When State Bank moves a loan to non-accrual status, total unpaid interest accrued to date is reversed from income. Subsequent payments are applied to the outstanding principal balance with the interest portion of the payment recorded on the balance sheet as a contra-loan. Interest received on impaired loans may be realized once all contractual principal amounts are received or when a borrower establishes a history of six consecutive timely principal and interest payments. It is at the discretion of management to determine when a loan is placed back on accrual status upon receipt of six consecutive timely payments.



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Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, State Bank does not separately identify individual consumer and residential loans for impairment measurements, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Categories of loans at September 30, 2013 and December 31, 2012 include:

(\$ in thousands)	Total Loans		Non-Accrual Loans		Non-Accrual Percentage			
	Sep.	Dec.	Sep.	Dec.	Sep.	Dec.		
	2013	2012	2013	2012	2013	2012	%	%
Commercial & Industrial	\$81,859	\$81,767	2,738	1,246	3.34	%	1.52	%
Commercial RE & Construction	209,739	201,392	642	782	0.31	%	0.39	%
Agricultural & Farmland	39,636	42,276	-	-	0.00	%	0.00	%
Residential Real Estate	96,477	87,859	1,837	2,631	1.90	%	2.99	%
Home Equity & Consumer	47,677	50,223	363	646	0.76	%	1.29	%
Other	133	148	-	-	0.00	%	0.00	%
Total loans	475,521	463,665	\$5,580	\$5,305	1.17	%	1.14	%
Less								
Net deferred loan fees, premiums and discounts	(288 )	(276 )						
Loans, net of unearned income	\$475,233	\$463,389						
Allowance for loan losses	\$(7,120 )	\$(6,811 )						

The following tables present the activity in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of September 30, 2013, December 31, 2012 and September 30, 2012.

(\$'s in thousands)	Commercial & Industrial	Commercial RE & Construction	Agricultural & Farmland	Residential Real Estate	Home Equity & Consumer	Other	Total
For the Three Months Ended September 30, 2013							
Beginning balance	\$ 1,547	\$ 3,059	\$ 180	\$ 1,183	\$ 947	\$ 97	\$ 7,013
Charge Offs	-	(53 )	-	(69 )	(185 )	-	(307 )
Recoveries	2	1	1	-	9	-	13
Provision	183	86	(4 )	22	114	-	401
Ending Balance	\$ 1,732	\$ 3,093	\$ 177	\$ 1,136	\$ 885	\$ 97	\$ 7,120

For the Nine Months Ended September 30, 2013