

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-03-31**
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COBANCORP INC

CIK: **745276** | IRS No.: **341465382** | State of Incorpor.: **OH** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-13166** | Film No.: **94529051**
SIC: **6022** State commercial banks

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ELYRIA OH 44035-2001*

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended March 31, 1994

Commission file number: 0-13166

CoBancorp Inc.
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

34-1465382
(IRS Employer
Identification No.)

124 Middle Avenue, Elyria, Ohio
(Address of principal executive offices)

44035
(Zip Code)

(216) 329-8000
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 periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

As of March 31, 1994, there were 3,274,083 outstanding common shares, with no par value, of the Registrant.

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COBANCORP INC.

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PART I. FINANCIAL INFORMATION

COBANCORP INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
MARCH 31, 1994

	March 31 1994	December 31 1993
ASSETS		
Cash and due from banks	\$ 27,522,213	\$ 29,051,488
Investment securities (market value \$143,755,000 at March 31, 1994 and \$156,485,000 at December 31, 1993)	142,511,717	152,933,745
Federal funds sold	100,000	3,000,000
Loans	298,281,202	289,448,687
Less allowance for loan losses	5,373,384	5,226,401
	-----	-----
Net loans	292,907,818	284,222,286
Bank premises and equipment	10,694,232	10,563,830
Accrued income and prepaid expenses	3,986,952	3,433,018
Other assets	9,010,174	8,596,377
	-----	-----
TOTAL ASSETS	\$486,733,106	\$491,800,744
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Demand--noninterest bearing	\$ 55,663,813	\$ 59,208,379
Demand--interest bearing	57,772,258	58,858,055
Savings and other time	312,926,356	309,519,183
	-----	-----
Total deposits	426,362,427	427,585,617
Short-term funds	17,026,668	20,245,028
Other liabilities	2,679,163	3,131,672
Employee stock ownership plan obligation	1,024,010	1,105,260
	-----	-----
Total liabilities	447,092,268	452,067,577
Shareholders' equity		
Capital stock, without par value 3,500,000 shares authorized 3,274,083 shares outstanding 3,268,488 at December 31, 1993	4,430,367	4,304,345
Capital surplus	16,623,320	16,623,320
Retained earnings	19,611,161	19,910,762
Employee stock ownership plan obligation	(1,024,010)	(1,105,260)

Total shareholders' equity	39,640,838	39,733,167
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$486,733,106	\$491,800,744

See notes to consolidated financial statements.

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COBANCORP INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
MARCH 31, 1994

	Three months ended March 31	
	1994	1993
Interest Income		
Loans (including fees)		
Taxable	\$6,187,532	\$5,573,228
Tax-exempt	40,194	46,107
Investment securities		
Taxable	1,289,233	2,367,333
Tax exempt	853,856	584,094
Federal funds sold	23,589	43,435
	-----	-----
Total interest income	8,394,404	8,614,197
Interest Expense		
Deposits	2,625,936	2,992,610
Short-term funds	116,995	192,765
	-----	-----
Total interest expense	2,742,931	3,185,375
	-----	-----
Net interest income	5,651,473	5,428,822
Provision for Loan and Real Estate Losses	125,000	600,000
	-----	-----
Net interest income after provision for loan and real estate losses	5,526,473	4,828,822
Other Income		
Service charges on deposit accounts	401,766	365,770
Trust fees	324,999	282,450
Other	130,923	201,672
Securities gains	291,131	140,716
	-----	-----
Total other income	1,148,819	990,608
Other Expenses		
Salaries, wages and benefits	2,313,056	1,898,123
Occupancy--net	358,196	301,750
Furniture and equipment	136,700	139,500
Taxes, other than income and payroll	156,308	132,875

FDIC insurance	239,196	219,549
Other	2,004,845	1,910,228
	-----	-----
Total other expenses	5,208,301	4,602,025
	-----	-----
Income before income taxes	1,466,991	1,217,405
Income Tax Expense	250,000	211,000
	-----	-----
Net Income	\$1,216,991	\$1,006,405
	=====	=====
Net Income Per Share	\$0.36	\$0.31
	=====	=====

See notes to consolidated financial statements.

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COBANCORP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
MARCH 31, 1994

	Three months ended March 31	
	1994	1993
Operating Activities		
Net income	\$ 1,216,991	\$ 1,006,405
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and real estate losses	125,000	600,000
Provision for depreciation and amortization	279,699	251,683
Amortization of premiums less accretion of discounts on securities	1,156	60,358
Realized securities (gains)	(291,131)	(140,716)
(Increase) in interest receivable	(304,889)	(215,980)
(Decrease) in interest payable	(20,327)	(115,487)
(Increase) decrease in other assets	(709,030)	102,985
Increase in other liabilities	127,011	159,366
	-----	-----
Net Cash Provided by Operating Activities	424,480	1,708,614
Investing Activities		
Proceeds from sales of investment securities	12,406,524	14,458,456
Paydowns and maturities of investment securities	7,490,121	11,003,840
Purchases of investment securities	(10,829,323)	(22,498,973)
Net decrease in credit card receivables	211,011	258,415
Net (increase) in longer-term loans	(9,021,544)	(6,731,386)
Purchases of premises and equipment, net of retirement	(363,913)	(205,646)

Net Cash (Used)		
by Investing Activities	(107,124)	(3,715,294)
Financing Activities		
Net (decrease) increase in demand deposits, NOW accounts and savings accounts	(3,571,955)	9,717,611
Net increase (decrease) in certificates of deposit	2,348,764	(4,956,105)
Net (decrease) increase in short-term funds	(3,218,360)	8,854,938
Cash dividends	(431,102)	(292,087)
Dividend investment plan	92,180	61,242
Long-term incentive plan	33,842	
	-----	-----
Net Cash (Used) Provided		
by Financing Activities	(4,746,631)	13,385,599
	-----	-----
(Decrease) Increase in		
Cash and Cash Equivalents	(4,429,275)	11,378,919
Cash and Cash Equivalents at Beginning of Period	32,051,488	28,968,842
	-----	-----
Cash and Cash Equivalents at		
End of Period	\$27,622,213	\$40,347,761
	=====	=====

See notes to consolidated financial statements.

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COBANCORP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 1994

NOTE A

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of CoBancorp Inc. and its wholly-owned subsidiary, PremierBank & Trust. All material intercompany accounts and transactions have been eliminated.

BASIS OF PRESENTATION: The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. It is the opinion of management that all adjustments made to the unaudited interim financial statements were of a normal recurring nature.

CASH EQUIVALENTS: For purposes of the Statements of Cash Flows, cash

equivalents include amounts due from banks and federal funds sold. Generally, federal funds are purchased and sold for periods of less than thirty days.

PER SHARE AMOUNTS: All per share amounts have been adjusted to reflect the four-for-three stock split in February 1994 and the four-for-three stock split in July 1993.

RECLASSIFICATIONS: Certain amounts in the 1993 consolidated financial statements have been reclassified to conform to the 1994 presentation.

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COBANCORP INC.
MARCH 31, 1994

ITEM 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations

The following discussion focuses on information about CoBancorp Inc.'s financial condition and results of operations which is not otherwise apparent from the consolidated financial statements attached.

EARNINGS RESULTS Net income increased 20.9 percent to \$1,217,000 for the first three months of 1994, from the \$1,006,000 earned in the same period

of 1993. Earnings per share increased to \$.36, up from \$.31 per share in the first three months of the prior year.

NET INTEREST INCOME The net interest margin on a fully taxable-equivalent basis was 5.50 percent for the first three months of 1994, compared to 5.46 percent one year ago. Net interest income for the first three months of 1996 amounted to \$6,112,000 compared to \$5,753,000 in 1993. These amounts reflect net interest income adjusted to a fully taxable-equivalent basis by recognizing the tax effect of interest earned on tax-exempt securities and loans.

The increase in net interest income of \$359,000 is attributable primarily to an increase in earning assets and to lower interest rates on interest-bearing deposits. These factors were partially offset by a decrease in the yield on earning assets and, to a lesser extent, an increase in interest-bearing deposits.

The following table sets forth for the periods indicated a summary of the changes in interest income and interest expense on a fully taxable-equivalent basis resulting from changes in volume and changes in rates for the major components of interest-earning assets and interest-bearing liabilities:

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<TABLE>
SUMMARY OF NET INTEREST INCOME CHANGES
(RATE/VOLUME VARIANCE)
Three months ended 3/31/94 vs. 3/31/93
(in thousands of dollars)
<CAPTION>

CDs over \$100,000 (regular)			4,612	4.16	8,036	4.06	
(34)	2	(1)	(33)				
CDs over \$100,000 (public fund)			10,719	3.16	16,804	3.08	
(46)	3	(1)	(44)				
IRAs			30,089	4.36	27,143	5.22	38
(58)	(6)	(26)					
Short-term funds:							
Repurchase agreements			3,156	2.68	15,278	3.15	
(94)	(18)	14	(98)				
Federal funds purchased			748	3.52	78	3.62	6
			6				
Sweep accounts			12,513	2.98	7,796	2.84	
1		2					
Notes payable TT&L			3,216	2.12	3,146	2.66	31
(11)	(6)	14					
			-----		-----		-----
TOTAL INTEREST-BEARING LIABILITIES							
			383,940	2.90	373,067	3.46	67
(473)	(37)	(443)					

NET INTEREST INCOME							
				5.50		5.46	\$ 544
\$ (277)	\$ 92	\$ 359					=====
			=====				

YTD FTE net interest income (current year)	\$ 6,112
YTD FTE net interest income (prior year)	5,753

Change in FTE net interest income	\$ 359
	=====

<FN>
Presented on a fully-taxable equivalent basis, using year-to-date average balances.
</TABLE>

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<TABLE>
The trends in various components of the balance sheet and their respective yields and rates which affect interest income and expense are shown in the following table:

AVERAGE CONSOLIDATED BALANCE SHEETS, NET INTEREST INCOME AND RATES
<CAPTION>

		Three Months Ended March 31, 1994		Three
				Months Ended March 31, 1993
Average	Interest	Average	Interest	
		Daily	(Annual- Yield/	Daily

(Annual- Balance <S> <S>	Yield/ ized) Rate <S> <S>	Balance <S>	ized) <S>	Rate <S>	<S>
ASSETS					
Interest-earning assets:					
Loans (including fees) (1)					
Taxable		\$290,247	\$24,812	8.55%	
\$244,026	\$22,603			9.26%	
Tax-exempt (2)		3,954	243	6.15	
4,489	279			6.22	
Investment securities					
Taxable		82,106	5,165	6.29	
129,736	9,373			7.22	
Tax-exempt (2)		63,942	5,175	8.09	
40,540	3,686			9.09	
Federal funds sold		3,077	94	3.07	
5,911	176			2.98	
Total interest-earning		-----	-----		
-----	-----				
assets (2)		443,326	35,849	8.01	
424,702	36,117			8.50	
Noninterest-earning assets:					
Cash and due from banks		23,159			
21,877					
Bank premises and equipment		10,595			
8,315					
Other assets		11,994			
12,074					
Less allowance for loan losses		(5,291)			
(5,347)					

TOTAL ASSETS		\$483,783			
\$461,621		=====			
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing liabilities:					
Interest-bearing transaction accounts					
\$ 54,935	\$ 1,125			2.05	\$
51,270	\$ 1,321			2.58	
Savings		174,547	4,145	2.37	
150,902	4,448			2.95	
Time deposits		134,825	5,379	3.99	
144,598	6,367			4.40	
Short-term funds		19,633	472	2.40	
26,298	782			2.97	
Total interest-bearing		-----	-----		

liabilities	383,940	11,121	2.90
373,068	12,918	3.46	
Noninterest-bearing liabilities:			
Demand deposits	55,471		
48,749			
Other liabilities	4,731		
5,326			
Shareholders' equity	39,641		
34,478			
TOTAL LIABILITIES AND			
SHAREHOLDERS' EQUITY	\$483,783		
\$461,621			
NET INTEREST INCOME		\$24,368	
\$23,199			
NET YIELD/RATE ON INTEREST-EARNING ASSETS (2)			5.50%
			5.46%

<FN>

- (1) Nonaccrual loans are included in average loan balance.
- (2) Presented on a fully tax equivalent basis using a tax rate of 34%.

Average interest-earning assets were \$443,326,000 and \$424,702,000 for the first three months of 1994 and 1993, respectively.

</TABLE>

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NET OTHER EXPENSES Total net other expense (total other expense less total other income) has increased \$448,000, to \$4,059,000 for the first three months of 1994, compared to \$3,611,000 the previous year. Salaries, wages and benefits, occupancy, and taxes other than income and payroll have increased compared to last year. The Corporation has also experienced increases in professional fees, insurance expense (including FDIC insurance) and data processing costs. These increased expenses have been partially offset by a decrease in the provision for loan losses. Expense containment remains a focus of the bank, in addition to enhancing productivity.

NONPERFORMING LOANS Nonaccrual loans were slightly above year-end 1993 levels, and at March 31, 1994, totaled \$1,438,000, compared to \$1,318,000 at December 31, 1993. The category of accruing loans past due 90 days or more totaled \$157,000 at March 31, 1994, and \$141,000 at December 31, 1993. The balance in the allowance for loan losses was \$5,373,000 at March 31, 1994, compared to \$5,226,000 at December 31, 1993.

Except for installment and credit cards, loans on which interest and/or principal is 90 days or more past due are placed on nonaccrual status and any previously accrued but uncollected interest is reversed from income. Such loans remain on a cash basis for recognition of income until both interest and principal are current. Installment and credit card loans past due greater than 120 days are charged off and previously accrued but uncollected interest is reversed from income.

The following table summarizes nonaccrual, past due and restructured loans (in thousands of dollars).

	March 31 1994	December 31 1993
Accruing loans past due 90 days or more as to principal or interest:		
Loans secured by real estate	\$ 84	\$ 58
Loans to individuals	73	57
Commercial and industrial loans		26
	-----	-----
	\$ 157	\$ 141
	=====	=====
Nonaccrual loans:		
Loans secured by real estate	\$ 702	\$ 518
Commercial and industrial loans	19	77
All other	717	723
	-----	-----
	\$1,438	\$1,318
	=====	=====
Restructured loans included above:		
Commercial and collateral	\$ 0	\$ 0
	=====	=====

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ALLOWANCE FOR LOAN LOSSES AND LOAN CHARGE-OFFS In determining the adequacy of the allowance for loan losses, management evaluates past loan loss experience, present and anticipated economic conditions and the credit worthiness of its borrowers. The allowance for loan losses is increased by provisions charged against income and recoveries of loans previously charged off. The allowance is decreased by loans that are determined uncollectible by management and charged against the allowance.

Potential problem loans are those loans which are on the Bank's "watch

list." These loans exhibit characteristics that could cause the loans to become nonperforming or require restructuring in the future. This "watch list" is reviewed monthly and adjusted for changing conditions.

At the end of the first three months, the allowance for loan losses as a percentage of loans was 1.80 percent in 1994, and 2.17 percent in 1993. The provision for loan losses was \$125,000 in the three months ended March 31, 1994, and \$500,000 for the same period of 1993. Additionally, \$100,000 was provided in the first quarter of 1993 to establish an allowance for possible losses in other real estate owned.

The following table contains information relative to loan loss experience for the three months ended March 31, 1994, and the year ended December 31, 1993.

	Three months ended March 31, 1994	Year ended December 31, 1993
Allowance for loan losses at beginning of period	\$5,226	\$5,215
Loans charged off:		
Real estate	7	198
Installment	71	471
Credit card	12	91
Other		2
Commercial and collateral	11	1,384
	-----	-----
	101	2,146
Recoveries on loans charged off:		
Real estate	5	51
Installment	60	330
Credit card	4	16
Other		12
Commercial and collateral	54	928
	-----	-----
	123	1,337
	-----	-----
Net loans charged off	(22)	809
Provision for loan losses	125	820
	-----	-----
Allowance for loan losses at end of period	\$5,373	\$5,226
	=====	=====
Ratio of allowance for loan losses to total loans at end of period	1.80%	1.81%
	=====	=====

CAPITAL At March 31, 1994, the Corporation's Tier 1 leverage ratio was 8.16

percent. The Corporation's risk-based capital ratios based on Federal Reserve Board guidelines were as follows:

Tier 1 "core" capital to risk-weighted assets	13.53 percent
Total capital to risk-weighted assets	14.79 percent

These ratios substantially exceed the minimums which are in effect for bank holding companies after the end of 1992.

Return on average assets was 0.98 percent for the first quarter of 1994, compared to 0.87 percent for the same period in 1993. Return on average equity was 11.97 percent for the first three months of 1994, compared to 11.68 percent for the first three months of 1993.

PART II. OTHER INFORMATION

Except as set forth below, the items of Part II are inapplicable or the answers thereto are negative and, accordingly, no reference is made to said items in this report.

Item 4--Submission of matters to a vote of security holders

None.

Item 6--Exhibits and Reports on Form 8-K

- (a) No exhibits were required to be filed as part of this report.
- (b) The registrant was not required to file any reports on Form 8-K during the quarter ended March 31, 1994.

COBANCORP INC.
MARCH 31, 1994

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COBANCORP INC.
(Registrant)

5/11/94
Date

Timothy W. Esson
Executive Vice President

