

CNB FINANCIAL CORP/PA  
Form S-4/A  
July 17, 2013  
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As filed with the Securities and Exchange Commission on July 17, 2013

Registration No. 333-189177

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**CNB Financial Corporation**

(Exact name of registrant as specified in its charter)

<b>Pennsylvania</b> (State or other jurisdiction of incorporation or organization)	<b>6022</b> (Primary Standard Industrial Classification Code Number) <b>CNB Financial Corporation</b>  <b>1 South Second Street</b>  <b>PO Box 42</b>  <b>Clearfield, Pennsylvania 16830</b>  <b>(814) 765-9621</b>	<b>25-1450605</b> (I.R.S. Employer Identification Number)
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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Joseph B. Bower, Jr.**  
**President and Chief Executive Officer**  
**CNB Financial Corporation**  
**1 South Second Street**  
**PO Box 42**  
**Clearfield, Pennsylvania 16830**  
**(814) 765-9621**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*With copies to:*

**Richard A. Schaberg, Esq.**  
**Gregory F. Parisi, Esq.**  
**Hogan Lovells US LLP**  
**555 Thirteenth Street, NW**

**Kimberly J. Schaefer, Esq.**  
**Vorys, Sater, Seymour and Pease LLP**  
**301 East Fourth Street, Suite 3500**  
**Great American Tower**

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Columbia Square

Cincinnati, Ohio 45202

Washington, D.C. 20004

(513) 723-4068

(202) 637-5910

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)   
Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

**CALCULATION OF REGISTRATION FEE**

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common Stock, no par value per share	2,339,497	\$26,270,148	\$3,583.25

- (1) Represents the estimated maximum number of shares of CNB Financial Corporation common stock that may be issued upon the completion of the merger described herein. This registration statement also relates to an indeterminate number of shares of CNB Financial Corporation common stock that may be issued upon stock splits, stock dividends or similar transactions in accordance with Rule 416 under the Securities Act.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(f)(2) and (f)(3) of the Securities Act, the proposed maximum aggregate offering price of the registrant's

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common stock was computed by (a) multiplying (i) the book value as of May 31, 2013, of the common stock of FC Banc Corp. to be exchanged or cancelled in connection with the merger, which equaled \$24.65, by (ii) 1,408,587, representing the maximum number of shares of FC Banc Corp. common stock expected to be exchanged or cancelled in connection with the merger, and (b) from that total (\$34,721,670) subtracting \$8,451,522, representing the estimated amount of cash to be paid to the shareholders of FC Banc Corp.

- (3) The registrant previously paid \$3,583.25 in connection with the initial filing of this Registration Statement.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION DATED July 17, 2013**

**PROXY STATEMENT/PROSPECTUS**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On March 26, 2013, the boards of directors of CNB Financial Corporation, or CNB, and FC Banc Corp., or FC, each unanimously approved a merger agreement between CNB and FC pursuant to which FC will merge with and into CNB, with CNB surviving the merger.

FC is holding a special meeting for its shareholders to vote on the proposals necessary to complete the merger. The merger cannot be completed unless the holders of a majority of the shares of FC common stock outstanding and entitled to vote at FC's special meeting vote to adopt the merger agreement.

The special meeting of FC shareholders will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

Under the terms and conditions of the merger, the shareholders of FC, as of the record date, will be able to elect to receive either (i) \$30.00 in cash or (ii) 1.754 shares of CNB common stock for each share of FC common stock they own. Each FC shareholder's election is subject to proration provisions described in this proxy statement/prospectus that may modify the shareholder's election to ensure that no more than 20% of the outstanding shares of FC common stock (including any dissenters' shares but excluding shares of FC common stock to be canceled in connection with the merger) are exchanged for cash. The value of the stock consideration will depend on the market price of CNB common stock on the effective date of the merger. FC shareholders will also receive cash in lieu of any fractional shares they would have otherwise received in the merger. CNB expects to issue up to 2,339,497 shares of its common stock in the merger. CNB common stock is listed on the NASDAQ Global Select Market under the symbol **CCNE** and FC common stock is quoted on the OTC Bulletin Board under the symbol **FCBZ**. On \_\_\_\_\_, 2013, the last practicable trading day before the printing of the attached proxy statement/prospectus, the closing price of CNB common stock was \$ \_\_\_\_\_ per share and the closing price of FC common stock was \$ \_\_\_\_\_ per share. These prices may fluctuate between now and the closing of the merger. We urge you to obtain current market quotations for both CNB and FC common stock.

**Your vote is important regardless of the number of shares you own.** Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card as soon as possible to make sure your shares are represented at the special meeting. If you hold shares through a bank or broker, please use the voting instructions you have received from your bank or broker. If you submit a properly signed proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** each of the proposals being voted on at FC's special meeting. The failure to vote by submitting your proxy or attending FC's special meeting and voting in person will have the same effect as a vote against adoption of the merger agreement.

The accompanying document serves as the proxy statement for FC's special meeting and as the prospectus for the shares of CNB common stock to be issued in the merger. This proxy statement/prospectus describes the FC special meeting, the merger, the documents related to the merger and other related matters. Please carefully review and consider this proxy statement/prospectus. **Please give particular attention to the discussion under the heading Risk Factors beginning on page 22 for risk factors relating to the transaction that you should consider.**

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**FC's board of directors unanimously recommends that shareholders vote FOR the adoption of the merger agreement, and FOR the approval of the adjournment of the special meeting, if necessary, in order to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.**

Sincerely,

Robert D. Hord  
Chairman of the Board of Directors

**Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the securities to be issued in the merger or determined if the attached proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**The shares of CNB common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.**

This proxy statement/prospectus is dated \_\_\_\_\_, 2013, and is first being mailed to FC shareholders on or about \_\_\_\_\_, 2013.

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**105 Washington Square**

**Bucyrus, Ohio 44820**

**(419) 562-7040**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

A special meeting of shareholders of FC Banc Corp., or FC, will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time, for the following purposes:

1. to consider and vote upon a proposal to adopt the Agreement and Plan of Merger by and between CNB Financial Corporation, or CNB, and FC, dated as of March 26, 2013, pursuant to which FC will merge with and into CNB with CNB surviving; and
2. to consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to adopt the merger agreement.

The merger agreement and proposed merger of FC with and into CNB is more fully described in the attached document, which you should read carefully in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached proxy statement/prospectus.

The board of directors of FC has established the close of business on \_\_\_\_\_, 2013, as the record date for the special meeting. Only record holders of FC common stock as of the close of business on that date will be entitled to notice of and vote at the special meeting or any adjournment or postponement of that meeting. A list of shareholders entitled to vote at the special meeting will be available for review at the special meeting upon request by any FC shareholder entitled to vote at the special meeting. The affirmative vote of holders of a majority of the shares of FC common stock outstanding and entitled to vote at the special meeting is required to adopt the merger agreement.

Your vote is important, regardless of the number of shares that you own. **Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope.** Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy or if you abstain from voting or do not instruct your broker as to how to vote, if applicable, the effect will be a vote **AGAINST** adoption of the merger agreement.

**The FC board of directors unanimously recommends that you vote FOR adoption of the merger agreement and FOR the approval of the adjournment proposal as described above.**

By Order of the Board of Directors,

Jennifer S. Gingery  
Secretary

Bucyrus, Ohio

\_\_\_\_\_, 2013

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**ADDITIONAL INFORMATION**

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about CNB from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from CNB at the following address and telephone number:

**CNB Financial Corporation**

1 South Second Street

P.O. Box 42

Clearfield, Pennsylvania 16830

Attention: Richard L. Greslick, Jr.

(814) 765-9621

[www.bankcnb.com](http://www.bankcnb.com)

( *Investor Relations* tab)

**To obtain timely delivery, you must request the information no later than five business days before the FC special meeting. This means that you must make your request no later than , 2013.**

For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, see *Where You Can Find More Information* beginning on page 115.

The accompanying proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the proxy statement/prospectus, including any documents incorporated by reference into the proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions or need assistance voting your shares, please contact FC at the address or telephone number listed below:

**FC Banc Corp.**

105 Washington Square

Bucyrus, Ohio 44820

Attention: Coleman J. Clougherty

(419) 562-7040

**Please do not send your stock certificates at this time. You will be sent separate instructions regarding the surrender of your stock certificates.**



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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE FC SPECIAL MEETING**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the FC special meeting. These questions and answers may not address all questions that may be important to you as an FC shareholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this proxy statement/prospectus.*

**Q: Why am I receiving this proxy statement/prospectus?**

A: CNB and FC have agreed to the acquisition of FC by CNB under the terms of the merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. In order to complete the merger, FC shareholders must vote to adopt the merger agreement. FC will hold a special meeting of shareholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the special meeting of FC shareholders and other related matters, and you should read it carefully. The enclosed voting materials for the FC special meeting allow you to vote your shares of common stock without attending the special meeting in person.

We are delivering this proxy statement/prospectus to you as both a proxy statement of FC and a prospectus of CNB. It is a proxy statement because the board of directors of FC is soliciting proxies from FC shareholders to vote on the adoption of the merger agreement at the FC special meeting of shareholders and adjournments of the special meeting, if necessary, for the purpose of soliciting additional proxies in favor of the foregoing proposal. Your proxy will be used at the FC special meeting or at any adjournment or postponement of that special meeting. It is also a prospectus because CNB will issue CNB common stock to FC shareholders who elect to receive shares of CNB common stock as consideration in the merger, and this prospectus contains information about that common stock.

**Q: What will happen in the merger?**

A: In the proposed merger, FC will merge with and into CNB, with CNB being the surviving entity. Following the merger, The Farmers Citizens Bank, or FC Bank, FC's principal subsidiary, will be merged with and into CNB Bank, CNB's principal subsidiary, with CNB Bank being the surviving entity.

**Q: What are the proposals on which I am being asked to vote?**

A: You are being asked to vote on the following proposals: (i) to adopt the merger agreement and (ii) to approve one or more adjournments of the special meeting, if necessary, for the purpose of soliciting additional proxies in favor of the proposal to adopt the merger agreement.

**Q: What will I receive in the merger?**

A: If the merger agreement is adopted and the merger is subsequently completed, FC shareholders will be entitled to receive for each of their shares of FC common stock either (i) \$30.00 in cash, without interest, or (ii) 1.754 shares of CNB common stock.

You will have the opportunity to elect the form of consideration to be received for your shares, subject to proration and allocation procedures set forth in the merger agreement and described in this proxy statement/prospectus which may result in your receiving a portion of the merger consideration in a form other than that which you elected.

CNB may opt to increase the exchange ratio in specific circumstances where FC could otherwise terminate the merger agreement and likewise, FC may opt to decrease the exchange ratio in specific circumstances where CNB could otherwise terminate the merger agreement. For more information regarding these termination rights and the adjustments that may result to the merger consideration, see The Merger Termination of

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the Merger Agreement on page 93 for more information.

The value of the stock consideration is dependent upon the value of CNB common stock and, therefore, will fluctuate with the market price of CNB common stock. Accordingly, any change in the price of CNB common stock prior to the merger will affect the market value of the stock consideration that FC shareholders may elect to receive as a result of the merger.

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**Q: What will happen to shares of CNB common stock in the merger?**

A: Each share of CNB common stock outstanding held by CNB shareholders immediately before the merger will continue to represent one share of CNB common stock after the effective time. Accordingly, CNB shareholders will receive no consideration in the merger and the merger will not change the number of shares a CNB shareholder currently owns.

However, after the merger, the current shareholders of CNB as a group will own a smaller percentage of ownership of the combined company than such shareholders' percentage ownership of CNB before the merger. Based on the weighted average number of shares of common stock of CNB outstanding at March 31, 2013, the current shareholders of CNB and the current shareholders of FC, each as a group, will own 87% and 13%, respectively, of the combined company following the consummation of the transaction.

**Q: Will I receive any fractional shares of CNB common stock as part of the merger consideration?**

A: No. CNB will not issue any fractional shares of CNB common stock in the merger. Instead, CNB will pay you the cash value of a fractional share measured by the average of the daily closing prices of CNB common stock on The NASDAQ Global Select Market for the five consecutive trading days immediately preceding, but not including, the trading day immediately prior to the closing date of the merger.

**Q: Is there a termination fee potentially payable under the merger agreement?**

A: Yes. Under certain circumstances, FC may be required to pay CNB a termination fee if the merger agreement is terminated. See The Merger Agreement Termination Fee on page 95 for more information.

**Q: How do I make an election with respect to my shares of FC common stock?**

A: Each FC shareholder will receive an election form, which you should complete and return according to the instructions printed on the form. The election deadline will be 5:00 p.m., New York City time, on \_\_\_\_\_, 2013, the date prior to the date of the special meeting, or the election deadline. A copy of the election form is being mailed under separate cover on or about the date of this proxy statement/prospectus. If you do not send in the election form by the deadline, you will be deemed not to have made an election and you may be paid CNB common stock. See The Merger Agreement Election Procedures on page 81 for more information.

**Q: Can I change or revoke my election with respect to my shares of FC common stock?**

A: You may change your election at any time prior to the election deadline by submitting to Registrar and Transfer Company written notice accompanied by a properly completed and signed, revised election form. Shareholders will not be entitled to change or revoke their elections following the election deadline. All elections will be revoked automatically if the merger agreement is terminated.

**Q: What if I hold options to purchase shares of FC common stock or restricted stock awards?**

A: Immediately prior to the effective time, each outstanding and unexercised option (whether vested or unvested) granted by FC will, by reason of the merger, be canceled and converted into the right to receive in cash an amount (subject to required tax withholdings) equal to the product of (i) the excess, if any, of the cash consideration per share over the exercise price per share of each such option and (ii) the

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number of shares of FC common stock subject to the option. FC will make the payments in respect of such canceled options immediately prior to the effective time of the merger. Any options which vest in the ordinary course and are properly exercised prior to the effective time will have the right to receive merger consideration on the same terms as all other outstanding shares of FC common stock. At the effective time, all outstanding unvested shares of FC common stock granted in the form of restricted stock awards made by FC will become vested rights to receive the merger consideration on the same terms as all other outstanding shares of FC common stock.

**Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of FC common stock?**

A: The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, it is expected that a U.S. holder of shares of FC common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash (if any) received as part of the merger consideration but will recognize gain or loss (1) if such holder received the entirety of its consideration in cash or (2) with respect to any cash received in lieu of fractional shares of CNB common stock. See Material U.S. Federal Income Tax Consequences of the Merger beginning on page 72.

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Tax matters are very complicated, and the tax consequences of the merger to each U.S. holder of FC common stock may depend on such holder's particular facts and circumstances. Holders of FC common stock are urged to consult with their tax advisors to fully understand the tax consequences of the merger.

**Q: Will I be able to trade the shares of CNB common stock that I receive in the merger?**

A: You may freely trade the shares of CNB common stock issued in the merger, unless you are an affiliate of CNB as defined by Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or are under the common control with CNB and include the executive officers and directors and may include significant shareholders of CNB.

**Q: What are the conditions to completion of the merger?**

A: The obligations of CNB and FC to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals and tax opinions, and the adoption of the merger agreement by the shareholders of FC.

**Q: When do you expect the merger to be completed?**

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining required regulatory approvals and the adoption of the merger agreement by FC shareholders at FC's special meeting. While we expect the merger to be completed no later than the fourth quarter of 2013, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

**Q: What FC shareholder approval is required to complete the merger?**

A: The merger cannot be completed unless the holders of a majority of the shares of FC common stock outstanding and entitled to vote at the FC special meeting vote to adopt the merger agreement.

**Q: Are there any FC shareholders already committed to voting in favor of the merger agreement?**

A: Yes. FC's Chairman, Robert D. Hord, and directors Patrick D. Hord and Richard H. Thut entered into voting agreements with CNB requiring them to vote all of their shares in favor of adoption of the merger agreement. As of the record date, Messrs. Hord, Hord and Thut held \_\_\_\_\_ ; \_\_\_\_\_ and \_\_\_\_\_ shares of FC common stock, respectively, which collectively represented approximately \_\_\_\_\_ %, \_\_\_\_\_ % and \_\_\_\_\_ % of the outstanding shares of FC common stock on the record date.

**Q: When and where is the FC special meeting?**

A: The special meeting of shareholders of FC will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Q: What will happen at the FC special meeting?**

A: At the special meeting, FC shareholders will consider and vote upon the proposal to adopt the merger agreement. If, at the time of the FC special meeting, there are not sufficient votes for the shareholders to adopt the merger agreement, you may be asked to consider and vote upon a proposal to adjourn such special meeting, so that additional proxies may be collected.

**Q: Who is entitled to vote at the FC special meeting?**

A: All holders of FC common stock who held shares at the close of business on \_\_\_\_\_, 2013, which is the record date for the special meeting of FC shareholders, are entitled to receive notice of and to vote at the FC special meeting. Each holder of FC common stock is entitled to one vote for each share of FC common stock owned as of the record date.

**Q: What constitutes a quorum for the FC special meeting?**

A: The quorum requirement for the FC special meeting is the presence in person or by proxy of the holders of at least a majority of the total number of outstanding shares of FC common stock entitled to vote.



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**Q: How does the board of directors of FC recommend I vote?**

A: After careful consideration, the FC board of directors unanimously recommends that all of the FC shareholders vote **FOR** adoption of the merger agreement, and **FOR** the adjournment proposal, if necessary.

**Q: Are there any risks that I should consider in deciding whether to vote for adoption of the merger agreement?**

A: Yes. You should read and carefully consider the risk factors set forth in the section in this proxy statement/prospectus entitled Risk Factors beginning on page 15 as well as the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed in the section of this proxy statement/prospectus titled Information Regarding Forward-Looking Statements on page 26.

**Q: What do I need to do now?**

A: You should carefully read and consider the information contained in or incorporated by reference into this proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, CNB and FC. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope as soon as possible so that your shares will be represented and voted at the FC special meeting.

**Q: How may I vote my shares for the special meeting proposals presented in this proxy statement/prospectus?**

A: You may vote by completing, signing, dating and returning the proxy card in the enclosed postage-paid envelope as soon as possible. This will enable your shares to be represented and voted at the FC special meeting. You can also choose to attend the special meeting and vote your shares in person instead of completing and returning a proxy card.

**Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

A: No. Your broker, bank or other nominee *will not* vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this proxy statement/prospectus.

**Q: How will my shares be represented at the special meeting?**

A: At the FC special meeting, the officers named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as the FC board of directors recommends, which is, (1) **FOR** the adoption of the merger agreement and (2) **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt the merger agreement at the time of the special meeting.

**Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?**

A: If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares FC common stock and you do not attend the FC special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote **AGAINST** adoption of the merger agreement, but will have no impact on the outcome of the other proposal.

**Q: Can I attend the FC special meeting and vote my shares in person?**

A: Yes. Although the FC board of directors requests that you return the proxy card accompanying this proxy statement/prospectus, all FC shareholders are invited to attend the special meeting. Shareholders of record on , can vote in person at the FC special meeting. If your shares are held by a broker, bank or other nominee, then you are not the shareholder of record and you must bring to the special meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the special meeting.

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**Q: Can I change my vote after I have submitted my proxy?**

A: Yes. If you do not hold your shares in street name, there are three ways you can change your vote at any time after you have submitted your proxy and before your proxy is voted at the special meeting:

you may deliver a written notice bearing a date later than the date of your proxy card to FC's Secretary at the address listed below, stating that you revoke your proxy;

you may submit a new signed proxy card bearing a later date (any earlier proxies will be revoked automatically); or

you may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation to FC at:

FC Banc Corp.

105 Washington Square

Bucyrus, Ohio 44820

Attn: Jennifer S. Gingery, Secretary

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

**Q: What happens if I sell my shares after the record date but before the special meeting?**

A: The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares after the record date for the FC special meeting, but before the date of the FC special meeting, you will retain your right to vote at the FC special meeting, but you will not have the right to receive the merger consideration to be received by FC's shareholders in the merger. In order to receive the merger consideration, an FC shareholder must hold his or her shares through completion of the merger.

**Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?**

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: Are FC shareholders entitled to seek appraisal or dissenters' rights if they do not vote in favor of the adoption of the merger agreement?**

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A: Under Ohio law, holders of shares of FC common stock that meet certain requirements will have the right to dissent from the merger and obtain payment in cash for the fair value of their shares of FC common stock. To exercise appraisal rights, FC shareholders must strictly follow the procedures prescribed by Ohio law. These procedures are summarized under the section entitled "The Merger Dissenters Appraisal Rights" beginning on page 77. In addition, the text of the applicable appraisal rights provisions of Ohio law is included as Annex B to this proxy statement/prospectus.

**Q: Should FC shareholders send in their stock certificates now?**

A: No. Following the completion of the merger, FC shareholders will receive a letter of transmittal and instructions for surrendering their stock certificates in exchange for merger consideration. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card or with your form of election.

**Q: Will a proxy solicitor be used?**

A: No.

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**Q: Where can I find more information about the companies?**

A: You can find more information about CNB and FC from the various sources described under **Where You Can Find More Information** beginning on page 115.

**Q: Whom should I call with questions?**

A: If you have any questions concerning the merger, the other meeting matters or the proxy statement/prospectus, or need assistance voting your shares, please contact FC at the address or telephone number listed below:

FC Banc Corp.

105 Washington Square

Bucyrus, Ohio 44820

Attention: Coleman J. Clougherty

(419) 562-7040

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**SUMMARY**

*This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* beginning on page 122. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail.*

**The Companies**

***CNB Financial Corporation***

CNB Financial Corporation, or CNB, is a financial holding company that conducts business primarily through CNB Bank, CNB's principal subsidiary. CNB Bank is a full-service bank engaging in a full range of banking activities and services, including trust and wealth management services, for individual, business, governmental, and institutional customers. CNB Bank operations include Wealth and Asset Management, a private banking division and 29 full-service offices in Pennsylvania, including ERIEBANK, a division of CNB Bank.

At March 31, 2013, CNB had \$1.8 billion in assets, \$1.5 billion in deposits and \$146 million of shareholders' equity.

CNB's principal executive offices are located at 1 South Second Street, P.O. Box 42, Clearfield, Pennsylvania 16830, its phone number is (814) 765-9621 and its website is www.bankcnb.com. Information that is included in CNB's website does not constitute part of this proxy statement/prospectus.

***FC Banc Corp.***

FC Banc Corp., or FC, is the holding company for The Farmers Citizens Bank, or FC Bank. Since 1907, FC Bank has had a tradition of being a locally owned bank proudly serving its customers. With offices in Bucyrus, Cardington, Fredericktown, Mount Hope, Upper Arlington, Shiloh and Worthington, FC Bank is a Federal Deposit Insurance Corporation member and an Equal Housing Lender.

At March 31, 2013, FC had \$374.4 million in assets, \$334.6 million in deposits, and \$33.3 million of shareholders' equity.

FC's principal executive offices are located at 105 Washington Square, Bucyrus, Ohio 44820. FC's telephone number is (419) 562-7040 and its website is www.farmerscitizensbank.com. Information that is included in FC's website does not constitute part of this proxy statement/prospectus.

**The Special Meeting of Shareholders of FC**

***Date, Time and Place of the Special Meeting (Page 52)***

FC will hold its special meeting of shareholders at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

***Purpose of the Special Meeting (Page 52)***

At the special meeting you will be asked to vote upon a proposal to adopt the merger agreement and, if necessary, a proposal to approve one or more adjournments of the special meeting.

***Recommendation of FC Board of Directors (Page 52)***

The FC board of directors unanimously recommends that you vote **FOR** adoption of the merger agreement and **FOR** approval of the proposal to adjourn the special meeting.

***Record Date; Outstanding Shares; Shares Entitled to Vote (Page 52)***

Only holders of record of FC common stock at the close of business on the record date of \_\_\_\_\_, 2013, are entitled to notice of and to vote at the special meeting. As of the record date, there \_\_\_\_\_ were shares of FC common stock outstanding, held of record by approximately \_\_\_\_\_.

shareholders.

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### ***Quorum; Vote Required (Page 52)***

A quorum of FC shareholders is necessary to hold a valid meeting. If at least a majority of the total number of the outstanding shares of FC common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. FC will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of a majority of the outstanding shares of FC common stock is required to adopt the merger agreement. The affirmative vote of a majority of those present in person or by proxy and entitled to vote is required to approve the proposal to adjourn the special meeting.

### ***Share Ownership of Management; Voting Agreement (Page 52)***

As of the record date, the directors and executive officers of FC and their affiliates collectively owned \_\_\_\_\_ shares of FC common stock, or approximately \_\_\_\_\_ % of FC's outstanding shares. FC currently expects that each of its directors and executive officers and their affiliates will vote their shares of FC common stock **FOR** adoption of the merger agreement and approval of the adjournment proposal described in the notice for the special meeting. FC's Chairman, Robert D. Hord, and directors Patrick D. Hord and Richard H. Thut have entered into agreements that require them to do so.

Messrs. Hord, Hord and Thut have each entered into a voting agreement with CNB, which requires each of Messrs. Hord, Hord and Thut to vote all of the shares of FC common stock beneficially owned by him in favor of adoption of the merger agreement. As of the record date, Robert D. Hord, Patrick D. Hord and Richard H. Thut held \_\_\_\_\_ ; \_\_\_\_\_ and \_\_\_\_\_ shares of FC common stock, respectively, which collectively represented approximately \_\_\_\_\_ %, \_\_\_\_\_ % and \_\_\_\_\_ % of the outstanding shares of FC common stock as of the record date, respectively. Messrs. Hord, Hord and Thut were not paid any additional consideration in connection with the execution of the voting agreements.

### **The Merger and the Merger Agreement**

*The proposed merger is of FC with and into CNB, with CNB as the surviving corporation in the merger. The merger agreement is attached to this proxy statement/prospectus as Annex A. Please carefully read the merger agreement as it is the legal document that governs the merger.*

### ***Structure of the Merger (Page 79)***

Subject to the terms and conditions of the merger agreement, and in accordance with the Pennsylvania Business Corporation Law of 1988 and the Ohio Revised Code, at the completion of the merger, FC will merge with and into CNB. CNB will be the surviving corporation in the merger and will continue its corporate existence under the laws of the Commonwealth of Pennsylvania. Upon completion of the merger, the separate corporate existence of FC will terminate. In connection with the merger, FC's wholly owned subsidiary, The Farmers Citizens Bank, or FC Bank, may merge with and into CNB Bank, a wholly owned subsidiary of CNB, with CNB Bank surviving.

### ***Consideration to be Received in the Merger (Page 80)***

*Cash or Stock Consideration.* The merger agreement provides that FC shareholders will have the right, with respect to each of their shares of FC common stock, to elect to receive, subject to proration as described below, either (i) \$30.00 in cash, without interest, or (ii) 1.754 shares of CNB common stock. You will have the opportunity to elect the form of consideration to be received for each of your shares, subject to proration and allocation procedures set forth in the merger agreement, which may result in your receiving a portion of the merger consideration in a form other than that which you elected.

The value of the stock consideration is dependent upon the value of CNB common stock and, therefore, will fluctuate with the market price of CNB common stock. Accordingly, any change in the price of CNB common stock prior to the merger will affect the market value of any stock consideration that FC shareholders will receive as a result of the merger.

No fractional shares of CNB common stock will be issued to any holder of FC common stock upon completion of the merger. For each fractional share that would otherwise be issued, CNB will pay each shareholder cash (without interest) in an amount equal to the fractional share interest to which such shareholder would otherwise be entitled multiplied by the average of the daily closing prices of CNB common stock during the regular session of CNB common stock on the NASDAQ Global Select Market for the five consecutive trading days immediately preceding, but not including, the trading day prior to the closing date of the merger.





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***Election Procedures for Shareholders (Page 81)***

If you own FC common stock or are the recipient of an award of shares of restricted stock, you will soon receive under separate cover an election form that you may use to indicate whether your preference is to receive cash or shares of CNB common stock. The election deadline will be 5:00 p.m., New York City time, on \_\_\_\_\_, 2013, the day prior to the date of the special meeting. To make an election, a holder must submit a properly completed election form and return it so that the form is actually received by Registrar and Transfer Company at or before the election deadline in accordance with the instructions on the election form.

***Non-Electing FC Shareholders (Page 80)***

FC shareholders who make no election to receive cash or CNB common stock in the merger or who do not make a valid election will be deemed not to have made an election. Shareholders not making an election will be paid in CNB common stock.

***Proration (Page 80)***

The maximum number of shares of FC common stock to be converted into cash consideration in the merger will be 20% of the outstanding shares of FC common stock (including any shares for which dissenters' rights are appropriately exercised but excluding shares of FC common stock to be canceled in accordance with terms of the merger agreement). The remaining shares of FC common stock will be converted into shares of CNB common stock. Therefore, elections are subject to certain proration and other provisions to preserve this requirement regarding the maximum number of shares of FC common stock to be converted into cash in the merger.

If the FC shareholders' election and the number of shares of FC common stock for which dissenters' rights are appropriately exercised would result in more than 20% of the outstanding shares of FC common stock (including any shares for which dissenters' rights are appropriately exercised but excluding shares of FC common stock to be canceled in accordance with terms of the merger agreement) being exchanged for cash, then all FC shareholders who elected to receive stock consideration or who did not make an election will receive stock consideration, and all shareholders who have elected to receive cash consideration will receive the following:

a number of shares of CNB common stock (rounded to the nearest whole share) equal to the product obtained by multiplying (i) the number of shares for which such shareholder made elections to receive the cash consideration and (ii) a fraction, the numerator of which is the amount by which (a) the sum of the number of shares for which all FC shareholders made elections to receive cash consideration and the number of shares of FC common stock for which dissenters' rights are appropriately exercised exceeds (b) the maximum number of shares of FC common stock to be converted into cash consideration, and the denominator of which is the number of shares for which elections were made to receive the cash consideration, and

the right to receive cash consideration for the remaining number of such shareholder's shares.

If the FC shareholders' elections and the number of shares of FC common stock for which dissenters' rights are appropriately exercised would result in 20% or fewer of the outstanding shares of FC common stock (including any shares for which dissenters' rights are appropriately exercised but excluding shares of FC common stock to be canceled in accordance with terms of the merger agreement) being exchanged for cash, then all FC shareholders who elected to receive cash consideration will receive cash consideration and all FC shareholders who elected to receive stock consideration or made no election will receive stock consideration.

***Treatment of Stock Options and Restricted Stock Awards (Page 81)***

Immediately prior to the effective time of the merger, or the effective time, each outstanding and unexercised option (whether vested or unvested) granted by FC will, by reason of the merger, be canceled and converted into the right to receive in cash an amount (subject to required tax withholdings) equal to the product of (i) the excess, if any, of the cash consideration per share over the exercise price per share of such option and (ii) the number of shares of FC common stock subject to such option. FC will make the payments immediately prior to the effective time. Any options which vest in the ordinary course and are properly exercised prior to the effective time will have the right to receive merger consideration on the same terms as all other outstanding shares of FC common stock.

At the effective time, all outstanding unvested shares of FC common stock granted in the form of restricted stock awards made by FC will become vested rights to receive the merger consideration, on the same terms as all other outstanding shares of FC common stock.



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### ***Surrender of Stock Certificates (Page 81)***

Following the effective time of the merger, owners of FC common stock will receive under separate cover a letter of transmittal, together with instructions for the exchange of their FC common stock certificates for the merger consideration. Upon surrendering your certificate(s) representing shares of FC's common stock, together with the signed letter of transmittal, you shall be entitled to receive, as applicable (i) certificate(s) representing a number of whole shares of CNB's common stock determined in accordance with the exchange ratio, (ii) a check representing the amount of cash to which you shall have become entitled to, and (iii) a check representing the amount of cash in lieu of fractional shares.

### ***Material U.S. Federal Income Tax Consequences of the Merger (Page 72)***

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, it is expected that a U.S. holder of shares of FC common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash (if any) received as part of the merger consideration and will recognize gain or loss if such holder received its consideration solely in cash or with respect to any cash received in lieu of fractional shares of CNB common stock.

***FC shareholders are urged to read the discussion in the section entitled "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 72 and to consult their tax advisors for a full explanation of the tax consequences of the merger.***

### ***Recommendation of the FC Board of Directors (Page 52)***

After careful consideration of the various factors, including those set forth under the headings "The Merger," "FC's Reasons for the Merger," and "The Merger Recommendation of FC's Board of Directors" beginning on page 61, the FC board of directors has determined that the merger agreement, the merger and the transactions contemplated by the merger agreement are advisable, fair to, and in the best interests of FC and its shareholders. Accordingly, the FC Board of Directors unanimously recommends that FC shareholders vote:

**FOR** the proposal to adopt the merger agreement; and

**FOR** the proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies in favor of the foregoing proposal.

The merger is not conditioned on the proposal to approve adjournments or postponements of the special meeting.

### ***Dissenters' Appraisal Rights (Page 77)***

Under Ohio law, you are entitled to dissenters' rights of appraisal in connection with the merger, provided that you meet all of the conditions set forth in Section 1701.85 of the Ohio Revised Code.

In particular, under Ohio law, appraisal rights are only available if, among other things, you are a record holder of shares as of the record date for the FC special meeting, you do not vote your shares in favor of the proposal to adopt the merger agreement at the FC special meeting and you make a written demand upon FC for the fair cash value of your shares of FC common stock. If you are considering demanding payment of the fair cash value of your shares, you should note that the fair value of your shares determined under Section 1701.85 of the ORC could be more than, the same as, or less than the consideration you would receive under the terms of the merger agreement if you did not demand payment of the fair value of your shares of FC common stock.

To exercise appraisal rights, you must follow the strict procedures prescribed by Section 1701.85 of the Ohio Revised Code. For additional information, please see the section titled "The Merger - Dissenters' Appraisal Rights" beginning on page 77. In addition, the full text of Section 1701.85 of the Ohio Revised Code is included as Annex B to this proxy statement/prospectus.

### ***Opinion of Boenning & Scattergood, Inc., Financial Advisor to FC (Page 61)***

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On March 26, 2013, Boenning & Scattergood, Inc., or Boenning, rendered to the FC board of directors its oral opinion, subsequently confirmed in writing that, as of such date, the per share consideration to be paid to the holders of FC common stock was fair to FC shareholders from a financial point of view. The full text of Boenning's written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is attached to this document as Annex C and is incorporated herein by reference. FC shareholders are urged to read the opinion in its entirety. Boenning's opinion speaks only as of the date of the opinion. **The opinion is directed to the board of directors of FC in connection**

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with its consideration of the merger and does not constitute a recommendation to any shareholder of FC as to how such shareholder should vote at any meeting of shareholders called to consider and vote upon the merger. The opinion is directed only to the fairness, from a financial point of view, of the per share consideration to holders of FC common stock and does not address the underlying business decision of FC to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for FC or the effect of any other transaction in which FC might engage.

**Interests of FC's Directors and Executive Officers in the Merger (Page 68)**

In considering FC's board of directors' recommendation to vote in favor of the merger agreement proposal, you should be aware that FC's executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of FC shareholders generally. These interests include certain payments and benefits that may be provided to certain directors and executive officers of FC, including (i) employment opportunities with the combined company, (ii) acceleration of stock options and restricted stock awards, (iii) cash payments at closing pursuant to settlement agreements, or (iv) continuation of indemnification and insurance coverage (for officers and directors) provided by CNB for a limited time after the merger. These interests also include the appointment, as of the effective time of the merger, of each of the FC directors who are not employees of FC or FC Bank and other than Robert D. Hord, to a regional advisory board of CNB Bank. Those regional advisory board members will be paid a fee for each regional advisory board meeting attended in an amount consistent with the amount paid by CNB Bank to members of its currently existing regional advisory board. This per meeting amount is currently \$300.00, paid in shares of CNB common stock.

As discussed in more detail in "The Merger - Interests of FC Directors and Executive Officers in the Merger" beginning on page 68, the following table summarizes the interests of FC's directors and executive officers:

	Estimated Net Proceeds from the Cash Out of Equity Awards(1)	Cash Payments under Settlement Agreements(2)	Anticipated Value under Director Retirement Agreements(3)	Combined
<b>Executive Officers</b>				
Coleman Clougherty	\$ 133,225	\$ 910,897(4)	0	\$ 1,044,122
David D. Dygert	\$ 187,200	\$ 511,450	0	\$ 698,650
W. Eugene Spurbeck	\$ 44,500	\$ 473,653	0	\$ 518,153
Louis J. Torchio	\$ 21,000	\$ 157,236	0	\$ 178,236
Jeffrey A. Wise	\$ 32,867	\$ 188,319	0	\$ 221,186
Other executive officers as a group (3 persons)	\$ 60,505	\$ 324,881	0	\$ 385,386
<b>Directors(5)</b>				
Robert D. Hord(6)	\$ 13,250	0	\$ 227,368	\$ 240,618
Patrick Hord	\$ 13,875	0	0	\$ 13,875
David G. Dostal	\$ 7,000	0	\$ 90,514	\$ 97,514
Patrick J. Drouhard	\$ 7,000	0	\$ 56,492	\$ 63,492
Scott Everhart	\$ 23,750	0	0	\$ 23,750
Lawrence A. Morrison	\$ 17,493	0	0	\$ 17,493

- (1) This column sets forth the net proceeds (determined prior to reduction for applicable tax withholdings) that the executive officer or director shall receive from the cash out of unvested restricted stock and both vested and unvested stock options.
- (2) This column sets forth the lump-sum cash amount (determined prior to reduction for applicable tax withholdings) to be paid to the following executives pursuant to the settlement agreements.
- (3) The anticipated values under these director retirement agreements (determined as of December 31, 2013) are subject to a Code Section 280G cap, and payments under such agreements may be less if this cap applies.
- (4) This amount payable to Coleman J. Clougherty is subject to a Code Section 280G cut back to \$666,271. In July 2013, FC paid to Mr. Clougherty a bonus of \$225,667 related to Mr. Clougherty's efforts in negotiating lesser termination fees in respect of FC vendor contracts. The lump-sum cash amount to be paid to Mr. Clougherty under Mr. Clougherty's settlement agreement will be reduced by \$225,667. Mr. Clougherty signed an agreement to repay this bonus to FC if the merger agreement is terminated or if his employment should terminate prior to the merger.

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- (5) The table does not include a \$300.00 per meeting fee payable to each FC director (other than Robert D. Hord) for attendance at meetings of a CNB regional advisory board to which they would be appointed in connection with the consummation of the transaction.
- (6) Does not include any amounts payable to Mr. Hord as a member of the CNB and CNB Bank boards of directors, which amounts will be paid on the same basis as are currently paid to other non-employee directors serving on such boards.

Additionally, CNB has entered into agreements with each of David D. Dygert, W. Eugene Spurbeck, and Louis J. Torchio regarding his continuing role with the combined company following the merger. As discussed in more detail in *The Merger Interests of FC Directors and Executive Officers in the Merger* beginning on page 68, under these agreements, Messrs. Dygert, Spurbeck, and Torchio, respectively, (i) receive annual base salary, (ii) are eligible for an annual bonus and to participate in CNB's insurance and benefit plans, (iii) are provided the use of an automobile (Messrs. Dygert and Spurbeck only), (iv) are subject to confidentiality and competition restrictions, and (v) are entitled to a lump-sum severance payment equal to one (1) times such officer's annual base salary upon termination without cause.

FC's board of directors was aware of these interests and considered them, among other matters, when it approved the merger agreement and the merger and the other transactions contemplated thereby. For more information see *The Merger Interests of FC Directors and Executive Officers in the Merger* beginning on page 68.

### ***CNB's and CNB Bank's Board of Directors After the Merger (Page 72)***

Immediately following the effective time of the merger, CNB has agreed that it will expand its board of directors by one (1) seat and designate Robert D. Hord, the current Chairman of FC, to serve on the CNB board of directors for a term to expire at CNB's next annual meeting. At CNB's next annual meeting, Mr. Hord will be included as a nominee for election to the CNB board of directors as a member of Class 2 thereof, for a term to expire at the 2016 CNB annual meeting. Should Mr. Hord reach the mandatory retirement age for directors of CNB before the completion of his term at the 2016 annual meeting, then CNB will, following consultation with Mr. Hord, choose a replacement familiar with FC's market to complete the remainder of Mr. Hord's term. Mr. Hord will also be appointed to the board of directors of CNB Bank effective immediately following the effective time of the merger.

### ***Bank Merger (Page 72)***

The merger agreement provides that as soon as practicable after the consummation of the merger or on such later date as CNB specifies, FC Bank shall be merged with and into CNB Bank with CNB Bank surviving.

### ***No Solicitation of Alternative Transactions (Page 87)***

The merger agreement restricts FC's ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in FC. However, if FC receives a bona fide unsolicited written acquisition proposal from a third party that is, or is reasonably likely to be, more favorable to FC shareholders than the terms of the merger agreement, FC may furnish nonpublic information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement. In addition, the FC board of directors may not:

modify, qualify, amend or withdraw its approval or recommendation of the merger agreement;

approve or recommend another acquisition proposal to its shareholders; or

cause FC to enter into a letter of intent or definitive agreement with respect to an acquisition transaction or that requires FC to abandon, terminate or fail to consummate the merger.

However, the FC board of directors may modify, qualify, amend or withdraw its recommendation of the merger agreement if it determines in good faith, after consultation with counsel and a financial advisor, that a bona fide unsolicited written acquisition proposal is a superior proposal and, after consultation with counsel, that it is required to take such action to comply with its fiduciary duties to shareholders under applicable law. In that event, FC must provide CNB with notice of such determination and cooperate and negotiate in good faith with CNB to adjust or modify the terms and conditions of the merger agreement.

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***Conditions to Completion of the Merger (Page 91)***

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including:

FC shareholders must approve the merger agreement;

CNB and FC must have obtained all regulatory approvals required to consummate the transactions contemplated by the merger agreement, all related statutory waiting periods must have expired, and none of the regulatory approvals shall have imposed any term, condition or restriction that would prohibit or materially limit the ownership or operation by FC or CNB of all or any material portion of the business or assets of FC or CNB, or compel CNB to dispose of or hold separate all or any material portion of the business or assets of FC or CNB, which we refer to in this proxy statement/prospectus as a burdensome condition;

the registration statement must be effective;

the absence of any order, decree or injunction in effect, or any law, statute or regulation enacted or adopted, that enjoins, prohibits, materially restricts or makes illegal the consummation of the transactions contemplated by the merger agreement;

CNB and FC must each receive a legal opinion from their respective counsel regarding treatment of the merger as a reorganization for federal income tax purposes;

the representations and warranties of each of CNB and FC in the merger agreement must be accurate, subject to exceptions that would not have a material adverse effect; and

CNB and FC must each have performed in all material respects all obligations required to be performed by it.

***Termination of the Merger Agreement (Page 93)***

CNB and FC can mutually agree to terminate the merger agreement before the merger has been completed, and either company can terminate the merger agreement if:

the merger is not consummated by December 31, 2013, unless the terminating party's failure to comply with the merger agreement was the cause of the failure of the merger to occur on or before this date;

the other party materially breaches any of its representations, warranties, covenants or other agreements contained in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement), and the breach cannot be or has not been cured within 30 days of written notice of the breach and such breach would entitle the non-breaching party not to consummate the transactions contemplated by the merger agreement;

any regulatory approval required for consummation of the merger and the other transactions contemplated by the merger agreement has been denied by final nonappealable action of any regulatory authority, or any governmental authority has issued a final



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nonappealable order, injunction or decree enjoining or otherwise prohibiting the transactions contemplated by the merger agreement, provided that the terminating party has used its reasonable best efforts to have the order, injunction or decree lifted; or

the required approval of the merger agreement by the FC shareholders is not obtained.

In addition, CNB may terminate the merger agreement if:

the FC board of directors:

withdraws, qualifies, amends, modifies or withholds its recommendation to the FC shareholders to vote in favor of the merger agreement or makes any statement, filing or release that is inconsistent with the recommendation;

materially breaches its obligation to call, give notice of and commence the special meeting;

approves or recommends another acquisition proposal;

fails to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by CNB;

fails to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by CNB, except during a period in which the FC board of directors is evaluating an acquisition proposal to comply with its fiduciary duties to FC shareholders under applicable law; or

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resolves or otherwise determines to take, or announces an intention to take, any of the actions listed above; or

FC breaches in any material respect the provisions in the merger agreement prohibiting the solicitation of other offers. In addition, FC has the right to terminate the merger agreement if the average closing price of CNB common stock for a specified period prior to closing is less than \$14.54 and CNB common stock underperforms a specified peer-group index by more than 15%. However, CNB will have the option to increase the amount of CNB common stock to be provided to FC shareholders, in which case no termination will occur. Further, CNB has the right to terminate the merger agreement if the average closing price of CNB common stock for a specified period prior to closing is more than \$19.67 and CNB common stock outperforms a specified peer-group index by more than 15%. However, FC will have the option to decrease the amount of CNB common stock to be provided to FC shareholders, in which case no termination will occur.

***Termination Fee (Page 95)***

FC has agreed to pay to CNB a termination fee of \$1.6 million if:

CNB terminates the merger agreement as a result of the FC board of directors:

withdrawing, qualifying, amending, modifying or withholding its recommendation to the FC shareholders to vote in favor of the merger agreement or making any statement, filing or release that is inconsistent with the recommendation;

materially breaching its obligation to call, give notice of and commence the special meeting;

approving or recommending another acquisition proposal;

failing to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by CNB;

failing to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by CNB; or

resolving or otherwise determining to take, or announcing an intention to take, any of the actions listed above; or

CNB terminates the merger agreement as a result of a material breach by FC of the provisions in the merger agreement prohibiting the solicitation of other offers; and within 12 months of termination of the merger agreement, FC recommends to its shareholders or consummates an acquisition transaction or enters into a definitive agreement with respect to an acquisition transaction. FC has agreed to pay CNB an amount equal to \$800,000 in lieu of \$1.6 million if CNB terminates the merger agreement as a result of the occurrence of the actions described above but FC does not within 12 months of termination of the merger agreement recommend to its shareholders or consummate an acquisition transaction or enter into a definitive agreement with respect to an acquisition transaction.

FC has further agreed to pay to CNB a termination fee of \$1.6 million if:

CNB or FC terminates the merger agreement as a result of:

the failure of the FC shareholders to approve the merger agreement or the merger not having been consummated by December 31, 2013 due to the failure of FC shareholders to approve the merger agreement, and an acquisition proposal with respect to FC has been publicly announced, disclosed or otherwise communicated to the FC board of directors or senior management of FC prior to December 31, 2013, or prior to the special meeting, as applicable; and

within 12 months of termination of the merger agreement, FC recommends to its shareholders an acquisition proposal or enters into a definitive agreement with respect to, or consummates, an acquisition transaction.

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FC has also agreed to pay to CNB a termination fee of \$1.6 million if:

CNB terminates the merger agreement as a result of a breach by FC of any of its representations, warranties, covenants or agreements contained in the merger agreement and:

an acquisition proposal with respect to FC has been publicly announced, disclosed or otherwise communicated to the FC board of directors or senior management of FC prior to such breach or during the related cure period; and

within 12 months of termination of the merger agreement, FC recommends to its shareholders an acquisition proposal or enters into a definitive agreement with respect to, or consummates, another acquisition transaction; provided, however, that the termination fee will not be payable to CNB if the acquisition transaction referred to in the immediately preceding clause is for aggregate consideration (whether payable to FC shareholders, FC or FC Bank) equal to or less than \$20 million (whether payable in cash, stock or other consideration).

***Waiver or Amendment of Merger Agreement Provisions (Page 96)***

At any time prior to the completion of the merger, a provision of the merger agreement may be waived by the party intended to benefit by the provision, or may be amended or modified by a written action taken or authorized by the parties' respective boards of directors. However, after the approval of the merger agreement by the FC shareholders, no amendment will be made which by law requires further approval by FC shareholders without such further approval.

***Regulatory Approvals Required for the Merger (Page 75)***

To complete the merger, CNB and FC need the prior approval (or waiver of such approval) of the Board of Governors of the Federal Reserve Board, or FRB. CNB will file a request for a waiver of the required application with the FRB following the date on which the Federal Deposit Insurance Corporation, or FDIC, deems CNB's application for approval, as discussed below, complete.

In addition, approval by the FDIC and the Pennsylvania Department of Banking, is required prior to the merger of FC Bank into CNB Bank. The United States Department of Justice is able to provide input into the approval process of federal banking agencies to challenge any approval on antitrust grounds. CNB and FC cannot predict, however, whether or when the required regulatory approvals will be obtained or whether any such approvals will impose any burdensome condition upon CNB or CNB Bank.

***Accounting Treatment of the Merger (Page 76)***

The merger will be accounted for using the purchase method of accounting with CNB treated as the acquirer. Under this method of accounting, FC's assets and liabilities will be recorded by CNB at their respective fair values as of the closing date of the merger and added to those of CNB. The excess of purchase price over the net fair values of FC's assets and liabilities will be recorded as goodwill. The excess of the fair value of FC's net assets over the purchase price, if any, will be recognized in earnings by CNB on the closing date of the merger.

***Listing of CNB Common Stock to be Issued in the Merger***

CNB's common stock is quoted on the NASDAQ Global Select Market under the trading symbol `CCNE`.

***Differences Between Rights of CNB and FC Shareholders (Page 97)***

CNB is a Pennsylvania corporation and FC is an Ohio corporation. The CNB articles of incorporation and by-laws contain provisions that are different from the FC articles of incorporation and code of regulations. Upon completion of the merger, FC shareholders who receive stock consideration in the merger will become shareholders of CNB, and their rights will be governed by the Pennsylvania Business Corporation Law of 1988 and CNB's articles of incorporation and by-laws. No change to CNB's articles of incorporation or by-laws will be made as a result of the completion of the merger. For a discussion of certain differences among the rights of CNB shareholders and FC shareholders, see *Comparison of Shareholder Rights* beginning on page 97.



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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption **Information Regarding Forward-Looking Statements** on page 26, you should carefully consider the following risk factors in deciding whether to vote for adoption of the merger agreement.*

**The value of the merger consideration will vary with changes in CNB's stock price.**

Upon completion of the merger, each share of FC common stock, other than dissenting shares, will be converted into the right to receive merger consideration consisting of, at the option of the holder of such share, either cash or shares of CNB common stock. Because the per share stock consideration is fixed at 1.754 shares of CNB common stock, the market value of the CNB common stock to be issued in the merger will depend upon the market price of CNB common stock. This market price may vary from the closing price of CNB common stock on the date the merger was announced, on the date that this proxy statement/prospectus was mailed to FC shareholders and on the date of the FC special meeting. Accordingly, FC shareholders who elect to receive stock consideration will not necessarily know or be able to calculate the value of the stock consideration they would be entitled to receive upon completion of the merger.

**The market price of CNB common stock after the merger may be affected by factors different from those affecting the shares of CNB or FC currently.**

The businesses of CNB and FC differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of CNB and FC. For a discussion of the businesses of CNB and FC and, in the case of CNB, of certain factors to consider in connection with those businesses, see **Information About the Companies** beginning on page 28 and the documents incorporated by reference in this proxy statement/prospectus and referred to under **Where You Can Find More Information** beginning on page 115.

**FC shareholders may receive a form of consideration different from what they elect.**

While each FC shareholder may elect to receive cash or CNB common stock in the merger, no more than 20% of FC common stock outstanding at the completion of the merger will be converted into cash. Therefore, if FC shareholders elect more cash than is available under the merger agreement, their elections will be prorated to permit 80% of FC common stock outstanding at the completion of the merger to be converted into CNB common stock. As a result, your ability to receive cash in accordance with your election may depend on the elections of other FC shareholders.

**The merger agreement may not be completed if certain conditions to the merger are not satisfied or waived or if the merger agreement is terminated by the parties in accordance with its terms.**

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include:

approval of the merger agreement by FC shareholders;

the receipt of required regulatory approvals;

absence of orders prohibiting the completion of the merger;

effectiveness of the registration statement of which this proxy statement/prospectus is a part;

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the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements; and

the receipt by both parties of legal opinions from their respective tax counsels.

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In addition, FC has the right to terminate the merger agreement if the average closing price of CNB common stock for a specified period prior to closing is less than \$14.54 and CNB common stock underperforms a specified peer-group index by more than 15%. However, CNB will have the option to increase the amount of CNB common stock to be provided to FC shareholders, in which case no termination will occur. Further, CNB has the right to terminate the merger agreement if the average closing price of CNB common stock for a specified period prior to closing is more than \$19.67 and CNB common stock outperforms a specified peer-group index by more than 15%. However, FC will have the option to decrease the amount of CNB common stock to be provided to FC shareholders, in which case no termination will occur. See the section of this proxy statement/prospectus titled *The Merger Agreement Termination of the Merger Agreement* beginning on page 93 for a more complete discussion of the circumstances under which the merger agreement could be terminated.

### **The need for regulatory approvals may delay the date of completion of the merger or may diminish the benefits of the merger.**

Before the merger may be completed, various approvals or consents (or waivers of such approvals or consents) must be obtained from state and federal governmental authorities, including the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking. Satisfying any requirements of these regulatory agencies may delay the date of completion of the merger. In addition, it is possible that, among other things, restrictions on the combined operations of the two companies, including divestitures, may be sought by governmental agencies as a condition to obtaining the required regulatory approvals. Any regulatory restriction may diminish the benefits of the merger to CNB. CNB is not required to complete the merger if a governmental agency, as part of its authorization or approval, imposes any term, condition or restriction upon CNB that, in CNB's reasonable determination, would prohibit or materially limit the ownership or operation by CNB of any material portion of FC's or CNB's business or assets, or that would compel CNB to dispose or hold separate any material portion of FC's or CNB's assets.

### **If the merger is not completed, FC will have incurred substantial expenses without its shareholders realizing the expected benefits.**

FC has incurred substantial expenses in connection with the transactions described in this proxy statement/prospectus. If the merger is not completed, FC expects that it will have incurred approximately \$500,000 in merger-related expenses, excluding any termination fee that may be due to CNB under the merger agreement. See the section of this proxy statement/prospectus titled *The Merger Agreement Termination Fee* beginning on page 95 for a discussion of the termination fee. These expenses would likely have a material adverse impact on the operating results of FC because it would not have realized the expected benefits of the merger. There can be no assurance that the merger will be completed.

### **FC's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of FC shareholders.**

In considering the information contained in this proxy statement/prospectus, you should be aware that FC's executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of FC shareholders generally. These interests include, among other things:

the accelerated vesting of outstanding FC stock options and restricted stock awards in accordance with their existing terms;

the right to receive cash severance;

the potential right to increased payments under certain Director Retirement Agreements;

the right to continued indemnification and liability insurance coverage by CNB after the merger for acts or omissions occurring before the merger; and

in the case of FC directors who are not employees of FC or FC Bank and other than Robert D. Hord, seats on a regional advisory board of CNB Bank, and any related compensation for such services, if applicable.



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Also, CNB entered into agreements with each of David D. Dygert, W. Eugene Spurbeck and Louis J. Torchio regarding his continuing role with the combined company following the merger. Further, CNB has agreed to, immediately following the effective time of the merger, expand its board of directors by one (1) seat and designate Robert D. Hord, the current Chairman of FC, to serve on the CNB board of directors for a term to expire at CNB's next annual meeting. Mr. Hord will also be appointed to the board of directors of CNB Bank effective immediately following the effective time of the merger. See the section of this proxy statement/prospectus titled "Interests of FC Directors and Executive Officers in the Merger" beginning on page 68 for a discussion of these financial interests.

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### **FC will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on FC. These uncertainties may impair FC's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers, suppliers and others who deal with FC to seek to change existing business relationships with FC. FC employee retention and recruitment may be particularly challenging prior to the effective time of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect the financial results of FC and, following the merger, the combined company. In addition, the merger agreement requires that FC operate in the ordinary course of business consistent with past practice and restricts FC from taking certain actions prior to the effective time of the merger or termination of the merger agreement. These restrictions may prevent FC from pursuing attractive business opportunities that may arise prior to the completion of the merger.

### **The unaudited pro forma financial data included in this document is preliminary and CNB's actual financial position and results of operations after the merger may differ materially from the unaudited pro forma financial data included in this document.**

The unaudited *pro forma* financial data in this document is presented for illustrative purposes only and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the merger been completed on the dates indicated. The *pro forma* financial data reflect adjustments, which are based upon preliminary estimates, to record FC's identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of FC as of the date of the completion of the merger. As a result, the final purchase accounting adjustments may differ materially from the *pro forma* adjustments reflected in this document.

### **The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire FC.**

Until the completion of the merger, FC is prohibited from soliciting, initiating, encouraging, or with some exceptions, considering any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than CNB. In addition, FC has agreed to pay a termination fee of \$1.6 million (which may, in certain circumstances, be reduced to \$800,000) to CNB in specified circumstances. These provisions could discourage other companies from trying to acquire FC even though those other companies might be willing to offer greater value to FC shareholders than CNB has offered in the merger. The payment of the termination fee also could have a material adverse effect on FC's results of operations.

### **The fairness opinion obtained by FC from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.**

Boenning & Scattergood, Inc., FC's financial advisor in connection with the proposed merger, orally delivered to the board of directors of FC its opinion, which was subsequently confirmed in writing dated as of March 26, 2013. The opinion stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the per share consideration was fair to the FC shareholders from a financial point of view. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of CNB or FC, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion was based, may materially alter or affect the relative values of CNB or FC.

### **CNB may fail to realize the anticipated benefits of the merger.**

The success of the merger will depend on, among other things, CNB's ability to realize anticipated cost savings and to combine the businesses of CNB and FC in a manner that does not materially disrupt the existing customer relationships of FC nor result in decreased revenues from any loss of customers. The success of the merger will also depend upon the integration of employees, systems, operating procedures and information technologies, as well as the retention of key employees. Additionally, the success of the merger is to an extent dependent upon FC customers choosing to continue their relationships with the combined company following the consummation of the transaction, despite that the FC franchise will no longer be locally owned. If CNB is not able to successfully achieve its objectives, or if FC customers choose not to continue their relationships with the combined company, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.



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CNB and FC have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of FC's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of CNB to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

### **Unanticipated costs relating to the merger could reduce CNB's future earnings per share.**

CNB believes that it has reasonably estimated the likely costs of integrating the operations of CNB and FC, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a dilutive effect on the combined company's earnings per share. In other words, if the merger is completed, the earnings per share of CNB common stock could be less than they would have been if the merger had not been completed.

### **After the merger is completed, FC shareholders will become CNB shareholders and will have different rights that may be less advantageous than their current rights.**

Upon completion of the merger, FC shareholders will become CNB shareholders. Differences in FC's articles of incorporation and code of regulations and CNB's articles of incorporation and by-laws will result in changes to the rights of FC shareholders who become CNB shareholders. For more information, see "Comparison of Shareholder Rights," beginning on page 97 of this document.

### **Both FC and CNB shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.**

FC shareholders currently have the right to vote in the election of the board of directors of FC and on various other matters affecting FC. After the merger, each FC shareholder will hold a percentage ownership of the combined organization that is much smaller than such shareholder's current percentage ownership of FC. It is expected that the former shareholders of FC as a group will receive shares in the merger constituting less than approximately 16% of the outstanding shares of CNB common stock immediately after the merger. Because of this, FC's shareholders will have significantly less influence on the management and policies of CNB than they now have on the management and policies of FC. Additionally, CNB's shareholders will have less influence on the management and policies of CNB than they now have on the management and policies of CNB.

### **The tax consequences of the merger to an FC shareholder will be dependent upon the merger consideration received.**

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, it is expected that a U.S. holder of shares of FC common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash (if any) received as part of the merger consideration and will recognize gain or loss if such holder received the entirety of its consideration in cash or with respect to any cash received in lieu of fractional shares of CNB common stock.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF CNB FINANCIAL CORPORATION**

The following tables set forth selected consolidated historical financial and other data of CNB for the periods and at the dates indicated. The information is derived in part from and should be read together with the audited consolidated financial statements and notes thereto of CNB incorporated by reference elsewhere in this proxy statement/prospectus. The information at and for the three months ended March 31, 2013 and 2012 is unaudited. However, in the opinion of management of CNB, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods have been made. The selected operating data presented below for the three months ended March 31, 2013 and 2012 are not necessarily indicative of the results that may be expected for future periods.

(Dollars in thousands, except per share data)	Three Months Ended		Year ended December 31,				
	March 31, 2013	March 31, 2012	2012	2011	2010	2009	2008
<b>INTEREST AND DIVIDEND INCOME:</b>							
Loans including fees	\$ 12,302	\$ 12,255	\$ 49,760	\$ 48,324	\$ 46,955	\$ 45,839	\$ 47,355
Deposits with banks		2	3	110	125	215	429
Federal funds sold							342
<b>Securities:</b>							
Taxable	3,409	3,683	14,685	14,285	11,603	7,687	7,419
Tax-exempt	957	871	3,595	2,957	2,435	2,095	1,414
Dividends	36	13	86	36	29	34	224
<b>Total interest and dividend income</b>	<b>16,704</b>	<b>16,824</b>	<b>68,129</b>	<b>65,712</b>	<b>61,147</b>	<b>55,870</b>	<b>57,183</b>
<b>INTEREST EXPENSE:</b>							
Deposits	2,234	3,149	10,875	13,625	13,558	13,091	14,956
Borrowed Funds	829	797	3,245	3,176	4,716	4,527	4,609
Subordinated Debentures	190	201	800	778	782	850	1,018
<b>Total interest expense</b>	<b>3,253</b>	<b>4,147</b>	<b>14,920</b>	<b>17,579</b>	<b>19,056</b>	<b>18,468</b>	<b>20,583</b>
<b>NET INTEREST INCOME</b>	<b>13,451</b>	<b>12,677</b>	<b>53,209</b>	<b>48,133</b>	<b>42,091</b>	<b>37,402</b>	<b>36,600</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>930</b>	<b>1,104</b>	<b>6,381</b>	<b>4,937</b>	<b>5,158</b>	<b>4,465</b>	<b>3,787</b>
<b>Net interest income after provision for loan losses</b>	<b>12,521</b>	<b>11,573</b>	<b>46,828</b>	<b>43,196</b>	<b>36,933</b>	<b>32,937</b>	<b>32,813</b>
<b>NON-INTEREST INCOME</b>	<b>3,071</b>	<b>3,415</b>	<b>12,664</b>	<b>10,719</b>	<b>9,650</b>	<b>7,950</b>	<b>2,168</b>
<b>NON-INTEREST EXPENSES</b>	<b>9,682</b>	<b>9,014</b>	<b>35,945</b>	<b>33,282</b>	<b>31,798</b>	<b>30,021</b>	<b>28,479</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>5,910</b>	<b>5,974</b>	<b>23,547</b>	<b>20,633</b>	<b>14,785</b>	<b>10,866</b>	<b>6,502</b>
<b>INCOME TAX EXPENSE</b>	<b>1,613</b>	<b>1,627</b>	<b>6,411</b>	<b>5,529</b>	<b>3,469</b>	<b>2,354</b>	<b>1,267</b>
<b>NET INCOME</b>	<b>\$ 4,297</b>	<b>\$ 4,347</b>	<b>\$ 17,136</b>	<b>\$ 15,104</b>	<b>\$ 11,316</b>	<b>\$ 8,512</b>	<b>\$ 5,235</b>
<b>PER SHARE DATA:</b>							
Basic	\$ 0.34	\$ 0.35	\$ 1.38	\$ 1.23	\$ 1.06	\$ 0.98	\$ 0.61
Fully diluted	0.34	0.35	1.38	1.23	1.06	0.98	0.61
Dividends declared	0.165	0.165	0.66	0.66	0.66	0.66	0.645
Book value per share at period end	11.68	10.71	11.65	10.66	8.96	7.92	7.27
<b>AT END OF PERIOD:</b>							
Total assets	\$ 1,809,847	\$ 1,686,620	\$ 1,773,079	\$ 1,602,207	\$ 1,413,511	\$ 1,161,591	\$ 1,016,518
Securities	766,011	724,773	741,770	641,340	503,028	347,748	238,181
Loans, net of unearned discount	932,696	860,010	927,824	849,883	794,562	715,142	671,556
Allowance for loan losses	13,897	13,015	14,060	12,615	10,820	9,795	8,719
Deposits	1,545,445	1,436,988	1,485,003	1,353,851	1,162,868	956,858	814,596
FHLB and other borrowings	75,152	74,417	97,806	74,456	105,259	100,003	107,478
Subordinated debentures	20,620	20,620	20,620	20,620	20,620	20,620	20,620
Shareholders equity	146,105	133,183	145,364	131,889	109,645	69,409	62,467
<b>KEY RATIOS:</b>							

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Return on average assets	0.96%*	1.06%*	1.00%	1.00%	0.87%	0.79%	0.55%
Return on average equity	11.76%*	12.96%*	12.17%	12.36%	11.62%	12.86%	7.88%
Loan to deposit ratio	60.35%	59.85%	62.48%	62.78%	68.33%	74.74%	82.44%
Dividend payout ratio	48.03%	47.14%	47.93%	53.79%	61.27%	67.27%	105.53%
Average equity to average assets ratio	8.17%	8.14%	8.22%	8.09%	7.46%	6.17%	7.00%

\* Returns on average assets and return on average equity for the three months ended March 31, 2013 and 2012 are annualized.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FC BANC CORP.**

The following tables set forth selected consolidated historical financial and other data of FC for the periods and at the dates indicated. The information is derived in part from and should be read together with the audited consolidated financial statements and notes thereto of FC. The information at and for the three months ended March 31, 2013 and 2012 is unaudited. However, in the opinion of management of FC, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the three months ended March 31, 2013 and 2012 are not necessarily indicative of the results that may be expected for future periods.

(Dollars in thousands, except per share data and ratios)	Three Months Ended March 31,		Year ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
<b>INTEREST INCOME:</b>							
Interest income	\$ 3,764	\$ 3,869	\$ 15,607	\$ 15,130	\$ 15,176	\$ 14,658	\$ 12,999
<b>Total interest income</b>	<b>3,764</b>	<b>3,869</b>	<b>15,607</b>	<b>15,130</b>	<b>15,176</b>	<b>14,658</b>	<b>12,999</b>
<b>INTEREST EXPENSE:</b>							
Interest expense	717	855	3,303	4,173	6,370	6,808	6,476
<b>Total interest expense</b>	<b>717</b>	<b>855</b>	<b>3,303</b>	<b>4,173</b>	<b>6,370</b>	<b>6,808</b>	<b>6,476</b>
<b>NET INTEREST INCOME</b>	<b>3,047</b>	<b>3,014</b>	<b>12,304</b>	<b>10,957</b>	<b>8,806</b>	<b>7,850</b>	<b>6,523</b>
<b>PROVISION FOR LOAN AND LEASE LOSSES</b>	<b>375</b>	<b>150</b>	<b>408</b>	<b>960</b>	<b>680</b>	<b>1,175</b>	<b>335</b>
<b>NON-INTEREST INCOME</b>	<b>1,310</b>	<b>707</b>	<b>3,758</b>	<b>2,802</b>	<b>2,556</b>	<b>2,783</b>	<b>1,917</b>
<b>NON-INTEREST EXPENSES</b>	<b>2,920</b>	<b>2,547</b>	<b>10,866</b>	<b>9,549</b>	<b>8,112</b>	<b>7,488</b>	<b>6,212</b>
<b>PREFERRED STOCK DIVIDENDS</b>	<b>3</b>	<b>80</b>	<b>166</b>	<b>451</b>	<b>364</b>	<b>0</b>	<b>0</b>
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 772</b>	<b>\$ 671</b>	<b>\$ 3,339</b>	<b>\$ 1,920</b>	<b>\$ 1,488</b>	<b>\$ 1,459</b>	<b>\$ 1,287</b>
<b>PER SHARE DATA:</b>							
Earnings diluted	\$ 0.58	\$ 0.67	\$ 2.77	\$ 2.18	\$ 1.73	\$ 1.69	\$ 1.48
Book value per share at period end	25.11	26.67	25.68	25.98	24.53	23.70	22.96
Dividends declared	0.28	0.25	1.03	0.72	0.56	0.52	0.62
<b>AT END OF PERIOD:</b>							
Total assets	\$ 374,428	\$ 354,135	\$ 367,340	\$ 356,613	\$ 355,872	\$ 323,192	\$ 244,403
Loans	239,516	210,925	239,923	205,613	189,004	181,614	156,474
Allowance for loan losses	(2,748)	(2,716)	(3,252)	(2,633)	(2,356)	(2,028)	(1,527)
Investment securities, including Federal bank stock	100,130	120,670	98,298	131,344	142,753	115,753	70,378
Deposits	334,550	309,851	323,437	312,719	309,898	277,226	197,806
Repurchase agreements	0	0	0	128	6,541	4,389	7,725
Other borrowings	5,000	7,500	7,500	7,500	7,512	17,524	17,535
Total common shareholders equity	33,299	26,788	34,018	26,097	21,802	20,904	19,637
Loan to deposit ratio	71.59%	68.07%	74.18%	65.75%	60.99%	65.51%	79.10%
<b>KEY RATIOS:</b>							
Return on average assets	0.84%*	0.76%*	0.94%	0.54%	0.43%	0.50%	0.56%
Return on average common shareholders equity	9.31%*	11.21%*	10.92%	9.84%	8.27%	7.12%	6.76%
Net interest margin FTE	3.86%	3.98%	4.02%	3.62%	2.91%	3.19%	3.11%
Efficiency ratio	67.02%	68.45%	67.65%	69.40%	71.40%	70.42%	73.60%
Common stock dividend payout ratio	48.06%	37.41%	35.97%	33.39%	33.47%	31.05%	42.27%

\* Returns on average assets and return on average common shareholders' equity for the three months ended March 31, 2013 and 2012 are annualized.



**Table of Contents****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA FOR CNB**

The following Selected Unaudited Pro Forma Condensed Combined Financial Data is based on the historical financial data of CNB and FC, and has been prepared to illustrate the effects of the merger. The Selected Unaudited Pro Forma Condensed Combined Financial Data does not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger. The Selected Unaudited Pro Forma Condensed Combined Financial Data also does not include any integration costs the companies may incur related to the merger as part of combining the operations of the companies.

The results of operations data below is presented as if the merger was completed on January 1, 2012 and the balance sheet data below is presented as if the merger was completed on March 31, 2013.

The unaudited pro forma financial data included in this proxy statement/prospectus is based on the historical financial statements of CNB and FC, and on publicly available information and certain assumptions that CNB and FC believe are reasonable, which are described in the notes to the Unaudited Pro Forma Condensed Combined Financial Statements included in this proxy statement/prospectus.

This data should be read in conjunction with the CNB and FC historical consolidated financial statements and accompanying notes included or incorporated by reference herein.

CNB has not performed detailed valuation analysis necessary to determine the fair market values of FC's assets to be acquired and liabilities to be assumed. Accordingly, the pro forma condensed combined financial data does not include an allocation of the purchase price, unless otherwise specified. The pro forma adjustments included in this proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of FC's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact CNB's statements of income and comprehensive income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to FC's shareholders' equity, including results of operations from March 31, 2013 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented in this proxy statement/prospectus.

CNB anticipates that the merger with FC will provide the combined company with financial benefits that include reduced operating expenses. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits of the combined company would have been had the two companies been combined during these periods.

**The unaudited pro forma shareholders' equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of CNB common stock or the actual or future results of operations of CNB for any period. Actual results may be materially different than the pro forma information presented.**

See also the Unaudited Pro Forma Condensed Combined Financial Statements and notes thereto beginning on page 108.

Selected Unaudited Pro Forma Condensed Combined Financial Data

	As of and for the Three Months Ended March 31, 2013	For the Year Ended December 31, 2012
<i>(Dollars in thousands, except per share data)</i>		
<b><u>Consolidated Statements of Income</u></b>		
Total interest and dividend income	\$ 20,468	\$ 83,736
Total interest expense	3,970	18,223

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Net interest income	16,498	65,513
Provision for loan losses	1,305	6,789
Net interest income after provision for loan losses	15,193	58,724

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Non-interest income	4,381	16,422
Non-interest expenses	12,753	47,482
Income before income taxes	6,821	27,664
Income tax expense	1,953	7,929
Net income	\$ 4,868	\$ 19,735

**Per Share Data**

Basic	\$ 0.34	\$ 1.38
Fully Diluted	0.34	1.38
Dividends declared	0.165	0.66
Book value	12.03	

*(Dollars in thousands)***March 31, 2013****Consolidated Balance Sheets**

Total assets	\$ 2,177,328
Securities	859,612
Loans, net of unearned discount	1,164,975
Deposits	1,879,995
FHLB and other borrowings	80,152
Subordinated debentures	20,620
Shareholders' equity	172,643

Pro forma tables are based on preliminary due diligence and include management's initial estimates of fair value adjustments which are subject to change based on results from detailed valuation analyses not yet completed.

**Table of Contents****UNAUDITED COMPARATIVE PER SHARE DATA**

The table below summarizes selected per share information about CNB and FC. CNB share information is presented on a pro forma basis to reflect the proposed merger with FC. CNB expects to issue up to 2,339,497 shares of its common stock in the merger.

The data in the table should be read together with the financial information and the financial statements of CNB and FC incorporated by reference in this proxy statement/prospectus. The pro forma per share data or combined results of operations per share data is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the merger had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period. No pro forma adjustments have been included in this proxy statement/prospectus to reflect potential effects of merger integration expenses, cost savings or operational synergies which may be obtained by combining the operations of CNB and FC or the costs of combining the companies and their operations.

It is further assumed that CNB will continue to pay a cash dividend after the completion of the merger at an annual rate of \$0.66 per share. The actual payment of dividends is subject to numerous factors, and no assurance can be given that CNB will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

	As of and for the Year Ended December 31, 2012	As of and for the Three Months Ended March 31, 2013
	(In thousands, except per share data)	
<b>CNB Historical Per Share Data:</b>		
Earnings per share:		
Basic	\$ 1.38	\$ 0.34
Diluted	1.38	0.34
Cash dividends per share	0.66	0.165
Book value per share	11.65	11.68
<b>CNB Unaudited Pro Forma Combined Per Share Data:</b>		
Earnings per share:		
Basic	\$ 1.34	\$ 0.33
Diluted	1.34	0.33
Cash dividends per share	0.66	0.165
Book value per share	11.99	12.03
	As of and for the Year Ended December 31, 2012	As of and for the Three Months Ended March 31, 2013
	(In thousands, except per share data)	
<b>FC Historical Per Share Data:</b>		
Net income per share:		
Basic	\$ 2.77	\$ 0.58
Diluted	2.77	0.58
Cash dividends per share	1.03	0.28
Book value per share	25.68	25.11
<b>FC Unaudited Equivalent Pro Forma Per Share Data:(1)</b>		
Net income per share:		

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Basic	\$	2.35	\$	0.58
Diluted		2.35		0.58
Cash dividends per share		1.16		0.29
Book value per share	\$	21.03	\$	21.10

(1) Derived by multiplying the combined company pro forma per share information by the exchange ratio of 1.754.

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**COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION**

CNB common stock is listed and traded on the NASDAQ Global Select Market under the symbol CCNE. FC is not listed on an exchange. FC common stock is quoted on the OTC Bulletin Board under the symbol FCBZ. Although FC common stock is quoted on the OTC Bulletin Board, the trading markets on the OTC Bulletin Board lack the depth, liquidity, and orderliness necessary to maintain a liquid market. The OTC Bulletin Board prices are quotations, which reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

The following table sets forth, for the calendar quarters indicated, in the case of CNB, the high and low sales prices per share of CNB, as reported on the NASDAQ Global Select Market, and, in the case of FC, the high and low bid information as quoted on the OTC Bulletin Board for shares of FC common stock. In addition, the table also sets forth the quarterly cash dividends per share declared by CNB and FC with respect to their common stock. On \_\_\_\_\_, the last practicable trading day prior to the date of this proxy statement/prospectus, there were \_\_\_\_\_ shares of CNB common stock outstanding and \_\_\_\_\_ shares of FC common stock outstanding. As of May 31, 2013, CNB and FC had approximately 1,700 and 195 shareholders of record, respectively. Such numbers of shareholders do not reflect the number of individuals or institutional investors holding stock in nominee name through banks, brokerage firms and others.

For the calendar quarterly period ended:	CNB			FC		
	High	Low	Dividends Declared	High	Low	Dividends Declared
<b>2013</b>						
March 31, 2013	\$ 17.35	\$ 16.34	\$ 0.165	\$ 29.00	\$ 22.55	\$ 0.28
June 30, 2013 (through _____, 2013)	\$	\$	\$	\$	\$	\$
<b>2012</b>						
March 31, 2012	\$ 17.50	\$ 14.59	\$ 0.165	\$ 20.30	\$ 16.25	\$ 0.25
June 30, 2012	\$ 17.32	\$ 14.24	\$ 0.165	\$ 20.45	\$ 19.55	\$ 0.26
September 30, 2012	\$ 18.20	\$ 15.28	\$ 0.165	\$ 24.00	\$ 20.45	\$ 0.26
December 31, 2012	\$ 17.90	\$ 14.62	\$ 0.165	\$ 23.00	\$ 22.00	\$ 0.26
<b>2011</b>						
March 31, 2011	\$ 15.14	\$ 13.51	\$ 0.165	\$ 18.75	\$ 16.50	\$ 0.16
June 30, 2011	\$ 14.50	\$ 12.38	\$ 0.165	\$ 18.45	\$ 16.75	\$ 0.16
September 30, 2011	\$ 14.37	\$ 11.17	\$ 0.165	\$ 19.40	\$ 16.75	\$ 0.18
December 31, 2011	\$ 17.21	\$ 12.17	\$ 0.165	\$ 20.00	\$ 16.25	\$ 0.22
<b>2010</b>						
March 31, 2010	\$ 18.99	\$ 14.70	\$ 0.165	\$ 24.00	\$ 16.50	\$ 0.14
June 30, 2010	\$ 16.50	\$ 10.53	\$ 0.165	\$ 21.00	\$ 16.50	\$ 0.14
September 30, 2010	\$ 13.93	\$ 10.75	\$ 0.165	\$ 18.50	\$ 16.50	\$ 0.14
December 31, 2010	\$ 15.83	\$ 13.00	\$ 0.165	\$ 17.10	\$ 17.00	\$ 0.14

The following table presents the last reported sale price of a share of CNB and last reported bid price of a share FC common stock, as reported on the NASDAQ Global Select Market and the OTC Bulletin Board, respectively, on March 25, 2013, the last full trading day prior to the public announcement of the proposed merger, and on \_\_\_\_\_, the last practicable trading day prior to the date of this proxy statement/prospectus. The following table also presents the equivalent per share value of the CNB common stock that FC shareholders would receive for each share of their FC common stock if the merger was completed on those dates:

	Equivalent Value		
	Per Share of		
	CNB Common	FC Common	FC Common
	Stock	Stock	Stock(1)
March 25, 2013	\$ 17.17	\$ 23.40	\$ 30.12
_____, 2013	\$	\$	\$

- (1) Calculated by multiplying the closing price of CNB common stock as of the specified date by the exchange ratio of 1.754.

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The market value of the CNB common stock to be issued in exchange for shares of FC common stock upon the completion of the merger will not be known at the time of the FC special meeting. The above tables show only historical comparisons. Because the market prices of CNB common stock and FC common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to FC shareholders in determining whether to adopt the merger agreement. FC shareholders are encouraged to obtain current market quotations for CNB common stock and FC common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 115.

The holders of CNB common stock receive dividends as and when declared by CNB's board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by CNB's board of directors, CNB expects to continue paying quarterly cash dividends on a basis consistent with past practice. The current annualized rate of distribution on a share of CNB common stock is \$0.66 per share. However, the payment of dividends by CNB is subject to numerous factors, and no assurance can be given that CNB will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

The merger agreement permits FC to continue to pay regular quarterly cash dividends with record and payment dates consistent with past practice prior to completion of the merger.



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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus, including information included or incorporated by reference in this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between CNB and FC, including future financial and operating results and performance; statements about CNB's and FC's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will, show, words of similar meaning. These forward-looking statements are based upon the current beliefs and expectations of CNB's and FC's managements and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of CNB and FC. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all;

failure of the shareholders of FC to approve the merger agreement;

the failure to obtain governmental approvals of the merger or the imposition of adverse regulatory conditions in connection with regulatory approvals of the merger;

disruptions to the parties' businesses as a result of the announcement and pendency of the proposed merger;

costs or difficulties related to the integration of the business following the proposed merger;

the risk that the anticipated benefits, cost savings and any other savings from the transaction may not be fully realized or may take longer than expected to realize;

changes in general business, industry or economic conditions or competition;

changes in any applicable law, rule, regulation, policy, guideline or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise;

adverse changes or conditions in the capital and financial markets;

changes in interest rates or credit availability;

the inability to realize expected cost savings or achieve other anticipated benefits in connection with the proposed merger;

changes in the quality or composition of loan and investment portfolios;

adequacy of loan loss reserves and changes in loan default and charge-off rates;

increased competition and its effect on pricing, spending, third-party relationships and revenues;

loss of certain key officers;

continued relationships with major customers;

deposit attrition, necessitating increased borrowings to fund loans and investments;

rapidly changing technology;

unanticipated regulatory or judicial proceedings and liabilities and other costs;

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changes in the cost of funds, demand for loan products or demand for financial services; and

other economic, competitive, governmental or technological factors affecting operations, markets, products, services and prices. Additional factors that could cause CNB's and FC's results to differ materially from those described in the forward-looking statements can be found in the section of this proxy statement/prospectus titled "Risk Factors" beginning on page 22 and CNB's filings with the SEC, including CNB's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to CNB or FC or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, CNB and FC undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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**INFORMATION ABOUT THE COMPANIES**

**CNB Financial Corporation**

CNB is a registered financial holding company incorporated under the laws of the Commonwealth of Pennsylvania in 1983, with its principal headquarters located in Clearfield, Pennsylvania. CNB is the parent company of CNB Bank, CNB Securities Corporation (which maintains investments in debt and equity securities), County Reinsurance Company (which provides credit life and disability insurance for customers of CNB Bank), CNB Insurance Agency (which provides for the sale of nonproprietary annuities and other insurance products) and Holiday Financial Services Corporation (which offers small balance unsecured loans and secured loans, primarily collateralized by automobiles and equipment, to borrowers with higher risk characteristics).

CNB Bank was incorporated in 1934 and is chartered in the Commonwealth of Pennsylvania. CNB Bank's primary market area consists of the Pennsylvania counties of Cambria, Cameron, Clearfield, Elk, Indiana, McKean and Warren. It also includes a portion of western Centre County including Philipsburg Borough, Rush Township and the western portions of Snow Shoe and Burnside Townships and a portion of Jefferson County, consisting of the boroughs of Brockway, Falls Creek, Punxsutawney, Reynoldsville and Sykesville, and the townships of Washington, Winslow and Henderson.

ERIEBANK, a division of CNB Bank, began operations in 2005 and provides financial services to individuals and businesses located within its market areas, which include the northwestern Pennsylvania county of Erie and the city of Meadville located in Crawford County. ERIEBANK currently has four full service branch offices in or near the city of Erie, Pennsylvania, two full service branch offices in the city of Meadville, Pennsylvania and one full service branch office in the city of Warren, Pennsylvania.

CNB Bank has 22 full-service branch offices, excluding its ERIEBANK branch offices, located in various communities in its market area.

CNB Bank is a full-service bank engaging in a full range of banking activities and services for individual, business, governmental and institutional customers. These activities and services principally include checking, savings, and time deposit accounts; real estate, commercial, industrial, residential and consumer loans; and a variety of other specialized financial services. CNB Bank's Wealth & Asset Management Services division offers a full range of client services.

At March 31, 2013, CNB had \$1.8 billion in assets, \$1.5 billion in deposits and \$146 million of shareholders' equity.

CNB's principal executive offices are located at 1 South Second Street, P.O. Box 42, Clearfield, Pennsylvania 16830, its phone number is (814) 765-9621 and its website is [www.bankcnb.com](http://www.bankcnb.com). Information that is included on this website does not constitute part of this proxy statement/prospectus. CNB common stock is traded on the NASDAQ Global Select Market under the symbol **CCNE**.

**FC Banc Corp.**

FC Banc Corp., or FC, is the holding company for The Farmers Citizens Bank, or FC Bank. Since 1907, FC Bank has had a tradition of being a locally owned bank proudly serving its customers. With offices in Bucyrus, Cardington, Fredericktown, Mount Hope, Upper Arlington, Shiloh and Worthington, FC Bank is a Federal Deposit Insurance Corporation member and an Equal Housing Lender.

At March 31, 2013, FC had \$374.4 million in assets, \$334.6 million in deposits, and \$33.3 million of shareholders' equity.

FC's principal executive offices are located at 105 Washington Square, Bucyrus, Ohio 44820. FC's telephone number is (419) 562-7040 and its website is [www.farmerscitizensbank.com](http://www.farmerscitizensbank.com). Information that is included on this website does not constitute part of this proxy statement/prospectus. FC common stock is quoted on the OTC Bulletin Board under the symbol **FCBZ**.

***General Information about FC and FC Bank***

FC Bank opened for business on January 6, 1908. FC Bank is an Ohio-chartered bank subject to the supervision and regulation of the Federal Reserve Bank and the State of Ohio Division of Financial Institutions. FC Bank has provided continuous customer service to Crawford County for more than 100 years. FC Bank conducts a general banking business in north central Ohio that consists of attracting deposits from the general public and applying those funds to the origination of loans for residential, consumer and non-residential purposes. FC Bank's principal types of lending are in commercial real estate, residential real estate, and consumer. In the consumer loan area, FC Bank specializes in home equity loans.



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FC Bank's profitability is significantly dependent on net interest income, which is the difference between interest income generated from interest-earning assets (i.e., loans and investments) and the interest expense paid on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative amount of interest-earning assets and interest-bearing liabilities and interest received or paid on these balances. The level of interest rates paid or received by FC Bank can be significantly influenced by a number of environmental factors, such as governmental monetary policy, that are outside of FC's management's control.

The economy of FC Bank's markets is driven by several major components: manufacturing, retail trade, governmental service, general service, and agricultural. The general economic conditions of all of FC Bank's markets are reflective of the state of Ohio and, to a certain extent, our national economy. Currently, the general outlook for the economy is cautiously optimistic. While moderate growth to stable conditions has been seen, in general, the economy has not shown positive signs of a robust economy.

The financial services industry is highly competitive. FC Bank competes with financial services providers, such as banks, savings associations, credit unions, finance companies, mortgage banking companies, insurance companies, and money market and mutual fund companies. FC Bank also faces increased competition from non-banking institutions such as brokerage houses and insurance companies, as well as from financial service subsidiaries of commercial and manufacturing companies. Many of these competitors enjoy the benefits of advanced technology, fewer regulatory constraints, and lower cost structures.

### ***Effects of Economic Trends***

FC Bank's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. FC Bank is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the Federal Reserve Board are: (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, and (c) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. For that reason alone, the policies of the Federal Reserve Board have a material effect on the earnings of FC Bank.

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**Table of Contents****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FC BANC CORP.'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Unless the context requires otherwise, throughout the following disclosure concerning FC's management discussion and analysis of financial condition and results of operations, we, us, our, management, and the Company refer to FC, FC Bank, and management.*

The following discussion is intended to focus on and highlight certain financial information regarding the Company and should be read in conjunction with the financial statements and related notes which have been prepared by the management of the Company in accordance with U.S. generally accepted accounting principles. We encourage you to read this discussion and analysis in conjunction with the financial statements and the related notes and the other statistical information included as [Annex D](#) to this proxy statement/prospectus.

**Critical Accounting Policies**

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America and with general practices within the banking industry in the preparation of our consolidated financial statements. Our significant accounting policies are described in Note 1 to our consolidated financial statements as of December 31, 2012.

Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. We consider these accounting policies to be critical accounting policies. The judgments and assumptions we use are based on historical experience and other factors, which we believe to be reasonable under the circumstances. Because of the nature of the judgments and assumptions we make, actual results could differ from these judgments and estimates, and such differences could have a material impact on the carrying values of our assets and liabilities and our results of operations. Management has reviewed and approved these critical accounting policies and has discussed these policies with the Company's Audit Committee.

**Allowance for Loan Losses**

The allowance for loan losses represents the amount which management estimates is adequate to provide for probable losses inherent in its loan portfolio. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance, and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses which is charged to operations. The provision is based on management's periodic evaluation of the adequacy of the allowance for loan losses which encompasses the overall risk characteristics of the various portfolio segments, past experience with losses, the impact of economic conditions on borrowers, and other relevant factors. The estimates used in determining the adequacy of the allowance for loan losses, including the amounts and timing of future cash flows expected on impaired loans, are particularly susceptible to significant change in the near term.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. Management has determined that first mortgage loans on one-to-four family properties and all consumer loans represent large groups of smaller-balance homogeneous loans that are to be collectively evaluated. Loans that experience insignificant payment delays, which are defined as 90 days or less, generally are not classified as impaired. A loan is not impaired during a period of delay in payment if the Company expects to collect all amounts due, including interest accrued at the contractual interest rate for the period of delay. All loans identified as impaired are evaluated independently by management. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all circumstances concerning the loan, the creditworthiness and payment history of the borrower, the length of the payment delay, and the amount of shortfall in relation to the principal and interest owed. The Company estimates credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment is expected to come from the sale or operation of such collateral. Impaired loans, or portions thereof, are charged off when it is determined a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan. Payments received on nonaccrual loans are recorded as income or applied against principal according to management's judgment as to the collectability of such principal.

Management establishes the allowance for loan losses based upon its evaluation of the pertinent factors underlying the types and quality of loans in the portfolio. Commercial loans and commercial real estate loans are reviewed on a regular basis, with a focus on larger loans along with loans that have experienced past payment or financial deficiencies. Larger commercial loans and commercial real estate loans which are 90 days or more past due are selected for impairment testing. These loans are analyzed to determine whether they are impaired, which means that it is probable that all amounts will not be collected according to the contractual terms of the loan agreement. All commercial loans that are delinquent 90 days and residential mortgage loans that are 120 days delinquent and are placed on nonaccrual status are classified on an individual basis. The remaining loans are evaluated and classified as groups of loans with similar risk characteristics. The Company allocates

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allowances based on the factors described below, which conform to the Company's asset classification policy. In reviewing risk within FC Bank's loan portfolio, management has determined there to be several different risk categories within the loan portfolio. The allowance for loan losses consists of amounts applicable to: (i) the loans secured by residential real estate portfolio; (ii) the commercial real estate portfolio; (iii) the consumer loan portfolio; and (iv) the commercial loan portfolio. Factors considered in this process included general loan terms, collateral, and availability of historical data to support the analysis. Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. Certain qualitative factors are then added to the historical allocation percentage to get the total factor to be applied to nonclassified loans. The following qualitative factors are analyzed:

Levels of and trends in delinquencies

Trends in volume and terms

Trends in credit quality ratings

Changes in management and lending staff

Economic trends

Concentrations of credit

The Company analyzes its loan portfolio each quarter to determine the appropriateness of its allowance for loan losses.



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### **Investment Securities**

Currently, the Company's investment securities portfolio is classified as available for sale. The portfolio serves principally as a source of liquidity and is carried at fair value with unrealized holding gains and losses for available-for-sale securities reported as a separate component of stockholders' equity, net of tax, until realized. Debt securities acquired with the intent to hold to maturity would be classified as held to maturity and carried at cost adjusted for amortization of premium and accretion of discount, which are computed using the interest method and recognized as adjustments of interest income. Realized security gains and losses are computed using the specific identification method. Interest and dividends on investment securities are recognized as income when earned.

Securities are periodically reviewed for other-than-temporary impairment based upon a number of factors, including, but not limited to, the length of time and extent to which the market value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the security's ability to recover any decline in its market value, and whether or not the Company intends to sell the security or whether it is more likely than not that the Company would be required to sell the security before its anticipated recovery in market value. A decline in value that is considered to be other than temporary is recorded as a loss within non-interest income in the Consolidated Statement of Income.

Common stock of the Federal Home Loan Bank, or FHLB, Federal Reserve Bank, and Great Lakes Bankers Bank represents ownership in institutions which are wholly owned by other financial institutions. These equity securities are accounted for at cost and are included in other assets.

FC Bank is a member of the FHLB of Cincinnati and, as such, is required to maintain a minimum investment in stock of the FHLB that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its \$100 par value. The stock does not have a readily determinable fair value and, as such, is classified as restricted stock, carried at cost, and evaluated by management. The stock's value is determined by the ultimate recoverability of the par value rather than by recognizing temporary declines. The determination of whether the par value will ultimately be recovered is influenced by criteria such as the following: (a) the significance of the decline in net assets of the FHLB as compared with the capital stock amount and the length of time this situation has persisted; (b) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance; (c) the impact of legislative and regulatory changes on the customer base of the FHLB; and (d) the liquidity position of the FHLB. Management concluded that the stock was not impaired at December 31, 2012 or 2011.

### **Income Taxes**

The Company and FC Bank file a consolidated federal income tax return. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

### **Results of Operations for Periods Ended March 31, 2013 and 2012**

**General.** The Company reported net income available to common stockholders of \$772,000 and \$671,000 for the three months ended March 31, 2013 and 2012, respectively. Basic and diluted earnings per share for the first three months of 2013 and 2012 were \$0.58 and \$0.67, respectively. The increase in net income for the first three months of 2013, compared to the same period in 2012 of \$101,000, or 15.1%, resulted primarily from an increase in net interest income of \$33,000 and an increase in non-interest income of \$603,000. These were partially offset by an increase in non-interest expense of \$373,000, an increase in provision for loan losses of \$225,000, and an increase in income taxes of \$14,000. Return on average assets and return on average equity for the first three months of 2013 were 0.84% and 9.19%, respectively, as compared to 0.76% and 8.38% for the same period in 2012.

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**Average Balance Sheet and Yield/Rate Analysis.** The following table sets forth, for the periods indicated, information concerning the total dollar amounts of interest income from interest-earning assets and the resultant average yields, the total dollar amounts of interest expense on interest-bearing liabilities, and the resultant average costs, net interest income, interest rate spread, and the net interest margin earned on average interest-earning assets. For purposes of this table, average balances are calculated using monthly averages and the average loan balances include nonaccrual loans and exclude the allowance for loan losses and interest income includes accretion of net deferred loan fees. Yields on tax-exempt securities and loans (tax-exempt for federal income tax purposes) are shown on a fully tax equivalent basis utilizing a federal tax rate of 34%.

	For the Three Months Ended March 31,					
	2013		2012		Average	
	Average Balance	Interest	Average Yield/Cost (Dollars in thousands)	Average Balance	Interest	Yield/Cost
<b>Interest-earning assets:</b>						
Loan, net (3)(4)	\$ 238,961	\$ 3,089	5.18%	\$ 208,185	\$ 3,053	5.87%
Taxable investment securities	79,647	477	2.40%	99,731	609	2.44%
Non-taxable investment securities (3)	24,509	197	4.87%	24,820	206	5.03%
Federal funds sold	3,330	1	0.12%	1,306	1	0.31%
Total interest-earning assets	346,447	3,764	4.47%	334,042	3,869	4.76%
Non-interest-earning assets	21,322			17,544		
Total assets	\$ 367,769			\$ 351,586		
<b>Interest-bearing liabilities:</b>						
Interest-bearing checking	\$ 15,362	\$ 6	0.16%	\$ 15,415	\$ 10	0.26%
Money market deposits	7,779	5	0.26%	8,806	5	0.23%
Savings accounts	212,830	377	0.71%	196,730	389	0.79%
Certificates of deposits	77,558	271	1.40%	79,272	377	1.90%
Total deposits	313,529	659	0.84%	300,223	781	1.04%
Short-term borrowings	253		0.73%	421	1	0.74%
Other borrowings	7,656	58	3.03%	8,522	73	3.43%
Total interest-bearing liabilities	321,438	717	0.89%	309,166	855	1.11%
Non-interest-bearing liabilities	12,712			10,397		
Total liabilities	334,150			319,563		
Retained earnings	33,619			32,023		
Total liabilities and retained earnings	\$ 367,769			\$ 351,586		
Net interest income		\$ 3,047			\$ 3,014	
Interest rate spread (1)			3.57%			3.66%
Net interest margin (2)			3.86%			3.98%
Ratio of average interest-earning assets to average interest-bearing liabilities			107.78%			108.05%

- (1) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
- (2) Net interest margin represents net interest income as a percentage of average interest-earning assets.
- (3) Yields are presented on a fully tax-equivalent basis using a 34% federal statutory tax rate.
- (4) Tax equivalent adjustments to the loan average yield for tax-exempt loans were \$3 and \$4 for the periods ended March 31, 2013 and 2012, respectively.

***Analysis of Changes in Net Interest Income.*** The following table analyzes the changes in interest income and interest expense in terms of: (1) changes in volume of interest-earning assets and interest-bearing liabilities and (2) changes in yields and rates. The table reflects the extent to which changes in the Company's interest income and interest expense are attributable to changes in rate (change in rate multiplied by prior period volume), changes in volume (changes in volume multiplied by prior period rate), and changes attributable to the combined impact of volume/rate (change in rate multiplied by change in volume). The changes attributable to the combined impact of volume/rate are allocated on a consistent basis between the volume and rate variances. Changes in interest income on securities reflect the changes in interest income on a fully tax equivalent basis.

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	For the Three Months Ended March 31, 2013 vs. 2012		
		Increase (Decrease) Due to	Net
	Volume	Rate	
	(Dollars in thousands)		
<b>Interest and dividend income:</b>			
Loans receivable	\$ 1,630	\$ (1,594)	\$ 36
Taxable investment securities	(120)	(12)	(132)
Non-taxable investment securities	(3)	(6)	(9)
<b>Total interest-earnings assets</b>	<b>\$ 1,507</b>	<b>\$ (1,612)</b>	<b>\$ (105)</b>
<b>Interest expense:</b>			
Interest-bearing checking	\$	\$ (4)	\$ (4)
Money market deposits	(2)	2	
Savings accounts	137	(149)	(12)
Certificates of deposit	(8)	(98)	(106)
<b>Total deposits</b>	<b>127</b>	<b>(249)</b>	<b>(122)</b>
Short-term borrowings		(1)	(1)
Other borrowings	(7)	(8)	(15)
<b>Total interest-bearing liabilities</b>	<b>\$ 120</b>	<b>\$ (258)</b>	<b>\$ (138)</b>
<b>Change in net interest income</b>	<b>\$ 1,387</b>	<b>\$ (1,354)</b>	<b>\$ 33</b>

**Net interest income.** Net interest income, the primary source of revenue for the Company, is determined by the Company's interest rate spread, which is defined as the difference between income on earning assets and the cost of funds supporting those assets and the relative amounts of interest earning assets and interest bearing liabilities. Management periodically adjusts the mix of assets and liabilities, as well as the rates earned or paid on those assets and liabilities in order to manage and improve net interest income. The level of interest rates and changes in the amount and composition of interest earning assets and liabilities affect the Company's net interest income. Net interest income increased by \$33,000, or 1.1%, to \$3,047,000 for the first three months in 2013, as compared to \$3,014,000 for the same period in 2012. This increase in net interest income can be attributed to the decrease in interest expense of \$138,000, or 16.1%, partially offset by the decrease in interest income of \$105,000, or 2.7%. The decrease to interest expense reflects a 22 basis point decrease in the cost of interest-bearing liabilities to 0.89% for the first three months of 2013, as compared to 1.11% for the same period of 2012. Comparatively, during 2012 and 2011, loan interest income comprised 82.1% and 78.9%, respectively, of interest income, and investment interest comprised 17.9% and 21.1%, respectively, of interest income.

**Interest income.** Interest income decreased \$105,000, or 2.7%, to \$3,764,000 over the first three months of 2013, as compared to \$3,869,000 for the same period of 2012. This decrease in interest income can be attributed to the decrease in interest earned on investment securities of \$141,000, or 17.3%, partially offset by an increase in interest earned on loans of \$36,000, or 1.2%.

Interest earned on loans increased \$36,000, or 1.2%, to \$3,089,000 for the first three months in 2013, as compared to \$3,053,000 for the same period of 2012. This increase was attributable to an increase in the average balance of loans outstanding of \$30.8 million, or 14.8%, to \$239.0 million for the three months ended March 31, 2013, as compared to \$208.2 million for the same period of 2012, partially offset by a decrease in yield on the portfolio of 69 basis points to 5.18% for the three months ended March 31, 2013, as compared to 5.87% for the same period of 2012.

Interest earned on taxable securities decreased \$132,000, or 21.7%, to \$477,000 for the three months ended March 31, 2013, as compared to \$609,000 for the same period of 2012. This decrease was primarily attributable to a decline in the average balance of the portfolio of \$20.1 million, or 20.1%, to \$79.6 million for the three months ended March 31, 2013, as compared to \$99.7 million for the same period of 2012 and by a decrease in yield on the portfolio of 4 basis points to 2.40% for the three months ended March 31, 2013, as compared to 2.44% for the same period of 2012.



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Interest earned on non-taxable securities decreased \$9,000, or 4.4%, to \$197,000 for the three months ended March 31, 2013, as compared to \$206,000 for the same period of 2012. This decrease was primarily attributable to a decrease in the average balance of the portfolio of \$311,000, or 1.3%, to \$24.5 million for the three months ended March 31, 2013, as compared to \$24.8 million for the same period of 2012 and by an decrease in yield on the portfolio of 16 basis points to 4.87% for the three months ended March 31, 2013, as compared to 5.03% for the same period of 2012.

**Interest expense.** Interest expense decreased \$138,000, or 16.1%, to \$717,000 for the three months ended March 31, 2013, as compared to \$855,000 for the same period of 2012. This decrease in interest expense can be attributed to decreases in interest incurred on deposits and borrowings of \$122,000 and \$16,000, respectively.

Interest incurred on deposits decreased \$122,000, or 15.6%, to \$659,000 for the three months ended March 31, 2013, as compared to \$781,000 for the same period of 2012. This decrease was primarily attributable to a decrease in the cost of interest earning deposits of 20 basis points to 0.84% for the first three months of 2013 from 1.04% for the same period of 2012, partially offset by an increase of \$13.3 million, or 4.4%, in the average balance of interest-bearing deposits to \$313.5 million for the first three months ended March 31, 2013, as compared to \$300.2 million for the same period of 2012.

Interest incurred on borrowings, which includes short-term borrowings and other borrowings with the FHLB, decreased \$16,000, or 21.6%, to \$58,000 for the three months ended March 31, 2013, as compared to \$74,000 for the same period of 2012. This decrease was primarily attributable to a decrease in the average balance of borrowed funds of \$1.0 million, or 11.6%, to \$7.9 million for the three months ended March 31, 2013, as compared to \$8.9 million for the same period of 2012 and by a decrease in the cost of these funds of 38 basis points to 2.93% for the three months ended March 31 2013, as compared 3.31% for the same period of 2012.

**Provision for loan losses.** The Company maintains an allowance for loan losses in an amount, which, in management's judgment, is adequate to absorb reasonably foreseeable losses inherent in the loan portfolio. The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses, after net charge-offs have been deducted, to bring the allowance to a level which is considered adequate to absorb potential losses inherent in the loan portfolio in accordance with generally accepted accounting principles, or GAAP. The amount of the provision is based on management's regular review of the loan portfolio and consideration of such factors as historical loss experience, generally prevailing economic conditions, changes in size and composition of the loan portfolio, and considerations relating to specific loans, including the ability of the borrower to repay the loan and the estimated value of the underlying collateral. The provision for loan losses increased \$225,000 to \$375,000 for the three months ended March 31, 2013, as compared to \$150,000 for the same period of 2012. The Company experienced net charge-offs of \$879,000 in the first quarter of 2013, compared to \$67,000 in the first quarter of 2012. This increase was primarily related to the charge-off of two loan relationships that had both encountered severe economic conditions specific to their line of business.

Historical loss percentages for each risk category are calculated and used as the basis for calculating allowance allocations. These historical loss percentages are calculated over a four-year period for all portfolio segments. Certain qualitative factors are then added to the historical allocation percentage to get the adjusted factor to be applied to non classified loans. Please refer to the loan information table in Note 5 to the Company's consolidated financial statements for the allocation of the allowance.

Management reviews significant factors affecting the allowance regularly and believes that the allowance was adequate to cover potentially uncollectible loans as of March 31, 2013 and December 31, 2012.

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**Noninterest income.** The following table shows the breakdown of noninterest income for the three months ended March 31, 2013 and 2012 (dollars in thousands):

	For the Three Months Ended March 31,		Change	
	2013	2012	Amount	%
Service charges on deposit accounts	\$ 126	\$ 146	\$ (20)	(13.7)
Investment securities gains, net	760	44	716	1,627.3
Gains on loan sales, net	165	150	15	10.0
Bank-owned life insurance earnings	25	24	1	4.2
Other	234	343	(109)	(31.8)
	\$ 1,310	\$ 707	603	85.3

Noninterest income increased \$603,000 from \$707,000 for the first three months of 2012 to \$1.3 million for the first three months of 2013. This increase in total noninterest income resulted primarily from increased volume of investment sale activity that resulted in net gains of \$760,000 for the first three months of 2013, as compared to \$44,000 for the same period of 2012. Management had both liquidity needs and a strategic direction to take advantage of yield curve opportunities given a historically low interest rate environment. By moving out the yield curve in a very modest way FC Bank achieved protection against increased downward margin pressures on the earning assets component of that ratio. As the yield on FC Bank's loan portfolio continued to be pressured lower, the investment portfolio was able to maintain a level yield in the first quarter in contrast to the direction of interest rates. Additionally, liquidity needs for increasing loan demand were materializing at the close of the first quarter and a larger federal funds position was established.

**Noninterest expense.** The following table shows the breakdown of noninterest expense for the three months ended March 31, 2013 and 2012 (dollars in thousands):

	For the Three Months Ended March 31,		Change	
	2013	2012	Amount	%
Salaries and employee benefits	\$ 1,646	\$ 1,413	\$ 233	16.5
Net occupancy and equipment expenses	328	290	38	13.1
Professional fees	106	88	18	20.5
State franchise tax	107	91	16	17.6
Federal deposit insurance	52	54	(2)	(3.7)
Data processing	111	101	10	9.9
Advertising	146	121	25	20.7
Other	424	389	35	9.0
	2,920	\$ 2,547	\$ 373	14.6

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Noninterest expense was \$2.9 million for the three months ended March 31, 2013, a \$373,000, or 14.6%, increase from noninterest expense of \$2.5 million for the same period of 2012. Salaries and employee benefits and occupancy and equipment expenses comprised 67.6% of the total noninterest expense for the three months ended March 31, 2013, as compared to 66.9% for the three months ended March 31, 2012.

The Company's efficiency ratio was 67.02% and 68.45% for the periods ended March 31, 2013 and 2012, respectively. The efficiency ratio represents the percentage of one dollar of expense required to be incurred to earn a full dollar of revenue and is computed by dividing noninterest expense by the sum of interest income and noninterest income. Based on this calculation, the Company spent \$0.67 on average to earn \$1.00 of revenue for the three months ended March 31, 2013.

Salaries and employees benefits increased \$233,000, or 16.5%, for the first three months of 2013 to \$1.6 million, compared to \$1.4 million for the same period of 2012. This increase is primarily attributed to expansion of the mortgage division that sells loans to the secondary market through the hiring of full-time employees in 2012 and normal salary increases.

**Provision for income taxes.** The provision for income taxes increased \$14,000, or 5.1%, to \$287,000 for the first three months of 2013, as compared to \$273,000 for the same period of 2012. This increase is due to an increase in pre-tax income of \$38,000, or 3.7%, to \$1,062,000 for the first three months of 2013, as compared to \$1,024,000 for the same period of 2012. The effective tax rate for the three months ended March 31, 2013 and 2012 was 27.0%, compared to 26.7% for the same period of 2012.

## **Results of Operations for Fiscal Years Ended December 31, 2012, 2011, and 2010**

**General.** The Company reported net income available to common stockholders of \$3.3 million, \$1.9 million, and \$1.5 million in 2012, 2011, and 2010, respectively. Basic and diluted earnings per share were \$2.77, \$2.18, and \$1.73 for 2012, 2011, and 2010, respectively. The increase in net income for 2012 resulted primarily from an increase in net interest income of \$1.3 million, a decrease in provision for loan losses of \$552,000, and an increase in non-interest income of \$956,000. These were offset by an increase in non-interest expense of \$1.3 million and an increase in income taxes of \$404,000. The increase in net income for 2011 resulted primarily from an increase in net interest income of \$2.1 million and an increase in non-interest income of \$310,000. These were offset by an increase in provision for loan losses of \$280,000, an increase in non-interest expense of \$1.4 million, and an increase in income taxes of \$161,000. Return on average assets and return on average equity for 2012 were 0.94% and 10.06%, respectively, as compared to 0.54% and 6.34% for 2011 and 0.43% and 5.16% for 2010.

**Average Balance Sheet and Yield/Rate Analysis.** The following table sets forth, for the periods indicated, information concerning the total dollar amounts of interest income from interest-earning assets and the resultant average yields, the total dollar amounts of interest expense on interest-bearing liabilities and the resultant average costs, net interest income, interest rate spread, and the net interest margin earned on average interest-earning assets. For purposes of this table, average balances are calculated using monthly averages, and the average loan balances include nonaccrual loans and exclude the allowance for loan losses and interest income includes accretion of net deferred loan fees. Yields on tax-exempt securities and loans (tax-exempt for federal income tax purposes) are shown on a fully tax equivalent basis utilizing a federal tax rate of 34%.



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	For the Years Ended December 31,								
	2012			2011			2010		
	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost	Average Balance	Interest	Average Yield/Cost
	(Dollars in thousands)								
<b>Interest-earning assets:</b>									
Loan, net	\$ 227,412	\$ 12,759	5.62%	\$ 192,753	\$ 11,714	6.09%	\$ 187,786	\$ 11,723	6.26%
Taxable investment securities	83,271	2,007	2.41%	118,377	2,772	2.34%	123,786	3,027	2.45%
Non-taxable investment securities (3)	25,891	840	4.92%	17,609	643	5.53%	11,591	424	5.54%
Federal Funds sold	1,273	1	0.08%	905	1	0.11%	1,843	2	0.11%
Total interest-earning assets	337,847	15,607	4.75%	329,644	15,130	4.69%	325,006	15,176	4.75%
Non-interest-earning assets	19,163			22,989			22,994		
Total assets	\$ 357,010			\$ 352,633			\$ 348,000		
<b>Interest-bearing liabilities:</b>									
Interest-bearing checking	\$ 16,412	49	0.30%	\$ 41,953	396	0.94%	\$ 66,869	1,048	1.57%
Money market deposits	8,531	20	0.23%	10,069	35	0.35%	10,890	123	1.13%
Savings accounts	201,110	1,594	0.79%	150,986	1,312	0.87%	96,275	1,362	1.41%
Certificates of deposits	77,409	1,346	1.74%	87,146	2,132	2.45%	105,278	3,454	3.28%
Total deposits	303,462	3,009	0.99%	290,154	3,875	1.34%	279,312	5,987	2.14%
Short-term borrowings:	249	1	0.40%	5,258	5	0.10%	5,348	12	0.22%
Other borrowings	8,350	293	3.51%	7,933	293	3.69%	9,740	371	3.81%
Total interest-bearing liabilities	312,061	3,303	1.06%	303,345	4,173	1.38%	294,400	6,370	2.16%
Non-interest-bearing liabilities	11,750			18,981			24,746		
Total liabilities	323,811			322,326			319,146		
Retained earnings	33,199			30,307			28,854		
Total liabilities and retained earnings	\$ 357,010			\$ 352,633			\$ 348,000		
Net interest income		\$ 12,304			\$ 10,957			\$ 8,806	
Interest rate spread (1)			3.69%			3.32%			2.59%
Net interest margin (2)			4.02%			3.62%			2.91%
Ratio of average interest-earnings assets to average interest-bearing liabilities			108.26%			108.67%			110.40%

(1) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(2) Net interest margin represents net interest income as a percentage of average interest-earning assets.

(3) Yields are presented on a fully tax-equivalent basis using a 34% federal statutory tax rate.

(4) Tax equivalent adjustments to interest income for tax-exempt securities was \$15, \$26 and \$38 for 2012, 2011, and 2010, respectively.

***Analysis of Changes in Net Interest Income.*** The following table analyzes the changes in interest income and interest expense in terms of: (1) changes in volume of interest-earning assets and interest-bearing liabilities and (2) changes in yields and rates. The table reflects the extent to which changes in interest income and interest expense are attributable to changes in rate (change in rate multiplied by prior period volume), changes in volume (changes in volume multiplied by prior period rate), and changes attributable to the combined impact of volume/rate (change in rate multiplied by change in volume). The changes attributable to the combined impact of volume/rate are allocated on a consistent basis between the volume and rate variances. Changes in interest income on securities reflect the changes in interest income on a fully tax equivalent basis.

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	For the Years Ended December 31, 2012 vs. 2011			For the Years Ended December 31, 2011 vs. 2010		
	Increase (Decrease)			Increase (Decrease)		
	Volume	Due to Rate	Net	Volume	Due to Rate	Net
	(Dollars in thousands)			(Dollars in thousands)		
<b>Interest and dividend income:</b>						
Loans receivable	\$ 1,996	\$ (951)	\$ 1,045	\$ 318	\$ (327)	\$ (9)
Taxable investment securities	(844)	79	(765)	(129)	(126)	(255)
Non-taxable investment securities	335	(138)	197	220	(1)	219
Federal funds sold				(1)		(1)
<b>Total interest-earnings assets</b>	<b>\$ 1,487</b>	<b>\$ (1,010)</b>	<b>\$ 477</b>	<b>\$ 408</b>	<b>\$ (454)</b>	<b>\$ (46)</b>
<b>Interest expense:</b>						
Interest-bearing checking	\$ (163)	\$ (184)	\$ (347)	\$ (315)	\$ (337)	\$ (652)
Money market deposits	(5)	(10)	(15)	(8)	(80)	(88)
Savings accounts	405	(123)	282	596	(646)	(50)
Certificates of deposit	(219)	(567)	(786)	(534)	(788)	(1,322)
<b>Total deposits</b>	<b>18</b>	<b>(884)</b>	<b>(866)</b>	<b>(261)</b>	<b>(1,851)</b>	<b>(2,112)</b>
Short-term borrowings	(9)	5	(4)		(7)	(7)
Other borrowings				(67)	(11)	(78)
<b>Total interest-bearing liabilities</b>	<b>\$ 9</b>	<b>\$ (879)</b>	<b>\$ (870)</b>	<b>\$ (328)</b>	<b>\$ (1,869)</b>	<b>\$ (2,197)</b>
<b>Change in net interest income</b>	<b>\$ 1,478</b>	<b>\$ (131)</b>	<b>\$ 1,347</b>	<b>\$ 736</b>	<b>\$ 1,415</b>	<b>\$ 2,151</b>

**2012 Results Compared to 2011 Results**

**Net interest income.** Net interest income, the primary source of revenue for the Company, is determined by the Company's interest rate spread, which is defined as the difference between income on earning assets and the cost of funds supporting those assets and the relative amounts of interest-earning assets and interest-bearing liabilities. Management periodically adjusts the mix of assets and liabilities, as well as the rates earned or paid on those assets and liabilities in order to manage and improve net interest income. The level of interest rates and changes in the amount and composition of interest-earning assets and liabilities affect the Company's net interest income. Net interest income increased by \$1.3 million, or 12.3%, to \$12.3 million in 2012, compared to \$11.0 million in 2011. This increase in net interest income can be attributed to an increase in interest income of \$477,000, or 3.2%, and a decrease in interest expense of \$870,000, or 20.8%. The decrease to interest expense reflects a 32 basis point decrease in the cost of interest-bearing liabilities to 1.06% in 2012 from 1.38% in 2011. Comparatively, during 2012 and 2011, loan interest income comprised 81.8% and 77.4% of interest income, and investment interest comprised 18.2% and 22.6%, respectively, of interest income.

**Interest income.** Interest income increased \$477,000, or 3.2%, to \$15.6 million for 2012, compared to \$15.1 million for 2011. This increase in interest income can be attributed to an increase in interest earned on loans of \$1.0 million partially offset by a decrease in interest earned on investment securities of \$568,000.

Interest earned on loans increased \$1.0 million, or 8.9%, to \$12.7 million for 2012, compared to \$11.7 million for 2011. This increase was attributable to an increase in the average balance of loans outstanding of \$34.7 million, or 18.0%, to \$227.4 million for the year ended December 31, 2012, as compared to \$192.8 million for 2011, partially offset by a decrease in yield on the portfolio of 47 basis points to 5.62% for the year ended December 31, 2012, as compared to 6.09% for 2011.

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Interest earned on taxable securities decreased \$765,000, or 27.6%, to \$2.0 million for the year ended December 31, 2012, compared to \$2.8 million for 2011. This decrease was primarily attributable to a decline in the average balance of the portfolio of \$35.1 million, or 29.7%, to \$83.3 million for the year ended December 31, 2012, compared to \$118.4 million for 2011, partially offset by an increase in yield on the portfolio of 7 basis points to 2.41% for the year ended December 31, 2012, compared to 2.34% for 2011.

Interest earned on non-taxable securities increased \$197,000, or 30.6%, to \$840,000 for the year ended December 31, 2012, compared to \$643,000 for 2011. This increase was primarily attributable to an increase in the average balance of the portfolio of \$8.3 million, or 47%, to \$25.9 million for the year ended December 31, 2012, compared to \$17.6 million for 2011, partially offset by an decrease in yield on the portfolio of 61 basis points to 4.92% for the year ended December 31, 2012, compared to 5.53% for 2011.

**Interest expense.** Interest expense decreased \$870,000, or 20.8%, to \$3.3 million for the year ended December 31, 2012, compared to \$4.2 million for 2011. This decrease in interest expense can be attributed to decreases in interest incurred on deposits and borrowings of \$866,000 and \$4,000, respectively.

Interest incurred on deposits decreased \$866,000, or 22.3%, to \$3.0 million for the year ended December 31, 2012, compared to \$3.9 million for 2011. This decrease was primarily attributable to a decrease in the cost of interest-earning deposits of 35 basis points to 0.99% in 2012 from 1.34% in 2011, partially offset by an increase of \$13.3 million, or 4.6%, in the average balance of interest-bearing deposits to \$303.5 million for 2012 as compared to \$290.2 million for 2011.

Interest incurred on borrowings, which includes short-term borrowings and other borrowings with the FHLB, decreased \$4,000, or 1.3%, to \$294,000 for the year ended December 31, 2012, compared to \$298,000 for 2011. This decrease was primarily attributable to a decrease in the average balance of borrowed funds of \$4.6 million, or 34.8%, to \$8.6 million for 2012, compared to \$13.2 million for 2011, partially offset by an increase in the cost of these funds of 116 basis points to 3.42% for 2012 compared to 2.26% for 2011.

**Provision for loan losses.** Management concluded that the allowance was adequate as of December 31, 2012 and 2011. The provision for loan losses decreased \$552,000 to \$408,000 for the year ended December 31, 2012, compared to \$960,000 for 2011. These provisions were part of the normal operations of the Company for 2012. As a result of the provisions for loan losses during 2012 and 2011, the Company's allowance for loan losses amounted to \$3.3 million, or 1.36%, of the Company's total loan portfolio at December 31, 2012, compared to \$2.6 million, or 1.28%, at December 31, 2011. The Company's allowance for loan losses as a percentage of non-performing loans at December 31, 2012 and December 31, 2011 was 115.48% and 733.43%, respectively.

**Noninterest income.** The following table shows the breakdown of noninterest income for the years ended December 31, 2012 and 2011 (dollars in thousands).

	For the Year Ended December 31,		Change	
	2012	2011	Amount	%
Service charges on deposit accounts	\$ 634	\$ 626	\$ 8	1.3
Investment securities gains, net	862	853	9	1.1
Gains on loan sales, net	954	230	724	314.8
Bank-owned life insurance earnings	101	111	(10)	(9.0)
Loan servicing income	254	94	160	170.2
Fees on investment services	355	310	45	14.5
Debit card fees	469	424	45	10.6
Other	129	154	(25)	(16.2)
	\$ 3,758	\$ 2,802	\$ 956	34.1

Noninterest income increased \$956,000 from \$2.8 million for 2011 to \$3.8 million for 2012. The increase in total noninterest income during 2012 compared to 2011 resulted primarily from increased volume of loan sale activity that resulted in gains of \$954,000 in 2012 compared to \$230,000 in 2011. Loan servicing income also increased \$160,000 to \$254,000 in 2012 compared to \$94,000 in 2011 as the banks mortgage division continued to grow and mature.



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**Noninterest expense.** The following table shows the breakdown of noninterest expense for the years ended December 31, 2012 and 2011 (dollars in thousands).

	For the Year Ended December 31,		Change	
	2012	2011	Amount	%
Salaries and employee benefits	\$ 6,199	\$ 5,064	\$ 1,135	22.4
Net occupancy and equipment expenses	1,201	1,188	13	1.1
Professional fees	433	390	43	11.0
State franchise tax	386	354	32	9.0
Federal deposit insurance	347	336	11	3.3
Data processing	213	364	(151)	(41.5)
Advertising	401	393	8	2.0
Other	1,686	1,460	226	15.5
	\$ 10,866	\$ 9,549	\$ 1,317	13.8

Noninterest expense was \$10.9 million for the year ended December 31, 2012, a \$1.3 million, or 13.8%, increase from noninterest expense of \$9.5 million for 2011. Salaries and employee benefits and occupancy and equipment expenses comprised 68.1% of the total noninterest expense for 2012 compared to 65.5% for 2011.

FC Bank's efficiency ratio was 67.65% and 69.40% for the years ended December 31, 2012 and 2011, respectively. The efficiency ratio represents the percentage of one dollar of expense required to be incurred to earn a full dollar of revenue and is computed by dividing noninterest expense by the sum of interest income and noninterest income. Based on this calculation, the Company spent \$0.68 on average to earn \$1.00 of revenue during the year ended December 31, 2012.

Salaries and employees benefits increased \$1.1 million, or 22.4%, for 2012 to \$6.2 million compared to \$5.1 million for 2011. This increase is primarily attributed to the expansion of the mortgage division that sells loans to the secondary market through the hiring of full-time employees as well as an increase in bonus and incentive expenses of \$236,000 from \$995,000 in 2011 to \$1.2 million in 2012.

Data processing costs declined \$151,000, or 41.5%, for 2012 to \$213,000 compared to \$364,000 for 2011. This decline is due to elevated costs in 2011 associated with the conversion of the Company's core processing system.

**Provision for income taxes.** The provision for income taxes increased \$404,000, or 46.0%, to \$1.3 million for 2012 as compared to \$879,000 for 2011. This increase is due to an increase in pre-tax income of \$1.5 million, or 47.3%, to \$4.8 million for 2012 as compared to \$3.3 million for 2011. The effective tax rate for 2012 was 26.8% compared to 27.0% for 2011. This slight decline is mainly due to an increased percentage of the Company's tax free income to total income.

**2011 Results Compared to 2010 Results**

**Net interest income.** Net interest income increased by \$2.2 million, or 23.7%, to \$11.0 million in 2011, compared to \$8.8 million in 2010. This increase in net interest income can be attributed to a decrease in interest expense of \$2.2 million, or 34.5%, partially offset by a decrease in interest income of \$110,000, or 0.7%. The decrease to interest expense reflects a 78 basis point decrease in the cost of interest-bearing liabilities to 1.38% in 2011 from 2.16% in 2010. Comparatively, during 2011 and 2010, loan interest income comprised 77.4% and 77.2% of interest income, and investment interest comprised 22.6% and 22.8%, respectively, of interest income.

**Interest income.** Interest income decreased \$46,000, or 0.3%, to \$15.1 million for 2011, compared to \$15.2 million for 2010. This decrease in interest income can be attributed to a decrease in interest earned on loans of \$9,000 and a decrease in interest earned on investment securities of \$36,000.

Interest earned on loans decreased \$9,000, or 0.1%, to \$11.7 million for 2011, compared to \$11.7 million for 2010. This decrease was attributable to an increase in the average balance of loans outstanding of \$5.0 million, or 2.6%, to \$192.8 million for the year ended December 31, 2011, as compared to \$187.8 million for 2010, which was more than offset by the decrease in yield on the portfolio of 17 basis points to 6.09% for the year ended December 31, 2011, as compared to 6.26% for 2010.



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Interest earned on taxable securities decreased \$255,000, or 8.4%, to \$2.8 million for the year ended December 31, 2011, compared to \$3.0 million for 2010. This decrease was primarily attributable to a decline in the average balance of the portfolio of \$5.4 million, or 4.4%, to \$118.4 million for the year ended December 31, 2011, compared to \$123.8 million for 2010, and by an decrease in yield on the portfolio of 11 basis points to 2.34% for the year ended December 31, 2011, compared to 2.45% for 2010.

Interest earned on non-taxable securities increased \$219,000, or 51.7%, to \$643,000 for the year ended December 31, 2011, compared to \$424,000 for 2010. This increase was primarily attributable to an increase in the average balance of the portfolio of \$6.0 million, or 51.9%, to \$17.6 million for the year ended December 31, 2011, compared to \$11.6 million for 2010, partially offset by an decrease in yield on the portfolio of 1 basis point to 5.53% for the year ended December 31, 2011, compared to 5.54% for 2010.

**Interest expense.** Interest expense decreased \$2.2 million, or 34.5%, to \$4.2 million for the year ended December 31, 2011, compared to \$6.4 million for 2010. This decrease in interest expense can be attributed to decreases in interest incurred on deposits and borrowings of \$2.1 million and \$85,000, respectively.

Interest incurred on deposits decreased \$2.1 million, or 35.3%, to \$3.9 million for the year ended December 31, 2011, compared to \$6.0 million for 2010. This decrease was primarily attributable to a decrease in the cost of interest-earning deposits of 80 basis points to 1.34% in 2011 from 2.14% in 2010, partially offset by an increase of \$10.8 million, or 3.9%, in the average balance of interest-bearing deposits to \$290.2 million for 2011 as compared to \$279.3 million for 2010.

Interest incurred on borrowings, which includes short-term borrowings and other borrowings with the FHLB, decreased \$85,000, or 22.2%, to \$298,000 for the year ended December 31, 2011, compared to \$383,000 for 2010. This decrease was primarily attributable to a decrease in the average balance of borrowed funds of \$1.9 million, or 12.6%, to \$13.2 million for 2011, compared to \$15.1 million for 2010, and a decrease in the cost of these funds of 28 basis points to 2.26% for 2011 compared to 2.54% for 2010.

**Provision for loan losses.** The provision for loan losses increased \$280,000 to \$960,000 for the year ended December 31, 2011, compared to \$680,000 for 2010. These provisions were part of the normal operations of the Company for 2011. As a result of the provisions for loan losses during 2011 and 2010, the Company's allowance for loan losses amounted to \$2.6 million, or 1.28%, of the Company's total loan portfolio at December 31, 2011, compared to \$2.4 million, or 1.25%, at December 31, 2010. The Company's allowance for loan losses as a percentage of nonperforming loans at December 31, 2011 and December 31, 2010, was 733.43% and 281.48%, respectively.

**Noninterest income.** The following table shows the breakdown of noninterest income for the years ended December 31, 2011 and 2010 (dollars in thousands).

	For the Year Ended December 31,		Change	
	2011	2010	Amount	%
Service charges on deposit accounts	\$ 626	\$ 726	\$ (100)	(13.8)
Investment securities gains, net	853	725	128	17.7
Gains on loan sales, net	230	145	85	58.6
Bank-owned life insurance earnings	111	116	(5)	(4.3)
Other	982	844	138	16.4
	\$ 2,802	\$ 2,556	\$ 246	9.6

Noninterest income increased \$246,000 from \$2.6 million for 2010 to \$2.8 million for 2011. The increase in total noninterest income during 2011 compared to 2010 resulted primarily from increased volume of loan sale activity that resulted in gains of \$230,000 in 2011 compared to \$145,000 in 2010 and increased gains on investment sales of \$128,000 from \$725,000 in 2010 to \$853,000 in 2011 as well as an increase in other income of \$138,000, which was partially offset by the decrease in service charges on deposits of \$100,000.



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**Noninterest expense.** The following table shows the breakdown of noninterest expense for the years ended December 31, 2011 and 2010 (dollars in thousands).

	For the Year Ended December 31,		Change	
	2011	2010	Amount	%
Salaries and employee benefits	\$ 5,064	\$ 3,731	\$ 1,333	35.7
Net occupancy and equipment expenses	1,188	1,167	21	1.8
Professional fees	390	406	(16)	(3.9)
State franchise tax	354	257	97	37.7
Federal deposit insurance	336	347	(11)	(3.2)
Data processing	364	423	(59)	(13.9)
Advertising	393	450	(57)	(12.7)
Other	1,460	1,331	129	9.7
	\$ 9,549	\$ 8,112	\$ 1,437	17.7

Noninterest expense was \$9.5 million for the year ended December 31, 2011, a \$1.4 million, or 17.7%, increase from noninterest expense of \$8.1 million for 2010. Salaries and employee benefits and occupancy and equipment expenses comprised 65.5% of the total noninterest expense for 2011 compared to 60.4% for 2010.

The Company's efficiency ratio was 69.4% and 71.4% for the years ended December 31, 2011 and 2010, respectively. The efficiency ratio represents the percentage of one dollar of expense required to be incurred to earn a full dollar of revenue and is computed by dividing noninterest expense by the sum of interest income and noninterest income. Based on this calculation, the Company spent \$0.69 and \$0.71 on average to earn \$1.00 of revenue during the years ended December 31, 2011 and 2010.

Salaries and employees benefits increased \$1.3 million, or 35.7%, for 2011 to \$5.0 million compared to \$3.7 million for 2010. This increase is primarily attributed to an increase in bonus and incentive expenses of \$836,000 from \$159,000 in 2010 to \$995,000 in 2011. This increase period over period is attributed to the increased activity in a growing and maturing mortgage loan division.

**Provision for income taxes.** The provision for income taxes increased \$161,000, or 22.4%, to \$879,000 for 2011 as compared to \$718,000 for 2010. This increase is due to an increase in pre-tax income of \$679,000, or 26.4%, to \$3.3 million for 2011 as compared to \$2.6 million for 2010. The effective tax rate for 2011 was 27.0% compared to 27.9% for 2010. This slight decline is mainly due to an increased percentage of the Company's tax free income to total income.

**Changes in Financial Condition****General March 31, 2013 versus December 31, 2012**

The Company's total assets increased \$7.1 million, or 1.9%, to \$374.4 million at March 31, 2013 from \$367.3 million at December 31, 2012. The increase was primarily comprised of increases in cash and due from banks, investment securities, and net loans of \$3.8 million, \$1.8 million, and \$547,000, respectively.

The increase in the Company's total assets reflects a corresponding increase in total liabilities of \$7.8 million, or 2.3%, to \$340.9 million at March 31, 2013, compared to \$333.1 million at December 31, 2012, and a decrease in total stockholders' equity of \$719,000, or 2.1%, to \$33.5 at March 31, 2013, compared to \$34.2 at December 31, 2012. The increase in total liabilities is primarily due to increases in deposits of \$11.1 million, or 3.4%, to \$334.6 million from \$323.4 million, partially offset by decreases in other borrowings and other liabilities of \$2.5 million, or 33.3%, and \$806,000, or 36.6%, respectively, to \$5.0 million and \$1.4 million, respectively. The net decrease in total stockholders' equity is primarily attributed to increases in retained earnings and a decrease in treasury stock of \$402,000 and \$43,000, respectively, which are more than offset by the decrease in accumulated other comprehensive income of \$1.2 million.

**General December 31, 2012 versus December 31, 2011**

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The Company's total assets increased \$10.7 million, or 3.0%, to \$367.3 million at December 31, 2012 from \$356.6 million at December 31, 2011. The increase was primarily comprised of increases in cash and due from banks and net loans of \$10.3 million and \$33.7 million, respectively, partially offset by a decrease in investment securities of \$33.0 million.

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The increase in the Company's total assets reflects a corresponding increase in total liabilities of \$8.3 million, or 2.6%, to \$333.1 million at December 31, 2012, compared to \$324.8 million at December 31, 2011, and an increase in total stockholders' equity of \$2.4 million, or 7.6%, to \$34.2 at December 31, 2012 compared to \$31.8 million at December 31, 2011. The increase in total liabilities is primarily due to increases in deposits of \$10.7 million, or 3.4%, to \$323.4 million from \$312.7 million, partially offset by a decrease in other liabilities of \$2.3 million, or 50.8%, to \$2.2 million from \$4.5 million. The net increase in total stockholders' equity is primarily attributed to increases in common stock, retained earnings, and accumulated other comprehensive income of \$5.5 million, \$2.1 million, and \$252,000, respectively, partially offset by decreases in preferred stock and additional paid-in capital of \$1.5 million and \$4.0 million, respectively.

**Investment securities available for sale.** The investment portfolio, all of which is classified as available for sale, decreased \$33.0 million, or 25.4%, to \$96.8 million at December 31, 2012, compared to \$129.9 million at December 31, 2011. The primary purposes of the Company's investment portfolio are to provide a source of liquidity sufficient to meet deposit withdrawals or loan funding demands, to assist in the management of interest rate risk, and to secure certain public deposits. As investment securities matured or were called, the Company did not immediately replace those securities and used the proceeds to fund loan demand. The amortized costs and the fair value of investment securities are as follows.

	March 31, 2013		December 31, 2012		December 31, 2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)					
U.S. government agency securities	\$	\$	\$ 3,001	\$ 3,013	\$ 27,516	\$ 27,596
Obligations of states and political subdivisions	24,263	25,273	28,100	29,904	25,587	26,588
Mortgage-backed securities in government-sponsored entities	73,671	73,322	63,231	63,852	74,679	75,649
Total debt securities	97,934	98,595	94,332	96,769	127,782	129,833
Equity securities in financial institutions	121	72	121	66	121	48
Total	\$ 98,055	\$ 98,667	\$ 94,453	\$ 96,835	\$ 127,903	\$ 129,881

Contractual maturities and yields on investment securities are shown in the following table. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2013										
	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total Securities		
	Weighted Amortized Cost	Average Yield	Weighted Amortized Cost	Average Yield	Weighted Amortized Cost	Average Yield	Weighted Amortized Cost	Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Obligations of states and political subdivisions	\$		\$ 1,655	4.40%	\$ 3,261	3.64%	\$ 19,347	4.87%	\$ 24,263	\$ 25,273	4.67%
Mortgage-backed securities in government-sponsored entities							73,671	2.14%	73,671	73,322	2.14%
Total	\$		\$ 1,655	4.40%	\$ 3,261	3.64%	\$ 93,018	2.71%	\$ 97,934	\$ 98,595	2.77%

There were 31 positions that were temporarily impaired at March 31, 2013. Declines in the fair value of available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and



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the extent to which the fair value has been less than cost; (ii) the financial condition and near-term prospects of the issuer; and (iii) whether or not the Company is more likely than not to sell the security before recovery of its cost basis. As of March 31, 2013, management does not have the intent to sell any of the securities in the table on the previous page and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The Company has concluded that any impairment of its investment securities portfolio is not other than temporary but is the result of interest rate changes, sector credit ratings changes, or Company-specific ratings changes that are not expected to result in the noncollection of principal and interest during the period. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2013, management believes the impairments are temporary and no impairment loss has been realized in the Company's Consolidated Statement of Income.

**Loans.** Since loans typically provide higher interest yields than other types of interest-earning assets, a substantial percentage of our earning assets are invested in the loan portfolio. Average loans for the years ended December 31, 2012, 2011, and 2010 were \$227.4 million, \$192.8 million, and \$187.8 million, respectively. Before allowance for loan losses, total loans outstanding at December 31, 2012, 2011, and 2010 were \$239.9 million, \$205.6 million, and \$189.0 million, respectively. The principal component of the Company's loan portfolio is loans secured by real estate mortgages. Most of the Company's real estate loans are secured by residential or commercial property. The Company does originate traditional long-term residential mortgages, but the majority is sold into the secondary market.