

FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended March 31, 2016

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from to

Commission File No. 000-53869

FIRST NATIONAL COMMUNITY BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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Pennsylvania **23-2900790**
(State or Other Jurisdiction) (I.R.S. Employer
of Incorporation or Organization) Identification No.)

102 E. Drinker St., Dunmore, PA **18512**
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code **(570) 346-7667**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

Common Stock, \$1.25 par value 16,530,432 shares
(Title of Class) (Outstanding at May 6, 2016)

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Part I - Financial Information**Item 1 - Financial Statements**

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(unaudited)

(in thousands, except share data)	March 31,	December
	2016	31,
		2015
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 16,367	\$ 19,544
Interest-bearing deposits in other banks	1,847	1,539
Total cash and cash equivalents	18,214	21,083
Securities available for sale, at fair value	263,523	253,773
Stock in Federal Home Loan Bank of Pittsburgh, at cost	3,932	6,344
Loans held for sale	455	683
Loans, net of allowance for loan and lease losses of \$8,635 and \$8,790	719,523	724,926
Bank premises and equipment, net	10,904	11,193
Accrued interest receivable	2,854	2,475
Intangible assets	96	137
Bank-owned life insurance	29,527	29,381
Other real estate owned	1,806	3,154
Net deferred tax assets	24,995	27,807
Other assets	9,186	9,662
Total assets	\$ 1,085,015	\$ 1,090,618
Liabilities		
Deposits:		
Demand (non-interest-bearing)	\$ 162,882	\$ 154,531
Interest-bearing	720,243	667,015
Total deposits	883,125	821,546
Borrowed funds:		
Federal Home Loan Bank of Pittsburgh advances	74,511	135,802
Subordinated debentures	14,000	14,000
Junior subordinated debentures	10,310	10,310
Total borrowed funds	98,821	160,112
Accrued interest payable	333	11,165
Other liabilities	10,695	11,617
Total liabilities	992,974	1,004,440
Shareholders' equity		
Preferred shares (\$1.25 par)		

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Authorized: 20,000,000 shares at March 31, 2016 and December 31, 2015		
Issued and outstanding: 0 shares at March 31, 2016 and December 31, 2015	-	-
Common shares (\$1.25 par)		
Authorized: 50,000,000 shares at March 31, 2016 and December 31, 2015		
Issued and outstanding: 16,530,432 shares, March 31, 2016 and 16,514,245 shares, December 31, 2015	20,663	20,643
Additional paid-in capital	62,069	62,059
Retained earnings	4,527	3,714
Accumulated other comprehensive income (loss)	4,782	(238)
Total shareholders' equity	92,041	86,178
Total liabilities and shareholders' equity	\$1,085,015	\$1,090,618

The accompanying notes to consolidated financial statements are an integral part of these statements.

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except share data)	Three months ended	
	March 31,	
	2016	2015
Interest income		
Interest and fees on loans	\$6,969	\$6,472
Interest and dividends on securities:		
U.S. government agencies	930	971
State and political subdivisions, tax-free	10	50
State and political subdivisions, taxable	535	26
Other securities	96	157
Total interest and dividends on securities	1,571	1,204
Interest on interest-bearing deposits in other banks	4	21
Total interest income	8,544	7,697
Interest expense		
Interest on deposits	642	683
Interest on borrowed funds:		
Interest on Federal Home Loan Bank of Pittsburgh advances	148	120
Interest on subordinated debentures	159	563
Interest on junior subordinated debentures	57	49
Total interest on borrowed funds	364	732
Total interest expense	1,006	1,415
Net interest income before provision (credit) for loan and lease losses	7,538	6,282
Provision (credit) for loan and lease losses	696	(494)
Net interest income after provision (credit) for loan and lease losses	6,842	6,776
Non-interest income		
Deposit service charges	701	674
Net gain on the sale of securities	103	2,224
Net gain on the sale of mortgage loans held for sale	68	40
Net (loss) gain on the sale of other real estate owned	(5)	5
Loan-related fees	107	90
Income from bank-owned life insurance	146	135
Other	211	251
Total non-interest income	1,331	3,419
Non-interest expense		
Salaries and employee benefits	3,514	3,139
Occupancy expense	493	633
Equipment expense	423	384
Advertising expense	93	90
Data processing expense	523	448
Regulatory assessments	237	409
Bank shares tax	241	217
Expense of other real estate owned	46	100
Legal expense	120	163

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Professional fees	287	301
Insurance expense	128	198
Other operating expenses	699	700
Total non-interest expense	6,804	6,782
Income before income taxes	1,369	3,413
Income tax expense (benefit)	226	(62)
Net income	\$1,143	\$3,475
Earnings per share		
Basic	\$0.07	\$0.21
Diluted	\$0.07	\$0.21
Cash Dividends Declared Per Common Share	\$0.02	\$-
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	16,519,759	16,490,111
Diluted	16,519,759	16,490,111

The accompanying notes to consolidated financial statements are an integral part of these statements.

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands)	Three months ended	
	March 31, 2016	2015
Net income	\$1,143	\$3,475
Other comprehensive income:		
Unrealized gains on securities available for sale	7,709	3,478
Taxes	(2,621)	(1,182)
Net of tax amount	5,088	2,296
Reclassification adjustment for gains included in net income	(103)	(2,224)
Taxes	35	756
Net of tax amount	(68)	(1,468)
Total other comprehensive income	5,020	828
Comprehensive income	\$6,163	\$4,303

The accompanying notes to consolidated financial statements are an integral part of these statements.

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Three Months Ended March 31, 2016 and 2015
(unaudited)

(in thousands, except per share data)	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated (Deficit) / Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders'
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