

FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
August 09, 2010

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 June 30, 2010

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)

Pennsylvania
(State or Other Jurisdiction
of Incorporation or Organization)

23-2900790
(I.R.S. Employer
Identification No.)

102 E. Drinker St., Dunmore, PA
(Address of Principal Executive Offices)

18512
(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

Edgar Filing: FIRST NATIONAL COMMUNITY BANCORP INC - Form 10-Q

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
(Title of Class)

16,415,605 shares
(Outstanding at August 5,
2010)

FIRST NATIONAL COMMUNITY BANCORP, INC.
INDEX

	PART I	Page
	FINANCIAL INFORMATION	No.
Item 1.	Financial Statements.	
	Consolidated Statements of Financial Condition June 30, 2010 (unaudited) and December 31, 2009	1
	Consolidated Statements of Income Three Months Ended June 30, 2010 and June 30, 2009 (unaudited)	2
	Six Months Ended June 30, 2010 and June 30, 2009 (unaudited)	
	Consolidated Statements of Cash Flows Six Months Ended June 30, 2010 and June 30, 2009 (unaudited)	3
	Consolidated Statements of Changes in Stockholders' Equity Six Months Ended June 30, 2010 (unaudited)	5
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	9
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.	34
Item 4.	Controls and Procedures.	35
	PART II	
	OTHER INFORMATION	35
Item 1.	Legal Proceedings.	35
Item 1A.	Risk Factors.	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	35
Item 3.	Defaults Upon Senior Securities.	35
Item 4.	[Removed and Reserved.]	35
Item 5.	Other Information.	35
Item 6.	Exhibits.	36
Signatures		37

PART I Financial Information

Item 1 – Financial Statements

FIRST NATIONAL COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

June 30, December 31,
2010 2009
(UNAUDITED) (AUDITED)
(dollars in thousands,
except share data)

ASSETS

Cash and cash equivalents:		
Cash and due from banks	\$21,795	\$24,189
Federal funds sold	60,925	62,175
Total cash and cash equivalents	82,720	86,364
Securities:		
Available-for-sale, at fair value	260,266	259,955
Held-to-maturity, at cost (fair value \$1,869 and \$1,788)	1,945	1,899
Federal Reserve Bank and FHLB stock, at cost	12,115	11,779
Loans, net of allowance for credit losses of \$20,577 and \$22,502	874,103	927,324
Bank premises and equipment	20,620	20,667
Intangible Assets	9,865	9,928
Other assets	77,904	77,495
Total Assets	\$1,339,538	\$1,395,411

LIABILITIES

Deposits:		
Demand – non-interest bearing	\$75,743	\$85,370
Interest bearing demand	340,515	352,631
Savings	95,682	86,455
Time (\$100,000 and over)	227,302	238,839
Other time	282,537	308,313
Total deposits	1,021,779	1,071,608
Borrowed funds	186,093	194,367
Subordinated debentures	25,000	23,100
Other liabilities	13,175	15,203
Total Liabilities	\$1,246,047	\$1,304,278

SHAREHOLDERS' EQUITY

Common Stock, \$1.25 par value, Authorized: 50,000,000 shares		
Issued and outstanding:		
16,315,605 shares at June 30, 2010 and 16,289,970 shares at December 31, 2009	\$20,395	\$20,362
Additional Paid-in Capital	61,270	61,190
Retained Earnings	27,063	26,854
Accumulated Other Comprehensive Income (Loss)	(15,237)	(17,273)
Total shareholders' equity	\$93,491	\$91,133

Total Liabilities and Shareholders' Equity	\$1,339,538	\$1,395,411
--	-------------	-------------

Note: The balance sheet at December 31, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to financial statements

(1)

FIRST NATIONAL COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(dollars in thousands, except share data)			
Interest Income:				
Loans	\$11,542	\$13,039	\$23,730	\$26,397
Investments	2,876	3,290	5,949	6,782
Federal Funds Sold	31	13	67	13
Total interest income	14,449	16,342	29,746	33,192
Interest Expense:				
Deposits	3,666	4,322	7,698	8,467
Subordinated debt	568	0	1,107	0
Borrowed Funds	1,400	1,841	2,901	3,879
Total interest expense	5,634	6,163	11,706	12,346
Net Interest Income before Loan Loss Provision	8,815	10,179	18,040	20,846
Provision for credit losses	4,960	7,250	7,762	9,710
Net interest income	3,855	2,929	10,278	11,136
Other Income:				
Total other-than-temporary impairment losses	2,924	11,340	(28,504)	(35,945)
Portion of loss/(gain) recognized in other comprehensive income (before taxes)	(3,611)	(11,722)	26,902	35,563
Net impairment losses	(687)	(382)	(1,602)	(382)
Service charges	646	722	1,296	1,410
Other Income	655	584	1,311	1,247
Gain/(Loss) on sale of:				
Loans	159	462	432	1,007
Securities	(21)	298	1,175	825
Other Real Estate	(848)	0	(848)	0
Total other income	(96)	1,684	1,764	4,107
Other expenses:				
Salaries & benefits	3,283	2,984	6,403	6,316
Occupancy & equipment	1,013	1,011	2,080	2,081
Advertising expense	225	240	450	480
Data processing expense	496	430	983	866
FDIC assessment	502	1,192	971	1,432
Bank shares tax	255	215	510	432
Expense of ORE	343	42	463	42
Credit for off-balance sheet commitments	(322)	0	(1,353)	0
Other	1,654	1,229	3,324	2,371
Total other expenses	7,449	7,343	13,831	14,020
Income before income taxes	(3,690)	(2,730)	(1,789)	1,223
Income tax expense (benefit)	(1,941)	(514)	(1,998)	201
NET INCOME	(1,749)	\$(2,216)	209	\$1,022

Basic earnings per share	\$(0.11)	\$(0.14)	\$0.01	\$0.06
Diluted earnings per share	\$(0.11)	\$(0.14)	\$0.01	\$0.06
Weighted average number of basic shares	16,306,670	16,158,640	16,300,515	16,111,808
Weighted average number of diluted shares	16,306,670	16,158,640	16,638,884	16,508,354

See notes to financial statements

(2)

FIRST NATIONAL COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

For the Six Months Ended
June 30,
2010 2009
(dollars in thousands)

INCREASE (DECREASE) IN CASH EQUIVALENTS:		
Cash Flows From Operating Activities:		
Interest Received	\$28,763	\$32,195
Fees & Commissions Received	2,699	2,719
Interest Paid	(12,065)	(13,414)
Income Taxes Paid	3,323	(1,861)
Cash Paid to Suppliers & Employees	(15,094)	(16,000)
Net Cash Provided by Operating Activities	\$ 7,626	\$ 3,639
Cash Flows from Investing Activities:		
Securities available for sale:		
Proceeds from Sales prior to maturity	\$25,548	\$12,378
Proceeds from Calls prior to maturity	17,502	22,531
Purchases	(39,105)	(11,371)
Net (Increase)/Decrease in Loans to Customers	41,502	(1,754)
Capital Expenditures	(628)	(434)
Net Cash Provided by Investing Activities	\$44,819	\$21,350
Cash Flows from Financing Activities:		
Net Decrease in Demand Deposits, Money Market		
Demand, NOW Accounts, and Savings Accounts	\$(12,515)	\$(4,562)
Net Increase/(Decrease) in Certificates of Deposit	(37,313)	46,603
Proceeds from issuance of Subordinated Debentures	1,900	0
Net Decrease in Borrowed Funds	(8,274)	(24,386)
Net Proceeds from Issuance of Common Stock		
Through Dividend Reinvestment	113	1,106
Dividends Paid	0	(2,087)
Net Cash Provided/(Used) by Financing Activities	\$(56,089)	\$16,674
Net Increase/(Decrease) in Cash and Cash Equivalents	\$(3,644)	\$41,663
Cash & Cash Equivalents at Beginning of Year	\$86,364	\$18,171
CASH & CASH EQUIVALENTS AT END OF PERIOD	\$82,720	\$59,834

(Continued)
(3)

FIRST NATIONAL COMMUNITY BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)
(UNAUDITED)

For the Six Months Ended
June 30,
2010 2009
(dollars in thousands)

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Income	\$209	\$1,022
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Amortization (Accretion), Net	(1,411)	(1,921)
Equity in trust	(2)	(3)
Depreciation and Amortization	881	907
Provision for Probable Credit Losses	7,762	9,710
Provision for Deferred Taxes	(44)	(112)
Gain on Sale of Loans	(404)	(1,007)
Gain on Sale of Investment Securities	(1,175)	(825)
Impairment losses on Investment Securities	1,602	382
Loss on Sale of Other Assets	820	0
Increase/(Decrease) in Taxes Payable	0	(1,692)
Decrease in Interest Receivable	429	924
Decrease in Interest Payable	(360)	(1,068)
Decrease/(Increase) in Prepaid Expenses and Other Assets	765	(2,576)
Increase in Accrued Expenses and Other Liabilities	(1,446)	(102)
Total Adjustments	\$7,417	\$2,617
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$7,626	\$3,639

See notes to financial statements
(4)

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY
For The Six Months Ended June 30, 2010
(In thousands, except share data)
(UNAUDITED)

	COMP-REHEN-SIVE INCOME	COMMON STOCK SHARES	ADD'L PAID-IN CAPITAL	RETAINED EARNINGS	ACCUM- ULATED OTHER COMP-REHEN-SIVE INCOME/ (LOSS)	TOTAL
BALANCES, DECEMBER 31, 2009		16,289,970	\$20,362	\$61,190	\$26,854	\$(17,273)\$91,133
Comprehensive Income:						
Net income for the period	\$209			209		209
Other comprehensive income, net of tax:						
Unrealized loss on securities available-for-sale net of deferred tax benefit of \$3,550	(6,894)					
Noncredit related gains on securities not expected to be sold, net of deferred taxes of \$4,200	8,154					
Reclassification adjustment for gain or loss included in income (tax effect of \$399)	776					
Total other comprehensive income, net of tax	\$2,036				2,036	2,036
Comprehensive Income	\$2,245					

Issuance of Common Stock through Dividend Reinvestment	25,635	33	80		113
BALANCES, JUNE 30, 2010	16,315,605	\$20,395	\$61,270	\$27,063	\$(15,237)\$93,491

See notes to financial statements
(5)

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY
For The Six Months Ended June 30, 2009
(In thousands, except share data)
(UNAUDITED)

	COMP-REHEN-SIVE INCOME	COMMON STOCK SHARES	ADD'L PAID-IN CAPITAL	RETAINED EARNINGS	ACCUM- ULATED OTHER COMP-REHEN-SIVE INCOME/ (LOSS)	TOTAL
BALANCES, DECEMBER 31, 2008		16,047,928	\$20,060	\$59,591	\$40,892	\$(20,201)\$100,342
Comprehensive Income:						
Net income for the period	\$1,022			1,022		1,022
Other comprehensive income, net of tax:						
Unrealized loss on securities available-for-sale, net of deferred income tax benefit of \$358	(666)					
Reclassification adjustment for gain or loss included in income, net of deferred income taxes of \$155	288					
Total other comprehensive loss, net of tax	\$(378)				(378)	(378)
Comprehensive Income	\$644					
Stock Options Awarded				159		159
Issuance of Common Stock through Dividend Reinvestment		131,635	164	942		1,106
				(2,087)		(2,087)

Cash dividends paid, \$0.13 per share						
BALANCES, JUNE 30, 2009	16,179,563	\$20,224	\$60,692	\$39,827	\$(20,579)	\$100,164

See notes to financial statements
(6)

FIRST NATIONAL COMMUNITY BANCORP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The accounting and financial reporting policies of First National Community Bancorp, Inc. and its subsidiary conform to U.S. generally accepted accounting principles and to general practice within the banking industry. The consolidated statements of First National Community Bancorp, Inc. and its subsidiary, First National Community Bank (Bank) including its subsidiary, FNCB Realty, Inc. (collectively, Company) were compiled in accordance with the accounting policies set forth in note 1 of Notes to Consolidated Financial Statements in the Company's 2009 Annual Report to Shareholders. All material intercompany accounts and transactions have been eliminated in consolidation. The accompanying interim financial statements are unaudited. In management's opinion, the consolidated financial statements reflect a fair presentation of the consolidated financial position of the Company and subsidiary, and the results of its operations and its cash flows for the interim periods presented, in conformity with U.S. generally accepted accounting principles. Also in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company's financial position, results of operations and cash flows at June 30, 2010 and for all periods presented have been made.

These interim financial statements should be read in conjunction with the audited financial statements and footnote disclosures in the Company's Annual Report to Shareholders for the fiscal year ended December 31, 2009.

(2) The following table identifies the related tax effects allocated to each component of other comprehensive income in the Consolidated Statements of Changes in Stockholders' Equity:

	June 30, 2010			June 30, 2009		
	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Pre-tax Amount	Tax (Expense) Benefit	Net of Tax Amount
(dollars in thousands)						
Unrealized gains (losses) on securities:						
Unrealized holding gains (losses) arising during the period	\$(10,444)	\$3,550	\$(6,894)	\$(1,009)	\$343	\$(666)
Noncredit related losses on securities not expected to be sold						