

FIRST NATIONAL COMMUNITY BANCORP INC  
Form 10-Q  
May 12, 2014

**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, 2014**

**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**



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

<b>Common Stock, \$1.25 par value</b>	<b>16,471,569 shares</b>
(Title of Class)	(Outstanding at May 12, 2014)

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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, 2014	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 21,929	\$ 19,295
Interest-bearing deposits in other banks	16,051	84,261
Total cash and cash equivalents	37,980	103,556
Securities available for sale at fair value	234,531	203,867
Securities held to maturity at amortized cost (fair value \$0 and \$2,424)	-	2,308
Stock in Federal Home Loan Bank of Pittsburgh, at cost	2,542	2,146
Loans held for sale	69	820
Loans, net of allowance for loan and lease losses of \$12,589 and \$14,017	641,565	629,880
Bank premises and equipment, net	13,091	15,363
Accrued interest receivable	2,590	2,191
Intangible assets	426	467
Bank-owned life insurance	28,334	28,167
Other real estate owned	3,422	4,246
Other assets	9,587	10,797
<b>Total Assets</b>	<b>\$ 974,137</b>	<b>\$ 1,003,808</b>
<b>Liabilities</b>		
Deposits:		
Demand (non-interest-bearing)	\$ 127,029	\$ 157,550
Interest-bearing	708,178	727,148
Total deposits	835,207	884,698
Borrowed funds:		
Federal Home Loan Bank of Pittsburgh advances	34,534	27,123
Subordinated debentures	25,000	25,000
Junior subordinated debentures	10,310	10,310
Total borrowed funds	69,844	62,433
Accrued interest payable	9,300	8,732
Other liabilities	19,250	14,367
<b>Total Liabilities</b>	<b>933,601</b>	<b>970,230</b>

Shareholders' Equity

Preferred Shares (\$1.25 par)

Authorized: 20,000,000 shares at March 31, 2014 and December 31, 2013

Issued and outstanding: 0 shares at March 31, 2014 and December 31, 2013

- -

Common Shares (\$1.25 par)

Authorized: 50,000,000 shares at March 31, 2014 and December 31, 2013

Issued and outstanding: 16,471,569 shares at March 31, 2014 and December 31, 2013

20,589 20,589

Additional paid-in capital

61,637 61,627

Accumulated deficit

(42,033 ) (45,546 )

Accumulated other comprehensive income (loss)

343 (3,092 )

Total shareholders' equity

40,536 33,578

Total Liabilities and Shareholders' Equity

\$ 974,137 \$ 1,003,808

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

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

(in thousands, except share data)	Three months ended	
	March 31, 2014	2013
Interest income		
Interest and fees on loans	\$6,494	\$6,607
Interest and dividends on securities		
U.S. government agencies	743	423
State and political subdivisions, tax-free	693	990
State and political subdivisions, taxable	115	116
Other securities	56	35
Total interest and dividends on securities	1,607	1,564
Interest on interest-bearing deposits and federal funds sold	23	39
Total interest income	8,124	8,210
Interest expense		
Interest on deposits	865	1,118
Interest on borrowed funds		
Interest on Federal Home Loan Bank of Pittsburgh advances	96	126
Interest on subordinated debentures	563	562
Interest on junior subordinated debentures	49	51
Total interest on borrowed funds	708	739
Total interest expense	1,573	1,857
Net interest income before credit for loan and lease losses	6,551	6,353
Credit for loan and lease losses	(1,570)	(1,224)
Net interest income after credit for loan and lease losses	8,121	7,577
Non-interest income		
Deposit service charges	690	678
Net gain on the sale of securities	1,568	842
Net gain on the sale of mortgage loans held for sale	75	110
Net loss on the sale of education loans	(13)	-
Net gain on the sale of other real estate owned	29	13
Gain on branch divestitures	607	-
Loan-related fees	93	108
Income from bank-owned life insurance	167	172
Other	237	536
Total non-interest income	3,453	2,459
Non-interest expense		
Salaries and employee benefits	3,400	3,320
Occupancy expense	644	584
Equipment expense	356	376
Advertising expense	108	77

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Data processing expense	522	564
Regulatory assessments	673	650
Bank shares tax	176	241
Expense of other real estate owned	163	218
Credit for off-balance sheet commitments	(113)	(121)
Legal expense	647	615
Professional fees	450	551
Insurance expense	282	323
Loan collection expenses	29	227
Other operating expenses	654	680
Total non-interest expense	7,991	8,305
Income before income taxes	3,583	1,731
Provision for income taxes	70	-
Net income	\$3,513	\$1,731
Earnings per share:		
Basic	\$0.21	\$0.11
Diluted	\$0.21	\$0.11
Cash dividends declared per common share	\$-	\$-
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	16,471,569	16,457,169
Diluted	16,472,435	16,457,169

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 (LOSS)****(unaudited)**

(in thousands)	Three months ended March 31,	
	2014	2013
Net income	\$3,513	\$1,731
Other comprehensive income (loss):		
Unrealized gains (losses) on securities available-for-sale	6,404	(1,943)
Taxes	(2,177)	661
Net of tax amount	4,227	(1,282)
Reclassification adjustment for gains included in net income	(1,200)	(842 )
Taxes	408	286
Net of tax amount	(792 )	(556 )
Total other comprehensive income (loss)	3,435	(1,838)
Total comprehensive income (loss)	\$6,948	\$(107 )

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****For the Three Months Ended March 31, 2014 and 2013****(unaudited)**

	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
(in thousands, except per share data)						
BALANCES, DECEMBER 31, 2012	16,457,169	\$20,571	\$61,584	\$(51,928)	\$6,698	\$36,925
Net income for the period	-	-	-	1,731	-	1,731
Other comprehensive loss, net of tax of \$947	-	-	-	-	(1,838)	(1,838)
Balances, March 31, 2013	16,457,169	\$20,571	\$61,584	\$(50,197)	\$4,860	\$36,818
BALANCES, DECEMBER 31, 2013	16,471,569	\$20,589	\$61,627	\$(45,546)	\$(3,092)	\$33,578
Net income for the period	-	-	-	3,513	-	3,513
Restricted stock awards	-	-	10	-	-	10
Other comprehensive income, net of tax of \$1,769	-	-	-	-	3,435	3,435
Balances, March 31, 2014	16,471,569	\$20,589	\$61,637	\$(42,033)	\$343	\$40,536

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

**FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

(in thousands)	Three Months Ended March 31,	
	2014	2013
Operating activities:		
Net income	\$3,513	\$1,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Investment securities amortization (accretion), net	295	(207 )
Equity in trust	(1 )	(1 )
Depreciation and amortization	382	329
Stock-based compensation	10	-
Credit for loan and lease losses	(1,570)	(1,224)
Credit for off-balance sheet commitments	(113 )	(121 )
Gain on the sale of available-for-sale securities	(1,200)	(842 )
Gain on the sale of held-to-maturity securities	(368 )	-
Gain on the sale of loans held for sale	(75 )	(110 )
Loss on the sale of education loans	13	-
Gain on branch divestures	(607 )	-
Gain on the sale of other real estate owned	(29 )	(13 )
Valuation adjustment of other real estate owned	53	-
Income from bank-owned life insurance	(167 )	(172 )
Proceeds from the sale of loans held for sale	2,524	4,542
Funds used to originate loans held for sale	(1,698)	(3,664)
Increase in interest receivable	(399 )	(419 )
(Increase) decrease in prepaid expenses and other assets	(453 )	4,108
Increase in interest payable	568	574
Increase (decrease) in accrued expenses and other liabilities	4,822	(1,074)
Total adjustments	1,987	1,706
Net cash provided by operating activities	5,500	3,437
Cash flows from investing activities:		
Maturities, calls and principal payments of available-for-sale securities		