

FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
April 06, 2012
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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 September 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.

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(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania
(State or Other Jurisdiction)

23-2900790
(I.R.S. Employer

of Incorporation or Organization)

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

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)

16,442,119 shares
(Outstanding at April 6, 2012)

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Table of Contents**PART I Financial Information****Item 1 Financial Statements****FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(in thousands, except share data)	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 23,380	\$ 23,141
Interest-bearing deposits in other banks	123,301	1,048
Federal funds sold		62,175
Total cash and cash equivalents	146,681	86,364
Securities		
Available-for-sale, at fair value	280,123	252,946
Held-to-maturity, at amortized cost (fair value \$2,006 and \$1,788)	1,970	1,899
Stock in Federal Home Loan Bank of Pittsburgh, at cost	10,854	10,854
Loans held for sale, at amortized cost	433	442
Loans, net of allowance for loan and lease losses of \$25,623 and \$22,458	780,606	917,516
Bank premises and equipment, net	20,486	20,667
Accrued interest receivable	3,343	4,245
Refundable federal income taxes	8,898	12,222
Intangible assets	1,004	1,128
Bank-owned life insurance	25,823	25,242
Other real estate owned	11,185	11,184
Other assets	16,705	21,623
Total Assets	\$ 1,308,111	\$ 1,366,332
Liabilities		
Deposits:		
Demand	\$ 86,981	\$ 85,370
Interest-bearing demand	386,472	352,631
Savings	93,724	86,455
Time (\$100,000 and over)	217,274	238,839
Other time	269,310	308,313
Total deposits	1,053,761	1,071,608
Borrowed funds:		
FHLB advances	150,905	183,830
Subordinated debentures	25,000	23,100
Junior subordinated debentures	10,310	10,310
Other debt	198	227
Total borrowed funds	186,413	217,467
Accrued interest payable	2,509	2,880
Other liabilities	10,553	11,293
Total liabilities	1,253,236	1,303,248

Shareholders Equity

Common Shares (\$1.25 par)

Authorized: 50,000,000 shares as of December 31, 2010 and 2009 Issued and outstanding:

16,428,251 shares as of September 30, 2010 and 16,289,970 shares as of December 31, 2009	20,535	20,362
Additional paid-in capital	61,530	61,190
Retained earnings	(24,016)	(6,162)
Accumulated other comprehensive loss		
Unrealized holding gain/(loss) on available-for-sale securities, net of tax	2,958	(4,183)
Unrealized non-credit holding loss on OTTI available-for-sale securities, net of tax	(6,132)	(8,123)
Total accumulated other comprehensive loss, net of tax	(3,174)	(12,306)
Total shareholders equity	54,875	63,084
Total Liabilities and Shareholders Equity	\$ 1,308,111	\$ 1,366,332

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

(In thousands, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income				
Interest and fees on loans	\$ 10,830	\$ 12,589	\$ 34,447	\$ 38,986
Interest and dividends on securities				
U.S. Treasury and government agencies	1,282	1,508	4,079	4,927
State and political subdivisions	1,396	1,323	4,187	3,796
Other securities	10	362	285	1,252
Total interest and dividends on securities	2,688	3,193	8,551	9,975
Interest on deposits and federal funds sold	44	31	111	44
Total interest income	13,562	15,813	43,109	49,005
Interest expense				
Deposits				
Interest-bearing demand	825	994	2,720	2,533
Savings	132	161	396	430
Time (\$100,000 and over)	838	1,069	2,672	3,297
Other time	1,638	2,226	5,343	6,656
Total interest on deposits	3,433	4,450	11,131	12,916
Interest on borrowed funds				
Interest on FHLB advances	1,298	1,690	4,097	5,352
Interest on subordinated debentures	575	65	1,682	65
Interest on junior subordinated debentures	57	59	158	225
Interest on other debt	1	1	1	53
Total interest on borrowed funds	1,931	1,815	5,938	5,695
Total interest expense	5,364	6,265	17,069	18,611
Net interest income before provision for loan and lease losses	8,198	9,548	26,040	30,394
Provision for loan and lease losses	7,311	11,050	16,993	20,760
Net interest income (loss) after provision for loan and lease losses	887	(1,502)	9,047	9,634
Non-interest income (loss)				
Service charges	632	744	1,927	2,154
Net (loss) gain on the sale of securities	(2,869)	(30)	(1,694)	795
Gross other-than-temporary impairment (OTTI) losses	(45)	(2,399)	(973)	(2,781)
Portion of loss recognized in OCI (before taxes)	(1,158)		(3,133)	
Other-than-temporary-impairment losses recognized in earnings	(1,203)	(2,399)	(4,106)	(2,781)
Net gain on the sale of loans held for sale	440	124	843	1,131
Net gain on the sale of other real estate owned	45	73	92	73
Net (loss) gain on the sale of other assets	(88)	158	(60)	158
Other	866	689	2,527	1,936
Total non-interest income (loss)	(2,177)	(641)	(471)	3,466
Non-interest expense				
Salaries and employee benefits	3,375	3,104	9,712	9,420
Occupancy expense	582	562	1,746	1,721
Equipment expense	423	479	1,309	1,401

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Advertising expense	129	180	462	660
Data processing expense	535	435	1,517	1,301
FDIC assessment	989	534	1,960	1,829
Bank shares tax	255	214	765	646
Expense of other real estate	2,193	770	3,552	812
Provision for off-balance sheet commitments	(200)	428	(171)	428
Legal expense	292	153	573	323
Professional fees	357	55	839	160
Other operating expenses	1,609	1,130	4,166	3,363
Total non-interest expense	10,539	8,044	26,430	22,064
Loss before income taxes	(11,829)	(10,187)	(17,854)	(8,964)
Provision (credit) for income taxes		(4,003)		(3,802)
Net Income (loss)	\$ (11,829)	\$ (6,184)	\$ (17,854)	\$ (5,162)
Loss Per Share				
Basic	\$ (0.72)	\$ (0.38)	\$ (1.09)	\$ (0.32)
Diluted	\$ (0.72)	\$ (0.37)	\$ (1.09)	\$ (0.31)
Cash Dividends Declared Per Common Share				
	\$	\$ 0.02	\$	\$ 0.15
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	16,383,848	16,197,941	16,328,598	16,140,834
Diluted	16,383,848	16,585,125	16,328,598	16,534,226

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

Table of Contents**FIRST NATIONAL COMMUNITY BANCORP, INC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine months ended September 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net Loss	\$ (17,854)	\$ (5,162)
Reconciliation of Net Loss to Net Cash Provided by Operating Activities:		
Net accretion	(2,053)	(2,872)
Equity in trust	(1)	(4)
Depreciation and amortization	1,258	1,356
Provision loan and lease losses	16,993	20,760
Provision for off balance sheet commitments	(171)	
Provision (credit) for deferred taxes		(168)
Loss (gain) on sale of investment securities	1,694	(795)
Other-than temporary impairment losses	4,106	2,781
Gain on the sale of loans held for sale	(843)	(1,287)
Loss on sale of other assets	88	
Gain on the sale of other real estate owned	(92)	(73)
Write-down of other real estate owned	2,533	385
Gain on sale of bank premises and equipment	(28)	
Income from bank owned life insurance	(581)	(676)
Proceeds from the sale of loans held for sale	29,859	55,274
Funds used to originate loans held for sale	(29,007)	(53,786)
Decrease in interest payable	(371)	(813)
Increase (decrease) in accrued expenses and other liabilities	(569)	470
Decrease in interest receivable	902	649
Decrease in refundable federal income taxes	3,324	
Decrease (increase) in prepaid expenses and other assets	2,242	(1,437)
Decrease in taxes payable		(5,638)
Net Cash Provided by Operating Activities	11,429	8,964
Cash Flows from Investing Activities:		
Investment Securities :		
Proceeds from maturities, calls and principal payments	32,741	29,115
Proceeds from sales	36,620	24,117
Purchases	(86,302)	(42,690)
Purchases of Federal Reserve Bank stock	(336)	(5)
Net decrease / (increase) in loans to customers	112,041	(14,981)
Proceeds from the sale of other real estate owned	3,340	88
Purchases of bank premises and equipment	(925)	(1,336)
Proceeds from the sale of bank premises and equipment	97	
Net Cash Provided (Used) by Investing Activities	97,276	(5,692)
Cash Flows from Financing Activities:		
Net increase in demand deposits, money market demand, interest-bearing demand accounts, and savings accounts	42,721	55,369
Net (decrease) / increase in time deposits	(60,568)	46,961
Proceeds from issuance of subordinated debentures	1,900	11,000
Proceeds from FHLB advances	121,048	195,042
Repayment of FHLB advances	(153,973)	(216,422)
Repayment of other borrowed funds	(29)	(16,116)
Proceeds from issuance of common shares, net of share issuance costs	513	1,437

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Proceeds from issuance of common shares - share option plans	92
Dividends paid	(2,413)
Net Cash (Used) Provided by Financing Activities	(48,388)