

FNCB Bancorp, Inc.
Form 10-Q
November 04, 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 September 30, 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

FNCB BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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**

FIRST NATIONAL COMMUNITY BANCORP, INC.

(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 16,616,200 shares

(Title of Class)

(Outstanding at November 4, 2016)

1

Contents	
PART I. Financial Information	3
Item 1. Financial Statements (unaudited)	3
Consolidated Statements of Financial Condition	3
Consolidated Statements of Income	4
Consolidated Statements of Comprehensive Income	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	31
Item 3. Quantitative and Qualitative Disclosures about Market Risk	52
Item 4. Controls and Procedures	52
PART II. Other Information	52
Item 1. Legal Proceedings	52
Item 1A. Risk Factors	53
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	53
Item 3. Defaults upon Senior Securities	53
Item 4. Mine Safety Disclosures	53
Item 5. Other Information	54
Item 6. Exhibits	54

Part I - Financial Information**Item 1 - Financial Statements****FNCB BANCORP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(unaudited)**

(in thousands, except share data)	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$24,558	\$19,544
Interest-bearing deposits in other banks	32,778	1,539
Total cash and cash equivalents	57,336	21,083
Securities available for sale, at fair value	263,475	253,773
Stock in Federal Home Loan Bank of Pittsburgh, at cost	2,741	6,344
Loans held for sale	185	683
Loans, net of allowance for loan and lease losses of \$8,490 and \$8,790	721,172	724,926
Bank premises and equipment, net	10,615	11,193
Accrued interest receivable	2,736	2,475
Intangible assets	14	137
Bank-owned life insurance	29,807	29,381
Other real estate owned	2,065	3,154
Net deferred tax assets	23,024	27,807
Other assets	8,417	9,662
Total assets	\$1,121,587	\$1,090,618
Liabilities		
Deposits:		
Demand (non-interest-bearing)	\$157,119	\$154,531
Interest-bearing	773,840	667,015
Total deposits	930,959	821,546
Borrowed funds:		
Federal Home Loan Bank of Pittsburgh advances	58,837	135,802
Subordinated debentures	14,000	14,000
Junior subordinated debentures	10,310	10,310
Total borrowed funds	83,147	160,112
Accrued interest payable	294	11,165
Other liabilities	10,614	11,617
Total liabilities	1,025,014	1,004,440
Shareholders' equity		

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Preferred shares (\$1.25 par)		
Authorized: 20,000,000 shares at September 30, 2016 and December 31, 2015		
Issued and outstanding: 0 shares at September 30, 2016 and December 31, 2015	-	-
Common shares (\$1.25 par)		
Authorized: 50,000,000 shares at September 30, 2016 and December 31, 2015		
Issued and outstanding: 16,614,856 shares at September 30, 2016 and 16,514,245 shares at December 31, 2015	20,768	20,643
Additional paid-in capital	62,381	62,059
Retained earnings	7,506	3,714
Accumulated other comprehensive income (loss)	5,918	(238)
Total shareholders' equity	96,573	86,178
Total liabilities and shareholders' equity	\$1,121,587	\$1,090,618

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

FNCB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

(in thousands, except share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest income				
Interest and fees on loans	\$7,156	\$6,693	\$21,157	\$19,640
Interest and dividends on securities:				
U.S. government agencies	848	1,061	2,678	3,044
State and political subdivisions, tax-free	9	19	30	91
State and political subdivisions, taxable	675	324	1,834	447
Other securities	69	92	259	331
Total interest and dividends on securities	1,601	1,496	4,801	3,913
Interest on interest-bearing deposits in other banks	8	10	14	42
Total interest income	8,765	8,199	25,972	23,595
Interest expense				
Interest on deposits	704	677	2,009	2,003
Interest on borrowed funds:				
Interest on Federal Home Loan Bank of Pittsburgh advances	157	128	472	367
Interest on subordinated debentures	162	162	480	1,290
Interest on junior subordinated debentures	62	50	180	150
Total interest on borrowed funds	381	340	1,132	1,807
Total interest expense	1,085	1,017	3,141	3,810
Net interest income before (credit) provision for loan and lease losses	7,680	7,182	22,831	19,785
(Credit) provision for loan and lease losses	(234)	(191)	858	(340)
Net interest income after (credit) provision for loan and lease losses	7,914	7,373	21,973	20,125
Non-interest income				
Deposit service charges	739	799	2,157	2,218
Net gain on the sale of securities	-	4	960	2,302
Net gain on the sale of mortgage loans held for sale	99	13	238	69
Net gain on the sale of SBA guaranteed loans	51	-	51	-
Net gain on the sale of other real estate owned	32	129	29	145
Loan-related fees	85	94	287	290
Income from bank-owned life insurance	137	145	426	415
Legal settlements	-	-	-	184
Other	237	195	657	720
Total non-interest income	1,380	1,379	4,805	6,343
Non-interest expense				
Salaries and employee benefits	3,263	3,240	10,366	9,582

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Occupancy expense	479	500	1,301	1,665
Equipment expense	429	408	1,277	1,234
Advertising expense	157	86	422	335
Data processing expense	505	471	1,522	1,420
Regulatory assessments	199	203	629	711
Bank shares tax	253	217	746	652
Expense of other real estate owned	95	91	335	338
Legal expense	79	80	285	331
Professional fees	157	193	716	780
Insurance expense	131	128	384	528
Other operating expenses	806	798	2,399	2,301
Total non-interest expense	6,553	6,415	20,382	19,877
Income before income taxes	2,741	2,337	6,396	6,591
Income tax expense (benefit)	724	-	1,611	(40)
Net income	\$2,017	\$2,337	\$4,785	\$6,631
Earnings per share				
Basic	\$0.12	\$0.14	\$0.29	\$0.40
Diluted	\$0.12	\$0.14	\$0.29	\$0.40
Cash dividends declared per common share	\$0.02	\$-	\$0.06	\$-
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	16,593,811	16,500,945	16,554,391	16,497,373
Diluted	16,593,811	16,500,945	16,554,391	16,497,373

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

FNCB BANCORP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(unaudited)**

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$2,017	\$2,337	\$4,785	\$6,631
Other comprehensive (loss) income:				
Unrealized (losses) gains on securities available for sale	(1,239)	3,465	10,288	4,461
Taxes	421	(1,178)	(3,498)	(1,516)
Net of tax amount	(818)	2,287	6,790	2,945
Reclassification adjustment for gains included in net income	-	(4)	(960)	(2,302)
Taxes	-	1	326	782
Net of tax amount	-	(3)	(634)	(1,520)
Total other comprehensive (loss) income	(818)	2,284	6,156	1,425
Comprehensive income	\$1,199	\$4,621	\$10,941	\$8,056

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

FNCB BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Nine Months Ended September 30, 2016 and 2015

(unaudited)

(in thousands, except share data)	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated	Accumulated	Total Shareholders' Equity
				(Deficit) / Retained Earnings	Other Comprehensive Income (Loss)	
Balances, December 31, 2014	16,484,419	\$ 20,605	\$ 61,781	\$ (32,126)	\$ 1,138	\$ 51,398
Net income for the period	-	-	-	6,631	-	6,631
Common shares issued under long-term incentive compensation plan	16,526	21	(21)	-	-	-
Restricted stock awards	-	-	179	-	-	179
Other comprehensive income, net of tax of \$734	-	-	-	-	1,425	1,425
Balances, September 30, 2015	16,500,945	\$ 20,626	\$ 61,939	\$ (25,495)	\$ 2,563	\$ 59,633
Balances, December 31, 2015	16,514,245	\$ 20,643	\$ 62,059	\$ 3,714	\$ (238)	\$ 86,178
Net income for the period	-	-	-	4,785	-	4,785
Cash dividends declared, \$0.06 per share	-	-	-	(993)	-	(993)
Common shares issued under long-term incentive compensation plan	52,848	66	(66)	-	-	-
Restricted stock awards	-	-	195	-	-	195
Common shares issued through dividend reinvestment / optional cash purchase plan	47,763	59	193	-	-	252
Other comprehensive income, net of tax of \$3,172	-	-	-	-	6,156	6,156
Balances, September 30, 2016	16,614,856	\$ 20,768	\$ 62,381	\$ 7,506	\$ 5,918	\$ 96,573

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

FNCB BANCORP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

(in thousands)	Nine Months Ended September 30,	
	2016	2015
Operating activities:		
Net income	\$4,785	\$6,631
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Investment securities amortization, net	880	1,173
Equity in trust	(5)	(5)
Depreciation and amortization	1,973	1,168
Stock-based compensation expense	195	179
Provision (credit) for loan and lease losses	858	(340)
Valuation adjustment for off-balance sheet commitments	(64)	(27)
Gain on the sale of available-for-sale securities	(960)	(2,302)
Gain on the sale of loans held for sale	(238)	(69)
Gain on the sale of SBA guaranteed loans	(51)	-
Gain on the sale of other real estate owned	(29)	(145)
Valuation adjustment of other real estate owned	170	208
Income from bank-owned life insurance	(426)	(415)
Proceeds from the sale of loans held for sale	5,592	1,982
Funds used to originate loans held for sale	(4,856)	(1,352)
Deferred income tax expense	1,611	-
Increase in interest receivable	(261)	(543)
Decrease in prepaid expenses and other assets	62	829
(Decrease) increase in interest payable	(10,871)	925
Decrease in accrued expenses and other liabilities	(944)	(2,221)
Total adjustments	(7,364)	(955)
Net cash (used in) provided by operating activities	(2,579)	5,676
Cash flows from investing activities:		
Maturities, calls and principal payments of available-for-sale securities	4,972	7,326
Proceeds from the sale of securities available for sale	32,588	78,765
Purchases of securities available for sale	(37,854)	(113,042)
Redemption (purchase) of the stock of the Federal Home Loan Bank of Pittsburgh	3,603	(1,495)
Redemption of the stock of the Federal Reserve Bank	1,351	-
Net increase in loans to customers	(377)	(58,975)
Proceeds from the sale of SBA guaranteed loans	1,315	-
Proceeds from the sale of other real estate owned	1,903	697
Purchases of bank premises and equipment	(376)	(1,175)
Net cash provided by (used in) investing activities		