CCFNB BANCORP INC
Form 10-Q
August 14, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

[ ] TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from --------------- to ---------------

Commission file number 0-19028

CCFNB BANCORP, INC.
(Name of small business Issuer in its charter)

| | |
|---|---|
| PENNSYLVANIA<br>(State or other jurisdiction of incorporation or organization) | 23-2254643<br>(I.R.S. Employer Identification Number) |
| 232 East Street, Bloomsburg, PA<br>(Address of principal executive offices) | 17815<br>(Zip Code) |

Issuer's telephone number, including area code: (570) 784-4400

Check whether the issuer (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirings for the past 90 days.
Yes X No
--- ---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 1,336,536 shares of $1.25 (par) common stock were outstanding as of July 25, 2001.

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CCFNB BANCORP, INC. AND SUBSIDIARY

JUNE 30, 2001

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CCFNB BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
UNAUDITED

| | JUNE 30, 2001 | DECEMBE 31, 200 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 5,153 | $ 6,7 |
| Interest-bearing deposits with other banks | 6,518 | 5,4 |
| Federal funds sold | 2,000 | 5 |
| Investment securities: | | |
| Securities Available-for-Sale | 49,692 | 46,1 |
| Loans, net of unearned income | 137,452 | 137,3 |
| Allowance for loan losses | 981 | 1,0 |
| Net loans | $ 136,471 | $ 136,3 |
| Premises and equipment | 4,754 | 4,9 |
| Accrued interest receivable | 991 | 1,0 |
| Other assets | 2,184 | 1,8 |
| TOTAL ASSETS | $ 207,763 | $ 203,0 |

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES
Deposits:

| | | |
|---|---|---|
| Non-interest bearing ............................................. | $ 14,323 | $ 14,5 |
| Interest bearing ................................................. | 135,381 | 128,5 |
| Total Deposits ............................................... | $ 149,704 | $ 143,1 |
| Short-term borrowings ................................................ | 19,596 | 20,1 |
| Long-term borrowings ................................................. | 11,363 | 13,3 |
| Accrued interest and other expenses .................................. | 1,218 | 1,3 |
| Other liabilities .................................................... | 82 | |
| TOTAL LIABILITIES ............................................ | $ 181,963 | $ 178,0 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, par value $1.25 per share; authorized 5,000,000 shares; issued 1,342,944 shares in 2001 and 1,346,328 shares in 2000 ........................................ | $ 1,674 | $ 1,6 |
| Surplus .............................................................. | 5,017 | 5,1 |
| Retained earnings .................................................... | 18,886 | 18,3 |
| Accumulated other comprehensive income (loss) ........................ | 223 | ( |
| TOTAL STOCKHOLDERS' EQUITY ................................... | $ 25,800 | $ 25,0 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY .................... | $ 207,763 | $ 203,0 |

See accompanying notes to Consolidated Financial Statements.





CCFNB BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS EXCEPT PER SHARE DATA)
UNAUDITED

| | FOR THE SIX MONTHS ENDING JUNE 30, | | |
|---|---|---|---|
| | 2001 | 2000 | 20 |
| INTEREST INCOME | | | |
| Interest and fees on loans: | | | |
| Taxable .................................... | $ 5,259 | $ 5,174 | $ |
| Tax-exempt ................................. | 80 | 63 | |
| Interest and dividends on investment securities: | | | |
| Taxable interest ........................... | 890 | 991 | |
| Tax-exempt interest ........................ | 396 | 363 | |
| Dividends .................................. | 4 | 4 | |
| Interest on federal funds sold ................ | 40 | 0 | |
| Interest on deposits in other banks ........... | 198 | 8 | |
| Other interest income ......................... | 37 | 38 | |
| TOTAL INTEREST INCOME .................... | $ 6,904 | $ 6,641 | $ |

| | | | |
|---|---|---|---|
| INTEREST EXPENSE | | | |
| Interest on deposits .......................... | $ 2,817 | $ 2,517 | $ |
| Interest on short-term borrowings ............. | 440 | 577 | |
| Interest on long-term borrowings .............. | 388 | 205 | |
| TOTAL INTEREST EXPENSE .................... | $ 3,645 | $ 3,299 | $ |
| Net interest income ........................... | $ 3,259 | $ 3,342 | $ |
| Provision for loan losses ..................... | 23 | 39 | |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES ............................ | $ 3,236 | $ 3,303 | $ |
| NON-INTEREST INCOME | | | |
| Service charges and fees ...................... | $ 302 | $ 295 | $ |
| Trust department income ....................... | 112 | 82 | |
| Securities gains - net ........................ | 37 | 0 | |
| Other income .................................. | 96 | 123 | |
| TOTAL NON-INTEREST INCOME ................ | $ 547 | $ 500 | $ |
| NON-INTEREST EXPENSES | | | |
| Salaries and wages ............................ | $ 1,007 | $ 1,012 | $ |
| Pensions and other employee benefits .......... | 340 | 330 | |
| Occupancy expense, net ........................ | 194 | 170 | |
| Furniture and equipment expense ............... | 267 | 312 | |
| Other operating expenses ...................... | 728 | 712 | |
| TOTAL NON-INTEREST EXPENSES .............. | $ 2,536 | $ 2,536 | $ |
| Income before income taxes .................... | $ 1,247 | $ 1,267 | $ |
| Income tax expense ............................ | 283 | 306 | |
| NET INCOME ............................... | $ 964 | $ 961 | $ |
| PER SHARE DATA | | | |
| Net income .................................... | $ .72 | $ .71 | $ |
| Cash dividends ................................ | .29 | .28 | |
| Weighted average shares outstanding ........... | 1,342,944 | 1,362,569 | 1,34 |

See accompanying notes to Consolidated Financial Statements.





CCFNB BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
UNAUDITED

| | FOR THE SIX MONTHS ENDING JUNE 30, | |
|---|---|---|
| | 2001 | 2000 |

| | | |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net income | $ 964 | $ 961 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 23 | 39 |
| Provision for depreciation and amortization | 221 | 270 |
| Premium amortization on investment securities | 29 | 18 |
| Discount accretion on investment securities | (9) | (8) |
| Gain (loss) on sales of investment securities | (37) | 0 |
| Deferred income taxes (benefit) | (13) | (17) |
| (Increase) in accrued interest receivable and other assets | (336) | (181) |
| (Decrease) in accrued interest, other expenses and other liabilities | (116) | (126) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | $ 726 | $ 956 |
| INVESTING ACTIVITIES | | |
| Proceeds from sales, maturities and redemptions of investment securities Available-for-Sale | $ 16,665 | $ 1,904 |
| Proceeds from maturities and redemptions of Held-to-Maturity investment securities | 0 | 200 |
| Purchase of investment securities Available-for-Sale | (19,680) | 0 |
| Net increase (decrease) in loans | (142) | 827 |
| Purchases of premises and equipment | (53) | (92) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | $ (3,210) | $ 2,839 |
| FINANCING ACTIVITIES | | |
| Net increase (decrease) in deposits | $ 6,535 | $ 1,630 |
| Net increase (decrease) in short-term borrowings | (513) | (12,801) |
| Net increase (decrease) in long-term borrowings | (2,004) | 6,996 |
| Proceeds from issuance of common stock | 81 | 82 |
| Acquisition of treasury stock | (219) | (292) |
| Cash dividends paid | (388) | (381) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | $ 3,492 | $ (4,766) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | $ 1,008 | $ (971) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 12,663 | 6,072 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 13,671 | $ 5,101 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | $ 3,678 | $ 3,350 |
| Income taxes | $ 284 | $ 333 |

See accompanying notes to Consolidated Financial Statements.





CCFNB BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of CCFNB Bancorp, Inc. and Subsidiary (the "Corporation") are in accordance with accounting principles generally accepted in the United States of America and conform to common practices within the banking industry. The more significant policies follow:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CCFNB Bancorp, Inc. and its wholly owned subsidiary, Columbia County Farmers National Bank (the "Bank") and all other equity interests. All significant inter-company balances and transactions have been eliminated in consolidation.

NATURE OF OPERATIONS & LINES OF BUSINESS

The Corporation provides full banking services, including trust services, through the Bank, to individuals and corporate customers. The Bank has six offices covering an area of approximately 484 square miles in Northeastern Pennsylvania. The Corporation and its banking subsidiary are subject to regulation of the Office of the Comptroller of the Currency, The Federal Deposit Insurance Corporation and the Federal Reserve Bank of Philadelphia.

Procuring deposits and making loans are the major lines of business. The deposits are mainly deposits of individuals and small businesses and the loans are mainly real estate loans covering primary residences and small business enterprises. The trust services, under the name of CCFNB and Co., include administration of various estates, pension plans, self-directed IRA's and other services. A third-party brokerage arrangement is also resident in the main branch, namely Bloomsburg. This investment center offers a full line of stocks, bonds and other non-insured financial services.

On December 19, 2000, the Corporation became a Financial Holding Company by having filed an election to do so with the Federal Reserve Board. The Bancorp acquired a 50% interest in a local insurance agency during January 2001.

USE OF ESTIMATES

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.





INVESTMENT SECURITIES

The Corporation classifies its investment securities as either "Held-to-Maturity" or "Available-for-Sale" at the time of purchase. Debt securities are classified as Held-to-Maturity when the Corporation has the ability and positive intent to hold the securities to maturity. Investment securities Held-to-Maturity are carried at cost adjusted for amortization of premiums and accretion of discounts to maturity.

Debt securities not classified as Held-to-Maturity and equity securities included in the Available-for-Sale category, are carried at fair value, and the amount of any unrealized gain or loss net of the effect of deferred income taxes is reported as a component of Stockholders' Equity. Management's decision to sell Available-for-Sale securities is based on changes in economic conditions controlling the sources and uses of funds, terms, availability of and yield of alternative investments, interest rate risk, and the need for liquidity.

The cost of debt securities classified as Held-to-Maturity or Available-for-Sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, as well as interest and dividends, is included in interest income from investments. Realized gains and losses are included in net investment securities gains. The cost of investment securities sold, redeemed or matured is based on the specific identification method.

Equity securities that do not have readily determinable fair values such as Federal Reserve Bank Stock, Federal Home Loan Bank Stock and Atlantic Central Banker's Bank Stock are carried at cost and are included in other assets.

LOANS

Loans are stated at their outstanding principal balances, net of deferred fees or costs, unearned income, and the allowance for loan losses. Interest on loans is accrued on the principal amount outstanding, primarily on an actual day basis. Non-refundable loan fees and certain direct costs are deferred and amortized over the life of the loans using the interest method. The amortization is reflected as an interest yield adjustment, and the deferred portion of the net fees and costs is reflected as a part of the loan balance.

Non-Accrual Loans - Generally, a loan is classified as non-accrual, with the accrual of interest on such a loan discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan currently is performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for credit losses. Certain non-accrual loans may continue to perform, that is, payments are still being received with those payments generally applied to principal. Non-accrual loans remain under constant scrutiny and if performance continues, interest income may be recorded on a cash basis based on management's judgement as to collectibility of principal.





Allowance for Loan Losses - The allowance for loan losses is established through provisions for loan losses charged against income.

Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

A factor in estimating the allowance for loan losses is the measurement of impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Under current accounting standards, the allowance for loan losses related to impaired loans is based on discounted cash flows using the loan's effective interest rate or the fair value of the collateral for certain collateral dependent loans.

The allowance for loan losses is maintained at a level established by management to be adequate to absorb estimated potential loan losses. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets. Maintenance and minor repairs are charged to operations as incurred. The cost and accumulated depreciation of the premises and equipment retired or sold are eliminated from the property accounts at the time of retirement or sale, and the resulting gain or loss is reflected in current operations.

OTHER REAL ESTATE OWNED

Other real estate owned is comprised of property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure and loans classified as in-substance foreclosure. In accordance with Statement of Financial Accounting Standards (SFAS) No. 114, a loan is classified as in-substance foreclosure when the Corporation has taken possession of the collateral regardless of whether formal foreclosure proceedings take place. Other real estate owned is recorded at fair value at the date of foreclosure, establishing a new cost basis and is included in other assets. After foreclosure, valuations are periodically performed by management, and the real estate is carried at the lower of (1) cost or (2) fair value minus estimated costs to sell. Income and expenses from operations of other real estate owned and changes in the valuation allowance are included in loss on other real estate owned.





INCOME TAXES

The provision for income taxes is based on the results of operations, adjusted primarily for tax-exempt income. Certain items of income and expense are reported in different periods for financial reporting and tax return purposes. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and income tax bases of assets and liabilities measured by using the enacted tax rates and laws expected to be in effect when the timing differences are expected to reverse. Deferred tax expense or benefit is based on the difference between deferred tax asset or liability from period to period.

PER SHARE DATA

Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share", requires dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding at the end of each period. Diluted earnings per share is calculated by increasing the denominator for the assumed conversion of all potentially dilutive securities. The Corporation does not have any securities which have or will have a dilutive effect, accordingly, basic and diluted per share data is the same.

CASH FLOW INFORMATION

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and due from banks, interest-bearing deposits in other banks and federal funds sold. The Corporation considers cash classified as interest-bearing deposits with other banks as a cash equivalent because they are represented by cash accounts essentially on a demand basis. Federal funds are also included as a cash equivalent because they are generally purchased and sold for one-day periods.

TRUST ASSETS AND INCOME

Property held by the Corporation in a fiduciary or agency capacity for its customers is not included in the accompanying consolidated financial statements because such items are not assets of the Corporation. Trust Department income is generally recognized on a cash basis and is not materially different than if it was reported on an accrual basis.

SEGMENT REPORTING

The Corporation's banking subsidiary acts as an independent community financial services provider, and offers traditional banking and related financial services to individual, business and government customers. Through its branch, internet banking, telephone and automated teller machine network, the Bank offers a full array of commercial and retail financial services, including the taking of time, savings and demand deposits; the making of commercial, consumer and mortgage loans; and the providing of other financial services. The Bank also performs personal, corporate, pension and fiduciary services through its Trust Department as well as offering diverse investment products through its investment center.





Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial, retail, trust and investment center operations of the Corporation. As such, discrete financial information is not available and segment reporting would not be meaningful.

RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards (SFAS) No. 133 (as amended by SFAS No. 138), "Accounting for Derivative Instruments and Hedging Activities", becomes effective for financial reporting periods beginning after June 15, 2000. SFAS No. 133 requires the recognition of the fair value of all derivative instruments on the consolidated balance sheets. Since the Corporation does not enter into transactions involving derivatives described in the standard and does not engage in hedging activities, the standard is not expected to have a significant impact on the Corporation's consolidated financial condition or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities", is generally effective for transactions occurring after March 31, 2001. For recognition and reclassification of collateral and for disclosure related to securitization transactions and collateral, the effective date is for fiscal years ending after December 15, 2000. SFAS No. 140 replaces SFAS No. 125 and provides revisions to the standards for accounting and requirements for certain disclosures relating to securitizations and other transfers of financial assets. The standard is not expected to have a significant impact on the Corporation's consolidated financial condition or results of operations.

RECLASSIFICATION

Certain amounts in the consolidated financial statements of the prior years have been reclassified to conform with presentation used in the 2001 consolidated financial statements. Such reclassifications had no effect on the Corporation's consolidated financial condition or net income.

NOTE 2 - ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the periods ended June 30, 2001, and June 30, 2000 were as follows:

| | (AMOUNTS IN THOUSANDS) 2001 | 2000 |
|---|---|---|
| Balance, beginning of year .................. | $ 1,008 | $ 985 |
| Provision charged to operations ............. | 23 | 39 |
| Loans charged-off ........................... | (64) | (20) |
| Recoveries .................................. | 14 | 27 |
| Balance, June 30 ............................ | $ 981 | $ 1,031 |





At June 30, 2001 the recorded investment in loans that are considered to be impaired as defined by SFAS No. 114 was $37,755. No additional charge to operations was required to provide for the impaired loans since the total allowance for loan losses is estimated by management to be adequate to provide for the loan loss allowance required by SFAS No. 114 along with any other potential losses.

At June 30, 2001, there were no significant commitments to lend additional funds with respect to non-accrual and restructured loans.

NOTE 3 - SHORT-TERM BORROWINGS

Federal funds purchased, securities sold under agreements to repurchase, and Federal Home Loan Bank advances generally represented overnight or less than 30-day borrowings. U.S. Treasury tax and loan notes for collections made by the Bank were payable on demand.

NOTE 4 - LONG-TERM BORROWINGS

Long-term borrowings are comprised of advances from the Federal Home Loan Bank.

NOTE 5 - STOCKHOLDERS' EQUITY

Changes in stockholders' equity for the period ended June 30, 2001 were as follows:

(AMOUNTS IN THOUSANDS, EXCEPT COM

| | COMMON SHARES | COMMON STOCK | SURPLUS | COMPREHENSIVE INCOME (LOSS) | RETAINED EARNINGS |
|---|---|---|---|---|---|
| Balance at January 1, 2001......... | 1,346,328 | $ 1,683 | $ 5,146 | $ 0 | $18,310 |
| Comprehensive Income: | | | | | |
| Net income....................... | 0 | 0 | 0 | 964 | 964 |
| Change in unrealized gain (loss) on investment securities available-for-sale net of reclassification adjustment and tax effects................. | 0 | 0 | 0 | 312 | 0 |
| TOTAL COMPREHENSIVE INCOME | | | | $ 1,276 | |
| Issuance of 4,482 shares of common stock under dividend reinvestment and stock purchase plans......... | 4,482 | 5 | 76 | | 0 |
| Purchase of 11,653 shares of treasury stock.................. | 0 | 0 | 0 | | 0 |
| Retirement of 11,653 shares of treasury stock.................. | (11,653) | (14) | (205) | | 0 |
| Cash dividends $.29 per share...... | 0 | 0 | 0 | | (388) |
| Balance at June 30, 2001.......... | 1,339,157 | $ 1,674 | $ 5,017 | | $18,886 |

NOTE 6 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. The Corporation does not engage in trading activities with respect to any of its financial instruments with off-balance sheet risk.

The Corporation may require collateral or other security to support financial instruments with off-balance sheet credit risk. The contract or notional amounts at June 30, 2001 and December 31, 2000 were as follows:

| | (AMOUNTS IN THOUSANDS) JUNE 30, 2001 | DECEMBER 31, 2000 |
|---|---|---|
| FINANCIAL INSTRUMENTS WHOSE CONTRACT AMOUNTS REPRESENT CREDIT RISK: | | |
| Commitments to extend credit | $11,973 | $ 9,685 |
| Financial standby letters of credit | 2,280 | 1,990 |
| Performance standby letters of credit | 14 | 18 |
| Dealer floor plans | 1,849 | 1,098 |

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment and income-producing commercial properties.

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation holds collateral supporting those commitments for which collateral is deemed necessary.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations, as it does for on-balance sheet instruments.





The Corporation granted commercial, consumer and residential loans to customers within Pennsylvania. Of the total loan portfolio at June 30, 2001, 79.0% was for real estate loans, principally residential. It was the opinion of management that the high concentration did not pose an adverse credit risk. Further, it was management's opinion that the remainder of the loan portfolio was balanced and diversified to the extent necessary to avoid any significant concentration of credit.

NOTE 7 - MANAGEMENT'S ASSERTIONS AND COMMENTS REQUIRED TO BE PROVIDED WITH FORM 10Q FILING

In management's opinion, the consolidated interim financial statements reflect fair presentation of the consolidated financial position of CCFNB Bancorp, Inc. and Subsidiary, and the results of their operations and their cash flows for the interim periods presented. Further, the consolidated interim financial statements are unaudited however they reflect all adjustments, which are in the opinion of management, necessary to present fairly the consolidated financial condition and consolidated results of operations and cash flows for the interim periods presented and that all such adjustments to the consolidated financial statements are of a normal recurring nature.

The results of operations for the six-month period ended June 30, 2001, are not necessarily indicative of the results to be expected for the full year.

These consolidated interim financial statements have been prepared in accordance with requirements of Form 10Q and therefore do not include all disclosures normally required by accounting principles generally accepted in the United States of America applicable to financial institutions as included with consolidated financial statements included in the Corporation's annual Form 10K filing. The reader of these consolidated interim financial statements may wish to refer to the Corporation's annual report or Form 10K for the period ended December 31, 2000, filed with the Securities and Exchange Commission.





REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders of CCFNB Bancorp, Inc.:

We have reviewed the accompanying consolidated balance sheet of CCFNB Bancorp, Inc. and Subsidiary as of June 30, 2001, and the related consolidated statements of income and cash flows for the three and six-month periods ended June 30, 2001 and 2000. These consolidated financial statements are the responsibility of the management of CCFNB Bancorp, Inc. and Subsidiary.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of CCFNB Bancorp, Inc. and Subsidiary as of December 31, 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 19, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2000, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/S/ J.H. Williams & Co., LLP

J.H. Williams & Co., LLP
Kingston, Pennsylvania
July 20, 2001





CCFNB BANCORP, INC. AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Summary of Operations
(Dollars in Thousands, except for per share data)

| | AT AND FOR THE SIX MONTHS ENDED JUNE 30, | | AT AND FOR THE YEA | | |
|---|---|---|---|---|---|
| | 2001 | 2000 | 2000 | 1999 | |
| Income and Expense: | | | | | |
| Interest income .................... | $ 6,904 | $ 6,641 | $ 13,552 | $ 12,669 | $ |

| | | | | | |
|---|---|---|---|---|---|
| Interest expense .................. | 3,645 | 3,299 | 6,859 | 6,099 | |
| Net interest income ............... | 3,259 | 3,342 | 6,693 | 6,570 | |
| Loan loss provision ............... | 23 | 39 | 54 | 78 | |
| Net interest income after loan loss provision ....................... | 3,236 | 3,303 | 6,639 | 6,492 | |
| Non-interest income ............... | 547 | 500 | 1,053 | 1,050 | |
| Non-interest expense .............. | 2,536 | 2,536 | 4,967 | 4,818 | |
| Income before income taxes ......... | 1,247 | 1,267 | 2,725 | 2,724 | |
| Income taxes ...................... | 283 | 306 | 671 | 685 | |
| Net income ........................ | $ 964 | $ 961 | $ 2,054 | $ 2,039 | $ |
| Per Share: (1) | | | | | |
| Net income ........................ | $ .72 | $ .71 | $ 1.51 | $ 1.48 | $ |
| Cash dividends paid ............... | .29 | .28 | .56 | .51 | |
| Average shares outstanding ......... | 1,342,944 | 1,362,569 | 1,355,624 | 1,375,572 | 1 |
| Average Balance Sheet: | | | | | |
| Loans ............................. | $ 137,423 | $ 133,183 | $ 134,325 | $ 123,185 | $ |
| Investments ....................... | 47,589 | 46,654 | 45,877 | 48,726 | |
| Other earning assets .............. | 10,348 | 1,389 | 1,345 | 2,739 | |
| Total assets ...................... | 206,097 | 191,586 | 196,727 | 186,597 | |
| Deposits .......................... | 147,738 | 139,080 | 139,774 | 138,963 | |
| Other interest-bearing liabilities . | 31,299 | 28,464 | 31,203 | 22,874 | |
| Stockholders' equity .............. | 25,710 | 22,837 | 23,910 | 22,874 | |
| Balance Sheet Data: | | | | | |
| Loans ............................... | $ 137,452 | $ 133,603 | $ 137,360 | $ 134,423 | $ |
| Investments ......................... | 49,692 | 46,788 | 46,185 | 48,003 | |
| Other earning assets ................ | 9,644 | 229 | 5,940 | 217 | |
| Total assets ........................ | 207,763 | 192,600 | 203,054 | 196,122 | |
| Deposits ............................ | 149,704 | 140,236 | 143,169 | 138,606 | |
| Other interest-bearing liabilities ... | 36,959 | 27,419 | 33,477 | 33,224 | |
| Stockholders' equity ................ | 25,800 | 23,286 | 25,050 | 23,047 | |
| Ratios: (2) | | | | | |
| Return on average assets ............ | .94% | 1.00% | 1.04% | 1.09% | |
| Return on average equity ............ | 7.50% | 8.42% | 8.59% | 8.91% | |
| Dividend payout ratio ............... | 40.25% | 39.65% | 36.89% | 33.59% | |
| Average equity to average assets ratio | 12.47% | 11.92% | 12.34% | 11.75% | |

(1) Per share data has been calculated on the weighted average number of shares outstanding.
(2) The ratios for the six month period ending June 30, 2001 and 2000 are annualized.





The following discussion and analysis of the financial condition and results of operations of the Corporation should be read in conjunction with the consolidated financial statements of the Corporation. The consolidated financial condition and results of operations of the Corporation are essentially those of the Bank. Therefore, the discussion and analysis that follows is directed primarily at the performance of the Bank.

Overview

Total assets increased 2.3% to $207.8 million at June 30, 2001 from $203.1 million at December 31, 2000. Net income increased through June 30, 2001 to $964,000 or 72 cents per share, compared to $961,000 or 71 cents per share for the same six month period ended June 30, 2000. Loans remained at $137.4 for June 30, 2001 and December 31, 2000.

Results of Operations - For the Six Months Ended June 30, 2001 and June 30, 2000.

Net income is affected by five major components: net interest income or the difference between interest income earned on loans and investments and interest expense paid on deposits and borrowed funds; the provision for loan losses, which is the amount charged against net interest income and added to the allowance for loan losses to provide a reserve for potential future loan losses; other non-interest income, which is made up of certain fees, gains and losses from the sale of investment securities, trust department income and other items; and other non-interest expenses, which consist primarily of salaries and benefits, general overhead expenses, other operational expenses and income taxes. Each of these major components is reviewed in more detail in the following discussion.

Net income for the six months ended June 30, 2001 was $964,000 or 72 cents per share, as compared to $961,000 or 71 cents per share, for the comparable period in 2000. Interest income increased $263,000 and interest expense increased $346,000 contributing to a $83,000 decrease in net interest income when comparing June 30, 2001 to June 30, 2000. Non-interest income increased $47,000 and non-interest expense remained constant at $2.5 million.

Return on average assets and return on average equity were .94% and 7.50%, respectively, for the six months ended June 30, 2001, as compared to 1.00% and 8.42% for the comparable period in 2000.

Net Interest Income

For the six months ended June 30, 2001 and 2000, net interest income was $3.2 million and $3.3 million, respectively. The net interest margin was 3.59% for the six months ended June 30, 2001 and 3.93% for June 30, 2000. Average interest earning assets at June 30, 2001 increased by 7.6% over June 30, 2000 to $206.1 million from $191.6 million.

Average loans outstanding increased from $133.2 million to $137.4 million or 3.2% for the six months ended June 30, 2001, as compared to the six months ended June 30, 2000.

The outstanding balance of loans at June 30, 2001 was $137.5 million compared to $137.4 million at December 31, 2000.



Shown below is a summary of past due and non-accrual loans:

IN THOUSANDS OF DOLLARS

| | JUNE 30, 2001 | DECEMBER 31, 2000 |
|---|---|---|
| Past due and non-accrual: | | |
| Days 30 - 89 | $ 2,002 | $ 1,340 |
| Days 90 plus | 646 | 344 |
| Non-accrual | 457 | 312 |
| | $ 3,105 | $ 1,996 |

Past due and non-accrual loans increased to $3.1 million at June 30, 2001 from $2.0 million at December 31, 2000. The major portion of the increase was attributable to increases in commercial and mortgage loans, particularly commercial mortgages. The loan delinquency expressed as a ratio to total loans was 2.3% and 1.4% at June 30, 2001 and December 31, 2000, respectively.

Any loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have not been disclosed under Industry Guide 3 do not (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity, or capital resources, or (ii) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

The Corporation adheres to principles provided by Financial Accounting Standards Board Statement No. 114, "Accounting by Creditors for Impairment of a Loan" - Refer to Note 2 above for other details.

The following analysis provides a schedule of loan maturities/interest rate sensitivities. This schedule presents a repricing and maturity analysis as required by the FFIEC:

| MATURITY AND REPRICING DATA FOR LOANS AND LEASES | IN THOUSANDS OF DOLLARS<br>JUNE 30, 2001 |
|---|---|
| Closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of: | |
| (1) Three months or less | $ 3,784 |
| (2) Over three months through 12 months | 14,066 |
| (3) Over one year through three years | 31,523 |
| (4) Over three years through five years | 2,117 |
| (5) Over five years through 15 years | 9,304 |
| (6) Over 15 years | 1,868 |
| All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of: | |
| (1) Three months or less | 16,846 |
| (2) Over three months through 12 months | 12,832 |
| (3) Over one year through three years | 7,198 |
| (4) Over three years through five years | 16,035 |
| (5) Over five years through 15 years | 15,992 |
| (6) Over 15 years | 5,815 |

| | |
|---|---|
| Sub-total | $ 137,380 |
| Add: non-accrual loans not included above | 457 |
| Less: unearned income | (385) |
| Total Loans and Leases | $ 137,452 |





Interest income from investment securities reflects a 7.1% decrease comparing $1.3 million for the six months ended June 30, 2001 and the $1.4 million for the six months ended June 30, 2000. The average balance of investment securities for the six months ended June 30, 2001 increased 1.9% to $47.6 million, compared to the $46.7 million for the same period of 2000.

Total interest expense increased $346,000 or 10.5% for the first six months of 2001 as compared to the first six months of 2000. The cost of interest bearing liabilities increased on an average yield basis from 4.27% through June 2000 compared to 4.41% through June 2001. On the contrary, the average yield on interest earning assets decreased from 7.33% to 7.07% through June 2000 and 2001, respectively.

Average short-term borrowings decreased from $21.6 million at June 30, 2000 to $18.9 million at June 30, 2001. This 12.5% decrease reflects an increase in depositor repurchase agreements from an average $15.2 million at June 30, 2000 to $18.7 million at June 30, 2001. Conversely, short-term borrowing from Federal Home Loan Bank averaged $5.9 million at June 30, 2000 and $0 million at June 30, 2001.

Long-term borrowings from Federal Home Loan Bank increased from an average $6.9 million at June 30, 2000 to $12.4 million at June 30, 2001. $2,000,000 of long-term debt was repaid during the second quarter of 2001.

The following table sets forth, for the periods indicated, information regarding: (1) the total dollar amount of interest income from interest-earning assets and the resultant average yields; (2) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average cost; (3) net interest income; (4) net interest margin; (5) tax equivalent net interest income; and (6) tax equivalent net interest margin. Information is based on average daily balances during the indicated periods.

Average Balance Sheet and Rate Analysis
(Dollars in Thousands)

| | | JUNE 2001 | | |
|---|---|---|---|---|
| | AVERAGE BALANCE(1) | INTEREST INCOME/ EXPENSE(2) | AVERAGE YIELD/ RATE | AVERAGE BALANCE(1) |
| ASSETS: | | | | |
| Interest-bearing deposits with other financial institutions | $ 7,472 | $ 198 | 5.30% | $ 263 |
| Investment securities | 47,589 | 1,290 | 6.28% | 46,654 |
| Federal funds sold | 1,750 | 40 | 4.57% | 0 |
| Loans | 137,423 | 5,339 | 7.83% | 133,183 |
| Other assets/equity securities | 1,126 | 37 | 6.57% | 1,126 |

| | | | | |
|---|---|---|---|---|
| Total interest earning assets | $195,360 | $ 6,904 | 7.32% | $181,226 |
| Reserve for loan losses | (995) | | | (1,011) |
| Cash and due from banks | 4,875 | | | 2,012 |
| Other assets | 6,857 | | | 9,359 |
| Total assets | $206,097 | | | $191,586 |





| | AVERAGE BALANCE(1) | JUNE 2001 INTEREST INCOME/ EXPENSE(2) | AVERAGE YIELD/ RATE | AVERAGE BALANCE(1) |
|---|---|---|---|---|
| LIABILITIES AND CAPITAL: | | | | |
| Interest bearing deposits | $134,105 | $ 2,817 | 4.20% | $125,885 |
| Short-term borrowings | 18,935 | 440 | 4.65% | 21,551 |
| Long-term borrowings | 12,364 | 388 | 6.28% | 6,913 |
| Total interest-bearing liabilities | $165,404 | $ 3,645 | 4.41% | $154,349 |
| Demand deposits | $ 13,633 | | | $ 13,195 |
| Other liabilities | 1,350 | | | 1,205 |
| Stockholders' equity | 25,710 | | | 22,837 |
| Total liabilities and capital | $206,097 | | | $191,586 |
| NET INTEREST INCOME/NET INTEREST MARGIN (4) | | $ 3,259 | 3.34% | |
| TAX EQUIVALENT NET INTEREST INCOME/ NET INTEREST MARGIN (5) | | $ 3,505 | 3.59% | |

(1) Average volume information was computed using daily averages.
(2) Interest on loans includes fee income.
(3) Yield on tax-exempt obligations has been computed on a tax-equivalent basis.
(4) Net interest margin is computed by dividing net interest income by total interest earning assets.
(5) Interest and yield are presented on a tax-equivalent basis using 34% for 2001 and 2000.

Provision for Loan Losses

The provision for loan losses is based on management's evaluation of the allowance for loan losses in relation to the credit risk inherent in the loan portfolio. In establishing the amount of the provision required, management considers a variety of factors, including but not limited to, general economic conditions, volumes of various types of loans, collateral adequacy and potential losses from significant borrowers. On a monthly basis, the Board of Directors and the Credit Administration Committee review information regarding specific loans and the total loan portfolio in general in order to determine the amount to be charged to the provision for loan losses.

For the six month periods ending June 30, 2001 and 2000, the provision for loan losses was $23,000 and $39,000 respectively.





Non-Interest Income

The following table sets forth, for the periods indicated, the major components of non-interest income:

| | SIX MONTHS ENDED JUNE 30, 2001 | SIX MONTHS ENDED JUNE 30, 2000 |
|---|---|---|
| | (Dollars in Thousands) | |
| Service charges and fees | $ 302 | $ 295 |
| Trust department income | 112 | 82 |
| Investment securities gain - net | 37 | 0 |
| Third party brokerage income | 32 | 52 |
| Other | 64 | 71 |
| Total | $ 547 | $ 500 |

For the six months ended June 30, 2001, total non-interest income increased $47,000 to $547,000 compared to $500,000 for the six months period ended June 30, 2000. Service charges and fees increased $7,000 from $295,000 at June 30, 2000 to $302,000 at June 30, 2001. Trust Department income increased from $82,000 at June 30, 2000 to $112,000 at June 30, 2001. Third party brokerage income reflected a $20,000 decrease comparing June 30, 2000 to June 30, 2001. Income from this source is dependent upon the investment climate.

Other non-interest income decreased from $71,000 at June 30, 2000 to $64,000 at June 30, 2001. This decrease was comprised mostly of penalties received on early withdrawals of Certificates of Deposit due to declining interest rates during 2001 resulting in fewer certificates redeemed early.

Non-Interest Expenses

Generally, non-interest expense accounts for the cost of maintaining facilities, providing salaries and necessary benefits to employees, and general operating costs such as insurance, supplies, advertising, data processing services, taxes and other related expenses. Some of the costs and expenses are variable while others are fixed. To the extent possible, the Company utilizes budgets and related measures to control variable expenses. The following table sets forth, for the periods indicated, the major components of non-interest expenses:

| | SIX MONTHS ENDED JUNE 30, 2001 | 2000 |
|---|---|---|
| | (Dollars in Thousands) | |
| Salaries and wages | $ 1,007 | $ 1,012 |
| Employee benefits | 340 | 330 |
| Net occupancy expense | 194 | 170 |
| Furniture and equipment expense | 267 | 312 |
| State shares tax | 119 | 109 |
| Other expense | 609 | 603 |
| Total | $ 2,536 | $ 2,536 |





Non-interest expenses remained constant at $2.5 million at June 30, 2000 and 2001.

Salaries remained at $1 million at June 30, 2001 and 2000. A 3% increase was reflected in employee benefits from $330,000 at June 30, 2000 to $340,000 at June 30, 2001. Increased cost of employee benefits, specifically health coverage, accounts for the increase in employee benefits.

Occupancy expense and furniture and equipment expense reflects a $21,000 decrease for the first six months of 2001 compared to the first six months of 2000. Less depreciation on furniture and fixtures is the reason for the decline.

Shares tax increased 9.2% from $109,000 at June 30, 2000 to $119,000 at June 30, 2001.

Other expenses increased 1% from $603,000 at June 30, 2000 to $609,000 at June 30, 2001.

Capital

A major strength of a financial institution is a strong capital position. This capital is very critical as it must provide growth, payment to stockholders, and absorption of unforeseen losses. The federal regulators provide standards that must be met. These standards measure "risk-adjusted" assets against different categories of capital. The "risk-adjusted" assets reflect off balance sheet items, such as commitments to make loans, and also place balance sheet assets on a "risk" basis for collectibility. The adjusted assets are measured against Tier I Capital and Total Qualifying Capital. Tier I Capital is common stockholders' equity and Tier II Capital includes the allowance for loan losses. Allowance for loan losses must be lower than or equal to common stockholders' equity to be eligible for Total Qualifying Capital.

The Company exceeds all minimum capital requirements as reflected in the following table:

| | JUNE 30, 2001 | | DECEMBER 31, 2000 | |
|---|---|---|---|---|
| | | MINIMUM | | MINIMUM |

| | CALCULATED RATIOS | STANDARD RATIOS | CALCULATED RATIOS | STANDARD RATIOS |
|---|---|---|---|---|
| Risk Based Ratios: | | | | |
| Tier I Capital to risk-weighted assets . | 19.60% | 4.00% | 19.59% | 4.00% |
| Total Qualifying Capital to risk-weighted assets ................ | 20.36% | 8.00% | 20.38% | 8.00% |

Additionally, certain other ratios also provide capital analysis as follows:

| | JUNE 30, 2001 | DECEMBER 31, 2000 |
|---|---|---|
| Tier I Capital to average assets.......................... | 12.37% | 12.45% |

Management believes that the Bank's current capital position and liquidity positions are strong and that its capital position is adequate to support its operations.





PART II - Other Information:

Item 1. Legal Proceedings

Management and the Corporation's legal counsel are not aware of any litigation that would have a material adverse effect on the consolidated financial position of the Corporation. There are no proceedings pending other than the ordinary routine litigation incident to the business of the Corporation and its subsidiary, Columbia County Farmers National Bank. In addition, no material proceedings are pending or are known to be threatened or contemplated against the Corporation and the Bank by government authorities.

Item 2. Changes in Securities - Nothing to report.

Item 3. Defaults Upon Senior Securities - Nothing to report.

Item 4. Submission of Matters to a Vote of Security Holders - Nothing to report.

Item 5. Other Information - Nothing to report.

Item 6. Exhibits and Reports on Form 8-K - Nothing to report.





SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CCFNB BANCORP, INC.
(Registrant)

By /s/ Paul E. Reichart
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Paul E. Reichart
President & CEO

Date:

By /s/ Virginia D. Kocher
-------------------------------
Virginia D. Kocher
Treasurer

Date: