

FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
May 08, 2015

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, 2015

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

Pennsylvania **23-2900790**
 (State or Other Jurisdiction (I.R.S. Employer
 of Incorporation or Organization) Identification No.)

Registrant's telephone number, including area code **(570) 346-7667**

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 x 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 x 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 o Accelerated Filer x

Non-Accelerated Filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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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	16,500,945 shares
(Title of Class)	(Outstanding at May 8, 2015)

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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)

	March 31, 2015	December 31, 2014
(in thousands, except share data)		
Assets		
Cash and cash equivalents:		
Cash and due from banks	\$ 19,985	\$ 22,657
Interest-bearing deposits in other banks	17,390	13,010
Total cash and cash equivalents	37,375	35,667
Securities available for sale, at fair value	204,635	218,989
Stock in Federal Home Loan Bank of Pittsburgh, at cost	3,061	2,803
Loans held for sale	-	603
Loans, net of allowance for loan and lease losses of \$10,944 and \$11,520	661,221	658,747
Bank premises and equipment, net	11,221	11,003
Accrued interest receivable	2,118	2,075
Intangible assets	261	302
Bank-owned life insurance	28,952	28,817
Other real estate owned	2,369	2,255
Other assets	9,028	8,768
Total assets	\$ 960,241	\$ 970,029
Liabilities		
Deposits:		
Demand (non-interest-bearing)	\$ 134,993	\$ 124,064
Interest-bearing	640,118	671,272
Total deposits	775,111	795,336
Borrowed funds:		
Federal Home Loan Bank of Pittsburgh advances	67,612	61,194
Subordinated debentures	25,000	25,000
Junior subordinated debentures	10,310	10,310
Total borrowed funds	102,922	96,504
Accrued interest payable	10,788	10,262
Other liabilities	15,678	16,529
Total liabilities	904,499	918,631
Shareholders' equity		

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Preferred shares (\$1.25 par)		
Authorized: 20,000,000 shares at March 31, 2015 and December 31, 2014		
Issued and outstanding: 0 shares at March 31, 2015 and December 31, 2014	-	-
Common shares (\$1.25 par)		
Authorized: 50,000,000 shares at March 31, 2015 and December 31, 2014		
Issued and outstanding: 16,500,945 shares, March 31, 2015 and 16,484,419 shares, December 31, 2014	20,626	20,605
Additional paid-in capital	61,801	61,781
Accumulated deficit	(28,651)	(32,126)
Accumulated other comprehensive income	1,966	1,138
Total shareholders' equity	55,742	51,398
Total Liabilities and shareholders' equity	\$ 960,241	\$ 970,029

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

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

(in thousands, except share data)	Three months ended March 31,	
	2015	2014
Interest income		
Interest and fees on loans	\$6,472	\$6,494
Interest and dividends on securities		
U.S. government agencies	971	743
State and political subdivisions, tax-free	50	710
State and political subdivisions, taxable	26	98
Other securities	157	56
Total interest and dividends on securities	1,204	1,607
Interest on interest-bearing deposits in other banks	21	23
Total interest income	7,697	8,124
Interest expense		
Interest on deposits	683	865
Interest on borrowed funds		
Interest on Federal Home Loan Bank of Pittsburgh advances	120	96
Interest on subordinated debentures	563	563
Interest on junior subordinated debentures	49	49
Total interest on borrowed funds	732	708
Total interest expense	1,415	1,573
Net interest income before credit for loan and lease losses	6,282	6,551
Credit for loan and lease losses	(494)	(1,570)
Net interest income after credit for loan and lease losses	6,776	8,121
Non-interest income		
Deposit service charges	674	690
Net gain on the sale of securities	2,224	1,568
Net gain on the sale of mortgage loans held for sale	40	75
Net loss on the sale of education loans	-	(13)
Net gain on the sale of other real estate owned	5	29
Gain on branch divestitures	-	607
Loan-related fees	90	93
Income from bank-owned life insurance	135	167
Other	251	237
Total non-interest income	3,419	3,453
Non-interest expense		
Salaries and employee benefits	3,139	3,400
Occupancy expense	633	644
Equipment expense	384	356
Data processing expense	448	522

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Regulatory assessments	409	673
Bank shares tax	217	176
Expense of other real estate owned	100	163
Legal expense	163	647
Professional fees	301	450
Insurance expense	198	282
Other operating expenses	790	678
Total non-interest expense	6,782	7,991
Income before income taxes	3,413	3,583
Provision for income taxes	(62) 70
Net income	\$3,475	\$3,513

Earnings per share:

Basic	\$0.21	\$0.21
Diluted	\$0.21	\$0.21

Cash dividends declared per common share	\$-	\$-
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WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:

Basic	16,490,111	16,471,569
Diluted	16,490,111	16,472,435

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

(unaudited)

(in thousands)	Three months ended March 31,	
	2015	2014
Net income	\$ 3,475	\$ 3,513
Other comprehensive income:		
Unrealized gains on securities available for sale	3,478	6,404
Taxes	(1,182)	(2,177)
Net of tax amount	2,296	4,227
Reclassification adjustment for gains included in net income	(2,224)	(1,200)
Taxes	756	408
Net of tax amount	(1,468)	(792)
Total other comprehensive income	828	3,435
Comprehensive income	\$ 4,303	\$ 6,948

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, 2015 and 2014****(unaudited)**

	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total Shareholders' Equity
(in thousands, except per share data)						
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
BALANCES, DECEMBER 31, 2014	16,484,419	\$20,605	\$61,781	\$ (32,126)	\$ 1,138	\$ 51,398
Net income for the period	-	-	-	3,475	-	3,475
Common shares issued under long-term incentive compensation plan	16,526	21	(21)	-	-	-
Restricted stock awards	-	-	41	-	-	41
Other comprehensive income, net of tax of \$426	-	-	-	-	828	828
Balances, March 31, 2015	16,500,945	\$20,626	\$61,801	\$ (28,651)	\$ 1,966	\$ 55,742

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

	Three Months Ended March 31,	
(in thousands)	2015	2014
Operating activities:		
Net income	\$3,475	\$3,513
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Investment securities amortization (accretion), net	463	295
Equity in trust	(1)	(1)
Depreciation and amortization	360	382
Stock-based compensation	41	10
Credit for loan and lease losses	(494)	(1,570)
Valuation adjustment for off-balance sheet commitments	(21)	(113)
Gain on the sale of available-for-sale securities	(2,224)	(1,200)
Gain on the sale of held-to-maturity securities	-	(368)
Gain on the sale of loans held for sale	(40)	(75)
Loss on the sale of education loans	-	13
Gain on branch divestiture	-	(607)
Gain on the sale of other real estate owned	(5)	(29)
Valuation adjustment of other real estate owned	12	53
Income from bank-owned life insurance	(135)	(167)
Proceeds from the sale of loans held for sale	1,085	2,524
Funds used to originate loans held for sale	(442)	(1,698)
Increase in interest receivable	(43)	(399)
Increase in prepaid expenses and other assets	(324)	(453)
Increase in interest payable	526	568
(Decrease) increase in accrued expenses and other liabilities	(2,278)	4,822
Total adjustments	(3,520)	1,987
Net cash (used in) provided by operating activities	(45)	5,500
Cash flows from investing activities:		
Maturities, calls and principal payments of available-for-sale securities	2,236	1,502
Proceeds from the sale of available-for-sale securities	35,948	11,062
Proceeds from the sale of held-to-maturity securities	-	2,686
Purchases of available-for-sale securities	(19,802)	(37,129)
Net purchase of Federal Home Loan Bank of Pittsburgh stock	(258)	(396)
Proceeds from the sale of education loans	-	2,537
Net increase in loans to customers	(2,083)	(12,606)
Proceeds from the sale of other real estate owned	37	798
Proceeds from the sale of bank premises and equipment through branch divestitures	-	2,504
Purchases of property and equipment	(518)	(380)

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Net cash provided by (used in) investing activities	15,560	(29,422)
Cash flows from financing activities:		
Net decrease in deposits	(20,225)	(49,065)
Proceeds from Federal Home Loan Bank of Pittsburgh advances	6,512	17,500
Repayment of Federal Home Loan Bank of Pittsburgh advances	(94)	(10,089)
Net cash used in financing activities	(13,807)	(41,654)
Net increase (decrease) in cash and cash equivalents	1,708	(65,576)
Cash and cash equivalents at beginning of period	35,667	103,556
Cash and cash equivalents at end of period	\$37,375	\$37,980
Supplemental cash flow information		
Cash paid during the period for:		
Interest	\$889	\$1,005
Income taxes	-	25
Other transactions:		
Available-for-sale securities purchased, not settled	(1,013)	-
Principal balance of loans transferred to OREO	149	-
Change in deferred gain on sale of other real estate owned	(9)	2

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

FIRST NATIONAL COMMUNITY BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements are comprised of the accounts of First National Community Bancorp, Inc., and its wholly owned subsidiary, First National Community Bank (the “Bank”), as well as the Bank’s wholly owned subsidiaries (collectively, the “Company”). The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”) and general practices within the banking industry. In the opinion of management, all adjustments necessary for a fair presentation of the results for the quarterly period ended March 31, 2015 have been included in the consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. Prior period amounts have been reclassified when necessary to conform to the current period’s presentation. These reclassifications did not have an impact on the operating results or financial position of the Company. The operating results and financial position of the Company for the three months ended March 31, 2015, may not be indicative of future results of operations and financial position.

The preparation of financial statements in accordance with GAAP 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 the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change in the near term are the allowance for loan and lease losses (“ALLL”), investment security valuations, the evaluation of investment securities and other real estate owned (“OREO”) for impairment, and the evaluation of deferred income taxes.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s audited financial statements, included in its Annual Report filed on Form 10-K as of and for the year ended December 31, 2014.

Note 2. New Authoritative Accounting Guidance

ASU 2014-04, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40): “Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,” clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (a) the creditor obtaining legal title to residential

real estate property upon completion of a foreclosure or (b) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The adoption of this guidance on January 1, 2015 did not have a material effect on the operating results or financial position of the Company.

ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” changes the criteria for reporting a discontinued operation. Under the new guidance, a disposal of a component of an entity or group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on the entity’s operations and financial results. This new guidance reduces complexity by removing the complex and extensive implementation guidance and illustrations that are necessary to apply the current definition of a discontinued operation. The new guidance also requires expanded disclosures about discontinued operations that will provide users with more information about the assets, liabilities, revenues and expenses of a discontinued operation and will require pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting, which will provide users with information about the ongoing trends in a reporting organization’s results from continuing operations. The adoption of this guidance on January 1, 2015 did not have a material effect on the operating results or financial position of the Company.

ASU 2014-11, Transfers and Servicing (Topic 860): “Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures,” changes the accounting for repurchase-to-maturity transactions and repurchase financing arrangements by aligning the accounting for these transactions with the accounting for other typical repurchase agreements. Going forward, these transactions would all be accounted for as secured borrowings. The new guidance eliminates sale accounting for repurchase-to-maturity transactions and supersedes the guidance under which a transfer of a financial assets and a contemporaneous repurchase financing could be accounted for on a combined basis as a forward arrangement, which has resulted in outcomes referred to as off-balance sheet accounting. ASU 2014-11 also requires a new disclosure for transactions economically similar to repurchase agreements in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction, and requires expanded disclosure about the nature of the collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The adoption of this guidance on January 1, 2015 did not have a material effect on the operating results or financial position of the Company.

ASU 2014-14, Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): “Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure,” requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The adoption of this guidance on January 1, 2015 did not have a material effect on the operating results or financial position of the Company.

Accounting Guidance to be Adopted in Future Periods

ASU 2014-09, Revenue from Contracts with Customers (Topic 606): Section A, “Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contract with Customers (Subtopic 340-40);” Section B, “Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables;” and Section C, “Background Information and Basis for Conclusions,” provides a robust framework for addressing revenue recognition issues, and upon its effective date, replaces almost all existing revenue recognition guidance, including industry specific guidance, in current GAAP. The core principle of ASU 2014-09 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced interim and annual disclosures, both qualitative and quantitative, about revenue in order to help financial statement users understand the nature, amount, timing and uncertainty of revenue and related cash flows. ASU 2014-09 is effective in annual reporting periods beginning after December 15, 2016 and the interim periods within that year for public business entities, not-for-profit entities that have issued, or are conduit bond obligors for, securities that are traded, listed or quoted on an exchange or over-the-counter market and employee benefit plans that file or furnish financial statements to the SEC. On April 29, 2015, the FASB issued for public comment a proposed ASU that would defer the effective date of ASU 2014-09 for both public and private entities for one year. A final decision is subject to the FASB’s due process requirement. The Company will adopt this guidance in accordance with the final outcome of the FASB’s extension proposal, and is currently evaluating the effect this guidance may have on its operating results or financial position.

ASU 2014-12, Compensation – Stock Compensation (Topic 718): “Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period,” requires a performance target that affects vesting and that can be achieved after the requisite service period to be treated as a performance condition. To account for such awards, an entity should apply existing guidance as it relates to awards with performance conditions that affect vesting. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent compensation cost attributable to the period(s) for which the requisite service already has been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service periods. The total amount of compensation cost

should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. The adoption of this guidance on January 1, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40): “Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” defines management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and provide guidance for related footnote disclosures. ASU 2014-15 requires an entity’s management to assess the entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically ASU 2014-15: (1) provides a definition of the term substantial doubt; (2) requires an evaluation as to whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable); (3) provides principles for considering the mitigating effect of management’s plans; (4) requires certain disclosures when substantial doubt is alleviated; and (5) require an express statement and other disclosures when substantial doubt is not alleviated. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this guidance on December 31, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

ASU 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,” will alleviate uncertainty for preparers, auditors and regulators because auditors and regulators will no longer be required to evaluate whether a preparer presented an unusual and/or infrequent item appropriately. Although ASU 2015-01 eliminates the concept of extraordinary items, the presentation and disclosure guidance for items that are unusual in nature or infrequent in occurrence has been retained and has been expanded to include items that are both unusual in nature or infrequent in occurrence. The nature and financial effects of each event or transaction is required to be presented as a separate component of income from continuing operations or, alternatively, in the notes to the financial statements. ASU 2015-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption of this guidance is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this guidance on January 1, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

ASU 2015-02, Consolidation (Topic 810): “Amendments to the Consolidation Analysis,” improves targeted areas of the consolidation guidance and reduces the number of consolidation models. The new consolidation standard changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (“VIE”), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. ASU 2015-02 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this guidance on January 1, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): “Simplifying the Presentation of Debt Issuance Costs,” more closely aligns the presentation of debt issuance costs under U.S. GAAP with the presentation under comparable IFRS standards. Under ASU 2015-03 debt issuance costs related to a recognized debt liability will no longer be recorded as a separate asset, but will be presented on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. The costs will continue to be amortized to interest expense using the effective interest method. ASU 2015-03 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, and requires retrospective application to all prior periods presented in the financial statements. Early adoption of this guidance is permitted. The adoption of this guidance on January 1, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

ASU 2015-05, Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40): “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement,” provides explicit guidance on a customer’s accounting for fees paid in a cloud computing environment. Specifically, the amendments in this ASU provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 is effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption of this

guidance is permitted. The adoption of this guidance on January 1, 2016 is not expected to have a material effect on the operating results or financial position of the Company.

Note 3. Regulatory Matters

The Bank was under a Consent Order (the “Order”) from the Office of the Comptroller of the Currency (“OCC”) dated September 1, 2010. On March 25, 2015, after meeting all of the requirements of the Order, the Bank was fully and completely released from the Order. The Company has been, and continues to be, subject to a Written Agreement (the “Agreement”) with the Federal Reserve Bank of Philadelphia (the “Reserve Bank”) dated November 24, 2010.

Federal Reserve Agreement. The Agreement requires the Company to undertake certain actions within designated timeframes, and to operate in compliance with the provisions thereof during its term. The material provisions of the Agreement are set forth below with a description of the status of the Company’s efforts to comply with such provisions:

(i) the Company’s Board was required to take appropriate steps to fully utilize the Company’s financial and managerial resources to serve as a source of strength to the Bank, including taking steps to ensure that the Bank complied with its Consent Order entered into with the OCC;

The Company has taken, and continues to take, steps the Board of Directors believes are appropriate to use the Company’s financial and managerial resources to serve as a source of strength to the Bank.

(ii) the Company may not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Federal Reserve Board;

The Company has acknowledged the prohibition on payment of dividends without the prior written consent of the Reserve Bank and Director. The Company has not paid any dividends since the effective date of the Agreement.

(iii) the Company may not take dividends or other payments representing a reduction of the Bank’s capital without the prior written approval of the Reserve Bank;

The Company has acknowledged the prohibition on taking dividends or any other capital distributions from the Bank without the prior written consent of the Reserve Bank. On September 8, 2014, the Company sent a request to the Reserve Bank to approve a dividend from the Bank in the amount of \$1.0 million. The dividend was to be used to cure the interest deferral on the junior subordinated debentures. The Company received written non-objection to allow the \$1.0 million dividend payment from the Bank and cure of the interest deferral on the junior subordinated debentures in the amount of \$921 thousand. The \$1.0 million dividend payment from the Bank to the Company and the interest deferral payment on the junior subordinated debentures were completed in December 2014. The Company made a subsequent request for and has received approval from the Reserve Bank to permit payment of the quarterly interest payment on the junior subordinated debentures, which was due and paid by the Company on March 15, 2015. In April 2015, the Company made an additional request to the Reserve Bank to approve a dividend from the Bank to the Company related to interest payments on the junior subordinated debentures and principal payments on the subordinated debentures.

(iv) the Company and its nonbank subsidiary may not make any payment of interest, principal or other amounts on the Company’s subordinated debentures or junior subordinated debentures without the prior written approval of the Reserve Bank and the Director;

The Company has acknowledged the prohibition on any payment related to the Company’s subordinated debentures and junior subordinated debentures without the written approval of the Reserve Bank and Director. Previously, the Company has not made any payments of interest, principal or other amounts on either of the Company’s debentures or junior subordinated debentures since the effective date of the Agreement.

On September 8, 2014, the Company sent to the Reserve Bank requests for approval for the Company to receive a \$1.0 million capital distribution from the Bank, and to make a distribution on the junior subordinated debentures to cure the interest deferral. The Company received approval from the Reserve Bank in November 2014 to cure and pay the interest deferral. On December 15, 2014, the Company paid all deferred and currently payable accrued interest totaling \$921 thousand. On February 2, 2015, the Company received approval from the Reserve Bank to pay the

regular quarterly interest payment, which was due and paid on March 15, 2015. In April 2015, the Company made an additional request to the Reserve Bank to approve a dividend from the Bank to the Company related to interest payments on the junior subordinated debentures and principal payments on the subordinated debentures.

(v) the Company may not make any payment of interest, principal or other amounts on debt owed to insiders of the Company without the prior written approval of the Reserve Bank and Director;

The Company has acknowledged the prohibition on any payment related to the debt owed to insiders of the Company without the written approval of the Reserve Bank and Director. The Company has not made any payments related to debt owed to insiders since the effective date of the Agreement. In April 2015, the Company made a request to the Reserve Bank to receive a dividend from the Bank and make pro-rata principal payments on the subordinated debentures including those debentures held by insiders of the Company.

(vi) the Company and its nonbank subsidiary may not incur, increase or guarantee any debt without the prior written approval of the Reserve Bank;

The Company has acknowledged the prohibition on incurring, increasing or guaranteeing any debt without the written approval of the Reserve Bank other than permitted borrowings by the Bank from the Federal Home Loan Bank ("FHLB"). The Company has not incurred, increased or guaranteed any debt since the effective date of the Agreement.

(vii) the Company may not purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank;

The Company has acknowledged the prohibition on purchasing or redeeming any shares of its stock without the written approval of the Reserve Bank. The Company has not purchased or redeemed any shares of its stock since the effective date of the Agreement.

(viii) the Company was required to submit to the Reserve Bank, by January 23, 2011, an acceptable written plan to maintain sufficient capital at the Company on a consolidated basis. Thereafter, the Company must notify the Reserve Bank within 45 days of the end of any quarter in which the Company's capital ratios fall below the approved capital plan's minimum ratios, and submit an acceptable written plan to increase the Company's capital ratios above the capital plan's minimums;

The Company has developed a Capital Plan that it believes is acceptable and maintains sufficient capital at the Company on a consolidated basis. The Company notified the Reserve Bank that the OCC issued a written determination of supervisory non-objection to the 2014-2016 Capital Plan in June 2014, and that the Bank's Board of Directors adopted the plan in June 2014. The annual update and revision to the Capital Plan for the three-year period January 1, 2015 to December 31, 2017 was completed in conjunction with the annual budget and strategic planning initiatives and provided to the Reserve Bank in January 2015.

(ix) the Company was required to immediately take all actions necessary to ensure that: (1) each regulatory report accurately reflects the Company's condition on the date for which it is filed and all material transactions between the Company and its subsidiaries; (2) each such report is prepared in accordance with its instructions; and (3) all records indicating how the report was prepared are maintained for supervisory review;

The Company believes that it has taken actions to ensure that all required regulatory reports are filed to accurately reflect its financial condition on the date filed, are prepared in accordance with instructions and that records detailing how the reports were filed are maintained and available for supervisory review.

(x) the Company was required to submit to the Reserve Bank, by January 23, 2011, acceptable written procedures to strengthen and maintain internal controls to ensure all required regulatory reports and notices filed with the Board of Governors are accurate and filed in accordance with the instructions for preparation;

The Company believes that it has designed effective written procedures and strengthened internal controls so that all required Board of Governors reports and notices filed are accurate, timely and in accordance with instructions. The written procedures were provided to the Reserve Bank on January 21, 2011.

(xi) the Company was required to submit to the Reserve Bank, by January 8, 2011, a cash flow projection for 2011, reflecting the Company's planned sources and uses of cash, and submit a cash flow projection for each subsequent calendar year at least one month prior to the beginning of such year;

The Company created a cash flow projection for 2011 and submitted it to the Reserve Bank on January 7, 2011 in accordance with requirements of the Agreement. Similar projections for 2012, 2013, 2014 and 2015 were provided to the Reserve Bank within the time requirements prescribed in the Agreement.

(xii) the Company must comply with: (1) the notice provisions of Section 32 of the FDI Act and Subpart H of Regulation Y in appointing any new director or senior executive officer or changing the duties of any senior executive

officer; and (2) the restrictions on indemnification and severance payments of Section 18(k) of the FDI Act and Part 359 of the FDIC's regulations;

The Company has acknowledged the notice requirements on the appointment of any new director or senior executive officer. The Company has filed the appropriate notice for each new director or senior executive officer since the date of the Agreement.

The Company acknowledges the restriction on indemnification and severance payments under Section 18(k) of the FDI Act and Part 359 of the FDIC's regulations. The Company has not made any such indemnification or severance payments since the effective date of the Agreement without obtaining prior regulatory non-objection and regulatory concurrence from the FDIC as required by Part 359.

(xiii) the Board must submit written progress reports within 30 days of the end of each calendar quarter.

The Company's Board of Directors has filed each of the required written progress reports with the Reserve Bank since the Agreement was executed.

Banking regulations also limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency. At March 31, 2015, the Company and the Bank are restricted from paying any dividends, without regulatory approval based on provisions contained in the Written Agreement.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices must be met. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

In July 2013, the Federal Reserve, the OCC and the FDIC approved the final Basel III capital framework for U.S. banking organizations (the “Regulatory Capital Rules”) implementing regulatory capital reforms and changes required by the Dodd-Frank Act.

The Regulatory Capital Rules are effective on January 1, 2014; however, the mandatory compliance date for the Company and the Bank as “standardized approach” banking organizations began on January 1, 2015 and is subject to transitional provisions extending to January 1, 2019. The Regulatory Capital Rules include new risk-based capital and leverage ratios and refine the definition of what constitutes “capital” for purposes of calculating those ratios. The new minimum capital level requirements applicable to the Company and the Bank under the Regulatory Capital Rules will be:

- a new common equity Tier I capital ratio of 4.50%;
- a Tier I capital ratio of 6.00% (increased from 4.00%);
- a total capital ratio of 8.00% (unchanged from current rules); and
- a Tier I leverage ratio of 4.00% for all institutions.

The Regulatory Capital Rules also establish a “capital conservation buffer” above the new regulatory minimum capital requirements, which must consist entirely of common equity Tier I capital and result in the following minimum ratios effective January 1, 2019:

- a common equity Tier I capital ratio of 7.00%;
- a Tier I capital ratio of 8.50%; and
- a total capital ratio of 10.50%.

The new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase by that amount each year until fully implemented in January 2019 at 2.50%. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that could be utilized for such actions.

The Regulatory Capital Rules also implement revisions and clarifications consistent with Basel III regarding the various components of Tier I capital, including common equity, unrealized gains and losses, as well as certain instruments that will no longer qualify as Tier I capital, some of which will be phased out over time.

The Regulatory Capital Rules also revise the prompt corrective action framework, which is designed to place restrictions on insured depository institutions, including the Bank, if their capital levels begin to show signs of

weakness. These revisions took effect January 1, 2015. Under the prompt corrective action requirements, which are designed to complement the capital conservation buffer, insured depository institutions will be required to meet the following increased capital level requirements in order to qualify as “well capitalized:”

- a new common equity Tier I risk-based capital ratio of 6.50%;
- a Tier I risk-based capital ratio of 8.00% (increased from 6.00%);
- a total risk-based capital ratio of 10.00% (unchanged from current rules); and
- a Tier I leverage ratio of 5.00%.

The Regulatory Capital Rules set forth certain changes for the calculation of risk-weighted assets, which are required to be utilized beginning January 1, 2015. The provisions applicable to banking organizations under the “standardized approach” include changes with respect to risk weights for commercial real estate loans, past due exposures and conversion factors for commitments with an original maturity of one year or less.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices must be met. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Current quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined).

The Company's and the Bank's actual capital positions and ratios at March 31, 2015 and December 31, 2014 are presented in the following table:

Capital Analysis

(in thousands)	March 31, 2015	December 31, 2014
Company:		
Tier I common equity	\$ 53,646	N/A
Tier I capital	63,646	\$ 59,930
Tier II capital:		
Subordinated notes	17,500	25,000
Allowable portion of allowance for loan losses	8,697	8,591
Total tier II capital	26,197	33,591
Total risk-based capital	89,843	93,521
Total risk-weighted assets	\$ 693,098	\$ 683,956
Total average assets (for Tier I leverage ratio)	\$ 968,240	\$ 990,346
Bank:		
Tier I common equity	\$ 101,137	N/A
Tier I capital	101,137	\$ 96,816
Tier II capital:		
Allowable portion of allowance for loan losses	8,692	8,587
Total tier II capital	8,692	8,587
Total risk-based capital	109,829	105,403
Total risk-weighted assets	\$ 692,707	\$ 683,576
Total average assets (for Tier I leverage ratio)	\$ 968,119	\$ 990,407

The following tables present summary information regarding the Company's and the Bank's risk-based capital and related ratios at March 31, 2015 and December 31, 2014:

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2015						
Total capital (to risk-weighted assets)						
Company	\$89,843	12.96 %	\$>=55,448	>=8.00%	\$>=69,310	>=10.00%
Bank	\$109,829	15.86 %	\$>=55,417	>=8.00%	\$>=69,271	>=10.00%
Tier I capital (to risk-weighted assets)						
Company	\$63,646	9.18 %	\$>=41,586	>=6.00%	\$>=55,448	>=8.00%
Bank	\$101,137	14.60 %	\$>=41,562	>=6.00%	\$>=55,417	>=8.00%
Tier I common equity (to risk-weighted assets)						
Company	\$53,646	7.74 %	\$>=31,189	>=4.50%	\$>=45,051	>=6.50%
Bank	\$101,137	14.60 %	\$>=31,172	>=4.50%	\$>=45,026	>=6.50%
Tier I capital (to average assets)						
Company	\$63,646	6.57 %	\$>=38,730	>=4.00%	\$>=48,412	>=5.00%
Bank	\$101,137	10.45 %	\$>=38,725	>=4.00%	\$>=48,406	>=5.00%

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014						
Total capital (to risk-weighted assets)						
Company	\$93,521	13.67 %	\$>54,717	>8.00%	N/A	N/A
Bank	\$105,403	15.42 %	\$>54,686	>8.00%	\$>68,358	>10.00%
Tier I capital (to risk-weighted assets)						
Company	\$59,930	8.76 %	\$>27,358	>4.00%	N/A	N/A
Bank	\$96,816	14.16 %	\$>27,343	>4.00%	\$>41,015	>6.00%
Tier I capital (to average assets)						
Company	\$59,930	6.05 %	\$>39,614	>4.00%	N/A	N/A
Bank	\$96,816	9.78 %	\$>39,616	>4.00%	\$>49,520	>5.00%

Note 4. LOANS

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The following table summarizes loans receivable, net, by category at March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Residential real estate	\$ 125,488	\$ 122,832
Commercial real estate	226,800	233,473
Construction, land acquisition and development	21,790	18,835
Commercial and industrial	131,895	132,057
Consumer	122,967	122,092
State and political subdivisions	42,206	40,205
Total loans, gross	671,146	669,494
Unearned income	(87)	(98)
Net deferred loan costs	1,106	871
Allowance for loan and lease losses	(10,944)	(11,520)
Loans, net	\$ 661,221	\$ 658,747

The Company has granted loans, letters of credit and lines of credit to certain executive officers and directors of the Company as well as to certain related parties of executive officers and directors. These loans, letters of credit and lines of credit were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and, when made, did not involve more than normal risk of collectability. See Note 10 to these consolidated financial statements for more information about related party transactions.

The Company originates one- to four-family mortgage loans for sale in the secondary market. During the quarter ended March 31, 2015, the Company sold \$1.0 million of one- to four-family mortgages. The Company retains servicing rights on these mortgages. As part of its current asset/liability management strategy, the Company is retaining up to \$10.0 million in residential mortgages in the loan portfolio. The Company did not have any residential mortgage loans held for sale at March 31, 2015. At December 31, 2014, there was \$603 thousand of one- to four-family residential mortgages held-for-sale.

The Company sold substantially all of its education loans, which are categorized as consumer loans, to a third party during the three months ended March 31, 2014. The education loans had a recorded investment of \$2.6 million at the time of sale. The Company recognized a loss of \$13 thousand upon the sale of these loans which is included in non-interest income for the three months ended March 31, 2014.

The Company does not have any lending programs commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios.

See Note 2 to the Company's consolidated financial statements included in the 2014 Form 10-K for information about the risk characteristics related to the Company's loan segments.

The Company provides for loan losses based on the consistent application of its documented ALLL methodology. Loan losses are charged to the ALLL and recoveries are credited to it. Additions to the ALLL are provided by charges against income based on various factors which, in management's judgment, deserve current recognition of estimated probable losses. Loan losses are charged-off in the period the loans, or portions thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated recoverable amount based on its methodology detailed below. The Company regularly reviews the loan portfolio and makes adjustments for loan losses in order to maintain the ALLL in accordance with GAAP. The ALLL consists primarily of the following two components:

Specific allowances are established for impaired loans, which are defined by the Company as all loan relationships with an aggregate outstanding balance greater than \$100 thousand that are rated substandard and on non-accrual status, rated doubtful or loss, and all troubled debt restructured loans (“TDRs”). The amount of impairment provided for as an allowance is represented by the deficiency, if any, between the carrying value of the loan and either (a) (1) the present value of expected future cash flows discounted at the loan’s effective interest rate, (b) the loan’s observable market price, or (c) the fair value of the underlying collateral, less estimated costs to sell, for collateral dependent loans. Impaired loans that have no impairment losses are not considered for general valuation allowances described below. If the Company determines that collection of the impairment amount is remote, the Company will record a charge-off.

General allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired. The Company divides its portfolio into loan segments for loans exhibiting similar characteristics. Loans rated special mention or substandard and accruing, which are embedded in these loan segments, are then separated from these loan segments. These loans are then subject to an analysis placing increased emphasis on the credit risk associated with these specific loans. The Company applies an estimated loss rate to each loan segment. The loss rates applied are based on the Company’s own historical loss experience based on the loss rate for each segment of (2) loans with similar risk characteristics in its portfolio. In addition, management evaluates and applies certain qualitative or environmental factors that are likely to cause estimated credit losses associated with the Company’s existing portfolio to differ from historical experience, which are discussed below. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the ALLL that is established, which could have a material negative effect on the Company’s operating results or financial condition.

Management makes adjustments for loan losses based on its evaluation of several qualitative and environmental factors, including but not limited to:

changes in national, local, and business economic conditions and developments, including the condition of various market segments;

- changes in the nature and volume of the Company's loan portfolio;
- changes in the Company's lending policies and procedures, including underwriting standards, collection, charge-off and recovery practices and results;
- changes in the experience, ability and depth of the Company's lending management and staff;
- changes in the quality of the Company's loan review system and the degree of oversight by the Company's Board of Directors;
- changes in the trend of the volume and severity of past due and classified loans, including trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications;
- the existence and effect of any concentrations of credit and changes in the level of such concentrations;
- the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's current loan portfolio; and
- analysis of customers' credit quality, including knowledge of their operating environment and financial condition.

Each quarter, management evaluates the ALLL and adjusts the ALLL as appropriate through a provision for loan losses. While the Company uses the best information available to make evaluations, future adjustments to the ALLL may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of its examination process, the OCC periodically reviews the Company's ALLL. The OCC may require the Company to adjust the ALLL based on its analysis of information available to it at the time of its examination.

Based on its evaluation of the ALLL, management established an unallocated reserve of \$39 thousand and \$45 thousand at March 31, 2015 and December 31, 2014, respectively. As previously mentioned, as part of its evaluation, management applies loss rates to each loan segment which are based on historical loss experience for that segment. The Company has experienced net recoveries related to its construction, land acquisition and development segment of the loan portfolio for the majority of the quarters over the previous three years, which have resulted in an overall negative historical loss factors and consequently related negative provisions for this particular loan segment at March 31, 2015 and December 31, 2014. Based on the higher risk characteristics inherent in this segment of the portfolio, management reversed the negative provisions related to the negative historical loss factors and established the unallocated reserves.

The following table summarizes activity in the ALLL, by loan category, for the three months ended March 31, 2015 and 2014:

(in thousands)	Real Estate		Construction, Land Acquisition and Development	Commercial and Industrial	Consumer Subdivisions	State and Political	Unallocated	Total
	Real Estate	Commercial						
	Real Estate	Real Estate						

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Three months ended

March 31, 2015:

Allowance for loan losses:

Beginning balance, January 1, 2015	\$ 1,772	\$ 4,663	\$ 665	\$ 2,104	\$ 1,673	\$ 598	\$ 45	\$ 11,520
Charge-offs	(68)	-	-	(70)	(139)	-	-	(277)
Recoveries	6	2	-	65	122	-	-	195
Provisions (credits)	(179)	(334)	99	(101)	42	(15)	(6)	(494)
Ending balance, March 31, 2015	\$ 1,531	\$ 4,331	\$ 764	\$ 1,998	\$ 1,698	\$ 583	\$ 39	\$ 10,944

Three months ended

March 31, 2014:

Allowance for loan losses:

Beginning balance, January 1, 2014	\$ 2,287	\$ 6,017	\$ 924	\$ 2,321	\$ 1,789	\$ 679	\$ -	\$ 14,017
Charge-offs	(9)	-	-	(23)	(237)	-	-	(269)
Recoveries	8	6	240	63	94	-	-	411
Provisions (credits)	(172)	(493)	(289)	(549)	9	(76)	-	(1,570)
Ending balance, March 31, 2014	\$ 2,114	\$ 5,530	\$ 875	\$ 1,812	\$ 1,655	\$ 603	\$ -	\$ 12,589

The following table represents the allocation of the ALLL and the related loan balance, by loan category, disaggregated based on the impairment methodology at March 31, 2015 and December 31, 2014:

	Real Estate		Construction, Land Acquisition and	Commercial		State and		
(in thousands)	Real Estate	Real Estate	Development	and Industrial	Consumer	Subdivisions	Unallocated	Total
March 31, 2015								
Allowance for loan losses:								
Individually evaluated for impairment	\$6	\$ 315	\$ 95	\$ -	\$ 1	\$ -	\$ -	\$ 417
Collectively evaluated for impairment	1,525	4,016	669	1,998	1,697	583	39	10,527
Total	\$ 1,531	\$ 4,331	\$ 764	\$ 1,998	\$ 1,698	\$ 583	\$ 39	\$ 10,944
Loans receivable:								
Individually evaluated for impairment	\$2,735	\$ 6,518	\$ 347	\$ 31	\$ 358	\$ -	\$ -	\$ 9,989
Collectively evaluated for impairment	122,753	220,282	21,443	131,864	122,609	42,206	-	661,157
Total	\$ 125,488	\$ 226,800	\$ 21,790	\$ 131,895	\$ 122,967	\$ 42,206	\$ -	\$ 671,146
December 31, 2014								
Allowance for loan losses:								
Individually evaluated for impairment	\$51	\$ 331	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ 384
Collectively evaluated for impairment	1,721	4,332	664	2,104	1,672	598	45	11,136
Total	\$ 1,772	\$ 4,663	\$ 665	\$ 2,104	\$ 1,673	\$ 598	\$ 45	\$ 11,520
Loans receivable:								
Individually evaluated for impairment	\$2,487	\$ 6,660	\$ 256	\$ 32	\$ 361	\$ -	\$ -	\$ 9,796
Collectively evaluated for impairment	120,345	226,813	18,579	132,025	121,731	40,205	-	659,698
Total	\$ 122,832	\$ 233,473	\$ 18,835	\$ 132,057	\$ 122,092	\$ 40,205	\$ -	\$ 669,494

Credit Quality Indicators – Commercial Loans

Management continuously monitors the credit quality of the Company's commercial loans by regularly reviewing certain credit quality indicators. Management utilizes credit risk ratings as the key credit quality indicator for evaluating the credit quality of the Company's loan receivables.

The Company's commercial loan classification and credit grading processes are part of the lending, underwriting, and credit administration functions to ensure an ongoing assessment of credit quality. Accurate and timely loan classification and credit grading is a critical component of loan portfolio management. Loan officers are required to review their loan portfolio risk ratings regularly for accuracy. The loan review function uses the same risk rating system in the loan review process. Quarterly, the Company engages an independent third party to assess the quality of the loan portfolio and evaluate the accuracy of ratings with the loan officer's and management's assessment.

A formal loan classification and credit grading system reflects the risk of default and credit losses. A written description of the risk ratings is maintained that includes a discussion of the factors used to assign appropriate classifications of credit grades to loans. The process identifies groups of loans that warrant the special attention of management. The risk grade groupings provide a mechanism to identify risk within the loan portfolio and provide management and the Board with periodic reports by risk category. The credit risk ratings play an important role in the establishment and evaluation of the provision for loan and lease losses and the ALLL. After determining the historical loss factor which is adjusted for qualitative and environmental factors for each portfolio segment, the portfolio segment balances that have been collectively evaluated for impairment are multiplied by the general reserve loss factor for the respective portfolio segments to determine the general reserve. Loans that have an internal credit rating of special mention or substandard follow the same process; however, the qualitative and environmental factors are further adjusted for the increased risk.

The Company utilizes a loan rating system that assigns a degree of risk to commercial loans based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. Management analyzes these non-homogeneous loans individually by grading the loans as to credit risk and probability of collection for each type of loan. Commercial loans include commercial indirect auto loans which are not individually risk rated, and construction, land acquisition and development loans include residential construction loans which are also not individually risk rated. These loans are monitored on a pool basis due to their homogeneous nature as described in "Credit Quality Indicators – Other Loans" below. The Company risk rates certain residential real estate loans and consumer loans that are part of a larger commercial relationship using its credit grading system as described in "Credit Quality Indicators – Commercial Loans." The grading system contains the following basic risk categories:

1. Minimal Risk

2. Above Average Credit Quality

3. Average Risk
4. Acceptable Risk
5. Pass - Watch
6. Special Mention
7. Substandard - Accruing
8. Substandard - Non-Accrual
9. Doubtful
10. Loss

This analysis is performed on a quarterly basis using the following definitions for risk ratings:

Pass - Assets rated 1 through 5 are considered pass ratings. These assets show no current or potential problems and are considered fully collectible. All such loans are considered collectively for ALLL calculation purposes. However, accruing TDRs that have been performing for an extended period of time, do not represent a higher risk of loss, and have been upgraded to a pass rating are evaluated individually for impairment.

Special Mention – Assets classified as special mention assets do not currently expose the Company to a sufficient degree of risk to warrant an adverse classification but do possess credit deficiencies or potential weaknesses deserving close attention. Special Mention assets have a potential weakness or pose an unwarranted financial risk which, if not corrected, could weaken the asset and increase risk in the future.

Substandard - Assets classified as substandard have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful - Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable based on current circumstances.

Loss - Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted.

Credit Quality Indicators – Other Loans

Certain residential real estate loans, consumer loans, and commercial indirect auto loans are monitored on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more are placed on non-accrual status unless collection of the loan is in process and reasonably assured. The Company utilizes accruing versus non-accruing status as the credit quality indicator for these loan pools. The following table presents the recorded investment in loans receivable by loan category and credit quality indicator at March 31, 2015 and December 31, 2014:

Credit Quality Indicators										
March 31, 2015										
	Commercial Loans					Other Loans				
	Pass	Special Mention	Substandard	Doubtful	Loss	Subtotal Commercial Loans	Accruing Loans	Non-accruing Loans	Subtotal Other	Total Loans
Residential real estate	\$ 20,901	\$ 442	\$ 1,052	\$ -	\$ -	\$ 22,395	\$ 102,493	\$ 600	\$ 103,093	\$ 125,488
Commercial real estate	198,254	13,696	14,850	-	-	226,800	-	-	-	226,800
Construction, land acquisition and development	13,982	1,476	5,562	-	-	21,020	770	-	770	21,790
Commercial and industrial	122,514	2,265	2,046	-	-	126,825	5,036	34	5,070	131,895
Consumer	3,106	26	121	-	-	3,253	119,455	259	119,714	122,967
State and political subdivisions	40,603	1,041	562	-	-	42,206	-	-	-	42,206
Total	\$ 399,360	\$ 18,946	\$ 24,193	\$ -	\$ -	\$ 442,499	\$ 227,754	\$ 893	\$ 228,647	\$ 671,146

Credit Quality Indicators										
December 31, 2014										
	Commercial Loans					Other Loans				
	Pass	Special Mention	Substandard	Doubtful	Loss	Subtotal Commercial Loans	Accruing Loans	Non-accruing Loans	Subtotal Other	Total Loans
Residential real estate	\$ 19,892	\$ 451	\$ 1,077	\$ -	\$ -	\$ 21,420	\$ 100,576	\$ 836	\$ 101,412	\$ 122,832
Commercial real estate	204,252	13,217	16,004	-	-	233,473	-	-	-	233,473
Construction, land acquisition	10,910	1,423	5,566	-	-	17,899	936	-	936	18,835

and development										
Commercial	122,261	1,962	2,397	-	-	126,620	5,437	-	5,437	132,057
and industrial										
Consumer	3,414	-	125	-	-	3,539	118,377	176	118,553	122,092
State and										
political	38,685	925	595	-	-	40,205	-	-	-	40,205
subdivisions										
Total	\$ 399,414	\$ 17,978	\$ 25,764	\$ -	\$ -	\$ 443,156	\$ 225,326	\$ 1,012	\$ 226,338	\$ 669,494

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment in these non-accrual loans was \$5.2 million and \$5.5 million at March 31, 2015 and December 31, 2014, respectively. Generally, loans are placed on non-accrual status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accrual status. There were no loans past due 90 days or more and still accruing at March 31, 2015 and December 31, 2014.

The following tables present the detail, and delinquency status, of past due and non-accrual loans at March 31, 2015 and December 31, 2014:

Performing and Non-Performing Loan Delinquency Status

(in thousands)	March 31, 2015 Delinquency Status				Total
	0-29 Days	30-59 Days	60-89 Days	>= 90 Days	
	Past Due	Past Due	Past Due	Past Due	
Performing (accruing) loans:					
Real estate:					
Residential real estate	\$ 124,297	\$ 353	\$ 81	\$ -	\$ 124,731
Commercial real estate	222,736	52	-	-	222,788
Construction, land acquisition and development	21,420	370	-	-	21,790
Total real estate	368,453	775	81	-	369,309
Commercial and industrial	131,475	242	22	-	131,739
Consumer	121,654	969	85	-	122,708
State and political subdivisions	42,206	-	-	-	42,206
Total performing (accruing) loans	663,788	1,986	188	-	665,962
Non-accrual loans:					
Real estate:					
Residential real estate	486	13	32	226	757
Commercial real estate	291	3,535	151	35	4,012
Construction, land acquisition and development	-	-	-	-	-
Total real estate	777	3,548	183	261	4,769
Commercial and industrial	11	35	-	110	156

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Consumer	47	27	37	148	259
State and political subdivisions	-	-	-	-	-
Total non-accrual loans	835	3,610	220	519	5,184
Total loans receivable	\$664,623	\$ 5,596	\$ 408	\$ 519	\$671,146

Performing and Non-Performing Loan Delinquency Status

(in thousands)	December 31, 2014 Delinquency Status				Total
	0-29 Days	30-59 Days	60-89 Days	>= 90 Days	
	Past Due	Past Due	Past Due	Past Due	
Performing (accruing) loans:					
Real estate:					
Residential real estate	\$ 121,407	\$ 420	\$ -	\$ -	\$ 121,827
Commercial real estate	229,207	136	-	-	229,343
Construction, land acquisition and development	18,740	-	95	-	18,835
Total real estate	369,354	556	95	-	370,005
Commercial and industrial	131,621	90	135	-	131,846
Consumer	120,204	1,334	378	-	121,916
State and political subdivisions	40,205	-	-	-	40,205
Total performing (accruing) loans	661,384	1,980	608	-	663,972
Non-accrual loans:					
Real estate:					
Residential real estate	495	99	17	394	1,005
Commercial real estate	288	3,628	19	195	4,130
Construction, land acquisition and development	-	-	-	-	-
Total real estate	783	3,727	36	589	5,135
Commercial and industrial	55	-	52	104	211
Consumer	42	-	58	76	176
State and political subdivisions	-	-	-	-	-
Total non-accrual loans	880	3,727	146	769	5,522
Total loans receivable	\$ 662,264	\$ 5,707	\$ 754	\$ 769	\$ 669,494

The following tables present a distribution of the recorded investment, unpaid principal balance and the related allowance for the Company's impaired loans, which have been analyzed for impairment under ASC 310, at March 31, 2015 and December 31, 2014. Non-accrual loans, other than TDRs, with aggregate loan relationship balances less than the \$100 thousand loan relationship threshold are not evaluated individually for impairment and are accordingly not included in the following tables. However, these loans are evaluated collectively for impairment as homogenous pools in the general allowance under ASC Topic 450. Total non-accrual loans, other than TDRs, with balances less than the \$100 thousand loan relationship threshold, that were evaluated under ASC Topic 450 amounted to \$1.0 million at March 31, 2015 and December 31, 2014.

(in thousands)	March 31, 2015		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no allowance recorded:			
Real estate:			
Residential real estate	\$1,177	\$1,234	\$ -
Commercial real estate	4,474	5,166	-
Construction, land acquisition and development	68	68	-
Total real estate loans	5,719	6,468	-
Commercial and industrial	31	58	-
Consumer	-	-	-
State and political subdivisions	-	-	-
Total impaired loans with no related allowance recorded	5,750	6,526	-
With a related allowance recorded:			
Real estate:			
Residential real estate	1,558	1,558	6
Commercial real estate	2,044	2,044	315
Construction, land acquisition and development	279	279	95
Total real estate loans	3,881	3,881	416
Commercial and industrial	-	-	-
Consumer	358	358	1
State and political subdivisions	-	-	-
Total impaired loans with a related allowance recorded	4,239	4,239	417
Total impaired loans:			
Real estate:			
Residential real estate	2,735	2,792	6
Commercial real estate	6,518	7,210	315
Construction, land acquisition and development	347	347	95

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Total real estate loans	9,600	10,349	416
Commercial and industrial	31	58	-
Consumer	358	358	1
State and political subdivisions	-	-	-
Total impaired loans	\$9,989	\$10,765	\$ 417

(in thousands)	December 31, 2014		
	Recorded Investments	Unpaid Principal Balance	Related Allowance
With no allowance recorded:			
Real estate:			
Residential real estate	\$385	\$410	\$ -
Commercial real estate	4,401	5,024	-
Construction, land acquisition and development	68	68	-
Total real estate loans	4,854	5,502	-
Commercial and industrial	32	59	-
Consumer	-	-	-
State and political subdivisions	-	-	-
Total impaired loans with no related allowance recorded	4,886	5,561	-
With a related allowance recorded:			
Real estate:			
Residential real estate	2,102	2,137	51
Commercial real estate	2,259	2,259	331
Construction, land acquisition and development	188	188	1
Total real estate loans	4,549	4,584	383
Commercial and industrial	-	-	-
Consumer	361	361	1
State and political subdivisions	-	-	-
Total impaired loans with a related allowance recorded	4,910	4,945	384
Total impaired loans:			
Real estate:			
Residential real estate	2,487	2,547	51
Commercial real estate	6,660	7,283	331
Construction, land acquisition and development	256	256	1
Total real estate loans	9,403	10,086	383
Commercial and industrial	32	59	-
Consumer	361	361	1
State and political subdivisions	-	-	-
Total impaired loans	\$9,796	\$10,506	\$ 384

The total recorded investment in impaired loans, which consists of non-accrual loans with an aggregate loan relationship of greater than \$100,000 and TDRs, amounted to \$10.0 million and \$9.8 million at March 31, 2015 and December 31, 2014, respectively. The related allowance recorded for impaired loans was \$0.4 million at March 31, 2015 and December 31, 2014.

The following table presents the average balance and interest income by loan category recognized on impaired loans for the three months ended March 31, 2015 and 2014:

(in thousands)	Three Months Ended March 31, 2015		2014	
	Average Balance	Interest Income (1)	Average Balance	Interest Income (1)
Residential real estate	\$ 2,897	\$ 33	\$ 1,790	\$ 14
Commercial real estate	6,567	30	6,628	31
Construction, land acquisition and development	349	4	304	4
Total real estate	9,813	67	8,722	49
Commercial and industrial	31	-	129	-
Consumer	359	3	457	4
State and political subdivisions	-	-	-	-
Total impaired loans	\$ 10,203	\$ 70	\$ 9,308	\$ 53

(1) Interest income represents income recognized on performing TDRs.

The additional interest income that would have been earned on non-accrual and restructured loans for the quarter ended on March 31, 2015 and 2014 in accordance with their original terms approximated \$91 thousand and \$103 thousand, respectively.

Troubled Debt Restructured Loans

TDRs at March 31, 2015 and December 31, 2014 were \$9.4 million and \$9.0 million, respectively. Accruing and non-accruing TDRs were \$5.8 million and \$3.6 million, respectively at March 31, 2015 and \$5.3 million and \$3.7 million, respectively at December 31, 2014. Approximately \$417 thousand and \$346 thousand in specific reserves have been established for these loans as of March 31, 2015 and December 31, 2014, respectively. The Company was not committed to lend additional funds to any loan classified as a TDR at March 31, 2015.

The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan, an extension of the maturity date, capitalization of real estate taxes or a permanent reduction of the recorded investment in the loan.

The following tables show the pre- and post- modification recorded investment in loans modified as TDRs by loan category during the three months ended March 31, 2015 and 2014:

	Three Months Ended March 31,		2014	
	2015		2014	
	Pre-Modification	Post-Modification	Pre-Modification	Post-Modification
	Outstanding	Outstanding	Outstanding	Outstanding
	Number	Recorded	Number	Recorded
	of	Recorded	of	Recorded
	Con-	Investments	Con-	Investments
(dollars in thousands)				
Troubled debt restructuring:				
Residential real estate	2	\$ 656	2	\$ 183
Commercial real estate	-	-	4	238
Construction, land acquisition and development	1	96	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	1	135
States and political subdivisions	-	-	-	-
Total new troubled debt restructurings	3	\$ 752	7	\$ 556

The three loans modified as TDRs during the three months ended March 31, 2015 increased the ALLL by \$94 thousand at March 31, 2015, and the seven loans modified as TDRs during the three months ended March 31, 2014 increased the ALLL by \$1 thousand.

The following tables present the types of modifications made during the three months ended March 31, 2015 and 2014:

(in thousands)	Three months ended March 31, 2015						Total
	Residential Real Estate	Commercial Real Estate	Construction, Land Acquisition and Development	Commercial and Industrial	Consumer	States and Political Subdivisions	
Types of modification:							
Extension of term	\$ 656	\$ -	\$ 96	\$ -	\$ -	\$ -	\$ 752
Total modifications	\$ 656	\$ -	\$ 96	\$ -	\$ -	\$ -	\$ 752

(in thousands)	Three months ended March 31, 2014						Total
	Residential Real Estate	Commercial Real Estate	Construction, Land Acquisition and Development	Commercial and Industrial	Consumer	States and Political Subdivisions	
Type of modification:							
Extension of term	\$-	\$ 238	\$ -	\$ -	\$ 135	\$ -	\$ 373
Extension of term and capitalization of taxes	240	-	-	-	-	-	240
Total modifications	\$ 240	\$ 238	\$ -	\$ -	\$ 135	\$ -	\$ 613

There were no TDRs which re-defaulted (defined as past due 90 days) during the three months ended March 31, 2015 and 2014 and for which the payment re-default occurred within one year of the modification.

Note 5. Other Real Estate Owned

The following table presents the composition of OREO at March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015	December 31, 2014
Land/lots	\$ 1,252	\$ 1,287
Commercial real estate	941	941
Residential real estate	176	27
Total other real estate owned	\$ 2,369	\$ 2,255

The following table presents the activity in OREO for the three months ended March 31, 2015 and 2014:

(in thousands)	For the Three Months Ended March 31,	
	2015	2014
Balance, January 1,	\$ 2,255	\$ 4,246
Property foreclosures	149	-
Valuation adjustments	(12)	(53)
Carrying value of OREO sold	(23)	(771)
Balance, March 31,	\$ 2,369	\$ 3,422

There were no consumer mortgage loans that were in the process of foreclosure at March 31, 2015. There was one residential real estate property with a carrying value of \$149 thousand that was foreclosed upon during the three months ended March 31, 2015. There were three residential real estate properties with an aggregate carrying value of \$176 thousand included in OREO at March 31, 2015, and two properties with an aggregate carrying value of \$27 thousand included in OREO at December 31, 2014.

The following table details the components of net expense of OREO for the three months ended March 31, 2015 and 2014:

(in thousands)	Three Months Ended March 31,	
	2015	2014
Insurance	\$ 14	\$ 27
Legal fees	20	9
Maintenance	-	10
Professional fees	-	10
Real estate taxes	26	49
Utilities	10	3
Other	18	5
Valuation adjustments	12	53
Total expense	100	166
Income from the operation of foreclosed properties	-	(3)
Net expense of OREO	\$ 100	\$ 163

Note 6. Securities

Securities have been classified as available-for-sale or held-to-maturity in the consolidated financial statements according to management's intent. The following tables present the amortized cost, gross unrealized gains and losses, and the fair value of the Company's securities at March 31, 2015 and December 31, 2014:

(in thousands)	March 31, 2015			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Obligations of U.S. government agencies	\$26,502	\$ 425	\$ -	\$26,927
Obligations of state and political subdivisions	11,199	111	3	11,307
U.S. government/government-sponsored agencies:				
Collateralized mortgage obligations - residential	25,304	491	3	25,792
Collateralized mortgage obligations - commercial	62,167	807	7	62,967
Residential mortgage-backed securities	72,742	1,260	-	74,002
Corporate debt securities	500	-	75	425
Negotiable certificates of deposit	2,232	13	-	2,245
Equity securities	1,010	-	40	970
Total available-for-sale securities	\$201,656	\$ 3,107	\$ 128	\$204,635

(in thousands)	December 31, 2014			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Available-for-sale:				
Obligations of U.S. government agencies	\$29,246	\$ 77	\$ 47	\$29,276
Obligations of state and political subdivisions	23,132	1,380	3	24,509
U.S. government/government-sponsored agencies:				
Collateralized mortgage obligations - residential	26,129	103	1	26,231
Collateralized mortgage obligations - commercial	61,017	492	253	61,256
Residential mortgage-backed securities	73,998	441	341	74,098
Corporate debt securities	500	-	80	420
Negotiable certificates of deposit	2,232	-	-	2,232
Equity securities	1,010	-	43	967
Total available-for-sale securities	\$217,264	\$ 2,493	\$ 768	\$218,989

At March 31, 2015 and December 31, 2014, securities with a carrying amount of \$202.2 million and \$217.6 million, respectively, were pledged as collateral to secure public deposits and for other purposes.

The following table shows the amortized cost and approximate fair value of the Company's available-for-sale debt securities at March 31, 2015 using contractual maturities. Expected maturities will differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Because collateralized mortgage obligations and residential mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary.

(in thousands)	March 31, 2015	
	Amortized Cost	Fair Value
Amounts maturing in:		
One year or less	\$-	\$-
After one year through five years	2,232	2,245
After five years through ten years	35,631	36,128
After ten years	2,570	2,531
Collateralized mortgage obligations	87,471	88,759
Residential mortgage-backed securities	72,742	74,002
Total	\$200,646	\$203,665

Gross proceeds from the sale of available-for-sale securities were \$35.9 million and \$11.1 million for the three months ended March 31, 2015 and March 31, 2014, respectively, with gross gains of \$2.2 million and \$1.2 million, respectively realized upon the sales. There were no losses realized upon the sales for the three months ended March 31, 2015 and 2014.

In the first quarter of 2014, the Company sold its entire held-to-maturity portfolio consisting of four obligations of states and political subdivisions with an aggregate amortized cost of \$2.3 million. Gross proceeds received from the sale of the held-to-maturity portfolio were \$2.7 million for the three months ended March 31, 2014, with gross gains of \$0.4 million realized upon the sale. The four securities were tax-exempt, zero-coupon bonds of California municipalities. These securities were sold as part of management's strategy to reduce the amount of potential credit and concentration risk within the investment portfolio.

The following tables indicate the length of time that individual available-for-sale securities have been in a continuous unrealized loss position at March 31, 2015 and December 31, 2014:

	March 31, 2015								
	Less than 12 Months			12 Months or Greater			Total		
	Number	Gross		Number	Gross		Number	Gross	
(dollars in thousands)	of Fair	Unrealized		of Fair	Unrealized		of Fair	Unrealized	
	Securities	Losses		Securities	Losses		Securities	Losses	
Obligations of US government agencies	-	\$-	\$ -	-	\$-	\$ -	-	\$ -	\$ -
Obligations of state and political subdivisions	-	-	-	1	256	3	1	256	3
U.S. government/government-sponsored agencies:									
Collateralized mortgage obligations - residential	2	1,271	3	-	-	-	2	1,271	3
Collateralized mortgage obligations - commercial	1	5,229	7	-	-	-	1	5,229	7
Residential mortgage-backed securities	-	-	-	-	-	-	-	-	-
Corporate debt securities	-	-	-	1	425	75	1	425	75
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-
Equity Securities	-	-	-	1	960	40	1	960	40
Total	3	\$6,500	\$ 10	3	\$1,641	\$ 118	6	\$ 8,141	\$ 128

December 31, 2014

	Less than 12 Months		12 Months or Greater		Total	
	Number	Gross	Number	Gross	Number	Gross
&nb						