CCFNB BANCORP INC
Form 10-Q
November 14, 2001

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 September 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 (State or other jurisdiction of incorporation or organization)	23-2254643 (I.R.S. Employer Identification Number)
232 East Street, Bloomsburg, PA (Address of principal executive offices)	17815 (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. 1,333,232 shares of $1.25 (par) common stock were outstanding as of October 18, 2001.

CCFNB BANCORP, INC. AND SUBSIDIARY

SEPTEMBER 30, 2001

INDEX 10-Q

	NO PAGE #
EXHIBIT 27 - FINANCIAL DATA SCHEDULE	
PART I - FINANCIAL INFORMATION:	
- Consolidated Balance Sheets	1
- Consolidated Statements of Income	2
- Consolidated Statements of Cash Flows	3
- Notes to Consolidated Financial Statements	4 - 11
- Report of Independent Certified Public Accountants	12
- Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations	13 - 20
PART II - OTHER INFORMATION	21
SIGNATURES	22

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

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
ASSETS		
Cash and due from banks	$ 4,650	$ 6,722
Interest-bearing deposits with other banks	5,907	5,441
Federal funds sold	2,000	500
Investment securities:		
Securities Available-for-Sale	51,415	46,185
Loans, net of unearned income	141,483	137,360
Allowance for loan losses	1,048	1,008
Net loans	$140,435	$136,352
Premises and equipment	4,662	4,922
Accrued interest receivable	1,002	1,038
Other assets	2,183	1,894
TOTAL ASSETS	$212,254	$203,054

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Deposits:		
Non-interest bearing	$ 14,048	$ 14,593
Interest bearing	137,886	128,576
Total Deposits	$151,934	$143,169
Short-term borrowings	21,241	20,109
Long-term borrowings	11,360	13,367
Accrued interest and other expenses	1,325	1,326
Other liabilities	178	33
TOTAL LIABILITIES	$186,038	$178,004
STOCKHOLDERS' EQUITY		
Common stock, par value $1.25 per share; authorized 5,000,000 shares; issued 1,335,687 shares in 2001 and 1,346,328 shares in 2000	$ 1,670	$ 1,683
Surplus	4,944	5,146
Retained earnings	19,134	18,310
Accumulated other comprehensive income (loss)	468	(89)
TOTAL STOCKHOLDERS' EQUITY	$ 26,216	$ 25,050
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$212,254	$203,054

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 NINE MONTHS ENDING SEPTEMBER 30,		FOR THE THREE MONTHS ENDING SEPTEMBER 30,	
	2001	2000	2001	2000
INTEREST INCOME				
Interest and fees on loans:				
Taxable	$ 7,899	$ 7,840	$ 2,640	$ 2,666
Tax-exempt	123	97	43	34
Interest and dividends on investment securities:				
Taxable interest	1,350	1,461	460	470
Tax-exempt interest	603	544	207	181
Dividends	6	7	2	3
Interest on federal funds sold	58	0	18	0
Interest on deposits in other banks	247	23	49	15
Other interest income	56	57	19	19

TOTAL INTEREST INCOME	$ 10,342	$ 10,029	$ 3,438	$ 3,388
INTEREST EXPENSE				
Interest on deposits	$ 4,202	$ 3,806	$ 1,385	$ 1,289
Interest on short-term borrowings	607	839	167	262
Interest on long-term borrowings	560	366	172	161
TOTAL INTEREST EXPENSE	$ 5,369	$ 5,011	$ 1,724	$ 1,712
Net interest income	$ 4,973	$ 5,018	$ 1,714	$ 1,676
Provision for loan losses	148	47	125	8
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 4,825	$ 4,971	$ 1,589	$ 1,668
NON-INTEREST INCOME				
Service charges and fees	$ 453	$ 447	$ 151	$ 152
Trust department income	165	121	53	39
Securities gains - net	71	0	34	0
Other income	132	182	36	59
TOTAL NON-INTEREST INCOME	$ 821	$ 750	$ 274	$ 250
NON-INTEREST EXPENSES				
Salaries and wages	$ 1,524	$ 1,513	$ 517	$ 501
Pensions and other employee benefits	518	486	178	156
Occupancy expense, net	281	249	87	79
Furniture and equipment expense	406	466	139	154
Other operating expenses	1,103	1,049	375	337
TOTAL NON-INTEREST EXPENSES	$ 3,832	$ 3,763	$ 1,296	$ 1,227
Income before income taxes	$ 1,814	$ 1,958	$ 567	$ 691
Income tax expense	401	473	118	167
NET INCOME	$ 1,413	$ 1,485	$ 449	$ 524
PER SHARE DATA				
Net income	$ 1.05	$ 1.09	$ .33	$ .39
Cash dividends	$ .44	$ .42	$ .15	$ .14
Weighted average shares outstanding	1,340,749	1,358,633	1,340,749	1,362,569

See accompanying notes to Consolidated Financial Statements.

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

UNAUDITED

	FOR THE NINE MONTHS ENDING SEPTEMBER 30, 2001	2000
OPERATING ACTIVITIES		
Net income	$ 1,413	$ 1,485
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	148	47
Provision for depreciation and amortization	331	400
Premium amortization on investment securities	58	27
Discount accretion on investment securities	(13)	(13)
Gain (loss) on sales of investment securities	(71)	0
Deferred income taxes (benefit)	(47)	(10)
(Increase) in accrued interest receivable and other assets	(348)	(146)
(Decrease) in accrued interest, other expenses and other liabilities	(6)	(32)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,465	$ 1,758
INVESTING ACTIVITIES		
Proceeds from sales, maturities and redemptions of investment securities Available-for-Sale	$ 25,408	$ 3,540
Proceeds from maturities and redemptions of Held-to-Maturity investment securities	0	200
Purchase of investment securities Available-for-Sale	(29,762)	0
Net increase (decrease) in loans	(4,231)	(305)
Purchases of premises and equipment	(72)	(146)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ (8,657)	$ 3,289
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	$ 8,765	$ 468
Net increase (decrease) in short-term borrowings	1,132	(8,700)
Net increase (decrease) in long-term borrowings	(2,007)	10,994
Proceeds from issuance of common stock	113	117
Acquisition of treasury stock	(328)	(445)
Cash dividends paid	(589)	(569)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 7,086	$ 1,865
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (106)	$ 6,912
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,663	6,072
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 12,557	$ 12,984
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 5,369	$ 5,028
Income taxes	$ 468	$ 516

See accompanying notes to Consolidated Financial Statements.

CCFNB BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 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 September 30, 2001, and September 30, 2000 were as follows:

	(AMOUNTS IN THOUSANDS)	
	2001	2000
Balance, beginning of year	$ 1,008	$ 985
Provision charged to operations	148	47
Loans charged-off	(145)	(68)
Recoveries	37	41
Balance, September 30	$ 1,048	$ 1,005

At September 30, 2001 the recorded investment in loans that are considered to be impaired as defined by SFAS No. 114 was $68,697. 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 September 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 September 30, 2001 were as follows:

	(AMOUNTS IN THOUSANDS, EXCEPT COMMON SHARE					
	COMMON SHARES	COMMON STOCK	SURPLUS	COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	ACCUMUL OTHER COMPREHE INCOM (LOSS
Balance at January 1, 2001.........	1,346,328	$ 1,683	$ 5,146	$ 0	$18,310	$ (8
Comprehensive Income:						
Net income........................	0	0	0	1,413	1,413	
Change in unrealized gain (loss) on investment securities available-for-sale net of reclassification adjustment and tax effects.................	0	0	0	557	0	55
TOTAL COMPREHENSIVE INCOME				$ 1,970		
Issuance of 5,805 shares of common stock under dividend reinvestment and stock purchase plans.........	5,805	8	105		0	
Purchase of 16,446 shares of treasury stock..................	0	0	0		0	
Retirement of 16,446 shares of treasury stock..................	(16,446)	(21)	(307)		0	
Cash dividends $.44 per share......	0	0	0		(589)	
Balance at September 30, 2001......	1,335,687	$ 1,670	$ 4,944		$19,134	$ 46

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 September 30, 2001 and December 31, 2000 were as follows:

	(AMOUNTS IN THOUSANDS)	
	SEPTEMBER 30, 2001	DECEMBER 31, 2000
FINANCIAL INSTRUMENTS WHOSE CONTRACT AMOUNTS REPRESENT CREDIT RISK:		
Commitments to extend credit.......................	$ 12,321	$ 9,685
Financial standby letters of credit................	2,388	1,990
Performance standby letters of credit..............	19	18
Dealer floor plans.................................	1,956	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 September 30, 2001, 80.5% 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 nine-month period ended September 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 September 30, 2001, and the related consolidated statements of income and cash flows for the nine and three-month periods ended September 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.

J.H. Williams & Co., LLP
Kingston, Pennsylvania
October 16, 2001

CCFNB BANCORP, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 2001

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Consolidated Summary of Operations

(Dollars in Thousands, except for per share data)

	At and For the Nine Months Ended September 30,		At and For the Years Ended		
	2001	2000	2000	1999	1998
Income and Expense:					
Interest income	$ 10,342	$ 10,029	$ 13,522	$ 12,669	$ 12,4
Interest expense	5,369	5,011	6,859	6,099	6,0
Net interest income	4,973	5,018	6,693	6,570	6,3
Loan loss provision	148	47	54	78	
Net interest income after loan loss Provision	4,825	4,971	6,639	6,492	6,2
Non-interest income	821	750	1,053	1,050	9
Non-interest expense	3,832	3,763	4,967	4,818	4,7
Income before income taxes	1,814	1,958	2,725	2,724	2,5
Income taxes	401	473	671	685	6
Net income	$ 1,413	$ 1,485	$ 2,054	$ 2,039	$ 1,9
Per Share: (1)					
Net income	$ 1.05	$ 1.09	$ 1.51	$ 1.48	$ 1.
Cash dividends paid	.44	.42	.56	.51	.
Average shares outstanding	1,340,749	1,358,633	1,355,624	1,375,572	1,378,3
Average Balance Sheet:					
Loans	$ 139,468	$ 133,350	$ 134,325	$ 123,185	$ 116,4
Investments	50,554	46,038	45,877	48,726	44,9
Other earning assets	9,339	1,608	1,345	2,739	4,9
Total assets	210,011	191,531	196,727	186,597	177,6
Deposits	150,820	138,766	139,774	138,963	131,3
Other interest-bearing liabilities	31,781	28,591	31,203	23,458	22,6
Stockholders' equity	26,008	22,925	23,910	22,874	22,2
Balance Sheet Data:					
Loans	$ 141,483	$ 134,701	$ 137,360	$ 134,423	$ 118,5
Investments	51,415	46,068	46,185	46,877	47,1
Other earning assets	9,033	8,402	5,940	1,343	6,1
Total assets	212,254	199,916	203,054	196,122	185,2
Deposits	151,934	139,074	143,169	138,606	137,6
Other interest-bearing liabilities	32,601	35,518	33,477	33,224	22,7
Stockholders' equity	26,216	24,111	25,050	23,047	23,4
Ratios: (2)					
Return on average assets ..	.90%	1.03%	1.04%	1.09%	1.
Return on average equity ..	7.24%	8.64%	8.59%	8.91%	8.
Dividend payout ratio	41.68%	38.32%	36.89%	34.09%	33.
Average equity to average assets ratio	12.38%	11.97%	12.34%	11.75%	12.

(1) Per share data has been calculated on the weighted average number of shares outstanding.

(2) The ratios for the nine month period ending September 30, 2001 and 2000

are annualized.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q, both in the MD & A and elsewhere, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about our confidence and strategies and our expectations about new and existing programs and products, relationships, opportunities, technology and market conditions. These statements may be identified by such forward-looking terminology as "expect," "look," "believe," "anticipate," "may," "will," or similar statements or variations of such terms. Such forward-looking statements involve certain risks and uncertainties. These include, but are not limited to, the direction of interest rates, continued levels of loan quality and origination volume, continued relationships with major customers, and sources for loans, as well as the effects of economic conditions and legal and regulatory barriers and structure. Actual results may differ materially from such forward-looking statements. We assume no obligation for updating any such forward-looking statement at any time. Our consolidated financial condition and results of operations are essentially those of our wholly-owned subsidiary bank, Columbia County Farmers National Bank. Therefore, our discussion and analysis that follows is primarily centered on the performance of this bank.

EARNINGS SUMMARY

Net income for the nine months ended September 30, 2001 was $1.4 million or $1.05 per basic and diluted share. These results compare with net income of $1.5 million, or $1.09 per basic and diluted share for the same period in 2000. Annualized return on average equity decreased to 7.24 percent from 8.64 percent, while the annualized return on average assets decreased to .90 percent from 1.03 percent, for the nine months ended September 30, 2001 and 2000, respectively.

Net income was $449 thousand or $.33 per basic and diluted share for the three month period ended September 30, 2001, compared with $524 thousand or $0.39 per basic and diluted share for the same period in 2000.

Net interest income continues to be the largest source of our operating income. Net interest income on a tax equivalent basis decreased to $5.2 million at September 30, 2001, compared with $5.3 million for the nine months ended September 30, 2000. The decrease in net interest income is primarily due to the yield on loans and investment securities decreasing at a faster pace than the cost of interest on deposits for both the nine months and three months ended September 30, 2001 compared to the prior year. This decrease was partially mitigated by changing interest rates. The net interest margin declined to 3.49 percent for the nine months ended September 30, 2001, compared to 3.94 percent for the nine months ended September 30, 2000. Beginning in January 2001 the Federal Reserve decreased interest rates eight times during the nine months ended September 30, 2001 amounting to 350 basis points due to general weakness in the economy. Further declines in short-term interest rates are possible which may affect net interest income during the remainder of 2001.

Average interest earning assets increased $18.4 million or 10.1 percent for the nine months ended September 30, 2001 over the same period in 2000. This was mainly the result of the increases in average balances of loans of $6.1 million or 4.6 percent, investments of $4.5 million or 9.8 percent and federal funds sold and interest-bearing deposits with other financial institutions of $7.7 million.

Average interest bearing liabilities for the nine months ended September 30, 2001 increased $14.6 million or 9.5 percent from the same period in 2000. Average short-term borrowings remained at 20.4 million and long-term debt, which includes primarily FHLB advances, increased $3.2 million, or 40 percent. Average demand deposits increased $637 thousand from 2000 balances. During the first half of 2001, in conjunction with declining interest rates, we began to extend maturities on short-term borrowings by converting to longer term Federal Home Loan Bank advances. The extension of maturities is part of an effort to more closely match a portion of our funding sources with our mortgage portfolio and reduce interest rate risk.

The average interest rate on total interest earning assets was 7.15 percent for the nine months ended September 30, 2001, compared with 7.39 percent for the nine months ended September 30, 2000. The average interest rate for loans decreased 23 basis points to 7.71 percent. Other short-term interest rates decreased 1.40 basis points to 5.15 percent. Average interest rates on deposits decreased by 1 basis point to 4.10 percent. Average interest rates also decreased on total interest bearing liabilities by 9 basis points to 4.25 percent from 4.34 percent. The reason for these decreases on interest bearing liabilities was primarily attributed to the decreasing rates on all deposit liabilities and the tied-to-prime interest rates paid on repurchase agreements with large customers. The net interest margin decreased to 3.49 percent for the nine months ended Septemer 30, 2001 from 3.94 percent for the nine months ended September 30, 2000.

NET INTEREST INCOME

Net interest income remained constant at $1.6 million for the three months ended September 30, 2001 compared with the same period in 2000.

The following table reflects the components of net interest income for each of the nine months ended September 30, 2001 and 2000.

ANALYSIS OF AVERAGE ASSETS, LIABILITIES AND CAPITAL EQUITY
AND
NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

AVERAGE BALANCE SHEET AND RATE ANALYSIS
(Dollars in Thousands)

	Nine Month Ended September 30, 2				
	Average Balance (1)	Interest Income / Expense (2)	Average Yield / Rate	Average Balance (1)	I I E
ASSETS:					
Interest-bearing deposits with other financial institutions......................................	$ 6,213	$ 247	5.30%	$ 467	
Investment securities (3)..........................	50,554	1,959	5.70%	46,038	
Federal funds sold................................	2,000	58	3.87%	15	
Loans	139,468	8,022	7.71%	133,350	
Other assets/equity securities....................	1,126	56	6.63%	1,126	
Total interest earning assets......................	$199,361	$ 10,342	7.15%	$180,996	

Reserve for loan losses	(1,015)			(1,020)
Cash and due from banks	4,902			2,040
Other assets	6,763			9,515
Total assets	$210,011			$191,531
LIABILITIES AND CAPITAL:				
Interest bearing deposits	$136,634	$ 4,202	4.10%	$125,217
Short-term borrowings	20,419	607	3.96%	20,477
Long-term borrowings	11,362	560	6.57%	8,114
Total interest-bearing liabilities	$168,415	$ 5,369	4.25%	$153,808
Demand deposits	$ 14,186			$ 13,549
Other liabilities	1,402			1,249
Stockholders' equity	26,008			22,925

Total liabilities and capital	$201,011			$191,531
NET INTEREST INCOME NET INTEREST MARGIN (4)		$ 4,973	3.33%	
TAX EQUIVALENT NET INTEREST INCOME / NET INTEREST MARGIN (5)		$ 5,219	3.49%	

(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 percent for 2001 and 2000.

The following table demonstrates the relative impact on net interest income of

changes in volume of interest earnings assets and interest bearing liabilities and changes in rates earned and paid by us on such assets and liabilities.

CHANGE IN NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

	Nine Months Ended September 30 Compared with 2000 Increase (Decrease) (2)		
	Volume	Rate	Total
	(in thousands)		
Interest income:			
Loans (1)	486	(307)	179
Investments	264	(69)	195
Federal funds sold and other short-term investments	0	1	1
Interest expense:			
Deposits	469	(13)	456
Short-term borrowings	(3)	(307)	(310)
Long -term debt	195	45	240
Net:	89	100	(11)

(1) Interest income is adjusted to a tax equivalent basis using a 34 percent tax rate.

(2) Variances resulting from a combination of changes in volume and rates are allocated to the categories in proportion to the absolute dollar amounts of the change in each category.

Average interest earning assets at September 30, 2001 increased by 10.1 percent over September 30, 2000 to $199.4 million from $181 million.

Average loans outstanding increased from $133.4 million to $139.5 million or 4.6 percent for the nine months ended September 30, 2001, as compared to the nine months ended September 30, 2000.

The outstanding balance of loans at September 30, 2001 was $141.5 million compared to $137.4 million at December 31, 2000.

Interest income from investment securities remained at $2.0 million for the nine months ended September 30, 2001 and 2000. The average balance of investment securities for the nine months ended September 30, 2001 increased 10 percent to $50.6 million, compared to the $46 million for the same period of 2000.

Total interest expense increased $358 thousand or 7.1 percent for the first nine months of 2001 as compared to the first nine months of 2000. The cost of interest bearing liabilities decreased on an average yield basis from 4.34 percent through September 2000 compared to 4.25 percent through September 2001. The average yield on interest earning assets decreased from 7.39 percent to 7.15 percent through September 2000 and 2001, respectively.

Average short-term borrowings decreased slightly from $20.5 million at September 30, 2000 to $20.4 million at September 30, 2001.

Long-term borrowings from Federal Home Loan Bank increased from an average $8.1 million at Setpember 30, 2000 to $11.4 million at September 30, 2001. $2

million of long-term debt was repaid during the second quarter of 2001.

NON-INTEREST INCOME

The following table presents the components of non-interest income for the nine months ended September 30, 2001 and 2000.

	Nine Months Ended September 30, (In thousands)	
	2001	2000
Service charges and fees	$ 453	$ 447
Trust Department income	165	121
Investment securities gain - net	71	0
Third party brokerage income	43	77
Other	89	105
Total	$821	$750

Non-interest income continues to represent a considerable source of our income. We are committed to increasing non-interest income. Increases will be from our existing sources of non-interest income and any new opportunities that may develop. For the nine months ended September 30, 2001, total non-interest income increased $71 thousand to $821 thousand or 9.5 percent, compared to $750 thousand for the nine months period ended September 30, 2000. Service charges and fees increased $6 thousand from $447 thousand at September 30, 2000 to $453 thousand or 1.3 percent at September 30, 2001. Trust Department income increased from $121 thousand at September 30, 2000 to $165 thousand or 36.4 percent at September 30, 2001. This increase was attributed to new trust customers, especially one large financial management account. Third party brokerage income reflected a $34 thousand decrease or 44.2 percent comparing September 30, 2000 to September 30, 2001. Income from this source is dependent upon the investment climate.

Other non-interest income decreased from $105 thousand at September 30, 2000 to $89 thousand or 15.2 percent at September 30, 2001. This decrease was comprised mostly of penalties received on early withdrawals of Certificates of Deposit due to declining interest rates during 2000 with fewer certificates redeemed early.in 2001.

For the quarter ended September 30, 2001, total non-interest income was $274 thousand compared to $250 thousand for the quarter ended September 30, 2000.

NON-INTEREST EXPENSE

The following table presents the components of non-interest expense for the six months ended September 30, 2001 and 2000.

	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
	(Dollars in Thousands)	
Salaries and wages	$ 1,524	$ 1,513
Employee benefits	518	486
Net occupancy expense	281	249
Furniture and equipment expense	406	466
State shares tax	181	164
Other expense	922	885
Total	$ 3,832	$ 3,763

Non-interest expense remained constant at $3.8 million at September 30, 2000 and 2001.

Generally, non-interest expense accounts for the cost of maintaining facilities; providing salaries and benefits to employees; and paying for 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, we utilize budgets and related measures to control variable expenses.

Salaries remained at $1.5 million at September 30, 2001 and 2000. A 6.6 percent increase was reflected in employee benefits from $486 thousand at September 30, 2000 to $518 thousand at September 30, 2001. Increased cost of employee benefits, specifically health coverage, accounted for the increase in employee benefits.

Occupancy expense and furniture and equipment expense reflects a $28 thousand or 3.9 percent decrease for the first nine months of 2001 compared to the first six months of 2000. Less depreciation expense on furniture and fixtures is the reason for this decrease.

Pennsylvania Bank Shares Tax increased 10.4 percent from $164 thousand at September 30, 2000 to $181 thousand at September 30, 2001.

Other expenses increased 4.2 percent from $885 thousand at September 30, 2000 to $922 thousand at September 30, 2001.

The efficiency ratio measures a bank's gross operating expense as a percentage of fully-taxable equivalent net interest income and other non-interest income without taking into account security gains and losses and other non-recurring items. Our efficiency ratio for the nine months ended September 30, 2001 was 63.44 percent, compared with an efficiency ratio of 60.64 percent for the year ended December 31, 2000. We strive to control our efficiency ratio and expenses as a means of producing increased earnings for our shareholders and constantly look for ways to lower our efficiency ratio. In comparison with our peer-group of commercial banks, our efficiency ratio is in the 55 percentile with peers being 66.08 percent.

INCOME TAXES

Income tax expense as a percentage of pre-tax income was 22.1 percent and 20.8 percent for the nine and three months ended September 30, 2001 respectively, compared with 24.2 percent and 24.2 percent for the same periods in 2000. The effective tax rate for 2001 is expected to approximate 34 percent.

ASSET / LIABILITY MANAGEMENT

INTEREST RATE SENSITIVITY

Our success is largely dependent upon our ability to manage interest rate risk. Interest rate risk can be defined as the exposure of our net interest income to the movement in interest rates. We do not currently use derivatives to manage market and interest rate risks. Our interest rate risk management is the responsibility of the Asset / Liability Management Committee ("ALCO"), which reports to the Board of Directors. ALCO establishes policies that monitor and coordinate our sources, uses and pricing of funds as well as interest-earning asset pricing and volume.

We use a simulation model to analyze net interest income sensitivity to movements in interest rates. The simulation model projects net interest income based on various interest rate scenarios over a 12 and 24 month period. The model is based on the actual maturity and repricing characteristics of rate sensitive assets and liabilities. The model incorporates assumptions regarding the impact of changing interest rates on the prepayment rates of certain assets and liabilities. In a continued declining interest rate environment, our net interest income is not expected to change materially.

LIQUIDITY

Liquidity measures the ability to satisfy current and future cash flow needs as they become due. Maintaining a level of liquid funds through asset / liability management seeks to ensure that these needs are met at a reasonable cost. On the asset side, liquid funds are maintained in the form of cash and due from banks, federal funds sold, investment securities maturing within one year, and security and loan payments. Liquid assets amounted to $101.4 million and $84.5 million at September 30, 2001 and December 31, 2000, respectively. This represents 50.9 percent and 44.1 percent of earning assets, and 47.8 percent and 41.6 percent of total assets at September 30, 2001 and December 31, 2000, respectively.

On the liability side, the primary source of funds available to meet liquidity needs is our core deposit base, which generally excludes certificates of deposit over $100 thousand . Core deposits averaged approximately $125.2 million for the nine months ended September 30, 2001 and $122.6 million for the year ended December 31, 2000, representing 62.8 percent and 67.1 percent of average earning assets. Short-term and long-term borrowings through federal funds lines, repurchase agreements, Federal Home Loan Bank advances and large dollar certificates of deposit, generally those over $100 thousand, are used as supplemental funding sources. Additional liquidity is derived from scheduled loan and investment payments of principal and interest, as well as prepayments received. For the nine months ended September 30, 2001 there were $25.4 million of proceeds from the sales, maturities and redemptions of investment securities available for sale. Purchases of investment securities for the nine months ended September 30, 2001 were $29.8 million. Short-term borrowings and certificates of deposit over $100 thousand amounted to $46 million and $37.5 million, on average, for the nine months ended September 30, 2001 and the year ended December 31, 2000, respectively.

Our cash requirements consist primarily of dividends to shareholders. This cash need is routinely satisfied by dividends collected from the bank along with cash and investments owned. Projected cash flows from this source are

expected to be adequate to pay dividends, given the current capital levels and current profitable operations of the bank. In addition, we may repurchase shares of our outstanding common stock for benefit plans and other corporate purposes. The cash required for a purchase of shares can be met by using our own funds, dividends received from the bank, and borrowed funds.

As of September 30, 2001, we had $51.4 million of securities available for sale recorded at their fair value, compared with $46.2 million at December 31, 2000. As of September 30, 2001, the investment securities available for sale had an unrealized gain of $468 thousand, net of deferred taxes, compared with an unrealized loss of $89 thousand, net of deferred taxes, at December 31, 2000. This change was primarily due to an increase in investment values resulting from a decreasing interest rate environment. These securities are not considered trading account securities which may be sold on a continuous basis, but rather are securities which may be sold to meet our various liquidity and interest rate requirements.

NON-PERFORMING ASSETS

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

	(Dollars in thousands)	
	September 30, 2001	December 31, 2000
Past due and non-accrual:		
Days 30 - 89........................	$ 1,282	$ 1,340
Days 90 plus........................	572	344
Non-accrual..................	854	312
Total	$2,708	$1,996

Past due and non-accrual loans increased to $2.7 million at September 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 1.9% and 1.4% at September 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 we reasonably expect will materially impact future operating results, liquidity, or capital resources, or (ii) represent material credits about which we are aware of any information which causes us to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

We adhere 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	(D Th Septemb
Closed-end loans secured by first liens and 1-4 family residential properties with a remaining maturity or repricing frequency of:	
(1) Three months of less	$
(2) Over three months through 12 months	
(3) Over one year through three years	
(4) Over three years through five years	
(5) Over five years through 15 years	
(6) Over 15 years	
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 of less	
(2) Over three months through 12 months	
(3) Over one year through three years	
(4) Over three years through five years	
(5) Over five years through 15 years	
(6) Over 15 years	
Sub-total	$ 1
Add: non-accrual loans not included above	
Less: unearned income	
Total Loans and Leases	$ 1

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses reflected a balance of $1 million or .07 percent of total loans at September 30, 2001 and December 31, 2000. The allowance is believed adequate for possible loan losses in the future.

The provision for loan losses increased $101 thousand or 214.8 percent to $148 thousand for the first nine months of 2001 compared to a year ago. We increased the loan loss provision due to charge-offs and possible charge offs during 2001.

Because our loan portfolio contains a significant number of commercial loans with relatively large balances the deterioration of one or several of these loans may result in a possible significant increase in non-performing loans. An increase in non-performing loans could result in a loss of interest income, higher carrying costs, and an increase in the provision for loan losses and loan charge-offs.

We maintain an allowance for loan losses to absorb any loan losses based on our historical experience, an evaluation of economic conditions, and regular reviews of delinquencies and loan portfolio quality. In evaluating our allowance for loan losses, we segment our loans into the following categories:

- Commercial (including investment property mortgages),
- Residential mortgages, and
- Consumer.

We evaluate some loans as a homogeneous group and others on an individual basis. Commercial loans with balances exceeding $250 thousand are reviewed individually. After our evaluation of these loans, we determine the required allowance for loan losses based upon the following considerations:

- Historical loss levels,
- Prevailing economic conditions,
- Delinquency trends,
- Changes in the nature and volume of the portfolio,
- Concentrations of credit risk, and
- Changes in loan policies or underwriting standards.

Management and the Board of Directors review the adequacy of the reserve on a quarterly basis and adjustments, if needed, are made accordingly.

18

Amounts in thousands	For the Nin Ended Septe 2001
Average loans outstanding:	$139,468
Total loans at end of period	141,483
Balance at beginning of period	1,008
Total charge-offs	145
Total recoveries	37
Net charge-offs:	108
Provision for loan losses	148
Balance at end of period	$1,048
Net charge-offs as a percent of average loans outstanding during period	.08%
Allowance for loan losses as a percent of total loans	.74%

The provision for loan losses is based on our 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 bank's 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 nine month periods ending September 30, 2001 and 2000, the provision for loan losses was $1,048,000 and $1,005,000 respectively.

CAPITAL ADEQUACY

A major strength of any financial institution is a strong capital position. This capital is very critical as it must provide growth, dividend payments to shareholders, and absorption of unforeseen losses. Our 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 the standards of Tier I Capital and Total Qualifying Capital. Tier I Capital is common shareholders' equity. Total Qualifying Capital includes so-called Tier II Capital which is common shareholders' equity and the allowance for loan and lease losses. The allowance for loan and lease losses must be lower than or equal to common shareholders' equity to be eligible for Total Qualifying Capital.

We exceed all minimum capital requirements as reflected in the following table:

	September 30, 2001		Decembe
	Calculated Ratios	Minimum Standard Ratios	Calculated Ratios
Risk Based Ratios:			
Tier I Capital to risk-weighted assets....................	18.94%	4.00%	19.59%
Total Qualifying Capital to risk-weighted assets...........	19.73%	8.00%	20.38%

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

	September 30, 2001
Tier I Capital to average assets...	12.06%

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

Book value per share amounted to $19.63 September 30, 2001, compared with $18.61 per share at December 31, 2000.

Our primary source of capital growth is through retention of earnings. Our rate of earnings retention, derived by dividing undistributed earnings by net income, was 58.3 percent for the nine months ended September 30, 2001, compared with 61.7 percent for the nine months ended September 30, 2000. Cash dividends declared amounted to $0.44 per share, for the nine months ended September 30, 2001, equivalent to a dividend payout ratio of 41.68 percent, compared with 38.32 percent for the same period in 2000. The annual dividend rate was increased from $0.56 per share, to $0.59 per share. The increased cash dividend, which is payable quarterly, began on June 28, 2001. Our Board of Directors continues to believe that cash dividends are an important component of shareholder value and that, at the bank's current level of performance and

capital, we expect to continue our current dividend policy of a quarterly cash distribution of earnings to our shareholders.

RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS No. 141), was issued by the Financial Accounting Standards Board (FASB) on June 27, 2001. SFAS No. 141 eliminated pooling of interests accounting for mergers. All transactions initiated after June 30, 2001 must use purchase accounting. SFAS No. 141 also redefines intangible assets and requires separation of intangible assets from goodwill and requires non-amortization of new goodwill and certain intangible assets. We anticipate that the adoption of SFAS No. 141 will not have a material impact on the financial statements.

Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets" (SFAS No. 142), was issued by the Financial Accounting Standards Board on June 27, 2001. SFAS No. 142 eliminates the amortization of existing goodwill and requires evaluating goodwill for impairment on an annual basis whenever circumstances occur that would reduce the fair value. SFAS No. 142 also requires allocation of goodwill to reporting segments defined by SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This Statement is effective for fiscal years beginning after December 15, 2001. We anticipate that the adoption of SFAS No. 142 will not have a material impact on our financial statements.

PART II - OTHER INFORMATION:

Item 1. Legal Proceedings

Management and the Corporation's legal consel 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. RIECHART

Paul E. Reichart
President & CEO

Date: November 8, 2001

By /s/ VIRGINIA D. KOCHER

Virginia D. Kocher
Treasurer

Date: November 8, 2001