CCFNB BANCORP INC
Form 10-Q
November 13, 2003

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, 2003

[ ] 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. 1,274,541 shares of $1.25 (par) common stock were outstanding as of October 20, 2003.

CCFNB BANCORP, INC. AND SUBSIDIARY

SEPTEMBER 30, 2003

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

	SEPTEMBER 30, 2003 UNAUDITED	DECEMBER 31, 2002
ASSETS		
Cash and due from banks......................................	$ 4,853	$ 5,953
Interest-bearing deposits with other banks...................	1,479	8,010
Federal funds sold...	2,023	2,057
Investment securities:		
Securities Available-for-Sale..............................	64,969	53,527
Loans, net of unearned income................................	149,783	151,338
Allowance for loan losses....................................	1,444	1,298
Net loans..	$148,339	$150,040
Premises and equipment.......................................	4,299	4,415
Other real estate owned......................................	43	68
Cash surrender value life insurance..........................	5,825	3,627
Accrued interest receivable..................................	780	894
Other assets...	704	441
TOTAL ASSETS...	$233,314	$229,032
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing.......................................	$ 16,493	$ 15,238
Interest bearing...	156,573	156,889

Total Deposits	$173,066	$172,127
Short-term borrowings	20,532	17,274
Long-term borrowings	11,338	11,347
Accrued interest and other expenses	1,252	1,332
Other liabilities	20	112
TOTAL LIABILITIES	$206,208	$202,192
STOCKHOLDERS' EQUITY		
Common stock, par value $1.25 per share; authorized 5,000,000 shares; issued and outstanding 1,274,541 shares in 2003 and 1,292,724 shares in 2002	$ 1,593	$ 1,616
Surplus	3,584	4,009
Retained earnings	21,613	20,679
Accumulated other comprehensive income (loss)	316	536
TOTAL STOCKHOLDERS' EQUITY	$ 27,106	$ 26,840
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$233,314	$229,032

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,	
	2003	2002	2003	2002
INTEREST INCOME				
Interest and fees on loans:				
Taxable	$ 6,839	$ 7,514	$ 2,215	$ 2,507
Tax-exempt	153	108	60	43
Interest and dividends on investment securities:				
Taxable interest	877	1,314	268	413
Tax-exempt interest	479	611	139	202
Dividends	45	44	17	14
Interest on federal funds sold	40	41	11	22
Interest on deposits in other banks	41	52	8	19
TOTAL INTEREST INCOME	$ 8,474	$ 9,684	$ 2,718	$ 3,220
INTEREST EXPENSE				
Interest on deposits	$ 2,690	$ 3,557	$ 782	$ 1,205
Interest on short-term borrowings	209	258	65	88
Interest on long-term borrowings	508	509	171	172

TOTAL INTEREST EXPENSE	$ 3,407	$ 4,324	$ 1,018	$ 1,465
Net interest income	$ 5,067	$ 5,360	$ 1,700	$ 1,755
Provision for loan losses	150	264	50	205
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 4,917	$ 5,096	$ 1,650	$ 1,550
NON-INTEREST INCOME				
Service charges and fees	$ 507	$ 487	$ 166	$ 161
Trust department income	95	151	32	48
Securities gains - net	8	107	8	107
Bank-owned life insurance income	165	55	13	6
Other income	359	88	198	52
TOTAL NON-INTEREST INCOME	$ 1,134	$ 888	$ 417	$ 374
NON-INTEREST EXPENSES				
Salaries and wages	$ 1,647	$ 1,638	$ 562	$ 563
Pensions and other employee benefits	585	566	203	193
Occupancy expense, net	290	268	98	88
Furniture and equipment expense	357	442	124	141
Other operating expenses	1,191	1,162	399	404
TOTAL NON-INTEREST EXPENSES	$ 4,070	$ 4,076	$ 1,386	$ 1,389
Income before income taxes	$ 1,981	$ 1,908	$ 681	$ 535
Income tax expense	420	419	146	101
NET INCOME	$ 1,561	$ 1,489	$ 535	$ 434
PER SHARE DATA				
Net income	$ 1.22	$ 1.13	$ .42	$ .33
Cash dividends	$ .49	$ .47	$ .17	$ .16
Weighted average shares outstanding	1,283,475	1,312,811	1,283,475	1,312,811

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,	
	2003	2002
OPERATING ACTIVITIES		

Net income..	$ 1,561	$ 1,489
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses..................................	150	264
Depreciation and amortization..............................	293	361
Premium amortization on investment securities..............	448	149
Discount accretion on investment securities................	(24)	(17)
Deferred income taxes (benefit)............................	(75)	(114)
(Gain) on sale of mortgage loans...........................	(92)	0
(Gain) on sales of investment securities...................	(8)	(107)
Proceeds from sale of mortgage loans.......................	8,178	0
Originations of mortgage loans for resale..................	(8,086)	0
(Gain) on sale of other real estate owned..................	(12)	0
(Gain) loss from investment in insurance agency............	(4)	6
(Increase) decrease in accrued interest receivable and other assets...	(20)	96
Net increase in cash surrender value of bank-owned life insurance..	(198)	(62)
Increase (decrease) in accrued interest, other expenses and other liabilities...	(116)	(15)
NET CASH PROVIDED BY OPERATING ACTIVITIES..................	$ 1,995	$ 2,050
INVESTING ACTIVITIES		
Purchase of investment securities Available-for-Sale..............	$(45,199)	$(26,130)
Proceeds from sales, maturities and redemptions of investment securities Available-for-Sale................................	33,015	26,042
Net (increase) decrease in loans................................	1,551	(7,736)
Purchases of premises and equipment.............................	(177)	(250)
Proceeds from sale of other real estate owned....................	37	0
Purchase of bank owned life insurance policies...................	(2,000)	0
NET CASH (USED IN) INVESTING ACTIVITIES....................	$(12,773)	$ (8,074)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits............................	$ 939	$ 12,870
Net increase (decrease) in short-term borrowings.................	3,258	(1,480)
Net increase (decrease) in long-term borrowings..................	(9)	(7)
Acquisition of treasury stock....................................	(588)	135
Proceeds from issuance of common stock...........................	140	(675)
Cash dividends paid..	(627)	(615)
NET CASH PROVIDED BY FINANCING ACTIVITIES..................	$ 3,113	$ 10,228
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS............	$ (7,665)	$ 4,204
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.................	16,020	8,518
CASH AND CASH EQUIVALENTS AT END OF PERIOD.................	$ 8,355	$ 12,722
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest..	$ 3,543	$ 4,353
Income taxes..	$ 440	$ 532

See accompanying notes to Consolidated Financial Statements.

CCFNB BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of CCFNB Bancorp, Inc. and Subsidiary (the "Corporation") are in accordance with the 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"). 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 Lightstreet location. 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 Financial Holding Company status was required in order to acquire an interest in a local insurance agency that occurred 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 other comprehensive income (loss) in the consolidated Statement 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.

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.

Real estate mortgage loans originated for resale are sold with limited recourse to the Corporation.

PAST DUE LOANS - Generally, a loan is considered past due when a payment is in arrears for a period of 10 or 15 days, depending on the type of loan. Delinquent notices are issued at this point and collection efforts will continue on loans past due beyond 60 days which have not been satisfied. Past due loans are continually evaluated with determination for charge-off being made when no reasonable chance remains that the status of the loan can be improved.

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 loan losses. Certain non-accrual loans may continue to perform, wherein, 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.

DERIVATIVES

The Bank has outstanding loan commitments that relate to the origination of mortgage loans that will be held for resale. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149 "Amendments to SFAS 133 on Derivative Instruments and Hedging Activities" and the guidance contained in the Derivatives Implementation Group Statement 133 Implementation Issue No. C 13, the Bank has accounted for such loan commitments as derivative instruments. The effective date of the implementation guidance was the first day of the first fiscal quarter beginning after April 10, 2002. The outstanding loan commitments in this category did not give rise to any losses for the period ended September 30, 2003 and the year ended December 31, 2002, as the fair market value of each outstanding loan commitment exceeded the Bank's cost basis in each loan commitment.

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.

MORTGAGE SERVICING RIGHTS

The Corporation originates and sells real estate loans to investors in the secondary mortgage market. After the sale, the Corporation retains the right to service these loans. When originated mortgage loans are sold and servicing is retained, a servicing asset is capitalized based on relative fair value at the date of sale. Servicing assets are amortized as an offset to other fees in proportion to, and over the period of, estimated net servicing income. The unamortized cost is included in other assets in the accompanying consolidated balance sheet. The servicing rights are periodically evaluated for impairment based on their relative fair value.

OTHER REAL ESTATE OWNED

Real estate properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value on the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less cost to sell and is included in other assets. Revenues derived from and costs to maintain the assets and subsequent gains and losses on sales are included in other non-interest income and expense.

BANK OWNED LIFE INSURANCE

The Corporation invests in Bank Owned Life Insurance (BOLI). Purchase of BOLI provides life insurance coverage on certain employees with the Corporation being owner and beneficiary of the policies.

INVESTMENT IN INSURANCE AGENCY

On January 2, 2001, the Corporation acquired a 50% interest in a local insurance agency, a corporation organized under the laws of the Commonwealth of Pennsylvania. The income or loss from this investment is accounted for under the equity method of accounting. The carrying value of this investment as of September 30, 2003 and December 31, 2002 was $169,466 and $165,431, respectively, and is carried in other assets in the accompanying consolidated balance sheets.

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 are 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. 142, "Goodwill and Other Intangible Assets" is generally effective for fiscal years beginning after December 31, 2001, and addresses the financial accounting and reporting for acquired goodwill and other intangible assets and replaces APB Opinion No. 17 "Intangible Assets". The statement addresses how intangible assets that are acquired individually or with a group or other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. Goodwill and other intangible assets with an indefinite useful life should not be amortized but should be tested for impairment at least annually. Intangibles that are separable from goodwill and that have a determinable useful life should be amortized over the determinable useful life. The standard does not have any impact on the Corporation's consolidated financial condition or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 143 "Accounting for Asset Retirement Obligations" is generally effective for financial statements for fiscal years beginning after June 15, 2002. The statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction development and (or) the normal operation of a long-lived asset. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. This standard is not expected to have any impact on the Corporation's consolidated financial condition or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" is generally effective for financial statements issued for fiscal years beginning after December 15, 2001, and for interim periods within those fiscal years. The statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The statement replaces FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a "segment of a business" (as previously defined in that opinion). The statement also amends ARB No. 51, "Consolidated Financial Statements", to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. This standard does not have any impact on the Corporation's consolidated financial conditions or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 145, "Recession of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" is generally effective for financial statements issued on or after May 15, 2002. The statement rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt", and an amendment of that statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". The statement amends FASB Statement No. 13, "Accounting for Leases", to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. This standard does not have any impact on the Corporation's consolidated financial condition or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" is generally effective for financial statements for fiscal years and interim periods beginning after December 31, 2002. The statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Corporation does not have any stock-based compensation, therefore the standard has no impact on the Corporation's consolidated financial condition or results of operations.

Statement of Financial Accounting Standard (SFAS) No. 149, "Amendments to SFAS 133 on Derivative Instruments and Hedging Activities" is generally effective for contracts entered into after June 30, 2003. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". The changes in this Statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. The changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. This standard does not have any impact on the Corporation's consolidated financial position or results of operations.

Statement of Financial Accounting Standards (SFAS) No. 150 "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" is generally effective for financial instruments entered into or modified after May 31, 2003 and for contracts in existence at the start of the first interim period beginning after June 15, 2003. This Statement establishes new standards for classification, measurement and disclosure of certain types of financial instruments having characteristics of both liabilities and equity, including instruments that are mandatorily redeemable and that embody obligations requiring or permitting settlement by transferring assets or by issuing an entity's own shares. This standard does not have any impact on the Corporation's consolidated financial position or results of operations.

ADVERTISING COSTS

It is the Corporation's policy to expense advertising costs in the period in which they are incurred. Advertising expense for the periods ended September 30, 2003 and September 30, 2002, were approximately $54,238 and $54,194, respectively.

RECLASSIFICATION

Certain amounts in the consolidated financial statements of the prior years have been reclassified to conform with presentation used in the 2003 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, 2003 and September 30, 2002 were as follows:

	(Amounts in Thousands)	
	2003	2002
Balance, beginning of year........................	$ 1,298	$ 1,028
Provision charged to operations...................	150	264
Loans charged-off.................................	(44)	(65)
Recoveries..	40	52
Balance, September 30.............................	$ 1,444	$ 1,279

At September 30, 2003 the recorded investment in loans that are considered to be impaired as defined by SFAS No. 114 was $239,280. 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, 2003, there were no significant commitments to lend additional funds with respect to non-accrual and restructured loans.

There were no real estate loans held for resale at September 30, 2003 and December 31, 2002.

Non-accrual loans at September 30, 2003 and December 31, 2002 were $2,142,000 and $2,122,000, respectively.

Loans past due 90 days or more and still accruing interest amounted to $392,000 at September 30, 2003.

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 - DEFERRED COMPENSATION PLANS

In April 2003 the Bank entered into non-qualified deferred compensation agreements with three executive officers to provide supplemental retirement benefits commencing with the executive's retirement and ending 15 years thereafter. The aggregate commitment under these agreements is $2,400,000, and the expected charge to operations to fund such plans for the year ending December 31, 2003 is estimated to be approximately $48,775.

There were no substantial changes in other plans as disclosed in the 2002 Annual Report.

NOTE 6 - STOCKHOLDERS' EQUITY

Changes in stockholders' equity for the period ended September 30, 2003 were as follows:

(AMOUNTS IN THOUSANDS, EXCEPT COMMON SHA

	COMMON SHARES	COMMON STOCK	SURPLUS	COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS
Balance at January 1, 2003.........	1,292,724	$ 1,616	$ 4,009	$ 0	$20,679
Comprehensive Income:					
Net income.......................	0	0	0	1,561	1,561
Change in unrealized gain (loss) on investment securities available-for-sale net of reclassification adjustment and tax effects.................	0	0	0	(220)	0
TOTAL COMPREHENSIVE INCOME (LOSS)				$ 1,341	
Issuance of 5,805 shares of common stock under dividend reinvestment and stock purchase plans.........	5,805	7	133		0
Purchase of 23,988 shares of treasury stock..................	0	0	0		0
Retirement of 23,988 shares of treasury stock..................	(23,988)	(30)	(558)		0
Cash dividends $.49 per share......	0	0	0		(627)
Balance at September 30, 2003......	1,274,541	$ 1,593	$ 3,584		$21,613

NOTE 7 - 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 consolidated 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, 2003 and December 31, 2002 were as follows:

	(Amounts in Thousands)	
	SEPTEMBER 30, 2003	DECEMBER 31, 2002
FINANCIAL INSTRUMENTS WHOSE CONTRACT AMOUNTS REPRESENT CREDIT RISK:		
Commitments to extend credit	$11,932,136	$11,768,038
Financial standby letters of credit	1,841,212	1,842,578
Performance standby letters of credit	159,812	48,404
Dealer floor plans	1,928,097	1,393,763

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, 2003, 80.6% 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 8 - 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, 2003, 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, 2002, 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, 2003, and the related consolidated statements of income and cash flows for the three and nine month periods ended September 30, 2003 and 2002. These consolidated interim 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 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, 2002, 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 20, 2003, 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, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

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

J.H. Williams & Co., LLP
Kingston, Pennsylvania
October 10, 2003

CCFNB BANCORP, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 2003

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 December 31,		
	2003	2002	2002	2001	2
Income and Expense:					
Interest income	$ 8,474	$ 9,684	$ 12,780	$ 13,720	$
Interest expense	3,407	4,324	5,741	6,924	
Net interest income	5,067	5,360	7,039	6,796	
Loan loss provision	150	264	309	163	
Net interest income after loan loss Provision	4,917	5,096	6,730	6,633	
Non-interest income	1,134	888	1,210	1,149	
Non-interest expense	4,070	4,076	5,479	5,104	
Income before income taxes	1,981	1,908	2,461	2,678	
Income taxes	420	419	539	621	
Net income	$ 1,561	$ 1,489	$ 1,922	$ 2,057	$
Per Share:(1)					
Net income	$ 1.22	$ 1.13	$ 1.47	$ 1.54	$
Cash dividends paid	.49	.47	.63	.59	
Average shares outstanding	1,283,475	1,312,811	1,309,084	1,338,007	1,3
Average Balance Sheet:					
Loans	$ 150,560	$ 146,565	$ 147,545	$ 139,219	$ 1

Investments	59,248	54,381	54,197	50,593	
Other earning assets	6,785	7,590	5,309	6,569	
Total assets	231,173	219,015	223,476	208,630	1
Deposits	172,596	162,157	150,883	149,601	1
Other interest-bearing liabilities	30,246	29,417	29,356	31,629	
Stockholders' equity	26,973	26,036	26,615	25,890	
Balance Sheet Data:					
Loans	$ 149,339	$ 150,624	$ 151,338	$ 142,990	$ 1
Investments	64,969	58,015	53,528	57,121	
Other earning assets	3,502	6,735	10,068	63,312	
Total assets	233,314	226,610	229,032	214,238	2
Deposits	173,066	168,536	172,127	142,990	1
Other interest-bearing liabilities	31,870	29,651	28,621	31,384	
Stockholders' equity	27,106	26,922	26,840	26,042	
Ratios:(2)					
Return on average assets	.96%	.95%	.86%	.99%	
Return on average equity	7.72%	7.63%	7.22%	7.92%	
Dividend payout ratio	40.17%	41.30%	42.86%	38.31%	
Average equity to average assets ratio	11.67%	11.89%	11.77%	12.16%	

(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, 2003 and 2002 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, 2003 was $1,561 thousand or $1.22 per basic and diluted share. These results compare with net income of $1,489 thousand, or $1.13 per basic and diluted share for the same period in 2002. Annualized return on average equity increased to 7.72 percent from 7.63 percent, while the annualized return on average assets increased to .96 percent from .95 percent, for the nine months ended September 30, 2003 and 2002 respectively.

Net interest income continues to be the largest source of our operating income. Net interest income on a tax equivalent basis decreased to $5.4 million at September 30, 2003, compared with $5.7 million for the nine months ended September 30, 2002. The decrease in net interest income is primarily due to the decreased interest rates on loans and the securities that are called in this low interest rate environment and replaced with lower yielding securities. The tax equavilized interest margin decreased to 3.32 percent for the nine months ended September 30, 2003, compared to 3.66 percent for the nine months ended September 30, 2002.

Average interest earning assets increased $8.1 million or 3.9 percent for the nine months ended September 30, 2003 over the same period in 2002. Average loans increased $4.0 million or 2.7 percent, average investments increased $4.8 million or 8.8 percent and average federal funds sold and interest-bearing deposits with other financial institutions decreased .8 million or 10.6 percent for this nine month period.

Average interest bearing liabilities for the nine months ended September 30, 2003 increased $9.8 million or 5.5 percent from the same period in 2002. Average short-term borrowings were $18.9 million at September 30, 2003 and $18.1 million at September 30, 2002. Long-term debt, which includes primarily FHLB advances, remained at 11.3 million on September 30, 2003 and September 30, 2002. Average demand deposits increased $1.5 million from 2002 balances.

The average interest rate on total interest earning assets was 5.22 percent for the nine months ended September 30, 2003, compared with 6.19 percent for the nine months ended September 30, 2002. The average interest rate for loans decreased 72 basis points to 6.26 percent at September 30, 2003 compared to 6.98 percent September 30, 2002. Interest-bearing deposits with other Financial Institutions interest rates decreased 42 basis points to 1.15 percent from 1.57 percent at September 30, 2003 and September 30, 2002 respectively. Average rates on interest bearing deposits decreased by 92 basis points to 2.29 percent from 3.21 percent one year ago. Average interest rates also decreased on total interest bearing liabilities by 82 basis points to 2.43 percent from 3.25 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.

NET INTEREST INCOME

Net interest income decreased to $5.1 million for the nine months ended September 30, 2003 compared to $5.4 million for the same period in 2002.

The following table reflects the components of net interest income for each of the nine months ended September 30, 2003 and 2002.

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 Months Ended September 30, 2003 and				
		Interest	Average		In
	Average	Income /	Yield /	Average	I
	Balance	Expense	Rate	Balance	E
	(1)	(2)		(1)	

ASSETS:					
Interest-bearing deposits with other financial institutions	$ 4,745	$ 41	1.15%	$ 4,413	$
Investment securities (3)	59,248	1,401	3.71%	54,381	
Federal funds sold	2,040	40	2.61%	3,177	
Loans	150,560	6,992	6.26%	146,565	
Total interest earning assets	$ 216,593	$ 8,474	5.22%	$ 208,536	$
Reserve for loan losses	(1,371)			(1,053)	
Cash and due from banks	5,403			2,266	
Other assets	10,548			9,266	
Total assets	$ 231,173			$ 219,015	

LIABILITIES AND CAPITAL:					
Interest bearing deposits...........	$ 156,731	$ 2,690	2.29%	$ 147,789	$
Short-term borrowings...............	18,903	209	1.49%	18,064	
Long-term borrowings................	11,343	508	5.97%	11,353	
Total interest-bearing liabilities	$ 186,977	$ 3,407	2.43%	$ 177,206	$
Demand deposits.....................	$15,865			$14,368	
Other liabilities...................	1,358			1,405	
Stockholders' equity................	26,973			26,036	
Total liabilities and capital.......	$ 231,173			$ 219,015	
NET INTEREST INCOME / NET INTEREST MARGIN (4)...........		$ 5,067	3.12%		$
TAX EQUIVALENT NET INTEREST INCOME / NET INTEREST MARGIN (5)...........		$ 5,393	3.32%		$

(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 2003 and 2002.

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, 20 Compared with 2002 Increase (Decrease) (2)		
	Volume	Rate	Total
Interest income:		(In thousands)	
Loans (1)	$ 279	$(1,055)	$ (776)
Investments	273	(1,028)	(755)
Federal funds sold and other short-term investments	(13)	(3)	(16)
Interest expense:			
Deposits	$ 287	$(1,360)	$(1,073)
Short-term borrowings	16	(78)	(62)
Long term debt	(1)	(1)	(2)
Net:	$ 237	$ (647)	$ (410)

(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, 2003 increased by 3.9 percent over September 30, 2002 to $216.6 million from $208.5 million.

Average loans outstanding increased from $146.6 million to $150.6 million or 2.7 percent for the nine months ended September 30, 2003, as compared to the nine months ended September 30, 2002.

The outstanding balance of net loans at September 30, 2003 was $148.3 million compared to $150.0 million at December 31, 2002.

Interest income from investment securities decreased 30.0% from $2.0 million for the nine months ended September 30, 2002 to $1.4 million for the nine months ended September 30, 2003. The average balance of investment securities for the nine months ended September 30, 2003 increased 8.8 percent to $59.2 million, compared to the $54.4 million for the same period of 2002.

Total interest expense decreased $.9 million or 20.9 percent for the first nine months of 2003 as compared to the first nine months of 2002. The cost of interest bearing liabilities decreased on an average yield basis from 3.25 percent through September 2002 compared to 2.43 percent through September 2003. The average yield on interest earning assets decreased from 6.19 percent to 5.22 percent through September 2002 and 2003, respectively.

Average short-term borrowings increased $.8 million from $18.1 million at September 30, 2002 to $18.9 million at September 30, 2003.

Long-term borrowings from Federal Home Loan Bank remained constant at an average

$11.3 million at September 30, 2003 and 2002.

NON-INTEREST INCOME

The following table presents the components of non-interest income for the nine months ended September 30, 2003 and 2002.

	Nine Months Ended September 30, (In thousands)	
	2003	2002
Service charges and fees	$ 507	$ 487
Trust Department income	95	151
Investment Securities Gain - net	8	107
Gain on Sale of Loans	92	0
Gain on Sale of Other Real Estate Owned	12	0
Gain on Cash Surrender Value Life Insurance	165	13
Mortgage Servicing Rights, net of amortization	72	0
Third party brokerage income	74	71
Other	109	59
Total	$1,134	$ 888

Non-interest income continues to represent a considerable source of our income. We are committed to increasing non-interest income. Increases will be derived from our existing sources of non-interest income and any new opportunities that may develop.

For the nine months ended September 30, 2003, total non-interest income increased $246 thousand to $1,134 thousand or 27.7 percent, compared to $888 thousand for the nine months period ended September 30, 2002.

Service charges and fees increased $20 thousand from $487 thousand at September 30, 2002 to $507 thousand or 4.1 percent at September 30, 2003. Trust Department income decreased from $151 thousand at September 30, 2002 to $95 thousand or 37.1 percent at September 30 2003. Investment securities gains were $8 thousand at September 30, 2003 and $107 thousand at September 30, 2002, a decrease of $99 thousand. Sale of Loans generated $92 thousand in income through September 30, 2003 compared to $0 for the same period of 2002. Gain on Sale of Other Real Estate Owned realized income of $12 thousand at September 30, 2003 compared to $0 for the nine months ended September 30, 2002. Bank Owned Life Insurance gain in Cash Surrender Value was $165 thousand at September 30, 2003 compared to $13 thousand at September 30, 2002. Loan sales created net income of $72 thousand in Net Mortgage Servicing Rights at September 30, 2003 compared to $0 at September 30, 2002. Third party brokerage income reflected a $3 thousand increase or 4.2 percent comparing September 30, 2003 to September 30, 2002.

Other non-interest income increased from $59 thousand at September 30, 2002 to $109 thousand or 83.1 percent at September 30, 2003. This increase was attributable to new fees of $28 thousand for preparation of loans for sale and $6 thousand for Service and Credit Enhancement Fees for these loans sold. Additional Merchant fees for Credit Card services amounted to $20 thousand for the period ending September 30, 2003 compared to September 30, 2002.

NON-INTEREST EXPENSE

The following table presents the components of non-interest expense for the nine months ended September 30, 2003 and 2002.

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
	(Dollars in Thousands)	
Salaries and wages	$1,647	$1,638
Employee benefits	585	566
Net occupancy expense	290	268
Furniture and equipment expense	357	442
State shares tax	206	192
Other expense	985	970
Total	$4,070	$4,076

Non-interest expense remained constant at $4.1 million at September 30, 2002 and September 30, 2003.

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 increased .05 percent at September 30, 2003 compared to September 30, 2002. A 3.36 percent increase was reflected in employee benefits from $566 thousand at September 30, 2002, to $585 thousand at September 30, 2004. Increased cost of employee benefits, specifically health coverage, accounted for the increase in employee benefits.

Occupancy expense and furniture and equipment expense reflects a $63 thousand or 8.9 percent decrease for the first nine months of 2003 compared to the first nine months of 2002, principally attributable to reductions in depreciation expense.

Pennsylvania Bank Shares Tax increased 7.3 percent from $192 thousand at September 30, 2002 compared to $206 thousand at September 30, 2003.

Other expenses increased 1.5 percent from $970 thousand at September 30, 2002 to $985 thousand at September 30, 2003.

INCOME TAXES

Income tax expense as a percentage of pre-tax income was 21.2 percent for the nine months ended September 30, 2003 compared with 22.0 percent for the same period in 2002. The effective tax rate for 2003 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. 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 the current stagnant 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 $114.7 million and $202.3 million at September 30, 2003 and December 31, 2002, respectively. This represents 53.0 percent and 96.1 percent of earning assets, and 49.6 percent and 88.3 percent of total assets at September 30, 2003 and December 31, 2002, 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 $142.4 million for the nine months ended September 30, 2003 and $137.0 million for the year ended December 31, 2002, representing 65.7 percent and 65.1 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, 2003, there were $33.0 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, 2003 were $45.2 million. Short-term borrowings and certificates of deposit over $100 thousand amounted to $49.8 million and $48.5 million for the nine months ended September 30, 2003 and the year ended December 31, 2002, 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, 2003, we had $65.0 million of securities available for sale recorded at their fair value, compared with $53.5 million at December 31, 2002. As of September 30, 2003, the investment securities available for sale had an unrealized gain of $316 thousand, net of deferred taxes, compared with an unrealized gain of $536 thousand, net of deferred taxes, at December 31, 2002. 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, 2003	December 31, 2002
Past due and non-accrual:		
Days 30 - 89	$ 914	$1,841
Days 90 plus	392	50
Non-accrual	2,142	2,122
Total	$3,448	$4,013

Past due and non-accrual loans decreased $.6 million from $4.0 million at December 31, 2002 to $3.4 million at September 30, 2003. The loan delinquency expressed as a ratio to total loans was 2.3% at September 30, 2003 and 2.6% at December 31, 2002.

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:

	(Dollars i Thousands September 3 2003
MATURITY AND REPRICING DATA FOR LOANS AND LEASES	
Closed-end loans secured by first liens and 1-4 family residential properties with a remaining maturity or repricing frequency of:	

(1) Three months or less	$ 2,406
(2) Over three months through 12 months	12,412
(3) Over one year through three years	28,193
(4) Over three years through five years	2,424
(5) Over five years through 15 years	22,232
(6) Over 15 years	380
All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of:	
(1) Three months or less	26,697
(2) Over three months through 12 months	14,988
(3) Over one year through three years	17,295
(4) Over three years through five years	7,632
(5) Over five years through 15 years	12,622
(6) Over 15 years	433
Sub-total	$ 147,714
Add: non-accrual loans not included above	2,142
Less: unearned income	(73
Total Loans and Leases	$ 149,783

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses reflected a balance of $1.4 million or .93 percent of total loans at September 30, 2003 and a balance of $1.3 million or.86 percent of total loans at December 31, 2002. The allowance is believed adequate for possible loan losses in the future.

The provision for loan losses was $150 thousand for the first nine months of 2003 compared to $264 thousand for the first nine months of 2002.

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.

	For the Three Months Ending September 30,	
Amounts in thousands	2003	2002
Average loans outstanding:	$ 150,560	$ 146,5
Total loans at end of period	149,783	150,6
Balance at beginning of period	1,298	1,0
Total charge-offs	(44)	(
Total recoveries	39	
Net charge-offs	(5)	(
Provision for loan losses	150	2
Balance at end of period	$ 1,443	$ 1,2
Net charge-offs as a percent of average loans outstanding during period	.00%	.
Allowance for loan losses as a percent of total loans	.93%	.

The allowance 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.

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, 2003		December 31, 2002	
	Calculated Ratios	Minimum Standard Ratios	Calculated Ratios	Minimum Standard Ratios
Risk Based Ratios:				
Tier I Capital to risk-weighted assets	19.02%	4.00%	18.53%	4.00%
Total Qualifying Capital to risk-weighted assets	20.08%	8.00%	19.46%	8.00%

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

	September 30, 2003	December 31, 2002
Tier I Capital to average assets	11.59%	11.77%

We believe 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 $21.27 at September 30, 2003, compared with $20.76 per share at December 31, 2002.

Cash dividends declared amounted to $0.49 per share, for the nine months ended September 30, 2003, equivalent to a dividend payout ratio of 40.2 percent, compared with 41.3 percent for the same period in 2002. 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.

CONTROLS AND PROCEDURES

EVALUATION OF OUR DISCLOSURE CONTROLS AND PROCEDURES. The Securities and Exchange Commission requires that as of the end of the period covered by this report the CEO and the Principal Financial Officer evaluate the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13 (a)-15(e) and Rule 15 (d)-15(e) under the Securities Exchange Act of 1934), and report on the effectiveness of the design and operation of our disclosure controls and procedures. Accordingly, under the supervision and with the participation of our management, including our CEO and Principal Accounting Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period.

CEO/PRINCIPAL ACCOUNTING OFFICER CONCLUSIONS ABOUT THE EFFECTIVENESS OF THE DISCLOSURE CONTROLS AND PROCEDURES. Based upon their evaluation of the disclosure controls and procedures, our CEO and Principal Accounting Officer have; concluded that, subject to the limitations noted below, our disclosure controls and procedures are effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management, including the CEO and Principal Financial Officer, on a timely basis and particularly during the period in which this Quarterly

Report on Form 10-Q was being prepared.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

Our management, including the CEO and Principal Financial Officer, does not expect that our disclosure controls and procedures or our internal control, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based; in part upon certain assumptions about the likelihood of future events, that there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. While we believe that our disclosure controls and procedures have been effective, in light of the foregoing we intend to continue to examine and refine our disclosure controls and procedures and to monitor ongoing developments in this area.

CHANGES IN INTERNAL CONTROLS. There were no changes in our internal control, over financial reporting, identified in connection with the reevaluation of such internal control over financial reporting that occurred during the period covered by this quarterly report, that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION;

Item 1. Legal Proceedings

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

Item 2. Changes in Securities - Nothing to report.

Item 3. Defaults Upon Senior Securities - Northing to report.

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

Item 5. Other Information - None

Item 6. A - Exhibits and Reports on Form 8-K

8 K filed August 14, 2003

At the Registrant's Board meeting of August 14, 2003, the directors authorized the purchase of up to 100,000 shares of its issued and outstanding common stock, from time to time, in open market purchases, through a licensed broker-dealer, in accordance with the terms, conditions and restriction contained in Rule 10b-18.

B - Exhibits 31.1, 31.2 and 32

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/ Lance O. Diehl

Lance O. Diehl
President and CEO

Date: November 7, 2003

By /s/ Virginia D. Kocher

Virginia D. Kocher
Principal Financial Officer

Date: November 7, 2003