



# PRESS RELEASE

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## **FNCB Bancorp, Inc. Announces 10% Increase in Second Quarter 2017 Earnings and 43% Increase in 2017 Year-to-Date Earnings**

Dunmore, Pa., July 28, 2017/Globe Newswire/—FNCB Bancorp, Inc. (OTCQX: FNCB), the parent company of Dunmore-based FNCB Bank (the “Bank”), reported net income of \$1.792 million, or \$0.11 per basic and diluted share, for the second quarter of 2017, an increase of \$167 thousand, or 10.3%, compared to net income of \$1.625 million, or \$0.10 per basic and diluted share, for the same quarter of 2016. Net income for the six months ended June 30, 2017 increased \$1.2 million, or 42.9%, to \$4.0 million, or \$0.24 per basic and diluted share, from \$2.8 million, or \$0.17 per basic and diluted share, for the comparable six-month period of 2016. Year-to-date earnings were impacted favorably by a reduction in the provision for loan and lease losses, coupled with higher net interest income and non-interest income. Annualized return on average assets was 0.65% and 0.71%, respectively, for the three and six months ended June 30, 2017, compared to 0.60% and 0.51%, for the respective periods of 2016. Annualized return on average equity was 7.60% and 8.66%, respectively, for the three- and six-month periods ended June 30, 2017, compared to 7.12% and 6.15%, respectively, for the comparable periods in 2016. Dividends declared and paid were \$0.03 for the second quarter of 2017 and \$0.06 per share for the year-to-date period of 2017, which represented a 50.0% increase compared to \$0.02 per share and \$0.04 per share, respectively, for the three and six months ended June 30, 2016. Year-to-date dividends declared and paid represented a 1.5% annualized return to shareholders based on the closing stock price of \$7.80 per share at June 30, 2017.

### **Performance Highlights:**

- 5.2% increase in tax-equivalent net interest income, comparing the second quarters of 2017 and 2016;
- Tax-equivalent net interest margin increases 14 basis points comparing the second and first quarters of 2017;
- Year over year growth in total deposits of \$96.9 million, or 11.6%;
- Closing stock price increases \$2.20 per share, or 39.3%, year over year;
- Tier I leverage ratio improved 68 basis points, or 9.3% comparing June 30, 2017 and 2016;
- Implemented comprehensive branch network improvement program.

“FNCB posted a profitable second quarter fueled by higher net interest and non-interest income and stabilized non-interest expense levels,” stated Gerard A. Champi, President and Chief Executive Officer. “In addition, commercial and retail sales initiatives in 2017, as well as our newly opened loan production office in the Lehigh Valley, have led to strong growth in both loans and deposits in the second quarter of 2017,” continued Mr. Champi. “During the second quarter, we announced a comprehensive branch network improvement program

focused on strengthening, better positioning and expanding market coverage, while creating greater efficiency within our organization. As part of this program, we consolidated two branches located in Honesdale, Wayne County, Pennsylvania during the second quarter. As this program continues to unfold over the next two years, we are committed to delivering an unsurpassed level of service to our customers and community, as well as improving the overall customer experience throughout our branch network," concluded Mr. Champi.

### **Summary Results for the Three and Six Months Ended June 30, 2017**

Tax-equivalent net interest income was \$8.2 million for the second quarter, an increase of \$0.4 million, or 5.2%, from \$7.8 million for the same quarter of 2016. Similarly, tax-equivalent net interest income for the six months ended June 30, 2017 increased \$0.8 million, or 5.2% compared to \$16.3 million compared to \$15.5 million for the same six-month period of 2016. The improvement for both the quarter and year-to-date periods primarily reflected higher yields earned on and growth in average earning assets, coupled with reduced reliance on borrowed funds. Tax-equivalent earning asset yields improved 10 basis points for the second quarter and 2 basis points for the six months ended June 30, 2017 over the same periods of 2016. Average earning assets grew \$28.5 million, or 2.9%, and \$43.2 million, or 4.3%, comparing the quarter and year-to-date periods ended June 30, 2017 and 2016, respectively. Strong growth in lower-costing interest-bearing demand and savings accounts resulted in reduced reliance on higher-costing Federal Home Loan Bank of Pittsburgh ("FHLB") advances, which provided for relatively stable funding costs despite upward movements in short-term interest rates. Comparing the three months ended June 30, 2017 and 2016, average interest-bearing deposits increased \$58.1 million, or 8.0%, while average borrowed funds decreased \$44.9 million, or 38.3%. For the six months ended June 30, interest-bearing deposits averaged \$795.8 million in 2017, an increase of \$70.3 million, or 9.7%, compared to \$725.5 million in 2016. Conversely, borrowed funds averaged \$75.3 million for the six months ended June 30, 2017, a decrease of \$40.0 million, or 34.7%, from \$115.3 million averaged for the same period of 2016. Comparing the three months and six months ended June 30, 2017 and 2016, FNCB's cost of funds increased only 3 basis points and 1 basis point, respectively. The tax-equivalent net interest margin for second quarter 2017 was 3.21%, a 14-basis point improvement from the first quarter of 2017, and 7 basis points higher than the second quarter of 2016.

Non-interest income totaled \$2.0 million for the three months ended June 30, 2017, compared to \$2.1 million for the comparable period of 2016. For the six months ended June 30, 2017, non-interest income amounted to \$3.6 million, an increase of \$0.2 million, or 4.9%, compared to \$3.4 million for the same period of 2016. The year-to-date improvement resulted primarily from increases in net gains realized on the sales of other real estate owned, other repossessed assets and Small Business Administration guaranteed loans.

For the three months ended June 30, 2017, non-interest expense totaled \$6.9 million, a decrease of \$0.1 million, or 1.2%, from \$7.0 million for the same three months of 2016. Comparing the six months ended June 30, 2017 and 2016, non-interest expense levels remained stable, increasing only \$39 thousand, or 0.3%. Fluctuations within non-interest expense for the year-to-date periods included higher occupancy and equipment expenses associated with long-term delivery system planning and valuation adjustments for properties held in other real estate owned. These increases were almost entirely mitigated by reductions in salaries and employee benefits, legal and professional fees, and regulatory assessments.

## **Asset Quality**

Total non-performing loans increased \$1.8 million to \$3.7 million at June 30, 2017 from \$1.9 million at March 31, 2017 and \$0.9 million from \$2.7 million at June 30, 2016. The increase was primarily attributable to one commercial relationship that was modified under a troubled debt restructuring and placed on nonaccrual status. The ratio of non-performing loans to total loans was 0.50% at June 30, 2017, compared to 0.27% at March 31, 2017 and 0.37% at June 30, 2016. Despite the increase in non-performing loans, FNCB's asset quality compared favorably to the peer average of 0.65% at March 31, 2017, the most recent data reported for FDIC-insured banks having assets between \$1.0 billion and \$3.0 billion. The allowance for loan and lease losses as a percentage of gross loans was 1.16% at June 30, 2017 and March 31, 2017 versus 1.17% at June 30, 2016.

## **Financial Condition**

Total assets decreased \$87.9 million, or 7.4%, to \$1.107 billion at June 30, 2017 from \$1.195 billion at December 31, 2016. The change in total assets primarily reflected a \$82.4 million, or 8.1%, reduction in total deposits, which was the primary factor leading to a corresponding decrease of \$86.3 million in cash and cash equivalents. Investment securities increased \$5.0 million, to \$277.6 million at June 30, 2017 from \$272.7 million at December 31, 2016. Loans, net of unearned income, which decreased \$15.8 million from \$734.3 million at December 31, 2016 to \$718.5 million at March 31, 2017, rebounded \$14.7 million to \$733.1 million at June 30, 2017 due to commercial and retail sales initiatives. The decrease in total deposits was primarily attributable to cyclical net outflows of public funds, coupled with the anticipated exit of short-term funds received at the end of 2016 related to the sale of a municipal utility company. Despite the decrease in deposits from year-end 2016, totaled deposits increased \$9.3 million from \$923.4 million at March 31, 2017 to \$932.7 million at June 30, 2017. In addition, total deposits increased \$96.9 million, or 11.6% to \$932.7 million at the end of the second quarter of 2017 compared to \$835.8 million at June 30, 2016. The higher levels of deposits allowed FNCB to reduce FHLB of Pittsburgh advances by \$13.6 million to \$44.9 million at June 30, 2017 from \$58.5 million at December 31, 2016.

Total shareholders' equity increased \$6.4 million, or 7.1%, to \$96.5 million at June 30, 2017 from \$90.1 million at December 31, 2016. The capital improvement resulted primarily from net income of \$4.0 million, coupled with a \$2.7 million increase in the accumulated other comprehensive income, from the appreciation in the fair value of available-for-sale securities, net of tax effects.

## **Availability of Filings**

Copies of FNCB's most recent Annual Report on Form 10-K and Quarterly Reports on form 10-Q will be provided upon request from: Shareholder Relations, FNCB Bancorp, Inc., 102 East Drinker Street, Dunmore, PA 18512 or by calling (570) 348-6419. FNCB's SEC filings including its Annual Report on Form 10-K and Quarterly Reports on Form 10-Q are also available free of charge on the Investor Relations page of the FNCB's website, [www.fncb.com](http://www.fncb.com), and on the SEC website at: <http://www.sec.gov/edgar/searchedgar/companysearch.html>

## **About FNCB Bancorp, Inc.:**

FNCB Bancorp, Inc. is the bank holding company of FNCB Bank, which provides personal, small business and commercial banking services to individuals and businesses throughout Northeastern Pennsylvania through its 18 branch offices and Allentown-based Limited

Purpose Banking Office. The institution was established as a National Banking Association in 1910 as The First National Bank of Dunmore, and had been operating under the name First National Community Bank from 1988 through June 2016. Effective June 30, 2016, the institution changed its name to FNCB Bank upon its conversion from a national charter to a Pennsylvania state charter. For more information about BauerFinancial 5-Star rated FNCB, visit [www.fncb.com](http://www.fncb.com).

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*FNCB may from time to time make written or oral “forward-looking statements,” including statements contained in our filings with the Securities and Exchange Commission (“SEC”), in its reports to shareholders, and in other communications, which are made in good faith by us pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.*

*These forward-looking statements include statements with respect to FNCB’s beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, that are subject to significant risks and uncertainties, and are subject to change based on various factors (some of which are beyond our control). The words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan” and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause FNCB’s financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: the strength of the United States economy in general and the strength of the local economies in our markets; the effects of, and changes in trade, monetary, fiscal and tax policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; inflation, interest rate, market and monetary fluctuations; the timely development of and acceptance of new products and services; the ability of FNCB to compete with other institutions for business; the composition and concentrations of FNCB’s lending risk and the adequacy of FNCB’s reserves to manage those risks; the valuation of FNCB’s investment securities; the ability of FNCB to pay dividends or repurchase common shares; the ability of FNCB to retain key personnel; the impact of any pending or threatened litigation against FNCB; the marketability of shares of FNCB stock and fluctuations in the value of FNCB’s share price; the effectiveness of FNCB’s system of internal controls; the ability of FNCB to attract additional capital investment; the impact of changes in financial services’ laws and regulations (including laws concerning capital adequacy, taxes, banking, securities and insurance); the impact of technological changes and security risks upon our information technology systems; changes in consumer spending and saving habits; the nature, extent, and timing of governmental actions and reforms, and the success of FNCB at managing the risks involved in the foregoing and other risks and uncertainties, including those detailed in FNCB’s filings with the SEC.*

*FNCB cautions that the foregoing list of important factors is not all inclusive. Readers are also cautioned not to place undue reliance on any forward-looking statements, which reflect management’s analysis only as of the date of this report, even if subsequently made available by FNCB on its website or otherwise. FNCB does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of FNCB to reflect events or circumstances occurring after the date of this report.*

*Readers should carefully review the risk factors described in the Annual Report and other documents that FNCB periodically files with the Securities and Exchange Commission, including its Form 10-K for the year ended December 31, 2016.*

**[FNCB provides tabular information as follows]**