FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-K/A
March 30, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

FOR ANNUAL AND TRANSITION REPORTS

PURSUANT TO SECTIONS 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission File No.__________

FIRST NATIONAL COMMUNITY BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

102 E. Drinker St., Dunmore, PA	18512
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $1.25 par value

(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes X No

The aggregate market value of the voting and non-voting common stock of the registrant, held by non-affiliates was approximately $369,876,505 at June 30, 2004.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

State the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date10,944,225 shares of common stock as of March 11, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for the Annual Meeting of Shareholders to be held May 18, 2005 are incorporated by reference into Part III of this report. Portions of the Registrant s Annual Report to security holders for the Fiscal Year Ended December 31, 2004 are incorporated by reference into Part IV of this report.

EXPLANATORY STATEMENT:

This amendment to First National Community Bancorp, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31,2004, is being filed to include the appropriate Report of Independent Registered Public Accounting Firm in Item 9A - Controls and Procedures and in Exhibit E - Report of Independent Registered Public Accounting Firm. No revisions have been made to the financial statements or any other disclosures contained in the Annual Report.

FIRST NATIONAL COMMUNITY BANCORP, INC.

Part I.

Item 1 Business

CORPORATE PROFILE

The Business of First National Community Bancorp, Inc.

THE COMPANY

First National Community Bancorp, Inc. (the company) is a Pennsylvania business, incorporated in 1997 and is registered as a financial holding company under the Bank Holding Company Act of 1956, as amended. The company became an active bank holding company on July 1, 1998 when it assumed ownership of First National Community Bank (the bank). On November 2, 2000, the Federal Reserve Bank of Philadelphia approved the company s application to change its status to a financial holding company as a complement to the company s strategic objective. The bank is a wholly-owned subsidiary of the company.

The company s primary activity consists of owning and operating the bank, which provides customary retail and commercial banking services to individuals and businesses. The bank provides practically all of the company s earnings as a result of its banking services.

THE BANK

The bank was established as a national banking association in 1910 as The First National Bank of Dunmore. Based upon shareholder approval received at a Special Shareholders Meeting held October 27, 1987, the bank changed its name to First National Community Bank effective March 1, 1988. The bank s operations are conducted from offices located in Lackawanna and Luzerne Counties, Pennsylvania:

Office	Date Opened
Main	October 1910
Scranton	September 1980
Dickson City	December 1984
Fashion Mall	July 1988
Wilkes-Barre	July 1993
Pittston Plaza	April 1995

Kingston	August 1996
Exeter	November 1998
Daleville	April 2000
Plains	June 2000
Back Mountain	October 2000
Clarks Green	October 2001
Hanover Township	January 2002
Nanticoke	April 2002
Hazleton	October 2003
Route 315	February 2004

The bank provides many commercial banking services to individuals and businesses, including a wide variety of deposit instruments including Image Checking and E-Statement. Consumer loans include both secured and unsecured installment loans, fixed and variable rate mortgages, jumbo mortgages, home equity term loans and lines of credit and Instant Money overdraft protection loans. Additionally, the bank is also in the business of underwriting indirect auto loans which are originated through various auto dealers in northeastern Pennsylvania and dealer floor plan loans. MasterCard and VISA personal credit cards are available through the bank, as well as the FNCB Check Card which allows customers to access their checking account at any retail location that accepts VISA and serves the dual purpose of an ATM card. In the commercial lending field, the bank offers demand and term loans, either secured or unsecured, letters of credit, working capital loans, accounts receivable, inventory or equipment financing loans, and commercial mortgages. In addition, the bank offers MasterCard and VISA processing services to its commercial customers, as well as our Cash Management service which can be accessed through FNCBusiness Online, which is Internet based. FNCBusiness Online is a menu driven product that allows our business customers to have direct access to their account information and the ability to perform internal and external transfers and process Direct Deposit payroll transactions for employees, 24 hours a day, 7 days a week, from their place of business. As a result of the bank s partnership with INVEST, our customers are able to access alternative products such as mutual funds, annuities, stock and bond purchases, etc. directly from our INVEST representatives. The bank also offers customers the convenience of 24-hour banking, seven days a week, through FNCB Online via the Internet and its ATM network. Automated teller machines are available at the following locations:

Community Offices	Remote Locations
Dunmore	Petro Truck Stop, 98 Grove St., Dupont
Scranton	Bill s Shursave Supermarket, Rt. 502, Daleville
Dickson City	Joe s Kwik Mart, 620 N. Blakely St., Dunmore
Fashion Mall	Joe s Kwik Mart, Rts 940 and I-380, Pocono Summit
Wilkes-Barre	Joe s Kwik Mart, RR1, Newfoundland
Pittston	Joe s Kwik Mart, Providence Rd. and Main Ave., Scranton
Kingston	Hess Gas Station, 5128 Milford Road, East Stroudsburg
Exeter	
Daleville	
Plains	
Back Mountain	
Clarks Green	
Hanover Township	
Nanticoke	
Hazleton	
Route 315	

Additionally, to further enhance 24-hour banking services, Telephone Banking (Account Link), Loan by Phone, and Mortgage Link are available to customers. These services provide consumers the ability to access account information, perform related account transfers, and apply for a loan through the use of a touch tone telephone. Also, in our efforts to continually provide consumers the best possible service, the bank implemented in 2004 a Bounce Protection service which provides consumers with an added level of protection against unanticipated cash flow emergencies and account reconciliation errors.

As of December 31, 2004, industry concentrations exist within the following eight industries. Loans and lines of credit to each of these industries were as follows:

	Amount	% of Regulatory Capital
Shopping Centers/Complexes	$36,914,000	45%
Hotels	$33,510,000	41%
Restaurants	$29,827,000	36%
Land Subdivision	$27,874,000	34%
Automobile Dealers	$24,818,000	30%
Office Complexes/Units	$21,292,000	26%
General Government	$20,797,000	25%
Gas Stations	$20,137,000	25%

First lien mortgages on the real estate and a diverse group of borrowers, including carefully selected automobile dealers, provide security against undue risks in the portfolio.

COMPETITION

The bank is one of two financial institutions with principal offices in Dunmore. Primary competition in the Lackawanna County market comes from numerous commercial banks and savings and loan associations operating in the area. Our Luzerne County offices share many of the same competitors we face in Lackawanna County as well as several banks and savings and loans that are not in our Lackawanna County market. Deposit deregulation has intensified the competition for deposits among banks in recent years. Additional competition is derived from credit unions, finance companies, brokerage firms, insurance companies and retailers.

SUPERVISION AND REGULATION

The company is subject to the Securities Exchange Act of 1934 (1934 Act) and must file quarterly and annual reports with the U.S. Securities and Exchange Commission regarding its business operations. As a registered financial holding company under the Bank Holding Company Act of 1956, as amended, the company is subject to the supervision and examination by the Federal Reserve Board.

The bank is subject to regulation and supervision by the Office of the Comptroller of the Currency, which includes regular examinations of the bank s records and operations. As a member of the Federal Deposit Insurance Corporation (FDIC), the bank s depositors accounts are insured up to $100,000 per ownership category. To obtain this protection for its depositors, the bank pays an assessment and is subject to the regulations of the FDIC. The bank is also a member of the Federal Reserve System and as such is subject to the rules promulgated by the Federal Reserve Board.

Financial Services Modernization Legislation. - In November 1999, the Gramm-Leach-Bliley Act of 1999, or the GLB, was enacted. The GLB repeals provisions of the Glass-Steagall Act which restricted the affiliation of Federal Reserve member banks with firms engaged principally in specified securities activities, and which restricted officer, director or employee interlocks between a member bank and any company or person primarily engaged in specified securities activities.

In addition, the GLB also contains provisions that expressly preempt any state law restricting the establishment of financial affiliations, primarily related to insurance. The general effect of the law is to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms and other financial service providers by revising and expanding the Bank Holding Company Act framework to permit a holding company to engage in a full range of financial activities through a new entity known as a financial holding company. Financial activities is broadly defined to include not only banking, insurance and securities activities, but also merchant banking and additional activities that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

The GLB also permits national banks to engage in expanded activities through the formation of financial subsidiaries. A national bank may have a subsidiary engaged in any activity authorized for national banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, which may only be conducted through a subsidiary of a financial holding company. Financial activities include all activities permitted under new sections of the Bank Holding Company Act or permitted by regulation.

To the extent that the GLB permits banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation. The GLB is intended to grant to community banks certain powers as a matter of right that larger institutions have accumulated on an ad hoc basis and which unitary savings and loan holding companies already possess. Nevertheless, the GLB may have the result of increasing the amount of competition that First National Community Bancorp, Inc. faces from larger institutions and other types of companies offering financial products, many of which may have substantially more financial resources than First National Community Bancorp, Inc. has.

USA Patriot Act of 2001 **-** In October 2001, the USA Patriot Act of 2001 was enacted in response to the terrorist attacks in New York, Pennsylvania and Washington D.C. which occurred on September 11, 2001. The Patriot Act is intended to strengthen U.S. law enforcement s and the intelligence communities abilities to work cohesively to combat terrorism on a variety of fronts. The potential impact of the Patriot Act on financial institutions of all kinds is significant and wide ranging. The Patriot Act contains sweeping anti-money laundering and financial transparency laws and imposes various regulations, including standards for verifying client identification at account opening, and rules to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism or money laundering.

IMLAFATA - As part of the USA Patriot Act, Congress adopted the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (IMLAFATA). IMLAFATA amended the Bank Secrecy Act and adopted certain additional measures that increase the obligation of financial institutions, including First National Community Bancorp, Inc., to identify their customers, watch for and report upon suspicious transactions, respond to requests for information by federal banking regulatory authorities and law enforcement agencies, and share information with other financial institutions. The Secretary of the Treasury has adopted several regulations to

4

implement these provisions. First National Community Bancorp, Inc. is also barred from dealing with foreign shell banks. In addition, IMLAFATA expands the circumstances under which funds in a bank account may be forfeited. IMLAFATA also amended the BHC Act and the Bank Merger Act to require the federal banking regulatory authorities to consider the effectiveness of a financial institution s anti-money laundering activities when reviewing an application to expand operations. First National Community Bancorp, Inc. has in place a Bank Secrecy Act compliance program.

Sarbanes-Oxley Act of 2002 - On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the Act). The stated goals of the Act are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

The Act is the most far-reaching U.S. securities legislation enacted in decades. The Act generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934. Due to the SEC s extensive role in implementing rules relating to many of the Act s new requirements, the final scope of these requirements remains to be determined.

The Act includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of certain issues by the SEC. The Act represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

The Act addresses, among other matters:

- audit committees for all reporting companies;
- certification of financial statements by the chief executive officer and the chief financial officer;
- the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer s securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement;
- a prohibition on insider trading during pension plan black out periods;
- disclosure of off-balance sheet transactions;
- a prohibition on personal loans to directors and officers; expedited filing requirements for Form 4 s;
- disclosure of a code of ethics and filing a Form 8-K for a change or waiver of such code;
- real time filing of periodic reports;
- the formation of a public accounting oversight board;
- auditor independence; and
- various increased criminal penalties for violations of securities laws.

The Act contains provisions that were effective upon enactment on July 30, 2002 and provisions that will be phased in for up to one year after enactment. The SEC was delegated the task of enacting rules to implement various provisions with respect to, among other matters, disclosure in periodic filings pursuant to the Exchange Act.

Regulation W - Transactions between a bank and its affiliates are quantitatively and qualitatively restricted under the Federal Reserve Act. The Federal Deposit Insurance Act applies Sections 23A and 23B to insured nonmember banks in the same manner and to the same extent as if they were members of the Federal

Reserve System. The Federal Reserve Board has also recently issued Regulation W, which codifies prior regulations under Sections 23A and 23B of the Federal Reserve Act and interpretative guidance with respect to affiliate transactions. Regulation W incorporates the exemption from the affiliate transaction rules but expands the exemption to cover the purchase of any type of loan or extension of credit from an affiliate. Affiliates of a bank include, among other entities, the bank s holding company and companies that are under common control with the bank. First National Community Bancorp, Inc. is considered to be an affiliate of First National Community Bank. In general, subject to certain specified exemptions, a bank or its subsidiaries are limited in their ability to engage in covered transactions with affiliates:

- to an amount equal to 10% of the bank s capital and surplus, in the case of covered transactions with any one affiliate; and
- to an amount equal to 20% of the bank s capital and surplus, in the case of covered transactions with all affiliates.

In addition, a bank and its subsidiaries may engage in covered transactions and other specified transactions only on terms and under circumstances that are substantially the same, or at least as favorable to the bank or its subsidiary, as those prevailing at the time for comparable transactions with nonaffiliated companies. A covered transaction includes:

- a loan or extension of credit to an affiliate;
- a purchase of, or an investment in, securities issued by an affiliate;
- a purchase of assets from an affiliate, with some exceptions;
- the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any party; and
- the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

In addition, under Regulation W:

- a bank and its subsidiaries may not purchase a low-quality asset from an affiliate;
- covered transactions and other specified transactions between a bank or its subsidiaries and an affiliate must be on terms and conditions that are consistent with safe and sound banking practices; and
- with some exceptions, each loan or extension of credit by a bank to an affiliate must be secured by collateral with a market value ranging from 100% to 130%, depending on the type of collateral, of the amount of the loan or extension of credit.

Regulation W generally excludes all non-bank and non-savings association subsidiaries of banks from treatment as affiliates, except to the extent that the Federal Reserve Board decides to treat these subsidiaries as affiliates.

Concurrently with the adoption of Regulation W, the Federal Reserve Board has proposed a regulation which would further limit the amount of loans that could be purchased by a bank from an affiliate to not more than 100% of the bank s capital and surplus.

EMPLOYEES

As of December 31, 2004 the bank employed 264 persons, including 55 part-time employees.

AVAILABLE INFORMATION

The company files reports, proxy and information statements and other information electronically with the Securities and Exchange Commission. You may read and copy any materials that the company files with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The SEC s website site address is http://www.sec.gov. The company s web site address is http://www.fncb.com. The company makes available free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Further, we will provide electronic or paper copies of the company s filings free of charge upon request. A copy of the company s Annual Report on Form 10-K for the year ended December 31, 2004 may be obtained without charge from our website at www.fncb.com or via email at fncb@fncb.com. Information may also be obtained via written request to First National Community Bancorp, Inc. Attention: Treasurer, 102 East Drinker Street, Dunmore, PA 18512.

Item 2 - Properties

Property	Location	Ownership	Type of Use
1	102 East Drinker Street Dunmore, PA	Own	Main Office
2	419-421 Spruce Street Scranton, PA	Own	Scranton Branch
3	934 Main Street Dickson City, PA	Own	Dickson City Branch
4	277 Scranton/Carbondale Highway Scranton, PA	Lease	Fashion Mall Branch
5	23 West Market Street Wilkes-Barre, PA	Lease	Wilkes-Barre Branch
6	1700 North Township Blvd. Pittston, PA	Lease	Pittston Plaza Branch
7	754 Wyoming Avenue Kingston, PA	Lease	Kingston Branch
8	1625 Wyoming Avenue Exeter, PA	Lease	Exeter Branch
9	Route 502 & 435 Daleville, PA	Lease	Daleville Branch
10	27 North River Road Plains, PA	Lease	Plains Branch
11	169 North Memorial Highway Shavertown, PA	Lease	Back Mountain Branch
12	269 East Grove Street Clarks Green, PA	Own	Clarks Green Branch
13	734 Sans Souci Parkway Hanover Township, PA	Lease	Hanover Township Branch
14	194 South Market Street Nanticoke, PA	Own	Nanticoke Branch
15	200 South Blakely Street Dunmore, PA	Lease	Administrative Center
16	330-352 West Broad Street Hazleton, PA	Own	Hazleton Branch
17	3 Old Boston Road		

Pittston, PA	Lease	Route 315 Branch

7

18	107-109 South Blakely Street Dunmore, PA	Own	Parking Lot
19	114-116 South Blakely Street Dunmore, PA	Own	Parking Lot
20	1708 Tripp Avenue Dunmore, PA	Own	Parking Lot
21	Rt. 209 Marshalls Creek, PA	Own	Land

Item 3 - Legal Proceedings

Neither the company nor its subsidiaries are involved in any material pending legal proceedings, other than routine litigation incidental to the business nor does the company know of any proceedings contemplated by governmental authorities.

Item 4 - Submission of Matters to a Vote of Security Holders

Not Applicable

Part II.

Item 5 - Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

INVESTOR INFORMATION

MARKET PRICES OF STOCK AND DIVIDENDS PAID

The company s common stock is not actively traded. The principal market area for the company s stock is northeastern Pennsylvania, although shares are held by residents of other states across the country. First National Community Bancorp, Inc. is listed in the Over-The-Counter (OTC) Bulletin Board Stocks under the symbol FNCB . Quarterly market highs and lows and dividends paid for each of the past two years are presented below. These prices represent actual transactions. The company expects that comparable cash dividends will be paid in the future.

	MARKET PRICE HIGH	LOW	DIVIDENDS PAID PER SHARE
QUARTER	2004		
First	$16.25	$14.25	$ .08
Second	17.13	14.95	.08
Third	20.88	15.50	.09
Fourth	25.15	20.00	.11
			$ 0.36
QUARTER	2003		
First	$13.90	$ 9.65	$ .07
Second	16.00	13.50	.07
Third	14.00	12.75	.08
Fourth	14.75	12.75	.09
			$ 0.31

* Share and per share information includes the retroactive effect of the 100% stock dividends paid September 30,

2004, which resulted in the issuance of 5,423,425 new shares, and January 31, 2003.

MARKET MAKERS

F.J. Morrissey 1700 Market Street Suite 1420 Philadelphia, PA 19103 (215) 563-8500	Ryan, Beck and Co. 220 South Orange Avenue Livingston, NJ 07039 (973) 597-6000
Monroe Securities 47 State Street Rochester, NY 14614 (716) 546-5560	RBC Dain Rauscher 1211 Avenue of the Americas 32nd Floor New York, NY 10036 (866) 835-1422

TRANSFER AGENT

Registrar and Transfer Company

10 Commerce Drive

Cranford, NJ 07016-9982

Shareholder questions regarding stock ownership should be directed to the Investor Relations Department at Registrar and Transfer Company at 1-800-368-5948.

DIVIDEND CALENDAR

Dividends on the company s common stock, if approved by the Board of Directors, are customarily paid on or about March 15, June 15, September 15 and December 15. Record dates for dividends are customarily on or about March 1, June 1, September 1, and December 1. As of March 11, 2005, the latest practicable date, there were 1,285 shareholders.

Item 6 Selected Financial Data

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(In thousands, except per share data)

	For the Years Ended December 31,				
	2004	2003	2002	2001	2000
Total assets	$907,491	$816,303	$735,327	$676,307	$583,852
Interest-bearing balances with financial institutions	1,980	2,673	3,368	3,161	3,359
Securities	231,831	211,353	205,492	194,109	152,316
Net loans	625,792	552,197	487,976	439,884	393,125
Total deposits	671,713	602,069	540,475	517,334	460,418
Stockholders' equity	75,723	68,738	62,843	51,786	46,684
Net interest income before provision for credit losses	25,269	23,295	22,060	19,233	19,021
Provision for credit losses	1,400	1,200	1,400	1,220	970
Other income	4,789	4,184	3,676	3,151	1,382
Other expenses	17,399	15,483	14,248	12,683	11,752
Income before income taxes	11,259	10,796	10,088	8,481	7,681
Provision for income taxes	1,996	2,159	2,063	1,701	1,661
Net income	9,263	8,637	8,025	6,780	6,020
Cash dividends paid	$3,885	$3,267	$2,832	$2,455	$2,202
Per share data:					
Net income - basic (1)	$0.86	$0.82	$0.78	$0.67	$0.60
Net income - diluted (1)	$0.83	$0.79	$0.75	$0.65	$0.60
Cash dividends (2)	$0.36	$0.31	$0.28	$0.24	$0.22
Book value (1)(3)	$7.02	$6.53	$6.10	$5.12	$4.66
Weighted average number of shares outstanding basic (1)	10,780,407	10,528,978	10,296,251	10,123,991	10,008,979
Weighted average number of shares outstanding-diluted (1)	11,172,587	10,987,190	10,706,854	10,378,882	10,075,383

(1) Earnings per share and book value per share are calculated based on the weighted average number of shares outstanding during each year, after giving retroactive effect to the 100% stock dividends paid September 30, 2004 and January 31, 2003. Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is computed by dividing net income available to common shareholders, adjusted for any changes in income that would result from the assumed conversion of all potential dilutive common shares, by the sum of the weighted average number of common shares outstanding and the effect of all dilutive potential common shares outstanding for the period.

(2) Cash dividends per share have been restated to reflect to retroactive effect of the 100% stock dividends paid September 30, 2004 and January 31, 2003.

(3) Reflects the effect of SFAS No. 115 in the amount of $1,030,000 in 2004, $2,635,000 in 2003, $4,838,000 in 2002, $536,000 in 2001 and $880,000 in 2000.

10

Item 7 - Management s Discussion and Analysis of Financial Condition and Results of Operations

Certain of the matters discussed in this document and in documents incorporated by reference herein, including matters discussed under the caption Management s Discussion and Analysis of Financial Condition and Results of Operation, may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements. The words expect, anticipate, intend, plan, believe, seek, estimate, and similar expressions are intended to identify such forward-looking statemen

The Company s actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation (a) the effects of future economic conditions on the Company and its customers; (b) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; (c) governmental monetary and fiscal policies, as well as legislative and regulatory changes; (d) the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters; (e) the risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements, as well as interest rate risks; (f) the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in the Company s market area and elsewhere, including institutions operating locally, regionally, nationally, and internationally, together with such competitors offering banking products and services by mail, telephone, computer, and the Internet; (g) technological changes; (h) acquisitions and integration of acquired businesses; (i) the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities; and (j) acts of war or terrorism. All written or oral forward-looking statements attributable to the Company are expressly qualified in their entirety by these cautionary statements. The company undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in other documents that are filed periodically with the SEC.

The following financial review of First National Community Bancorp, Inc. is presented on a consolidated basis and is intended to provide a comparison of the financial performance of the company, including its wholly-owned subsidiary, First National Community Bank for the years ended December 31, 2004, 2003 and 2002. The information presented below should be read in conjunction with the company s consolidated financial statements and accompanying notes appearing elsewhere in this report.

SUMMARY

Net Income totaled $9,263,000 in 2004 which was $626,000, or 7%, higher than the $8,637,000 earned in 2003. The $8,637,000 earned in 2003 was $612,000, or 8%, higher than the $8,025,000 earned in 2002. Basic earnings per share were $.86, $.82 and $.78 in 2004, 2003 and 2002. The weighted average number of shares outstanding in 2004 was 10,780,407 while the weighted average number of shares in 2003 and 2002 were 10,528,978 and 10,296,251.

The earnings improvement recognized in 2004 as compared to 2003 includes a $2.0 million, or 8%, increase in net interest income before the provision for credit losses, a $543,000, or 19%, increase in fee income and a $62,000 increase in net gains from the sale of assets. Growth and increased costs contributed to a $1.9 million, or 12%, increase in operating expenses and $200,000 of additional credit loss provisions. Federal income tax expense decreased $163,000 in comparison to 2003.

The increase reported in 2003 over the 2002 earnings was due primarily to the $1.2 million improvement in net interest income before providing for credit losses. Total other income also improved $508,000 in comparison to the prior year as service charges and fees improved $359,000, or 14%, and gains from the sale of loans, securities and other real estate increased $149,000. The provision for credit losses was $200,000 lower than the 2002 level, also contributing to the improved earnings. These increases were offset partially by a $1.2 million increase in total expenses and $96,000 of additional book tax expense.

Return on assets for the years ended December 31, 2004, 2003 and 2002 was 1.08%, 1.11% and 1.12%. Return on equity was 12.86% in 2004, 13.15% in 2003 and 13.96% in 2002.

NET INTEREST INCOME

Net interest income, the difference between interest income and fees on earning assets and interest expense on deposits and borrowed funds, is the largest component of the company s operating income and as such is the primary determinant of profitability. Changes in net interest income occur due to fluctuations in the balances and/or mixes of interest-earning assets and interest-bearing liabilities, and changes in their corresponding interest yields and costs. Before providing for future credit losses, net interest income increased $1,974,000 in 2004 due to growth in loans and deposits and the positive effect of the spread earned on interest sensitive assets and liabilities. Changes in non-performing assets, together with interest lost and recovered on those assets, also impact comparisons of net interest income. In the following schedules, net interest income is analyzed on a tax-equivalent basis, thereby increasing interest income on certain tax-exempt loans and investments by the amount of federal income tax savings realized. In this manner, the true economic impact on earnings from various assets and liabilities can be more accurately compared.

In 2004, tax-equivalent net interest income increased $2.0 million, or 8%, over the 2003 level. Growth of the balance sheet again proved positive, adding $3.7 million to net interest income, while the impact of repricing reduced earnings by $1.7 million. Increased income due to loan growth was the primary contributor to the improvement.

Average loans outstanding increased $86 million, or 17%, in 2004, resulting in a $2.5 million improvement in earnings. Commercial volume contributed $4.6 million of improved earnings and retail growth added $669,000. However, growth and repricing at lower than historic interest rate levels led to a .47% decrease in the yield earned on the portfolio, reducing income by $2.8 million due to rates.

Average securities were $3.0 million lower in 2004 as liquidity was utilized to fund the significant level of loan growth. The lower balances combined with a .34% decrease in the yield earned reduced interest income by $870,000 from the 2003 level. Money market balances and rates were also lower in 2004, and earnings on this category decreased $19,000 from the prior year total.

Average interest-bearing deposits grew $55 million, or 11%, in 2004. Interest-bearing demand balances increased $48 million due to additional municipal relationships and internal reclassification of accounts while average savings deposits increased $13 million. This growth in lower costing demand and savings balances, combined with a $6 million reduction in certificate of deposit balances led to a .35% reduction in the cost of deposits and a $742,000 decrease in interest expense. Average borrowed funds increased $17 million in 2004 but a .34% reduction in the cost of these balances limited the increase in interest expense to $292,000.

Overall, growth of the balance sheet offset a .04% decrease in the net interest spread, resulting in the $2.0 million improvement in net interest income. The net interest margin was reduced .10% in 2004 as much of the growth was recorded at historically low interest rate levels. Investment leveraging transactions continued to add to the profitability of the company in 2004, contributing over $900,000 to pre-tax earnings, but the average spread earned on the transaction of 1.29% contributed to the reduced margin. Exclusive of these transactions, the net interest margin in 2004 would have been 3.56% compared to 3.82% in 2003.

During 2003, tax-equivalent net interest income increased $1,250,000, or 5%, over the 2002 level. Significant loan growth had a major impact on the improved earnings. Effective asset-liability management techniques also contributed to the earnings improvement as sound pricing policies limited compression in the net interest margin during a year which saw interest rates reach decade old lows.

Average loans increased $49 million, or 11%, over the 2002 level, but earnings on the portfolio decreased $786,000 as rates earned on variable rate assets declined and new growth was added at historically low levels. Commercial loan balances increased by $41 million, or 12%, but earnings on these assets decreased $82,000 due to repricing and new growth rates. Average consumer loans increased $7.5 million in 2003 due primarily to growth in home equity loans and an increase in the indirect auto portfolio. Falling interest rates also had a significant impact on consumer loan income as earnings from the portfolio was $704,000 lower than the year before. Overall, the yield earned on total loans declined .81% in 2003 which resulted in $786,000 less earnings on $49 million more loans.

Total securities were $10 million higher than the 2002 average balance. Falling interest rates also had a negative impact on the securities portfolio as the low rates of 2003 lead to record mortgage-refinancing activity, resulting in an acceleration of principal prepayments on securities. As these monies are reinvested at current rates, earnings compression occurs. During 2003, the yield earned on average securities was .85% lower than in 2002, contributing to the $1.2 million reduction in interest income. Money market assets were also impacted by falling rates combined with a planned reduction in this lowest yielding asset. A $4 million decrease in average money market assets and a .57% drop in the rate earned on these assets lead to a $140,000 decrease in interest income.

Average interest-bearing deposits increased $25 million in 2003 due primarily to growth in lower costing demand and savings balances. Interest rate reductions had a positive impact on the company s earnings in this area as the .85% decrease in the cost of deposits resulted in a $3.5 million reduction in interest expense. Borrowed funds and other interest-bearing liabilities were $15 million higher on average than last year, but a .50% reduction in the cost of these funds limited the increased expense to $151,000.

As a result of the growth of the balance sheet combined with a reduction in the yields earned and paid, the company s net interest margin decreased .09% from the 3.53% reported in 2002 to 3.44%. Another factor affecting the company s net interest margin are investment leveraging transactions which match assets with liabilities at various points in the interest rate cycles. These transactions provided over $700,000 of net interest income in 2003, but the interest spread of .79% had a negative impact on the company s net interest margin. Exclusive of these transactions, the 2003 margin would have been 3.82% which is .12% lower than the comparable 3.94% recorded in 2002.

13

Yield Analysis
(dollars in thousands-taxable equivalent basis)(1)

	2004			2003			2002		
	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate	Average Balance	Interest Income/ Expense	Average Interest Rate
ASSETS:									
Earning Assets:(2)									
Commercial loans-taxable	$435,758	$24,076	5.53%	$371,296	$21,869	5.89%	$329,175	$21,810	6.63%
Commercial loans-tax free	28,348	2,004	7.07%	18,412	1,384	7.52%	19,250	1,525	7.92%
Mortgage loans	21,863	1,372	6.28%	20,869	1,435	6.88%	22,307	1,742	7.81%
Installment loans	110,560	6,212	5.62%	100,287	6,521	6.50%	91,296	6,918	7.58%
Total Loans	596,529	33,664	5.64%	510,864	31,209	6.11%	462,028	31,995	6.92%
Securities-taxable	163,782	6,617	4.04%	161,089	6,989	4.34%	153,831	8,383	5.45%
Securities-tax free	49,586	3,824	7.71%	55,234	4,322	7.83%	52,119	4,141	7.95%
Total Securities	213,368	10,441	4.89%	216,323	11,311	5.23%	205,950	12,524	6.08%
Interest-bearing deposits with banks	2,063	44	2.13%	3,285	82	2.50%	3,380	138	4.08%
Federal funds sold	4,121	62	1.50%	3,528	43	1.22%	7,659	127	1.66%
Total Money Market Assets	6,184	106	1.70%	6,813	125	1.83%	11,039	265	2.40%
Total Earning Assets	816,081	44,211	5.42%	734,000	42,645	5.81%	679,017	44,784	6.60%
Non-earning assets	49,980			48,542			43,898		
Allowance for credit losses	(6,848)			(6,625)			(5,995)		
Total Assets	$859,213			$775,917			$716,920		
LIABILITIES AND STOCKHOLDERS' EQUITY:									
Interest-Bearing Liabilities:									
Interest-bearing demand deposits	$163,826	$1,605	0.98%	$116,196	$1,097	0.94%	$104,968	$1,750	1.67%
Savings deposits	80,112	599	0.75%	66,974	599	0.89%	56,878	799	1.40%
Time deposits over $100,000	99,584	2,102	2.11%	95,090	2,199	2.31%	93,501	2,750	2.94%
Other time deposits	216,453	6,125	2.83%	226,592	7,278	3.21%	224,820	9,414	4.19%
Total Interest-Bearing Deposits	559,975	10,431	1.86%	504,852	11,173	2.21%	480,167	14,713	3.06%
Borrowed funds and other Interest-bearing liabilities	148,309	6,529	4.40%	131,616	6,237	4.74%	116,220	6,086	5.24%
Total Interest-Bearing Liabilities	708,284	16,960	2.39%	636,468	17,410	2.74%	596,387	20,799	3.49%
Demand deposits	72,700			68,273			57,926		
Other liabilities	6,224			5,763			5,382		
Stockholders' equity	72,005			65,413			57,225		
Total Liabilities and Stockholders' Equity	$859,213			$775,917			$716,920		
Net Interest Income Spread		$27,251	3.03%		$25,235	3.07%		$23,985	3.11%
Net Interest Margin			3.34%			3.44%			3.53%

(1) In this schedule and other schedules presented on a tax-equivalent basis, income that is exempt from federal income taxes, i.e. interest on state and municipal securities, has been adjusted to a tax-equivalent basis using a 34% federal income tax rate.
(2) Excludes non-performing loans.

14

RATE VOLUME ANALYSIS

The most significant impact on net income between periods is derived from the interaction of changes in the volume and rates earned or paid on interest-earning assets and interest-bearing liabilities. The volume of earning dollars in loans and investments, compared to the volume of interest-bearing liabilities represented by deposits and borrowings, combined with the spread, produces the changes in net interest income between periods. Components of interest income and interest expense are presented on a tax-equivalent basis using the statutory federal income tax rate of 34%.

The following table shows the effect of changes in volume and interest rates on net interest income. The variance in interest income or expense due to the combination of rate and volume has been allocated proportionately.

Rate/Volume Variance Report(1)
(in thousands-taxable equivalent basis)

	2004 vs 2003			2003 vs 2002		
		Increase(Decrease)			Increase(Decrease)	
	Total Change	Due to Volume	Due to Rate	Total Change	Due to Volume	Due to Rate
Interest Income:						
Commercial loans-taxable	$ 2,207	$ 3,881	$ (1,674)	$ 59	$ 2,803	$ (2,744)
Commercial loans-tax free	620	753	(133)	(141)	(66)	(75)
Mortgage loans	(63)	68	(131)	(307)	(112)	(195)
Installment loans	(309)	601	(910)	(397)	596	(993)
Total Loans	2,455	5,303	(2,848)	(786)	3,221	(4,007)
Securities-taxable	(372)	24	(396)	(1,394)	392	(1,786)
Securities-tax free	(498)	(442)	(56)	181	247	(66)
Total Securities	(870)	(418)	(452)	(1,213)	639	(1,852)
Interest-bearing deposits with banks	(38)	(30)	(8)	(56)	(4)	(52)
Federal funds sold	19	7	12	(84)	(68)	(16)
Total Money Market Assets	(19)	(23)	4	(140)	(72)	(68)
Total Interest Income	1,566	4,862	(3,296)	(2,139)	3,788	(5,927)
Interest Expense:						
Interest-bearing demand deposits	508	401	107	(653)	182	(835)
Savings deposits	0	115	(115)	(200)	137	(337)
Time deposits over $100,000	(97)	70	(167)	(551)	47	(598)
Other time deposits	(1,153)	(265)	(888)	(2,136)	79	(2,215)
Total Interest-Bearing Deposits	(742)	321	(1,063)	(3,540)	445	(3,985)
Borrowed funds and other interest-bearing liabilities	292	791	(499)	151	806	(655)
Total Interest Expense	(450)	1,112	(1,562)	(3,389)	1,251	(4,640)
Net Interest Income	$ 2,016	$ 3,750	$ (1,734)	$ 1,250	$ 2,537	$ (1,287)

(1) Changes in interest income and interest expense attributable to changes in both volume and rate have been allocated proportionately to changes due to volume and changes due to rate.

15

CURRENT YEAR

In 2004, tax-equivalent net interest income increased $2.0 million from the 2003 total. Balance sheet growth added $3.7 million as the $4.8 million of income attributed to growth more than offset the $1.1 million of interest expense associated with increased deposits and borrowed funds. Repricing and growth at historically low interest rate levels had a negative impact on net interest income in 2004, resulting in a $1.7 million reduction when compared to 2003 totals.

Loan growth added $5.3 million to earnings in 2004, due primarily to the $4.6 million of interest income generated from commercial loan growth. Growth during the first half of 2004 was originated at low interest rates, however, which resulted in a $1.8 million decrease due to repricing. Retail growth contributed $669,000 of interest income, but this increase was negated by a $1.0 million negative variance due to repricing. Interest income from the securities portfolio was down $870,000 from 2003 due to reduced balances and lower rates while earnings from money market assets were $19,000 lower in 2004. Overall, interest income improved $1.5 million comprised of a $4.8 million increase due to volume and a $3.3 million negative variance due to rate.

New deposits added $321,000 of interest expense in 2004, but the effect of interest rates reduced interest expense by $1.0 million compared to last year primarily due to repricing on certificates of deposit. New borrowings added $791,000 of additional interest expense but lower interest rates reduced the cost by $499,000 compared to 2003. Overall, interest expense was $450,000 lower in 2004 as the $1.6 million positive offset due to pricing more than offset the $1.1 million increase due to growth.

PRIOR YEAR

In 2003, tax-equivalent net interest income was $1,250,000 higher than the 2002 total. Growth of the balance sheet added $2.5 million to earnings in 2003 as the $3.8 million of income earned on new loans and securities more than offset the $1.3 million cost of new deposits and borrowings. Loan growth added $3.2 million of income while new securities and money market assets provided an additional $567,000. Interest expense increased $445,000 due to deposit growth while the additional borrowed funds cost $806,000. Repricing and growth at historically low levels had a negative impact on earnings in 2003. The reduced yield on loans resulted in a $4 million decrease due to rate while income from investment securities and money market assets decreased $1.9 million from the 2002 level. Interest expense was also impacted by falling rates but to a lesser extent as rate reductions on lower costing demand and savings balances were limited. Interest on deposits decreased $4.0 million in 2003 and the cost of borrowed funds decreased $655,000 due to the lower cost of newly originated borrowings.

PROVISION FOR CREDIT LOSSES

The provision for credit losses varies from year to year based on management's evaluation of the adequacy of the allowance for credit losses in relation to the risks inherent in the loan portfolio. In its evaluation, management considers credit quality, changes in loan volume, composition of the loan portfolio, past experience, delinquency trends, and the economic conditions. Consideration is also given to examinations performed by regulatory authorities and the company's independent auditors. The provision for credit losses was $1,400,000 in 2004, $1,200,000 in 2003 and $1,400,000 in 2002. The ratio of the loan loss reserve to total loans was 1.12% at December 31, 2004 and 1.18% at December 31, 2003.

OTHER INCOME

Other Income	2004	2003	2002
	(in thousands)		
Service charges	$1,929	$1,575	$1,371
Net gain on the sale of securities	846	657	366
Net gain on the sale of loans	499	555	339
Net gain on the sale of other real estate	25	96	454
Other	1,490	1,301	1,146
Total Other Income	$4,789	$4,184	$3,676

The company s other income category can be separated into three distinct sub-categories; service charges make up the core component of this area of earnings while net gains (losses) from the sale of assets and other fee income comprise the balance.

In 2004, service charges on deposits increased $354,000, or 22%, from the 2003 total. Approximately $270,000 of this increase can be attributed to new overdraft privilege fees associated with the BOUNCE Protection program. Net gains from the sale of assets totaled $1.4 million in 2004, a $62,000 increase from the 2003 total, as securities and loans were sold to shed interest rate risk. Other income improved $189,000 in 2004 due primarily to increased fees collected on outstanding letters of credit. In total, other income improved $605,000, or 14%, in 2004.

During 2003, other income increased $508,000, or 14%, over the prior year. Service charges on deposits improved by $204,000, or 15%, due primarily to an increase in assessable accounts as well as revisions to the fee schedule. Other fee income improved $155,000 in 2003 comprised of an $89,000 increase in letter of credit fees, a $35,000 increase in merchant credit card processing and a $31,000 net increase in all other fees. Gains from asset sales totaled $1.3 million in 2003 which was $149,000 higher than the 2002 total. Investment securities were sold to restructure the portfolio while long-term, fixed-rate residential mortgage loans were sold to minimize interest rate risk.

OTHER EXPENSES

Other Expenses	2004	2003	2002
	(in thousands)		
Salary expense	$ 6,905	$ 6,061	$ 5,569
Employee benefit expense	1,787	1,580	1,421
Occupancy expense	1,556	1,471	1,388
Equipment expense	1,257	1,193	1,161
Directors fees	468	464	372
Advertising expense	650	575	604
Data processing expense	1,309	1,116	941
Bank shares tax	583	410	342
Other operating expenses	2,884	2,613	2,450
Total Other Expenses	$17,399	$15,483	$14,248

During 2004, total other expenses increased $1.9 million, or 12%, from the 2003 total. Employee costs rose $1.1 million, which was over 50% of the increase. Occupancy and equipment costs rose $149,000 while all other expenses increased $716,000, or 14%. The company s overhead ratio, which measures non-interest expense as a percentage of average assets, was 2.02% in 2004 compared to 2.00% in 2003. A significant portion of the increased costs can be attributed to two new community offices which opened in October 2003 and February 2004.

Salary and benefit costs accounted for 50% of total operating expenses in 2004. Salaries increased $844,000, or 14% in 2004, which includes $148,000 attributed to two new community offices. The $207,000 increase in benefit costs also includes $30,000 due to the new offices, a $60,000 increase in the company s contribution to the employee s profit sharing plan and a higher level of payroll related taxes. At December 31, 2004, the company had 236 full-time equivalent employees on staff, a 4% increase over the 227 reported on December 31, 2003.

The increase in occupancy and equipment costs includes $128,000 due to the new offices while other significant increases include a $193,000 increase in data processing costs and a $173,000 increase in bank shares tax expense.

In 2003, total other expenses increased $1.2 million, or 9%, from the 2002 level. Employee costs increased $651,000, or 53% of the total while occupancy and equipment costs rose $115,000. All other expenses increased $469,000, or 38% of the total increase. The company s overhead ratio was 2.00% in 2003 compared to 1.99% in 2002.

Salary and benefit costs comprise approximately one-half of the company s non-interest expense. Salaries increased $492,000 in 2003, including a $182,000 expense for stock options which reflects the early adoption of SFAS No. 148 Accounting for Stock Based Compensation . Please refer to Note 12 to the financial statements for a complete disclosure of stock-based compensation. Exclusive of stock-based compensation, salaries increased $310,000, or 6%, due to merit increases and the additional costs associated with expansion. At December 31, 2003, the company had 227 full-time equivalent employees on staff compared to the 210 reported on December 31, 2002.

Occupancy and equipment costs increased 6% and 3%, respectively, due primarily to costs associated with a new community office. All other operating expenses increased $469,000, or 10%. Much of the increase was attributed to rising data processing costs and expenses associated with a new office.

PROVISION FOR INCOME TAXES

Federal income tax expense decreased $163,000 compared to last year. The $463,000 increase in income before taxes added $157,000 to the book provision while benefits received from tax-exempt income and other permanent differences had a $320,000 positive effect compared to 2003. Deferred tax items also contributed to the lower book provision. The company s effective tax rate was 17.7% in 2004 and 20.0% in 2003.

During 2003, federal income tax expense increased $96,000 over the 2002 total. The increased expense at the statutory rate due to the earnings improvement was $241,000 but this was reduced by benefits received from tax-exempt income, a reduction in non-deductible interest expense and an increased benefit from other deferred tax items. The company s effective tax rate was 20.0% in 2003 compared to 20.5% in 2002.

FINANCIAL CONDITION

Total assets increased $91 million, or 11%, during 2004 to $907 million which surpassed the $81 million increase recorded in 2003. Loan growth of $74 million and a $20 million increase in securities was funded by a $70 million increase in total deposits and a $14 million increase in borrowed funds. A reduced level of cash and cash equivalents and increased capital from retained earnings funded all other balance sheet growth.

SECURITIES

The primary objectives in managing the company s securities portfolio are to maintain the necessary flexibility to meet liquidity and asset and liability management needs and to provide a stable source of interest income.

Total securities increased $20 million during 2004. While interest rates remained low during the first half of the year, the forecast of higher rates and the ultimate action of the Federal Reserve to raise rates resulted in a slowdown in the amount of principal returned in the form of calls or prepayments. The forecast of higher rates also contributed to the sale of $68 million of securities during the year as the portfolio was positioned for rising rates. In order to fulfill the objectives of the securities portfolio and to remain fully invested, over $125 million of new purchases were added during 2004.

New purchases included $13 million of securities which were funded with structured borrowings, thereby providing a favorable spread between the rate earned on the securities and the cost of the borrowings. As of December 31, 2004, the company had $67 million of these leveraged transactions outstanding. Management remains committed to strategies which limit purchases to those that are virtually free of credit risk and will help to meet the objectives of the company s investment and asset/liability management policies. Other security purchases include bonds which will provide book income at current market rates with minimal extension risk in order to reduce the risk of rising rates. Investment sales were executed to shed the portfolio of bonds purchased for declining rates, low earning bonds and bonds which had been reduced in size by principal prepayments to below portfolio parameters.

The following table sets forth the carrying value of securities at the dates indicated:

	December 31, 2004	2003	2002
	(in thousands)		
U.S. Treasury securities and obligations of U.S. government agencies	$31,770	$ 17,771	$ 13,029
Obligations of state and political subdivisions	55,955	61,539	57,864
Mortgage-backed securities	117,050	110,278	127,424
Corporate debt securities	18,983	13,021	425
Equity securities	8,073	8,744	6,750
Total	$231,831	$211,353	$205,492

18

The following table sets forth the maturities of securities at December 31, 2004 (in thousands) and the weighted average yields of such securities calculated on the basis of the cost and effective yields weighted for the scheduled maturity of each security. Tax-equivalent adjustments, using a 34% rate, have been made in calculating yields on obligations of state and political subdivisions.

	Within One Year	2 - 5 Years	6 - 10 Years	Over 10 Years	Mortgage-Backed Securities	No Fixed Maturity	Total
U.S. Treasury securities	$ 0	$1,002	$ 0	$ 0	$ 0	$ 0	$ 1,002
Yield		2.43%					2.43%
Obligations of U.S. government agencies	5,029	4,026	16,985	4,916			30,956
Yield	2.28%	3.66%	3.50%	3.47%			3.32%
Obligations of state and political subdivisions (1)		1,450	5,275	46,388			53,113
Yield		6.81%	6.57%	7.43%			7.33%
Corporate debt securities			1,611	17,527			19,138
Yield			4.83%	4.22%			4.27%
Mortgage-backed securities					117,986		117,986
Yield					4.58%		4.58%
Equity securities (2)						8,073	8,073
Yield						3.87%	3.87%
Total maturities	$5,029	$6,478	$23,871	$68,831	$117,986	$8,073	$230,268
Weighted yield	2.28%	4.17%	4.27%	6.33%	4.58%	3.87%	4.98%

(1)Yields on state and municipal securities have been adjusted to a tax-equivalent basis using a 34% federal income tax rate.

(2)Yield presented represents 2004 actual return

LOANS

Total loans increased $74 million, or 13%, in 2004. Almost 90% of the growth recorded during the year was real estate related, including a $62 million increase in commercial mortgages and a $3 million increase in home equity loans. Residential mortgage loans decreased $1 million during the year as $30 million of loan balances were sold in the secondary market to reduce the company s interest rate risk exposure and to secure funding for anticipated loan originations. The increase in other loans represents loans to state and municipal entities and includes a local issue funded in 2004 for $7 million. Installment loan balances grew $2 million in 2004 while other commercial loan balances decreased $1 million as payments offset new growth.

Details regarding the loan portfolio for each of the last five years ending December 31 are as follows:

Loans Outstanding

(in thousands)

	2004	2003	2002	2001	2000
Commercial and Financial	$130,937	$132,319	$ 115,651	$ 94,360	$ 79,483
Real Estate	402,792	337,423	294,864	274,255	246,061
Installment	69,027	66,981	63,258	62,786	62,504
Other	30,136	22,052	20,343	14,077	10,327
Total Loans Gross	632,892	558,775	494,116	445,478	398,375
Allowance for Credit Losses	(7,100)	(6,578)	(6,140)	(5,594)	(5,250)
Net Loans	$625,792	$552,197	$487,976	$439,884	$393,125

The following schedule shows the repricing distribution of loans outstanding as of December 31, 2004. Also provided are these amounts classified according to sensitivity to changes in interest rates.

Loans Outstanding - Repricing Distribution

(in thousands)

	Within One Year	One to Five Years	Over Five Years	Total
Commercial and Financial	$107,666	$20,332	$2,939	$130,937
Real Estate	259,782	82,440	60,570	402,792
Installment	2,363	63,355	3,309	69,027
Other	5,770	6,841	17,525	30,136
Total	$375,581	$172,968	$84,343	$632,892
Loans with predetermined interest rates	$23,212	$94,682	$67,542	$185,436
Loans with floating rates	352,369	78,286	16,801	447,456
Total	$375,581	$172,968	$84,343	$632,892

ASSET QUALITY

The company manages credit risk through the application of policies and procedures designed to foster sound underwriting and credit monitoring practices, although, as is the case with any financial institution, a certain degree of credit risk is dependent in part on local and general economic conditions that are beyond the company s control.

The company's risk management committee meets quarterly or more often as required and makes recommendations to the board of directors regarding provisions for credit losses. The committee reviews individual problem credits and ensures that ample reserves are established considering both general allowances and specific allocations.

The following schedule reflects various non-performing categories as of December 31 for each of the last five years:

	2004	2003	2002	2001	2000
	(in thousands)				
Nonaccrual:					
Impaired	$ 0	$ 0	$ 0	$ 0	$ 0
Other	303	844	37	343	645
Loans past due 90 days or more and still accruing	539	622	299	426	224

Other Real Estate Owned	0	0	0	50	0
Total Non-Performing Assets	$842	$1,466	$336	$819	$869

In 2004, total non-performing assets decreased $624,000. Nonaccrual loans decreased $541,000 as $255,000 of the balances carried on December 31, 2003 were charged-off in 2004 and $296,000 were paid in full. A total of $53,000 of the charged-off balances has subsequently been recovered by the company. Management believes that of the loans currently carried as nonaccrual, loss potential is minimal. Loans past due over ninety days decreased $83,000 during the year. The balance of other real estate owned on December 31, 2004 was $0.

During 2003, total non-performing assets increased $1.1 million due to an $807,000 increase in nonaccrual loans and a $323,000 increase in loans past due over ninety days. Management reported that of the loans carried as nonaccrual, loss potential only existed on $444,000 of the balances. Any loss realized on the nonaccrual loans and past due loans would be limited to any collateral deficiency upon disposition. The balance of other real estate owned on December 31, 2003 was $0.

On December 31, 2004, the company s ratio of nonaccrual loans to total loans was .05% compared to the .15% reported in 2003. We continue to rank well ahead of peer banks in measurements of delinquency. The company continues to acknowledge the weakness in local real estate markets, emphasizing strict underwriting standards to minimize the negative impact of the current environment.

ALLOWANCE FOR CREDIT LOSSES

The following table presents an allocation of the allowance for credit losses as of the end of each of the last five years (in thousands):

Loan Loss Reserve Allocation
(in thousands)

	12/31/04		12/31/03		12/31/02		12/31/01		12/31/00	
	Amount	Percentage of Loans in Each Category to Total Loans	Amount	Percentage of Loans in Each Category to Total Loans	Amount	Percentage of Loans in Each Category to Total Loans	Amount	Percentage of Loans in Each Category to Total Loans	Amount	Percentage of Loans in Each Category to Total Loans
Commercial and Financial	$3,041	79%	$4,449	76%	$4,154	76%	$1,577	72%	$2,483	67%
Real Estate	44	3%	53	4%	44	5%	138	7%	190	12%
Installment	272	18%	259	20%	210	19%	183	21%	98	21%
Unallocated	3,743	-	1,817	-	1,732	-	3,696	-	2,479	-
	$7,100	100%	$6,578	100%	$6,140	100%	$5,594	100%	$5,250	100%

The following schedule presents an analysis of the allowance for credit losses for each of the last five years (in thousands):

	Years Ended December 31				
	2004	2003	2002	2001	2000
Balance, January 1	$6,578	$6,140	$5,594	$5,250	$4,714
Charge-Offs:					
Commercial and Financial	293	314	256	233	70
Real Estate	412	109	455	474	268
Installment	423	579	307	360	355
Total Charge-Offs	1,128	1,002	1,018	1,067	693
Recoveries on Charged-Off Loans:					
Commercial and Financial	51	13	2	6	10
Real Estate	66	7	10	20	122
Installment	133	220	152	165	127
Total Recoveries	250	240	164	191	259
Net Charge-Offs	878	762	854	876	434

Provision for Credit Losses	1,400	1,200	1,400	1,220	970
Balance, December 31	$7,100	$6,578	$6,140	$5,594	$5,250
Net Charge-Offs during the period as a percentage of average loans outstanding during the period	.15%	.15%	.18%	.21%	.11%
Allowance for credit losses as a percentage of net loans outstanding at end of period	1.12%	1.18%	1.24%	1.26%	1.32%

Net charge-offs increased $116,000 in 2004 but remained stable as a percentage of average loans. The installment loan charge-offs include $289,000 of indirect auto loans of which $121,000 was recovered through sale during the year. All other charge-off s include writedowns on credits incurred in the normal course of business. During 2004,

21

$255,000 of the balances carried as nonaccrual on December 31, 2003 were charged-off of which $43,000 was recovered later in the year. The company s ratio of net charge-off s to average loans is comparable to its national peer group while the ratio of the allowance for credit losses to net loans is adequate considering delinquent balances.

DEPOSITS

The primary source of funds to support the company s growth is its deposit base, and emphasis has been placed on accumulating new deposits while making every effort to retain current relationships. Total deposits increased $70 million in 2004 comprised of $63 million in lower costing savings and demand accounts and a $7 million increase in time deposit balances.

The average daily amount of deposits and rates paid on such deposits is summarized for the periods indicated in the following table:

	Year Ended December 31,					
	2004		2003		2002	
	Amount	Rate	Amount	Rate	Amount	Rate
	(dollars in thousands)					
Noninterest bearing demand deposits	$72,700		$68,273		$57,926	
Interest-bearing demand deposits	163,826	0.98%	116,196	0.94%	104,968	1.67%
Savings deposits	80,112	0.75%	66,974	0.89%	56,878	1.41%
Time deposits	316,037	2.60%	321,682	2.95%	318,321	3.82%
Total	$632,675		$573,125		$538,093	

Maturities of time certificates of deposit of $100,000 or more outstanding at December 31, 2004, are summarized as follows:

	Time Certificates Of Deposit
	(in thousands)
3 months or less	$ 50,126
Over 3 through 6 months	10,736
Over 6 through 12 months	13,532
Over 12 months	19,931
Total	$94,325

CAPITAL

A strong capital base is essential to the continued growth and profitability of the company and is therefore a management priority. The company s principal capital planning goals are to provide an adequate return to shareholders while retaining a sufficient base from which to provide for future growth, while at the same time complying with all regulatory standards. As more fully described in Note 13 to the financial statements, regulatory authorities have prescribed specified minimum capital ratios as guidelines for determining capital adequacy to help insure the safety and soundness of financial institutions.

The following schedules present information regarding the company s risk-based capital at December 31, 2004, 2003 and 2002 and selected other capital ratios.

CAPITAL ANALYSIS

(in thousands)

	December 31, 2004	2003	2002
Tier I Capital:			
Shareholders equity	$ 74,693	$ 66,103	$ 58,005
Total Tier I Capital	$ 74,693	$ 66,103	$ 58,005
Tier II Capital:			
Allowable portion of allowance for credit losses	$ 7,100	$ 6,578	$ 6,140
Total Risk-Based Capital	$ 81,793	$ 72,681	$ 64,145
Total Risk-Weighted Assets	$728,681	$633,762	$549,300

CAPITAL RATIOS

	Regulatory Minimum	2004	2003	2002
Total Risk-Based Capital	8.00%	11.22%	11.47%	11.68%
Tier I Risk-Based Capital	4.00%	10.25%	10.43%	10.56%
Tier I Leverage Ratio	4.00%	8.69%	8.52%	8.09%
Return on Assets	N/A	1.08%	1.11%	1.12%
Return on Equity*	N/A	12.86%	13.15%	13.96%
Equity to Assets Ratio*	N/A	8.34%	8.42%	8.55%
Dividend Payout Ratio	N/A	41.95%	37.83%	35.29%

* Includes the effect of SFAS 115 in the amount of $1,030,000 in 2004, $2,635,000 in 2003 and $4,838,000 in 2002.

During 1999, the company implemented a Dividend Reinvestment Plan which has resulted in an influx to capital of $7.4 million to date. The company also adopted stock option plans for directors and senior officers. New capital generated from the exercise of stock options is $2.5 million at December 31, 2004. In November 2002, the company declared a 100% stock dividend which was payable January 31, 2003. As a result of this stock dividend, 2,603,838 new shares were issued on the payable date. The company also paid a 100% stock dividend on September 30, 2004 which resulted in the issuance of 5,423,425 new shares.

In 2004, regulatory capital increased $8.6 million comprised of a $5.4 million increase in retained earnings after paying cash dividends of $3.9 million, a $2.1 million increase due to the company s dividend reinvestment plan and a $1.1 million increase due to the issuance of shares from the company s stock option plans. As of December 31, 2004, there were 8,111,410 shares of stock available for future sale or stock dividends. The number of shareholders of record at December 31, 2004 was 1,246. Quarterly market highs and lows, dividends paid and known market makers are highlighted in the Investor Information section of this Annual Report. Refer to Note 13 to the financial statements for further discussion of capital requirements and dividend limitations.

ECONOMIC CONDITIONS AND FORWARD OUTLOOK

Economic conditions affect financial institutions, as they do other businesses, in a number of ways. Rising inflation affects all businesses through increased operating costs but affects banks primarily through the manner in which they manage their interest sensitive assets and liabilities in a rising rate environment. Economic recession can also have a material effect on financial institutions as the assets and liabilities affected by a decrease in interest rates must be managed in a way that will maximize the largest component of a bank s income, that being net interest income. Recessionary periods may also tend to decrease borrowing needs and increase the uncertainty inherent in the borrowers ability to pay previously advanced loans. Additionally, reinvestment of investment portfolio maturities can pose a problem as attractive rates are not as available. Management closely monitors the interest rate risk of the balance sheet and the credit risk inherent in the loan portfolio in order to minimize the effects of fluctuations caused by changes in general economic conditions.

While we are optimistic about the prospect of continued growth and earnings improvement, any forward-looking statements by their nature are subject to assumptions, risks and uncertainties. Actual results could vary from those implied for a variety of reasons including:

A change in interest rates which is more immediate or more significant than anticipated.

The demand for new loans and the ability of borrowers to repay outstanding debt.

The timing of expansion plans could be altered by forces beyond our control such as weather or regulatory approvals.

Our ability to continue to attract new deposits from our marketplace to meet the daily liquidity needs of the company.

As of this writing, the company was not aware of any pronouncements or legislation that would have a material impact on the results of operations.

Item 7A Quantitative and Qualitative Disclosures About Market Risk

ASSET AND LIABILITY MANAGEMENT

The major objectives of the company s asset and liability management are to:

(1) manage exposure to changes in the interest rate environment to achieve a neutral interest sensitivity position within reasonable ranges,
(2) ensure adequate liquidity and funding,
(3) maintain a strong capital base, and
(4) maximize net interest income opportunities.

The company manages these objectives through its Senior Management and Asset and Liability Management Committees (ALCO). Members of the committees meet regularly to develop balance sheet strategies affecting the future level of net interest income, liquidity and capital. Items that are considered in asset and liability management include balance sheet forecasts, the economic environment, the anticipated direction of interest rates and the company s earnings sensitivity to changes in these rates.

INTEREST RATE SENSITIVITY

The company analyzes its interest sensitivity position to manage the risk associated with interest rate movements through the use of gap analysis and simulation modeling. Interest rate risk arises from mismatches in the repricing of assets and liabilities within a given time period. Gap analysis is an approach used to quantify these differences. A positive gap results when the amount of interest-sensitive assets exceeds that of interest-sensitive liabilities within a given time period. A negative gap results when the amount of interest-sensitive liabilities exceeds that of interest-sensitive assets.

While gap analysis is a general indicator of the potential effect that changing interest rates may have on net interest income, the gap report has some limitations and does not present a complete picture of interest rate sensitivity. First, changes in the general level of interest rates do not affect all categories of assets and liabilities equally or simultaneously. Second, assumptions must be made to construct a gap table. For example, non-maturity deposits are assigned a repricing interval based on internal assumptions. Management can influence the actual repricing of these deposits independent of the gap assumption. Third, the gap table represents a one-day position and cannot incorporate a changing mix of assets and liabilities over time as interest rates change.

Because of the limitations of the gap reports, the company uses simulation modeling to project future net interest income streams incorporating the current gap position, the forecasted balance sheet mix, and the anticipated spread relationships between market rates and bank products under a variety of interest rate scenarios.

The company s interest sensitivity at December 31, 2004 was essentially neutral within reasonable ranges; for example, an interest rate fluctuation of up or down 200 basis points would not be expected to have a significant impact on net interest income.

INTEREST RATE GAP

The following schedule illustrates the company s interest rate gap position as of December 31, 2004 which measures sensitivity to interest rate fluctuations for certain interest sensitivity periods.

Interest Rate Sensitivity Analysis
as of December 31, 2004
(in thousands)

	Rate Sensitive					Not	
	1 to 90 Days	91 to 180 Days	181 to 365 Days	1 to 5 Years	Beyond 5 Years	Rate Sensitive	Total
Commercial loans	$350,837	$5,134	$11,593	$ 95,520	$ 37,040	$ 0	$500,124
Mortgage loans	595	800	2,995	12,620	3,321	0	20,331
Installment loans	24,973	6,196	12,358	59,566	9,344	0	112,437
Total Loans	376,405	12,130	26,946	167,706	49,705	0	632,892
Securities-taxable	26,418	11,725	15,651	77,605	40,456	8,073	179,928
Securities-tax free	0	420	0	24,005	27,478	0	51,903
Total Securities	26,418	12,145	15,651	101,610	67,934	8,073	231,831
Interest-bearing deposits with banks	297	198	1,485	0	0	0	1,980
Federal funds sold	1,700	0	0	0	0	0	1,700
Total Money Market Assets	1,997	198	1,485	0	0	0	3,680
Total Earning Assets	404,820	24,473	44,082	269,316	117,639	8,073	868,403
Non-earning assets	0	0	0	0	0	46,188	46,188
Allowance for credit losses	0	0	0	0	0	(7,100)	(7,100)
Total Assets	$404,820	$24,473	$44,082	$269,316	$117,639	$47,161	$907,491
Interest-bearing demand deposits	$217,669	$ 0	$ 0	$ 0	$ 0	$ 0	$217,669
Savings deposits	85,630	574	789	0	0	0	86,993
Time deposits $100,000 and over	50,127	10,736	13,532	18,508	1,422	0	94,325
Other time deposits	34,947	27,933	49,914	87,983	13,291	0	214,068
Total Interest-Bearing Deposits	388,373	39,243	64,235	106,491	14,713	0	613,055
Borrowed funds and other interest-bearing liabilities	28,325	1,717	8,491	46,439	69,095	0	154,067
Total Interest-Bearing Liabilities	416,698	40,960	72,726	152,930	83,808	0	767,122
Demand deposits	0	0	0	0	0	58,658	58,658
Other liabilities	0	0	0	0	0	5,988	5,988
Stockholders' equity	0	0	0	0	0	75,723	75,723
Total Liabilities and Stockholders' Equity							
	$416,698	$40,960	$72,726	$152,930	$83,808	$140,369	$907,491
Interest Rate Sensitivity gap	$(11,878)	$(16,487)	$(28,644)	$116,386	$33,831	$(93,208)	
Cumulative gap	$(11,878)	$(28,365)	$(57,009)	$59,377	$93,208		

25

EARNINGS AT RISK AND ECOMONIC VALUE AT RISK SIMULATIONS

The company recognizes that more sophisticated tools exist for measuring the interest rate risk in the balance sheet beyond static gap analysis. Although it will continue to measure its static gap position, the company utilizes additional modeling for identifying and measuring the interest rate risk in the overall balance sheet. The ALCO is responsible for focusing on earnings at risk and economic value at risk , and how both relate to the risk-based capital position when analyzing the interest rate risk.

EARNINGS AT RISK

Earnings at risk simulation measures the change in net interest income and net income should interest rates rise and fall. The simulation recognizes that not all assets and liabilities reprice equally and simultaneously with market rates (i.e., savings rate). The ALCO looks at earnings at risk to determine income changes from a base case scenario under an increase and decrease of 200 basis points in the interest rate simulation model.

ECONOMIC VALUE AT RISK

Earnings at risk simulation measures the short-term risk in the balance sheet. Economic value (or portfolio equity) at risk measures the long-term risk by finding the net present value of the future cash flows from the company s existing assets and liabilities. The ALCO examines this ratio monthly utilizing a rate shock of ±200 basis points in the interest rate simulation model. The ALCO recognizes that, in some instances, this ratio may contradict the earnings at risk ratio.

The following table illustrates the simulated impact of a 200 basis point upward or downward movement in interest rates on net interest income, and the change in economic value. This analysis assumed that interest-earning asset and interest-bearing liability levels at December 31, 2004 remained constant. The impact of the rate movements were developed by simulating the effect of rates changing over a twelve-month period from the December 31, 2004 levels.

	RATES + 200	RATES - 200
Earnings at risk:		
Percent change in net interest income	9.31%	(7.98)%
Economic value at risk:		
Percent change in economic value of equity	(24.70)%	13.76%

Economic value has the most meaning when viewed within the context of risk-based capital. Therefore, the economic value may change beyond the company s policy guideline for a short period of time as long as the risk-based capital ratio is greater than 10%.

LIQUIDITY

The term liquidity refers to the ability of the company to generate sufficient amounts of cash to meet its cash-flow needs. Liquidity is required to fulfill the borrowing needs of the company s credit customers and the withdrawal and maturity requirements of its deposit customers, as well as to meet other financial commitments. Cash and cash equivalents (cash and due from banks and federal funds sold) are the company s most liquid assets. At December 31, 2004 cash and cash equivalents totaled $15.3 million, compared to the December 31, 2003 level of $23.3 million. Financing activities provided $82.4 million and operating activities provided $11.4 million of cash and cash equivalents during the year while investing activities utilized $101.8 million. The cash flows provided by financing activities includes increases in deposits and borrowed funds while the funds provided by operating activities pertains to interest payments received on loans and investments. The cash used in investing activities consists of loan proceeds and security purchases.

Core deposits, which represent the company s primary source of liquidity, averaged $533 million in 2004, an increase of $55 million, or 12%, from the $478 million average in 2003. This increase in average core deposits was supplemented with a $5 million increase in average jumbo certificates and a $17 million increase in average borrowed funds and other interest-bearing liabilities.

The company has other potential sources of liquidity, including repurchase agreements. Additionally, the company can borrow on credit lines established at several correspondent banks and at the Federal Home Loan Bank of Pittsburgh. The Federal Reserve Discount Window also provides an additional funding source.

Item 8 - Financial Statements and Supplementary Data

The information required in Part II, Item 8 is incorporated by reference from the Company s Annual Report to security holders for the fiscal year ended December 31, 2004.

Balance Sheet	Exhibit A
Statement of Income	Exhibit B
Statement of Cash Flows	Exhibit C
Statement of Changes in Stockholders Equity and Comprehensive Income	
	Exhibit D
Notes to Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	Exhibit E

Additional references are made in Part IV, Item 16 of this Form 10-K.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Not Applicable

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures - The company carried out an evaluation, under the supervision and with the participation of the company s management, including the company s Chief Executive Officer along with the company s Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures, as such term is defined under Rule 13a 15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the company s Chief Executive Officer along with the company s Chief Financial Officer concluded that the company s disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including its consolidated subsidiaries) required to be included in the company s periodic SEC filings.

Changes in Internal Controls over Financial Reporting There were no changes in our internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are, reasonably likely to materially affect, the company s internal controls over financial reporting.

Management s Report on Internal Control Over Financial Reporting

The management of First National Community Bancorp, Inc. (the Company) is responsible for (1) the preparation of the accompanying financial statements; (2) establishing and maintaining internal controls over financial reporting; and (3) the assessment of the effectiveness of internal control over financial reporting. The Securities and Exchange Commission defines effective internal control over financial reporting as a process designed under the supervision of the company s principal executive officer and principal financial officer, and implemented in conjunction with management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

The company s internal control over financial reporting is supported by written policies and procedures. All internal control systems, no matter how well designed, have inherent limitations and provide only reasonable assurance that the objectives of the control system are met. Therefore, no evaluation of controls can provide absolute assurance that all control issues and misstatements due to error or fraud, if any, within the company have been detected. Additionally, any system of controls is subject to the risk that controls may become inadequate due to changes in conditions or that compliance with policies or procedures may deteriorate.

As of December 31, 2004, management of the company conducted an assessment of the effectiveness of the company s internal control over financial reporting based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that the company s internal control over financial reporting was effective as of December 31, 2004.

Management s assessment of the effectiveness of the company s internal control over financial reporting as of December 31, 2004, has been audited by Demetrius and Company, L.L.C., the independent registered public accounting firm that audited the company s financial statements for the period covered. A copy of the Demetrius and Company, L.L.C. report is included in this annual report.

/s/ J. David Lombardi	/s/ William S. Lance
J. David Lombardi	William S. Lance
President and Chief Executive Officer	Principal Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

First National Community Bancorp, Inc.

We have audited management³s assessment, included in the accompanying Management³s Report on Internal Control over Financial Reporting, that First National Community Bancorp, Inc. maintained effective internal control over financial reporting as of December31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). First National Community Bancorp, Inc.³s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management³s assessment and an opinion on the effectiveness of the company³s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management³s assessment, testing and evaluating the design and operating effectiveness of internal control,. and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company³s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company³s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management³s assessment that First National Community Bancorp, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, First National Community Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of income, stockholders³ equity and comprehensive income, and cash flows of First National Community Bancorp, Inc., and our report dated January 21, 2005 expressed an unqualified opinion.

DEMETRIUS & COMPANY, L.L.C.

Wayne, New Jersey

January 21, 2005

Item 9B. Other Information

None

28

FIRST NATIONAL COMMUNITY BANCORP, INC.

Part III.

Item 10 - Directors and Executive Officers of the Registrant

Information regarding directors, nominees, principal officers, audit committees and audit committee financial experts required by this item is set forth under the captions Information as to Nominees and Directors , Principal Officers of the Company , Principal Officers of the Bank , Audit Committee Financial Expert , Audit Committee and Compliance with Section 16(a) of the Exchange Act in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

The company has adopted a Code of Ethics that applies to directors, officers and employees of the company and the bank. A copy of the Code of Ethics was included as an exhibit to the company s Form 10-K for the year ended December 31, 2003 and filed with the Securities and Exchange Commission. A request for the Company s Code of Ethics can be made either in writing to William Lance, First National Community Bancorp, Inc., 102 East Drinker Street, Dunmore, Pennsylvania, 18512 or by email at fncb@fncb.com.

Item 11 - Executive Compensation

The information required by this item is set forth under the captions Executive Compensation , Option Grants in 2004 , Compensation of Directors , Employment Agreement , Compensation Report of the Board of Directors , and Stock Performance Graph and Table in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

Item 12- Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item regarding security ownership of certain beneficial owners and management is set forth under the caption Beneficial Ownership by Directors, Principal Officers and Nominees in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

Information regarding the Company s compensation plans under which equity securities of the registrant are authorized for issuance as of December 31, 2004 is set forth under the caption Equity Compensation Plan Information in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

Item 13 - Certain Relationships and Related Transactions

The information required by this item is set forth under the caption Certain Relationships and Related Transactions in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

Item 14 Principal Accountant Fees and Services

The information required by this item is set forth under the caption Independent Auditors in the Proxy Statement filed for the annual meeting of shareholders to be held on May 18, 2005 and is incorporated herein by reference.

Part IV.

Item 15 - Exhibits and Financial Statement Schedules

The information required in Item 15 is incorporated by reference from the Company s Annual Report to security holders for the fiscal year ended December 31, 2004.

EXHIBIT A - Balance Sheet - December 31, 2004 and 2003

EXHIBIT B - Statement of Income - December 31, 2004, 2003 and 2002

EXHIBIT C - Statement of Cash Flows - December 31, 2004, 2003 and 2002

EXHIBIT D - Statement of Changes in Stockholders Equity and Comprehensive Income December 31, 2004, 2003 and 2002

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies
2 Restricted Cash Balances
3 Investment Securities - December 31, 2004 and 2003
4 Loans and Changes in Allowance for Loan Loss - December 31, 2004 and 2003
5 Bank Premises and Equipment - December 31, 2004 and 2003
6 Deposits
7 Borrowed Funds - December 31, 2004 and 2003
8 Benefit Plans
9 Income Taxes - December 31, 2004, 2003 and 2002
10 Related Party Transactions
11 Commitments
12 Stock Option Plans
13 Regulatory Matters - December 31, 2004 and 2003
14 Disclosures about Fair Value of Financial Instruments - December 31, 2004 and 2003
15 Condensed Financial Information Parent Company Only
16 Selected Quarterly Financial Data - 2004 and 2003

EXHIBIT E Report of Independent Registered Public Accounting Firm

Exhibit 10.1 1999 Dividend Reinvestment and Stock Purchase Plan

Exhibit 10.2 2000 Stock Incentive Plan

Exhibit 10.3 2000 Independent Directors Stock Option Plan

Exhibit 10.4 Non-qualified Deferred Compensation Plan

Exhibit 14

	The Registrant s Code of Ethics. (Incorporated by reference to Exhibit 99.1 of the Registrant s Form 10-K for the fiscal year ended December 31, 2003 filed with the Securities and Exchange Commission)
Exhibit 31.1	Certification of Chief Executive Officer
Exhibit 31.2	Certification of Chief Financial Officer
Exhibit 32.1	Section 1350 Certification Chief Executive Officer
Exhibit 32.2	Section 1350 Certification Chief Financial Officer

30

Pursuant to the requirements of Section 13 or 15(d) 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:

Registrant: FIRST NATIONAL COMMUNITY BANCORP, INC.

/s/ J. David Lombardi

J. David Lombardi, President and
Chief Executive Officer

/s/ William Lance

William Lance, Treasurer
Principal Financial Officer and
Principal Accounting Officer

/s/ Linda D'Amario

Linda D'Amario
Comptroller

DATE: March 30, 2005

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Directors:

/s/ Michael G. Cestone	March 30, 2005	/s/ Louis A. DeNaples	March 30, 2005
Michael G. Cestone	Date	Louis A. DeNaples	Date
		/s/ Joseph J. Gentile	March 30, 2005
Michael J. Cestone, Jr.	Date	Joseph J. Gentile	Date
/s/ Joseph Coccia	March 30, 2005	/s/ Joseph O. Haggerty	March 30, 2005
Joseph Coccia	Date	Joseph O. Haggerty	Date
/s/ William P. Conaboy	March 30, 2005	/s/ J. David Lombardi	March 30, 2005
William P. Conaboy	Date	J. David Lombardi	Date
/s/ Michael T. Conahan	March 30, 2005	/s/ John P. Moses	March 30, 2005
Michael T. Conahan	Date	John P. Moses	Date
/s/ Dominick L. DeNaples	March 30, 2005		
Dominick L. DeNaples	Date	John R. Thomas	Date

Exhibit A Balance Sheet

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, (in thousands, except share data)		2004		2003
ASSETS				
Cash and cash equivalents:				
Cash and due from banks	**$**	**13,653**	$	23,290
Federal funds sold		**1,700**		