CCFNB BANCORP INC
Form 10-Q
August 11, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to _____________

Commission file number 0-19028

CCFNB BANCORP, INC.
(Name of small business Issuer in its charter)

PENNSYLVANIA (State or other jurisdiction of incorporation or organization)	23-2254643 (I.R.S. Employer Identification Number)
232 East Street, Bloomsburg, PA (Address of principal executive offices)	17815 (Zip Code)
Issuer's telephone number, including area code:	(570) 784-4400

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 1,274,238 shares of $1.25 (par) common stock were outstanding as of July 22, 2004.

CCFNB BANCORP, INC. AND SUBSIDIARY
INDEX 10-Q
JUNE 30, 2004

PART I - FINANCIAL INFORMATION:

- Consolidated Balance Sheets 1

- Consolidated Statements of Income 2

- Consolidated Statements of Cash Flows 3

- Notes to Consolidated Financial Statements 4 - 13

- Report of Independent Registered Public Accounting Firm 14

- Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations 15 - 21

- Controls and Procedures 22

PART II - OTHER INFORMATION 23

SIGNATURES 24 - 27

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

	Unaudited June 30, 2004	D 3
ASSETS		
Cash and due from banks	$ 5,357	$
Interest-bearing deposits with other banks	747	
Federal funds sold	1,125	
Investment securities available-for-sale	63,367	
Loans, net of unearned income	148,198	
Allowance for loan losses	1,397	
Net loans	146,801	
Premises and equipment, net	4,440	
Other real estate owned	36	
Cash surrender value of bank-owned life insurance	6,062	
Accrued interest receivable	831	
Other assets	1,051	
TOTAL ASSETS	$ 229,817	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	$ 17,802	$
Interest bearing	155,436	
Total Deposits	173,238	
Short-term borrowings	16,425	
Long-term borrowings	11,330	
Accrued interest and other expenses	1,179	
Other liabilities	27	
TOTAL LIABILITIES	202,199	
STOCKHOLDERS' EQUITY		
Common stock, par value $1.25 per share; authorized 5,000,000 shares; issued and outstanding 1,276,238 shares in 2004 and 1,276,445 shares in 2003	1,595	

Surplus	3,628	
Retained earnings	22,594	
Accumulated other comprehensive income (loss)	(199)	
TOTAL STOCKHOLDERS' EQUITY	27,618	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 229,817	$

See accompanying notes to Consolidated Financial Statements.

CCFNB BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS EXCEPT PER SHARE DATA)
UNAUDITED

	For the Six Months Ending June 30,		For the Three Months Ending June 30,	
	2004	2003	2004	2003
INTEREST INCOME				
Interest and fees on loans:				
Taxable	$ 4,156	$ 4,624	$ 2,045	$ 2,
Tax-exempt	163	93	89	
Interest and dividends on investment securities:				
Taxable interest	752	609	373	
Tax-exempt interest	240	340	113	
Dividends	26	28	8	
Federal funds sold	4	29	3	
Deposits in other banks	22	33	12	
TOTAL INTEREST INCOME	5,363	5,756	2,643	2,
INTEREST EXPENSE				
Deposits	1,337	1,908	665	
Short-term borrowings	130	144	61	
Long-term borrowings	339	337	169	
TOTAL INTEREST EXPENSE	1,806	2,389	895	1,
Net interest income	3,557	3,367	1,748	1,
Provision for loan losses	80	100	30	
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,477	3,267	1,718	1,
NON-INTEREST INCOME				
Service charges and fees	369	341	202	
Trust department income	75	63	41	
Bank-owned life insurance income	128	110	57	
Other income	152	203	103	

TOTAL NON-INTEREST INCOME	724	717	403	
NON-INTEREST EXPENSES				
Salaries and wages	1,139	1,085	568	
Pensions and other employee benefits	400	374	196	
Occupancy expense, net	201	192	96	
Furniture and equipment expense	235	233	128	
Other operating expenses	928	800	470	
TOTAL NON-INTEREST EXPENSES	2,903	2,684	1,458	1,
Income before income taxes	1,298	1,300	663	
Income tax expense	267	274	141	
NET INCOME	$ 1,031	$ 1,026	$ 522	$
PER SHARE DATA				
Net income	$ 0.81	$ 0.80	$ 0.41	$ 0
Cash dividends	$ 0.34	$ 0.32	$ 0.17	$ 0
Weighted average shares outstanding	1,277,196	1,287,214	1,277,196	1,287,

See accompanying notes to Consolidated Financial Statements.

-2-

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

	For Month Jun
	2004
OPERATING ACTIVITIES	
Net income	$ 1,031
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	80
Depreciation and amortization	183
Premium amortization on investment securities	150
Discount accretion on investment securities	(18)
Deferred income taxes (benefit)	-
(Gain) on sale of mortgage loans	(9)
Proceeds from sale of mortgage loans	925
Originations of mortgage loans for resale	(916)
(Gain) on sale of other real estate owned	-
Loss from investment in insurance agency	-
Increase in accrued interest receivable and other assets	(244)
Net increase in cash surrender value of bank-owned life insurance	(154)
Increase (decrease) in accrued interest, other expenses and other liabilities	6

NET CASH PROVIDED BY OPERATING ACTIVITIES	1,034
INVESTING ACTIVITIES	
Purchase of investment securities Available-for-Sale	(16,063)
Proceeds from sales, maturities and redemptions of investment securities Available-for-Sale	14,462
Net (increase) decrease in loans	(666)
Purchases of premises and equipment	(341)
Proceeds from sale of other real estate owned	--
Purchase of bank-owned life insurance policies	--
NET CASH (USED IN) INVESTING ACTIVITIES	(2,608)
FINANCING ACTIVITIES	
Net increase in deposits	1,452
Net decrease in short-term borrowings	(4,565)
Net decrease in long-term borrowings	(5)
Acquisition of treasury stock	(114)
Proceeds from issuance of common stock	107
Cash dividends paid	(434)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(3,559)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,133)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,362
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,229
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	$ 1,832
Income taxes	$ 236

See accompanying notes to Consolidated Financial Statements.

CCFNB BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of CCFNB Bancorp, Inc. and Subsidiary (the "Corporation") are in accordance with the accounting principles generally accepted in the United States of America and conform to common practices within the banking industry. The more significant policies follow:

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of CCFNB Bancorp, Inc. and its wholly owned subsidiary, Columbia County Farmers National Bank (the "Bank"). All significant inter-company balances and transactions have been eliminated in consolidation.

NATURE OF OPERATIONS & LINES OF BUSINESS

The Corporation provides full banking services, including trust services, through the Bank, to individuals and corporate customers. The Bank has six offices covering an area of approximately 484 square miles in Northeastern Pennsylvania. The Corporation and its banking subsidiary are subject to regulation of the Office of the Comptroller of the Currency, The Federal Deposit Insurance Corporation and the Federal Reserve Bank of Philadelphia.

Procuring deposits and making loans are the major lines of business. The deposits are mainly deposits of individuals and small businesses and the loans are mainly real estate loans covering primary residences and small business enterprises. The trust services, under the name of CCFNB and Co., include administration of various estates, pension plans, self-directed IRA's and other services. A third-party brokerage arrangement is also resident in the Lightstreet location. This investment center offers a full line of stocks, bonds and other non-insured financial services.

USE OF ESTIMATES

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of these consolidated financial statements and the reported amounts of income and expenses during the reporting periods. Actual results could differ from those estimates.

INVESTMENT SECURITIES

The Corporation classifies its investment securities as either "Held-to-Maturity" or "Available-for-Sale" at the time of purchase. Debt securities are classified as Held-to-Maturity when the Corporation has the ability and positive intent to hold the securities to maturity. Investment securities Held-to-Maturity are carried at cost adjusted for amortization of premiums and accretion of discounts to maturity.

Debt securities not classified as Held-to-Maturity and equity securities included in the Available-for-Sale category, are carried at fair value, and the amount of any unrealized gain or loss net of the effect of deferred income taxes is reported as other comprehensive income (loss) in the consolidated Statement of Stockholders' Equity. Management's decision to sell Available-for-Sale securities is based on changes in economic conditions controlling the sources and uses of funds, terms, availability of and yield of alternative investments, interest rate risk, and the need for liquidity.

The cost of debt securities classified as Held-to-Maturity or Available-for-Sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization and accretion, as well as interest and dividends, is included in interest income from investments. Realized gains and losses are included in net investment securities gains. The cost of investment securities sold, redeemed or matured is based on the specific identification method.

LOANS

Loans are stated at their outstanding principal balances, net of deferred fees or costs, unearned income, and the allowance for loan losses. Interest on loans is accrued on the principal amount outstanding, primarily on an actual day basis. Non-refundable loan fees and certain direct costs are deferred and

amortized over the life of the loans using the interest method. The amortization is reflected as an interest yield adjustment, and the deferred portion of the net fees and costs is reflected as a part of the loan balance.

Real estate mortgage loans held for resale are carried at the lower of cost or market on an aggregate basis. These loans are sold with limited recourse to the Corporation.

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

NON-ACCRUAL LOANS - Generally, a loan is classified as non-accrual, with the accrual of interest on such a loan discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectibility of principal or interest, even though the loan currently is performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in prior years is charged against the allowance for loan losses. Certain non-accrual loans may continue to perform, wherein, payments are still being received with those payments generally applied to principal. Non-accrual loans remain under constant scrutiny and if performance continues, interest income may be recorded on a cash basis based on management's judgement as to collectibility of principal.

ALLOWANCE FOR LOAN LOSSES - The allowance for loan losses is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

A factor in estimating the allowance for loan losses is the measurement of impaired loans. A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Under current accounting standards, the allowance for loan losses related to impaired loans is based on discounted cash flows using the loan's effective interest rate or the fair value of the collateral for certain collateral dependent loans.

The allowance for loan losses is maintained at a level established by management to be adequate to absorb estimated potential loan losses. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on the Corporation's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payments), the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires material estimates, including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

In addition, an allowance is provided for possible credit losses on off-balance sheet credit exposures. The allowance is estimated by management and is classified in other liabilities.

DERIVATIVES

The Bank has outstanding loan commitments that relate to the origination of mortgage loans that will be held for resale. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149 "Amendments to SFAS 133 on Derivative Instruments and Hedging Activities" and the guidance contained in the Derivatives Implementation Group Statement 133 Implementation Issue No. C 13, the Bank has accounted for such loan commitments as derivative instruments. The outstanding loan commitments in this category did not give rise to any losses for the period ended June 30, 2004 and the year ended December 31, 2003, as the fair market value of each outstanding loan commitment exceeded the Bank's cost basis in each loan commitment.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation computed principally on the straight-line method over the estimated useful lives of the assets. Maintenance and minor repairs are charged to operations as incurred. The cost and accumulated depreciation of the premises and equipment retired or sold are eliminated from the property accounts at the time of retirement or sale, and the resulting gain or loss is reflected in current operations.

MORTGAGE SERVICING RIGHTS

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

OTHER REAL ESTATE OWNED

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

-6-

BANK OWNED LIFE INSURANCE

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

INVESTMENT IN INSURANCE AGENCY

On January 2, 2001, the Corporation acquired a 50% interest in a local insurance agency, a corporation organized under the laws of the Commonwealth of Pennsylvania. The income or loss from this investment is accounted for under the equity method of accounting. The carrying value of this investment as of June 30, 2004 and December 31, 2003 was $170,187 and $170,296, respectively, and is carried in other assets in the accompanying consolidated balance sheets.

INCOME TAXES

The provision for income taxes is based on the results of operations, adjusted primarily for tax-exempt income. Certain items of income and expense are reported in different periods for financial reporting and tax return purposes. Deferred tax assets and liabilities are determined based on the differences between the consolidated financial statement and income tax bases of assets and liabilities measured by using the enacted tax rates and laws expected to be in effect when the timing differences are expected to reverse. Deferred tax expense or benefit is based on the difference between deferred tax asset or liability from period to period.

PER SHARE DATA

Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share", requires dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding at the end of each period. Diluted earnings per share is calculated by increasing the denominator for the assumed conversion of all potentially dilutive securities. The Corporation does not have any securities which have or will have a dilutive effect, accordingly, basic and diluted per share data are the same.

CASH FLOW INFORMATION

For purposes of reporting consolidated cash flows, cash and cash equivalents include cash on hand and due from banks, interest-bearing deposits in other banks and federal funds sold. The Corporation considers cash classified as interest-bearing deposits with other banks as a cash equivalent because they are represented by cash accounts essentially on a demand basis. Federal funds are also included as a cash equivalent because they are generally purchased and sold for one-day periods.

TRUST ASSETS AND INCOME

Property held by the Corporation in a fiduciary or agency capacity for its customers is not included in the accompanying consolidated financial statements because such items are not assets of the Corporation. Trust Department income is generally recognized on a cash basis and is not materially different than if it was reported on an accrual basis.

SEGMENT REPORTING

The Corporation's banking subsidiary acts as an independent community financial services provider, and offers traditional banking and related financial services to individual, business and government customers. Through its branch, internet banking, telephone and automated teller machine network, the Bank offers a full array of commercial and retail financial services, including the taking of time, savings and demand deposits; the making of commercial, consumer and mortgage loans; and the providing of other financial services. The Bank also performs personal, corporate, pension and fiduciary services through its Trust Department as well as offering diverse investment products through its investment center.

Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial, retail, trust and investment center operations of the Corporation. As such, discrete financial information is not available and segment reporting would not be meaningful.

RECENT ACCOUNTING PRONOUNCEMENTS

In November 2002, the Financial Accounting Standards Board (FASB) issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This Interpretation expands the disclosures to be made by a guarantor about its obligations under certain guarantees and requires the guarantor to recognize a liability in its financial statements for the obligation assumed under a guarantee. In general, FIN 45 applies to contracts of indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying agreement that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this Interpretation, while other guarantees are subject to just the disclosure requirements of FIN 45 but not to the recognition provisions. The disclosure requirements of FIN 45 were effective for the Corporation as of December 31, 2002 and require disclosure of the nature of the guarantee, the maximum potential amount of future payments the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are applied prospectively to guarantees issued or modified after December 31, 2002. This standard did not have any impact on the Corporation's consolidated financial condition or results of operations.

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

In December 2002, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 149, "Amendments to SFAS 133 on Derivative Instruments and Hedging Activities" is generally effective for contracts entered into after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities." The changes in this statement improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. The changes will result in more consistent reporting of contracts as either derivatives or hybrid instruments. This standard does not have any impact on the Corporation's consolidated financial position or results of operations.

In January 2003, the FASB issued FIN 46, which provides guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE are to be included in an entity's consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct or indirect ability to make decisions

about an entity's activities through voting rights or similar rights, the obligations to absorb the expected losses of an entity if they occur, or the right to receive the expected residual returns of the entity if they occur. This standard did not have any impact on the Corporation's consolidated financial positions or results of operations.

In May 2003, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" is generally effective for financial instruments entered into or modified after May 31, 2003 and for contracts in existence at the start of the first interim period beginning after June 15, 2003. This statement establishes new standards for classification, measurement and disclosure of certain types of financial instruments having characteristics of both liabilities and equity, including instruments that are mandatory redeemable and that embody obligations requiring or permitting settlement by transferring assets or by issuing an entity's own shares. In December 2003, the FASB deferred for an indefinite period the application of the guidance in SFAS 150 to noncontrolling interests that are classified as equity in the financial statements of a subsidiary but would be classified as a liability in the parent's financial statements under SFAS 150. The deferral is limited to mandatory redeemable noncontrolling interests associated with finite-lived subsidiaries. This standard does not have any impact on the Corporation's consolidated financial position or results of operations.

In December 2003, the Emerging Issues Task Force (EITF) issued No. 03-01 "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments" is generally effective for fiscal years ending after December 15, 2003, and addresses how to define an "other-than-temporary impairment" as well as its application to investments classified as either "Available-for-Sale" and "Held-to-Maturity" under SFAS 115. The EITF requires disclosure of securities in a continuous unrealized loss position to be stratified based on length of time those securities were carried in such a position (less than 12 months, and 12 months or more). Additional information is required to be disclosed annually to include the nature of the investment, the cause of the decline in value and the evidence considered in reaching the conclusion that the investment is not other than temporarily impaired. The disclosure is required for fiscal years ending after December 15, 2003. Comparative information for earlier periods is not required.

ADVERTISING COSTS

It is the Corporation's policy to expense advertising costs in the period in which they are incurred. Advertising expense for the periods ended June 30, 2004 and June 30, 2003, were approximately $37,417 and $29,746, respectively.

RECLASSIFICATION

Certain amounts in the consolidated financial statements of the prior years have been reclassified to conform with presentation used in the 2004 consolidated financial statements. Such reclassifications had no effect on the Corporation's consolidated financial condition or net income.

NOTE 2 - ALLOWANCE FOR LOAN LOSSES

Changes in the allowance for loan losses for the periods ended June 30, 2004 and June 30, 2003 were as follows:

	(Amounts in Thousands) 2004	2003
Balance, beginning of year	$ 1,415	$ 1,298
Provision charged to operations	80	100
Loans charged-off	(118)	(36)
Recoveries	20	32
Balance, June 30	$ 1,397	$ 1,394

At June 30, 2004 the recorded investment in loans that are considered to be impaired as defined by SFAS No. 114 was $98,801. No additional charge to operations was required to provide for the impaired loans since the total allowance for loan losses is estimated by management to be adequate to provide for the loan loss allowance required by SFAS No. 114 along with any other potential losses.

At June 30, 2004, there were no significant commitments to lend additional funds with respect to non-accrual and restructured loans.

Non-accrual loans at June 30, 2004 and December 31, 2003 were $1,483,070 and $1,851,686, respectively.

Loans past due 90 days or more and still accruing interest amounted to $43,000 at June 30, 2004.

NOTE 3 - SHORT-TERM BORROWINGS

Federal funds purchased, securities sold under agreements to repurchase, and Federal Home Loan Bank advances generally represented overnight or less than 30-day borrowings. U.S. Treasury tax and loan notes for collections made by the Bank were payable on demand.

NOTE 4 - LONG-TERM BORROWINGS

Long-term borrowings are comprised of advances from the Federal Home Loan Bank.

NOTE 5 - DEFERRED COMPENSATION PLANS

The Bank has entered into certain non-qualified deferred compensation agreements with certain executive officers and directors. Expense related to these non-qualified deferred compensation plans amounted to $39,855 and $16,259 for June 30, 2004 and June 30, 2003, respectively.

There were no substantial changes in other plans as disclosed in the 2003 Annual Report.

NOTE 6 - STOCKHOLDERS' EQUITY

Changes in stockholders' equity for the period ended June 30, 2004 were as follows:

(Amounts in Thousands, Except Common

	Common Shares	Common Stock	Surplus	Comprehensive Income	Accumulate Other Comprehensi Retained Earnings
Balance at January 1, 2004	1,276,445	$ 1,595	$ 3,635		$ 21,997
Comprehensive Income:					
Net income				$ 1,031	1,031
Change in unrealized gain (loss) on investment securities available-for-sale net of reclassification adjustment and tax effects				(575)	
TOTAL COMPREHENSIVE INCOME				$ 456	
Issuance of 2,263 shares of common stock under dividend reinvestment and stock purchase plans	3,793	5	102		-
Purchase of 4,000 shares of treasury stock	-	-	-		-
Retirement of 4,000 shares of treasury stock	(4,000)	(5)	(109)		-
Cash dividends $.34 per share	-	-	-		(434
Balance at June 30, 2004	1,276,238	$ 1,595	$ 3,628		$ 22,594

NOTE 7 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These consolidated financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. The Corporation does not engage in trading activities with respect to any of its financial instruments with off-balance sheet risk.

The Corporation may require collateral or other security to support financial instruments with off-balance sheet credit risk. The contract or notional amounts at June 30, 2004 and December 31, 2003 were as follows:

	(Amounts in Thousands)	
	June 30, 2004	December 31, 2003

Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$16,442	$13,106
Financial standby letters of credit	1,634	1,813
Performance standby letters of credit	873	843
Dealer floor plans	2,534	1,412

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment and income-producing commercial properties.

Standby letters of credit and commercial letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Corporation holds collateral supporting those commitments for which collateral is deemed necessary.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations, as it does for on-balance sheet instruments.

The Corporation granted commercial, consumer and residential loans to customers within Pennsylvania. Of the total loan portfolio at June 30, 2004, 80.70% was for real estate loans, principally residential. It was the opinion of management that the high concentration did not pose an adverse credit risk. Further, it was management's opinion that the remainder of the loan portfolio was balanced and diversified to the extent necessary to avoid any significant concentration of credit.

NOTE 8 - MANAGEMENT'S ASSERTIONS AND COMMENTS REQUIRED TO BE PROVIDED WITH FORM 10Q FILING

In management's opinion, the consolidated interim financial statements reflect fair presentation of the consolidated financial position of CCFNB Bancorp, Inc. and Subsidiary, and the results of their operations and their cash flows for the interim periods presented. Further, the consolidated interim financial statements are unaudited, however they reflect all adjustments, which are in the opinion of management, necessary to present fairly the consolidated financial condition and consolidated results of operations and cash flows for the interim periods presented and that all such adjustments to the consolidated financial statements are of a normal recurring nature.

The results of operations for the six-month period ended June 30, 2004, are not necessarily indicative of the results to be expected for the full year.

These consolidated interim financial statements have been prepared in accordance

with requirements of Form 10Q and therefore do not include all disclosures normally required by accounting principles generally accepted in the United States of America applicable to financial institutions as included with consolidated financial statements included in the Corporation's annual Form 10K filing. The reader of these consolidated interim financial statements may wish to refer to the Corporation's annual report or Form 10K for the period ended December 31, 2003, filed with the Securities and Exchange Commission.

-13-

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of CCFNB Bancorp, Inc.:

We have reviewed the accompanying consolidated balance sheet of CCFNB Bancorp, Inc. and Subsidiary as of June 30, 2004, and the related consolidated statements of income and cash flows for the three and six-month periods ended June 30, 2004 and 2003. These consolidated interim financial statements are the responsibility of the management of CCFNB Bancorp, Inc. and Subsidiary.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of CCFNB Bancorp, Inc. and Subsidiary as of December 31, 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 13, 2004, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2003, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

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

J.H. Williams & Co., LLP
Kingston, Pennsylvania
July 15, 2004

-14-

CCFNB BANCORP, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 2004

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

Consolidated Summary of Operations

(Dollars in Thousands, except for per share data)

	At and For the Six Months Ended June 30,			At and
	2004	2003	2003	2002
Income and Expense:				
Interest income	$ 5,363	$ 5,756	$ 11,221	$ 12,
Interest expense	1,806	2,389	4,366	5,
Net interest income	3,557	3,367	6,855	7,
Loan loss provision	80	100	200	
Net interest income after loan loss Provision	3,477	3,267	6,655	6,
Non-interest income	724	717	1,508	1,
Non-interest expense	2,903	2,684	5,409	5,
Income before income taxes	1,298	1,300	2,754	2,
Income taxes	267	274	591	
Net income	$ 1,031	$ 1,026	$ 2,163	$ 1,
Per Share: (1)				
Net income	$ .81	$ .80	$ 1.69	$ 1
Cash dividends paid	.34	.32	.66	
Average shares outstanding	1,277,196	1,287,214	1,281,265	1,309,
Average Balance Sheet:				
Loans	$ 147,299	$ 149,809	$ 149,485	$ 147,
Investments	62,230	55,471	58,152	54,
Other interest earning assets	3,100	9,338	8,036	5,
Total assets	228,555	229,919	230,975	223,
Deposits	171,542	173,820	171,956	150,
Other interest-bearing liabilities	27,948	27,819	30,473	29,
Stockholders' equity	27,840	26,919	27,223	26,
Balance Sheet Data:				
Loans	$ 148,198	$ 148,280	$ 147,631	$ 151,
Investments	63,367	57,415	62,775	53,
Other interest earning assets	1,872	8,609	6,003	10,
Total assets	229,817	230,804	232,914	229,
Deposits	173,238	175,511	171,786	172,
Other interest-bearing liabilities	27,755	27,017	32,325	28,
Stockholders' equity	27,618	27,104	27,603	26,
Ratios: (2)				
Return on average assets	.90%	.89%	.94%	
Return on average equity	7.41%	7.57%	7.95%	7
Dividend payout ratio	45.59%	40.06%	39.02%	42
Average equity to average assets ratio	12.18%	11.71%	11.79%	11

1999

Income and Expense:	
Interest income	$ 12,669
Interest expense	6,099
Net interest income	6,570
Loan loss provision	78
Net interest income after loan loss Provision	6,492
Non-interest income	1,050
Non-interest expense	4,818
Income before income taxes	2,724
Income taxes	685
Net income	$ 2,039
Per Share: (1)	
Net income	$ 1.48
Cash dividends paid	.51
Average shares outstanding	1,375,572
Average Balance Sheet:	
Loans	$ 123,185
Investments	49,827
Other interest earning assets	1,638
Total assets	186,597
Deposits	138,963
Other interest-bearing liabilities	23,458
Stockholders' equity	22,874
Balance Sheet Data:	
Loans	$ 134,423
Investments	49,104
Other interest earning assets	1,343
Total assets	196,122
Deposits	138,606
Other interest-bearing liabilities	33,224
Stockholders' equity	23,047
Ratios: (2)	
Return on average assets	1.0911%
Return on average equity	8.91%
Dividend payout ratio	34.09%
Average equity to average assets ratio	11.75%

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

(2) The ratios for the six month period ending June 30, 2004 and 2003 are annualized.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Form 10-Q, both in the MD & A and elsewhere, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of

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

EARNINGS SUMMARY

Net income for the six months ended June 30, 2004 was $1,031,000 or $.81 per basic and diluted share. These results compare with net income of $1,026,000 or $.80 per basic and diluted share for the same period in 2003. Annualized return on average equity decreased to 7.41 percent from 7.57 percent, and annualized return on average assets increased to .90 percent for the six months ended June 30, 2004 compared to .89 percent at June 30, 2003. Net interest income continues to be the largest source of our operating income. Net interest income on a tax equivalent basis increased to $3.8 million at June 30, 2004, compared with $3.6 million for the six months ended June 30, 2003. The increase in net interest income is primarily due to the decrease in interest paid on deposits. Overall, interest earning assets yielded 5.04 percent for the quarter ended June 30, 2004 compared to 5.36 percent yield for the quarter ended June 30, 2003. Interest bearing liabilities cost CCFNB 2.58 percent for the six month period ending June 30, 2003 compared to 1.97 percent for the six month period ending June 30, 2004. The tax equivalized interest margin increased to 3.54 percent for the six months ended June 30, 2004 compared to 3.35 percent for the six months ended June 30, 2003.

Average interest earning assets decreased $2.0 million or .09 percent for the six months ended June 30, 2004 over the same period in 2003. Average loans decreased to $147.3 million for the period ending June 30, 2004 from $149.8 million for the period ending June 30, 2003, a decrease of 1.7 percent. Average investments increased $6.7 million or 12.1 percent and average federal funds sold and interest-bearing deposits with other financial institutions decreased $6.3 million or 67.0 percent for this six month period, from $9.4 million at June 30, 2003 to $3.1 million at June 30, 2004.

Average interest bearing liabilities for the six months ended June 30, 2004 decreased $2.5 million or 1.3 percent from the same period in 2003. Average short-term borrowings were $16.5 million at June 30, 2003 and $16.6 million at June 30, 2004. Average long-term debt, which includes primarily FHLB advances, was $11.3 million at June 30, 2003 and 2004. Average demand deposits increased $.4 million from 2003 balances.

The average interest rate for loans decreased 38 basis points to 5.98 percent at June 30, 2004 compared to 6.36 percent June 30, 2003. Interest-bearing deposits with other Financial Institutions interest rates increased 96 basis points to 2.40 percent from 1.44 percent at June 30, 2004 and June 30, 2003, respectively. Average rates on interest bearing deposits decreased by 70 basis points from 2.42 percent to 1.72 percent in one year. Average interest rates also decreased

on total interest bearing liabilities by 61 basis points to 1.97 percent from 2.58 percent. The reason for these decreases on interest bearing liabilities was primarily attributed to the decreasing rates on most deposit liabilities. The net interest margin increased to 3.54 percent for the six months ended June 30, 2004 from 3.35 percent for the six months ended June 30, 2003. Our "asset" sensitive position places us in a position to have an increase in our net interest margin when rates rise. The cost of long-term debt averaged 5.98% for the past several years which contributed to the declining net interest margin. This long-term debt will remain a deterrent to us in the present low interest rate environment. This is due to the fact that the Federal Home Loan Bank has the option to reprice these loans at their discretion. Until interest rates would rise to make the current 5.98% average rate unattractive, this in all probability will not occur. We will continue to price conservatively.

NET INTEREST INCOME

Net interest income increased to $3.5 million for the six months ended June 30, 2004 compared to $3.3 million for the same period in 2003.

The following table reflects the components of net interest income for each of the six months ended June 30, 2004 and 2003 .

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

AVERAGE BALANCE SHEET AND RATE ANALYSIS
(Dollars in Thousands)

	Six Months Ended June 3			
	Average Balance (1)	Interest Income/ Expense (2)	Average Yield/ Rate	Av Ba
ASSETS:				
Interest-bearing deposits with other financial institutions	$ 1,837	$ 22	2.40%	$
Investment securities (3)	62,230	1,018	3.67%	
Federal funds sold	1,263	4	.63%	
Loans	147,299	4,319	5.98%	1
Total interest earning assets	$ 212,629	$5,363	5.04%	$ 2
Reserve for loan losses	(1,381)			
Cash and due from banks	5,135			
Other assets	12,172			
Total assets	$ 228,555			$ 2
LIABILITIES AND CAPITAL:				
Interest bearing deposits	$ 155,088	$1,337	1.72%	$ 1
Short-term borrowings	16,616	130	1.58%	
Long-term borrowings	11,332	339	5.98%	
Total interest-bearing liabilities	$ 183,036	$1,806	1.97%	$ 1

Demand deposits	$ 16,454		$
Other liabilities	1,225		
Stockholders' equity	27,840		
Total liabilities and capital	$ 228,555		$ 2
NET INTEREST INCOME / NET INTEREST MARGIN (4)		$3,557	3.35%
TAX EQUIVALENT NET INTEREST INCOME / NET INTEREST MARGIN (5)		$3,765	3.54%

(1) Average volume information was computed using daily averages.

(2) Interest on loans includes fee income.

(3) Yield on tax-exempt obligations has been computed on a tax-equivalent basis.

(4) Net interest margin is computed by dividing net interest income by total interest earning assets.

(5) Interest and yield are presented on a tax-equivalent basis using 34 percent for 2004 and 2003.

16

The following table demonstrates the relative impact on net interest income of changes in volume of interest earnings assets and interest bearing liabilities and changes in rates earned and paid by us on such assets and liabilities.

CHANGE IN NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

	Six Months Ended June 30, 200 Compared with 2003 Increase (Decrease) (2)		
	Volume	Rate	Tota
	(In thousands)		
Interest income:			
Loans (1)	($160)	($ 569)	($ 72
Investments	280	(266)	1
Federal funds sold and other short-term investments	(82)	(66)	
			1
Interest expense:			
Deposits	($ 63)	($1,104)	($116
Short-term borrowings	2	(28)	(2
Long term debt	(1)	5	
Net:	$100	$ 308	$ 40

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

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

Average interest earning assets at June 30, 2004 decreased by .09 percent over June 30, 2003 to $212.6 million from $214.6 million.

Average loans outstanding decreased from $149.8 million to $147.3 million or 1.7 percent for the six months ended June 30, 2004 as compared with the six months ended June 30, 2003.

The outstanding balance of loans at June 30, 2004 was $148.2 million compared to $147.6 million at December 31, 2003.

Interest income from investment securities increased $41 thousand at $1,018,000 for the six months ended June 30, 2004 compared to $977 thousand at June 30, 2003. The average balance of investment securities for the six months ended June 30, 2004 increased 12.1 percent to $62.2 million, compared to the $55.5 million for the same period of 2003.

Total interest expense decreased $583 thousand or 24.4 percent for the first six months of 2004 as compared to the first six months of 2003. The cost of interest bearing liabilities decreased on an average yield basis from 2.58 percent through June 2003 compared to 1.97 percent through June 2004. The average yield on interest earning assets decreased from 5.36 percent to 5.04 percent through June 2004 and 2003.

Average short-term borrowings increased $.1 million from $16.5 million at June 30, 2003 to $16.6 million at June 30, 2004.

Average long-term borrowings from Federal Home Loan Bank remained at 11.3 million at June 30, 2003 and June 30, 2004 respectively.

NON-INTEREST INCOME

The following table presents the components of non-interest income for the six months ended June 30, 2004 and 2003:

	Six Months Ended June 30, (In thousands)	
	2004	2003
Service charges and fees	$369	$341
Trust Department income	75	63
Investment securities gain - net	0	0
Gain on sale of loans	9	106
Gain on sale of Other Real Estate Owned	0	12
Gain on Cash Surrender Value of BOLI	128	110
Third party brokerage income	51	36
Other	92	49
Total	$724	$717

Non-interest income continues to represent a considerable source of our income. We are committed to increasing non-interest income. Increases will be from our existing sources of non-interest income and any new opportunities that may develop. For the six months ended June 30, 2004, total non-interest income increased $7 thousand to $724 thousand or 1.0 percent, compared to $717 thousand for the six months period ended June 30, 2003. Service charges and fees increased $28 thousand from $341 thousand at June 30, 2003 to $369 thousand or 8.2 percent at June 30, 2004. Trust Department income increased from $63 thousand at June 30, 2003 to $75 thousand or 19.0 percent at June 30, 2004. Third party brokerage income increased to $51 thousand for June 30, 2004 compared to $36 thousand for June 30, 2004. We began selling fixed rate mortgages during 2003 and the gains derived from these sales were $9 thousand through June 30, 2004 compared to $106 thousand through June 30, 2003. The loans are being serviced by CCFNB and the bank retains some credit risk. Investment in Bank Owned Life Insurance is reflected in the June 30, 2004 balance sheet and income statement. Other non-interest income increased $43 thousand from $49 thousand at June 30, 2003 to $92 thousand at June 30, 2004. $24 thousand of this increase was fees associated with overdrafts; $14 thousand was the result of service fees and credit enhancements fees associated with the sale of fixed rate mortgages to FHLB, with the balance of the increase being in the interchange income received from the use of credit cards.

NON-INTEREST EXPENSE

The following table presents the components of non-interest expense for the six months ended June 30, 2003 and 2004:

	Six Months Ended June 30,	
	2004	2003
	(Dollars in Thousands)	
Salaries and wages	$1,139	$1,085
Employee benefits	400	374
Net occupancy expense	201	192
Furniture and equipment expense	235	233
State shares tax	139	138
Other expense	789	662
Total	$2,903	$2,684

Non-interest expense increased to $2.9 million or 7.4 percent at June 30, 2004 compared to $2.7 million at June 30, 2003.

Generally, non-interest expense accounts for the cost of maintaining facilities; providing salaries and benefits to employees; and paying for insurance, supplies, advertising, data processing services, taxes and other related expenses. Some of the costs and expenses are variable while others are fixed. To the extent possible, we utilize budgets and related measures to control variable expenses.

Salaries increased 5.0 percent at June 30, 2004 compared to June 30, 2003. A 7.0 percent increase was reflected in employee benefits from $374 thousand at June

30, 2003 to $400 thousand at June 30, 2004. This was mainly attributable to the increased cost of health insurance.

Occupancy expense increased $9 thousand comparing $192 thousand at June 30, 2003 to $201 thousand at June 30, 2004. Furniture and equipment expense reflects a $2 thousand or .86 percent increase for the first six months of 2004 compared to the first six months of 2003.

Other expenses increased $127 thousand or 19.2 percent from $662 thousand at June 30, 2003 to $789 thousand at June 30, 2004. The four biggest components for the increase were: Officer Retirement Deferred Compensation Plan $24,000; Deferred fees $26,000 and Telephone and ATM Expense $9,000 each. The remaining increases are attributable to normal increases in many other categories offset by some decreases.

INCOME TAXES

Income tax expense as a percentage of pre-tax income was 20.6 percent for the six months ended June 30, 2004 compared with 21.1 percent for the same period in 2003. The effective tax rate for 2004 remains at 34 percent.

ASSET / LIABILITY MANAGEMENT

INTEREST RATE SENSITIVITY

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

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

LIQUIDITY

Liquidity measures the ability to satisfy current and future cash flow needs as they become due. Maintaining a level of liquid funds through asset/liability management seeks to ensure that these needs are met at a reasonable cost. On the asset side, liquid funds are maintained in the form of cash and due from banks, federal funds sold, investment securities maturing within one year, and security and loan payments.

On the liability side, the primary source of funds available to meet liquidity needs is our core deposit base, which generally excludes certificates of deposit over $100 thousand. Short-term and long-term borrowings through repurchase agreements, Federal Home Loan Bank advances and large dollar certificates of deposit, generally those over $100 thousand, are used as supplemental funding sources. Additional liquidity is derived from scheduled loan and investment payments of principal and interest, as well as prepayments received.

Our cash requirements consist primarily of dividends to shareholders. This cash need is routinely satisfied by dividends collected from the bank along with cash

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

As of June 30, 2004, we had $63.4 million of securities available for sale recorded at their fair value, compared with $62.8 million at December 31, 2003. As of June 30, 2004, the investment securities available for sale had an unrealized loss of $199 thousand, net of deferred taxes, compared with an unrealized gain of $376 thousand, net of deferred taxes, at December 31, 2003. These securities are not considered trading account securities.

In accordance with disclosures required by EITF NO. 03-1, the summary below shows the gross unrealized losses and fair value, aggregated by investment category that individual securities have been in a continuous unrealized loss position for less than or more than 12 months as of June 30, 3004:

Description of Security	Less than 12 months		12 months or more	
	Fair Value	Unrealized Loss	Fair Value	Unrealize Loss
Obligations of U.S. Government Corporations and Agencies				
Mortgage backed	$20,113,994	$359,655	$7,377,150	$ 153,47
Other	17,025,171	225,044	0	
Obligations of state and political subdivisions	1,217,940	35,489	0	
Marketable Equity Securities	64,850	764	87,915	10,54
TOTAL	$38,421,955	$620,952	$7,465,065	$ 164,02

The Corporation invests in various forms of agency debt including mortgage backed securities and callable agency debt. The fair market value of these securities is influenced by market interest rates, prepayment speeds on mortgage securities, bid to offer spreads in the market place and credit premiums for various types of agency debt. These factors change continuously and therefore the market value of these securities may be higher or lower than the Corporations carrying value at any measurement date.

The Corporation's marketable equity securities represent common stock positions in various financial institutions. The fair market value of these equities tends to fluctuate with the overall equity markets as well as the trends specific to each institution.

The Corporation has both the intent and ability to hold the securities contained in the previous table for a time necessary to recover the cost.

NON-PERFORMING ASSETS

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

	(Dollars in thousands) June 30, 2004	December 31, 2003
Past due and non-accrual:		
Days 30 - 89	$ 918	$ 499
Days 90 plus	43	161
Non-accrual	1,483	2,281
Total	$2,444	$2,941

Past due and non-accrual loans decreased 17.2 percent from $2.9 million at December 31, 2003 to $2.4 million at June 30, 2004. The loan delinquency expressed as a ratio to total loans was 1.62 percent at June 30, 2004 and 1.96 percent at December 31, 2003.

The provision for loan losses for 2004 decreased from $100 thousand at June 30, 2003 to $80 thousand at June 30, 2004. Management is diligent in its efforts to reduce these delinquencies and has increased monitoring and review of current loans to foresee future delinquency occurrences and react to them quickly.

Any loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have not been disclosed under Industry Guide 3 do not (i) represent or result from trends or uncertainties which we reasonably expect will materially impact future operating results, liquidity, or capital resources, or (ii) represent material credits about which we are aware of any information which causes us to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

We adhere to principles provided by Financial Accounting Standards Board Statement No. 114, "Accounting by Creditors for Impairment of a Loan" - Refer to Note 2 above for other details.

The following analysis provides a schedule of loan maturities / interest rate sensitivities. This schedule presents a repricing and maturity analysis as required by the FFIEC:

MATURITY AND REPRICING DATA FOR LOANS AND LEASES

Closed-end loans secured by first liens and 1-4 family residential properties with a remaining maturity or repricing frequency of:

(1) Three months or less
(2) Over three months through 12 months
(3) Over one year through three years
(4) Over three years through five years
(5) Over five years through 15 years
(6) Over 15 years

All loans and leases other than closed-end loans secured by first liens on 1-4 family residential properties with a remaining maturity or repricing frequency of:

(1) Three months or less
(2) Over three months through 12 months
(3) Over one year through three years
(4) Over three years through five years
(5) Over five years through 15 years
(6) Over 15 years

Sub-total
Add: non-accrual loans not included above
Less: unearned income

Total Loans and Leases

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses reflected a balance of $1.4 million or .94 percent of total loans at June 30, 2004 and 2003. The allowance is believed adequate for possible loan losses in the future.

The provision for loan losses was $80 thousand for the first six months of 2004 compared to $100 thousand for the first six months of 2003.

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

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

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

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

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

Management and the Board of Directors review the adequacy of the reserve on a

quarterly basis and adjustments, if needed, are made accordingly.

Amounts in thousands	For the Six Months Ending June 30, 2004	2003
Average loans outstanding:	$ 147,299	$ 149,809
Total loans at end of period	148,198	148,280
Balance at beginning of period	1,415	1,298
Total charge-offs	(118)	(36
Total recoveries	20	32
Net charge-offs	(98)	(4
Provision for loan losses	80	100
Balance at end of period	$ 1,397	$ 1,394
Net charge-offs as a percent of average loans outstanding during period	.066%	.003
Allowance for loan losses as a percent of total loans	.945%	.944

The allowance for loan losses is based on our evaluation of the allowance for loan losses in relation to the credit risk inherent in the loan portfolio. In establishing the amount of the provision required, management considers a variety of factors, including but not limited to, general economic conditions, volumes of various types of

loans, collateral adequacy and potential losses from significant borrowers. On a monthly basis, the Board of Directors and the bank's Credit Administration Committee review information regarding specific loans and the total loan portfolio in general in order to determine the amount to be charged to the provision for loan losses.

CAPITAL ADEQUACY

A major strength of any financial institution is a strong capital position. This capital is very critical as it must provide growth, dividend payments to shareholders, and absorption of unforeseen losses. Our federal regulators provide standards that must be met. These standards measure "risk-adjusted" assets against different categories of capital. The "risk-adjusted" assets reflect off balance sheet items, such as commitments to make loans, and also place balance sheet assets on a "risk" basis for collectibility. The adjusted assets are measured against the standards of Tier I Capital and Total Qualifying Capital. Tier I Capital is common shareholders' equity. Total Qualifying Capital includes so-called Tier II Capital which is common shareholders' equity and the allowance for loan and lease losses. The allowance for loan and lease losses must be lower than or equal to common shareholders' equity to be eligible for Total Qualifying Capital.

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

	June 30, 2004		December 31,
	Calculated Ratios	Minimum Standard Ratios	Calculated Ratios
Risk Based Ratios:			
Tier I Capital to risk-weighted assets	18.93%	4.00%	19.34%
Total Qualifying Capital to risk-weighted assets	20.04%	8.00%	20.36%

	June 30, 2004	December 31, 2003
Tier I Capital to average assets	11.81%	11.59%

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

Book value per share amounted to $21.64 at June 30, 2004, compared with $21.63 per share at December 31, 2003.

Cash dividends declared amounted to $0.34 per share, for the six months ended June 30, 2004, equivalent to a dividend payout ratio of 45.59 percent, compared with 40.06 percent for the same period in 2003. Our Board of Directors continues to believe that cash dividends are an important component of shareholder value and that, at the bank's current level of performance and capital, we expect to continue our current dividend policy of a quarterly cash distribution of earnings to our shareholders.

CONTROLS AND PROCEDURES

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

CEO/PRINCIPAL ACCOUNTING OFFICER CONCLUSIONS ABOUT THE EFFECTIVENESS OF THE DISCLOSURE CONTROLS AND PROCEDURES. Based upon their evaluation of the disclosure controls and procedures, our CEO and Principal Accounting Officer have; concluded that, subject to the limitations noted below, our disclosure Controls and procedures are effective to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management, including the CEO and Principal Financial Officer, on a timely basis and particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS.

Our management, including the CEO and Principal Financial Officer, does not

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

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

PART II - OTHER INFORMATION;

Item 1. Legal Proceedings

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

Item 2. Changes in Securities - Nothing to report.

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

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

Item 5. Other Information - CCFNB has received approval from the Comptroller of the Currency to open a full-service branch in the Wal-Mart Supercenter at Buckhorn, 100 Lunger Drive, Bloomsburg, PA 17815. Expected opening date is late October 2004.

Item 6. Exhibits and Reports on Form 8-K - Exhibits 31.1, 31,2 and 32

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CCFNB BANCORP INC.
(Registrant)

By /s/ Lance O. Diehl

Lance O. Diehl
President and CEO

Date: AUG. 10, 2004

By /s/ Virginia D. Kocher

Virginia D. Kocher
Treasurer

Date: AUG. 10, 2004