SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

Quarterly Report
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2016

FNB BANCORP

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of incorporation)

000-49693 (Commission File Number)	91-2115369 (IRS Employer Identification No.)
975 El Camino Real, South San Francisco, California (Address of principal executive offices)	94080 (Zip Code)

Registrant's telephone number, including area code: (650) 588-6800

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock as of March 31, 2016: 4,566,041 shares.

FNB BANCORP
QUARTERLY REPORT ON FORM 10-Q
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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

FNB BANCORP AND SUBSIDIARY
Consolidated Balance Sheets
(Unaudited)

Assets (Dollar amounts in thousands)	**March 31, 2016**	**December 31, 2015**
Cash and due from banks	$ 37,737	$ 12,314
Interest-bearing time deposits with financial institutions	205	205
Securities available-for-sale, at fair value	329,396	329,207
Loans, net of allowance for loan losses of $9,943 and $9,970 on March 31, 2016 and December 31, 2015	733,991	722,747
Bank premises, equipment, and leasehold improvements, net	10,320	10,202
Bank-owned life insurance, net	15,946	15,845
Other equity securities	6,756	6,748
Accrued interest receivable	4,603	4,511
Other real estate owned, net	1,055	1,026
Goodwill	4,580	4,580
Prepaid expenses	945	997
Other assets	15,444	15,967
Total assets	$ 1,160,978	$ 1,124,349
Liabilities and Stockholders' Equity		
Deposits		
Demand, noninterest bearing	$ 265,947	$ 263,822
Demand, interest bearing	113,337	102,304
Savings and money market	526,557	491,633
Time	124,410	125,430
Total deposits	1,030,251	983,189
Federal Home Loan Bank advances	—	17,000
Note Payable	4,800	4,950
Accrued expenses and other liabilities	17,230	15,048
Total liabilities	1,052,281	1,020,187
Stockholders' equity		
Common stock, no par value, authorized 10,000,000 shares; issued and outstanding 4,566,041 shares at March 31, 2016 and 4,541,680 shares at December 31, 2015	75,240	74,805
Retained earnings	29,666	27,816
Accumulated other comprehensive earnings, net of tax	3,791	1,541
Total stockholders' equity	108,697	104,162
Total liabilities and stockholders' equity	$ 1,160,978	$ 1,124,349

See accompanying notes to consolidated financial statements.

FNB BANCORP AND SUBSIDIARY
Consolidated Statements of Earnings
(Unaudited)

(Dollar amounts and shares in thousands, except per share amounts)	Three months ended March 31, 2016	2015
Interest income		
Interest and fees on loans	$ 9,871	$ 7,710
Interest on taxable securities	978	830
Interest on tax-exempt securities	707	514
Interest on time deposits with other financial institutions	1	14
Total interest income	11,557	9,068
Interest expense		
Interest on deposits	783	454
Interest on FHLB advances	8	1
Interest on note payable	57	59
Total interest expense	848	514
Net interest income	10,709	8,554
Provision for loan losses	75	75
Net interest income after provision for loan losses	10,634	8,479
Noninterest income		
Service charges	621	611
Gain on sale of available-for-sale securities	184	69
Bank-owned life insurance policy earnings	100	84
Other income	237	314
Total noninterest income	1,142	1,078
Noninterest expense		
Salaries and employee benefits	4,938	4,302
Occupancy expense	631	668
Equipment expense	434	405
Professional fees	387	387
FDIC assessment	150	150
Telephone, postage and supplies	295	289
Advertising	117	99
Data processing expense	192	134
Low income housing expense	71	71
Surety insurance	87	88
Directors expense	72	72
Other real estate owned expense	(10)	—
Other expense	423	278
Total noninterest expense	7,787	6,943
Earnings before provision for income taxes	3,989	2,614
Provision for income taxes	1,422	815
Net earnings	$ 2,567	$ 1,799
Earnings per share data:		
Basic	$ 0.56	$ 0.40
Diluted	$ 0.55	$ 0.39
Weighted average shares outstanding:		
Basic	4,550	4,487
Diluted	4,687	4,623

See accompanying notes to consolidated financial statements.

FNB BANCORP AND SUBSIDIARY

Consolidated Statements of Comprehensive Earnings

(Unaudited)

	Three months ended March 31, 2016		Three months ended March 31, 2015	
Net earnings	$	2,567	$	1,799
Unrealized holding gain on available-for-sale securities, net of tax expense of ($1,639) and ($720)		2,359		1,324
Reclassifiation adjustment for gain recognized on available-for-sale securities sold, net of tax benefit of $75 and ($28) for the three months ended March 31, 2016 and 2015, respectively		(109)		(41)
Other Comprehensive Earnings		2,250		1,283
Total comprehensive earnings	$	4,817	$	3,082

See accompanying notes to consolidated financial statements.

FNB BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollar amounts in thousands)	Three months ended March 31, 2016	2015
Cash flow from operating activities:		
Net earnings	$ 2,567	$ 1,799
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net gain on sale of securities available-for-sale	(184)	(69)
Depreciation, amortization and accretion	928	823
Stock-based compensation expense	88	61
Earnings on bank owned life insurance	(100)	(84)
Provision for loan losses	75	75
Increase (decrease) increase in net deferred loan fees	69	(54)
Increase in accrued interest receivable	(92)	(19)
Decrease in prepaid expense	52	29
Decrease in other assets	522	1,800
Decrease in accrued expenses and other liabilities	(64)	(2,487)
Net cash provided by operating activities	3,861	1,874
Cash flows from investing activities:		
Purchase of securities available-for-sale	(16,415)	(16,232)
Proceeds from matured/called/sold securities available-for-sale	19,563	18,321
Investment, net of redemption, in other equity securities	(8)	(4)
Redemption of time deposits of other banks	—	1
Net investment in other real estate owned	(29)	(7)
Net (increase) decrease in loans	(11,388)	8,088
Purchases of bank premises, equipment, leasehold improvements	(386)	(20)
Net cash (used in) provided by investing activities	(8,663)	10,147

See accompanying notes to consolidated financial statements.

FNB BANCORP AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from financing activities		
Net increase in demand and savings deposits	$ 48,082	$ 11,078
Net (decrease) increase in time deposits	(1,020)	1,352
Decrease in FHLB advances	(17,000)	(9,000)
Principal reduction on note payable	(150)	(150)
Dividends paid on common stock	(34)	(29)
Exercise of stock options	347	390
Net cash provided by financing activities	30,225	3,641
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,423	15,662
Cash and cash equivalents at beginning of period	12,314	14,978
Cash and cash equivalents at end of period	$ 37,737	$ 30,640
Additional cash flow information:		
Interest paid	$ 840	$ 531
Income taxes paid	$ 202	$ 865
Non-cash investing and financing activities:		
Accrued dividends	$ 683	$ 555
Change in unrealized gain in available for-sale securities, net of tax	$ 2,250	$ 1,283

See accompanying notes to consolidated financial statements.

NOTE A – BASIS OF PRESENTATION

FNB Bancorp (the "Company") is a bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Company was incorporated under the laws of the State of California on February 28, 2001. The consolidated financial statements include the accounts of FNB Bancorp and its wholly-owned subsidiary, First National Bank of Northern California (the "Bank"). The Bank provides traditional banking services in San Mateo and San Francisco counties.

All intercompany transactions and balances have been eliminated in consolidation. The financial statements include all adjustments of a normal and recurring nature, which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations for the periods presented.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes normally included in annual financial statements prepared in conformity with accounting principles generally accepted in the United States of America. Accordingly, these consolidated financial statements should be read in conjunction with the consolidated audited financial statements and notes thereto for the year ended December 31, 2015. Results of operations for interim periods are not necessarily indicative of results for the full year. Certain prior year information has been reclassified to conform to current year presentation. The reclassifications had no impact on consolidated net earnings or stockholders' equity.

NOTE B – STOCK OPTION PLANS

Stock option expense is recorded based on the fair value of option contracts issued. The fair value is determined by using an option pricing model that considers the expected contract term, the risk free interest rate, the volatility of the Company's stock price and the level of dividends the Company is expected to pay.

Measurement of the cost of the stock options granted is based on the grant-date fair value of each stock option using the Black-Scholes valuation model. The cost is then amortized over each option's requisite service period. The expected term of options granted is derived from the period of time the options are expected to be outstanding. The risk free rate is based on the yield of an equivalent maturity U.S. Treasury note. Volatility is calculated using historical price changes on a monthly basis over the option's expected life.

The amount of stock option compensation expense recorded in the quarters ended March 31, 2016 and 2015 was $88,000 and $61,000, respectively. There was no income tax benefit recognized in the consolidated statements of earnings for these amounts for the quarters ended March 31, 2016 and 2015, respectively.

The intrinsic value for options exercised during the quarters ended March 31, 2016 and March 31, 2015 was$405,000 and $314,000, respectively. The intrinsic value of options exercisable during the quarter ended March 31, 2016 and March 31, 2015 was $3,682,000 and $3,463,000, respectively.

The amount of total unrecognized compensation expense related to non-vested options at March 31, 2016 was $962,000, and the weighted average period over which it will be amortized is 3.8 years.

NOTE C – EARNINGS PER SHARE CALCULATION

Earnings per common share (EPS) are computed based on the weighted average number of common shares outstanding during the period. Basic EPS excludes dilution and is computed by dividing net earnings available to common stockholders by the weighted average of common shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The number of potential common shares included in the quarterly diluted EPS is computed using the average market price during the three months included in the reporting period under the treasury stock method. The number of potential common shares included in year-to-date diluted EPS is a year-to-date weighted average of potential shares included in each quarterly diluted EPS computation. All common stock equivalents are anti-dilutive when a net loss occurs. A 5% stock dividend was declared in the fourth quarter of 2015, and prior per share amounts have been adjusted to reflect the 5% stock dividend.

Earnings per share have been computed based on the following:

(Dollar amounts in thousands)	Three months ended March 31,	
	2016	2015
Net earnings	$ 2,567	$ 1,799
Average number of shares outstanding	4,550,000	4,487,000
Effect of dilutive options	137,000	136,000
Average number of shares outstanding used to calculate diluted earnings per share	4,687,000	4,623,000

Anti dilutive options that were excluded from the calculation of diluted EPS totaled 52,000 and 96,000 at March 31, 2016 and 2015, respectively.

NOTE D – SECURITIES AVAILABLE FOR SALE

The amortized cost and carrying values of securities available-for-sale are as follows:

(Dollar amounts in thousands)	Amortized cost	Unrealized gains	Unrealized losses	Fair value
March 31, 2016				
U.S. Treasury securities	$ 3,978	$ 60	$ —	$ 4,038
Obligations of U.S. government agencies	76,853	927	(1)	77,779
Mortgage-backed securities	63,906	1,436	(46)	65,296
Obligations of states and political subdivisions	137,022	3,930	(40)	140,912
Corporate debt	41,211	242	(82)	41,371
	$ 322,970	$ 6,595	$ (169)	$ 329,396
December 31, 2015				
U.S. Treasury securities	$ 7,004	$ 14	$ (18)	$ 7,000
Obligations of U.S. government agencies	84,842	168	(401)	84,609
Mortgage-backed securities	61,579	641	(557)	61,663
Obligations of states and political subdivisions	132,125	3,148	(83)	135,190
Corporate debt	41,045	50	(350)	40,745
	$ 326,595	$ 4,021	$ (1,409)	$ 329,207

An analysis of gross unrealized losses of the available-for-sale investment securities portfolio as of March 31, 2016 and December 31, 2015, respectively, is as follows:

(Dollar amounts in thousands)	Total Fair Value	Less than 12 Months Unrealized Losses	Total Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
March 31, 2016						
U.S. Treasury securities	$ —	$ —	$ —	$ —	$ —	$ —
Obligations of U.S. government agencies	1,000	—	1,011	(1)	2,011	(1)
Mortgage-backed securities	1,506	(11)	9,693	(35)	11,199	(46)
Obligations of states and political subdivisions	8,412	(40)	—	—	8,412	(40)
Corporate debt	11,535	(71)	3,489	(11)	15,024	(82)
Total	$ 22,453	$ (122)	$ 14,193	$ (47)	$ 36,646	$ (169)

(Dollar amounts in thousands) December 31, 2015:	Total Fair Value	Less than 12 months Unrealized Losses	Total Fair Value	12 months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
U. S. Treasury securities	$ 5,042	$ (18)	$ —	$ —	$ 5,042	$ (18)
Obligations of U.S. government agencies	55,382	(339)	4,976	(62)	60,358	(401)
Mortgage-backed securities	19,458	(192)	16,714	(365)	36,172	(557)
Obligations of states and political subdivisions	14,988	(73)	1,856	(10)	16,844	(83)
Corporate debt	27,130	(300)	4,449	(50)	31,579	(350)
Total	$ 122,000	$ (922)	$ 27,995	$ (487)	$ 149,995	$ (1,409)

At March 31, 2016, there were 8 securities in an unrealized loss position for greater than 12 consecutive months. At the same time, there were 28 securities in an unrealized loss position for twelve or less than twelve consecutive months. Management periodically evaluates each security in an unrealized loss position to determine if the impairment is temporary or other-than-temporary. The unrealized losses are due solely to interest rate changes and the Company does not intend to sell nor expects it will be required to sell investment securities identified with impairments prior to the earliest of forecasted recovery or the maturity of the underlying investment security. Management has determined that no investment security was other-than-temporarily impaired at March 31, 2016.

The amortized cost and carrying value of available-for-sale debt securities as of March 31, 2016 by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

March 31, 2016:

(Dollar amounts in thousands)	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$ 11,961	$ 12,017
Due after one through five years	153,924	156,274
Due after five years through ten years	126,924	130,411
Due after ten years	30,161	30,694
	$ 322,970	$ 329,396

For the three months ended March 31, 2016 and March 31, 2015, respectively, gross realized gains amounted to $184,000 and $69,000, on gross securities sold or called of $12,282,000 and $12,272,000, respectively. For the three months ended March 31, 2016 and 2015, respectively, there were no gross realized losses.

At March 31, 2016, securities with an amortized cost of $97,771,000 and fair value of $99,499,000 were pledged as collateral for public deposits and for other purposes required by law.

NOTE E - LOANS

Loans are summarized as follows at March 31, 2016 and December 31, 2015:

March 31, 2016:

(Dollar amounts in thousands)	FNB Bancorp Originated	PNCI	PCI	Total Balance March 31, 2016
Commercial real estate	$ 336,808	$ 73,995	$ 1,280	$ 412,083
Real estate construction	40,375	2,091	—	42,466
Real estate multi-family	50,130	9,769	—	59,899
Real estate 1 to 4 family	145,561	27,971	—	173,532
Commercial & industrial	46,000	9,608	—	55,608
Consumer loans	1,675	—	—	1,675
Gross loans	620,549	123,434	1,280	745,263
Net deferred loan fees	(1,329)	—	—	(1,329)
Allowance for loan losses	(9,943)	—	—	(9,943)
Net loans	$ 609,277	$ 123,434	$ 1,280	$ 733,991

December 31, 2015:

(Dollar amounts in thousands)	FNB Bancorp Originated	PNCI	PCI	Total Balance December 31, 2015
Commercial real estate	$ 314,141	$ 84,548	$ 1,304	$ 399,993
Real estate construction	38,909	5,907	—	44,816
Real estate multi-family	47,607	15,990	—	63,597
Real estate 1 to 4 family	153,872	18,092	—	171,964
Commercial & industrial	39,894	12,139	—	52,033
Consumer loans	1,574	—		1,574
Gross loans	595,997	136,676	1,304	733,977
Net deferred loan fees	(1,260)	—	—	(1,260)
Allowance for loan losses	(9,970)	—	—	(9,970)
Net loans	$ 584,767	$ 136,676	$ 1,304	$ 722,747

Note: PNCI means Purchased, Not Credit Impaired. PCI means Purchased, Credit Impaired. These designations are assigned to the purchased loans on their date of purchase. Once the loan designation has been made, each loan will retain its designation for the life of the loan.

(Dollar amounts in thousands)	Recorded Investment in Loans at March 31, 2016						
	Commercial Real Estate	Real Estate Construction	Real Estate Multi Family	Real Estate 1 to 4 Family	Commercial & industrial	Consumer	Total
Loans:							
Ending balance	$ 412,083	$ 42,466	$ 59,899	$ 173,532	$ 55,608	$ 1,675	$ 745,263
Ending balance: individually evaluated for impairment	$ 10,700	$ 2,102	$ —	$ 4,115	$ 1,572	$ —	$ 18,489
Ending balance collectively evaluated for impairment	$ 401,383	$ 40,364	$ 59,899	$ 169,417	$ 54,036	$ 1,675	$ 726,774

(Dollar amounts in thousands)	Recorded Investment in Loans at December 31, 2015						
	Commercial Real Estate	Real Estate Construction	Real Estate Multi family	Real Estate 1 to 4 family	Commercial & industrial	Consumer	Total
Loans:							
Ending balance	$ 399,993	$ 44,816	$ 63,597	$ 171,964	$ 52,033	$ 1,574	$ 733,977
Ending balance: individually evaluated for impairment	$ 10,803	$ 2,154	$ —	$ 4,218	$ 1,782	$ —	$ 18,957
Ending balance: collectively evaluated for impairment	$ 389,190	$ 42,662	$ 63,597	$ 167,746	$ 50,251	$ 1,574	$ 715,020

(Dollar amounts in thousands)

	Recorded Investment in Loans at March 31, 2015						
	Commercial Real Estate	Real Estate Construction	Real Estate Multi family	Real Estate 1 to 4 family	Commercial & industrial	Consumer	Total
Loans:							
Ending balance	$ 322,414	$ 34,237	$ 53,703	$ 128,105	$ 45,589	$ 1,697	$ 585,745
Ending balance: individually evaluated for impairment	$ 9,460	$ 2,368	$ —	$ 4,673	$ 2,226	$ 60	$ 18,787
Ending balance collectively evaluated for impairment	$ 312,954	$ 31,869	$ 53,703	$ 123,432	$ 43,363	$ 1,637	$ 566,958

The following tables provide information pertaining to impaired loans originated and PNCI loans as of and for the quarter ended March 31, 2016 and the year ended December 31, 2015.

	Impaired Loans As of and for the quarter ended March 31, 2016				
(Dollar amounts in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Income Recognized
With no related allowance recorded					
Commercial real estate	$ 8,075	$ 9,164	$ —	$ 9,212	$ 232
Commercial real estate construction	2,102	2,285	—	2,311	37
Residential- 1 to 4 family	468	468	—	457	8
Commercial & industrial	516	516	—	522	7
Total	11,161	12,433	—	12,502	284
With an allowance recorded					
Commercial real estate	$ 2,625	$ 2,629	$ 89	$ 2,641	$ 38
Commercial real estate construction	—	—	—	—	—
Residential- 1 to 4 family	3,647	3,669	460	3,250	35
Commercial & industrial	1,056	1,272	105	1,303	0
Total	7,328	7,570	654	7,194	73
Total					
Commercial real estate	$ 10,700	$ 11,793	$ 89	$ 11,853	$ 270
Commercial real estate construction	2,102	2,285	—	2,311	37
Residential- 1 to 4 family	4,115	4,137	460	3,707	43
Commercial & industrial	1,572	1,788	105	1,825	7
	$ 18,489	$ 20,003	$ 654	$ 19,696	$ 357

(Dollar amounts in thousands)	Impaired Loans As of and for the year ended December 31, 2015 Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Income Recognized
With no related allowance recorded					
Commercial real estate	$ 8,169	$ 9,271	$ —	$ 8,379	$ 282
Commercial real estate construction	2,154	2,337	—	2,264	130
Residential- 1 to 4 family	457	457	—	460	36
Commercial and industrial	524	524	—	731	27
Consumer	—	—	—	—	—
Total	11,304	12,589	—	11,834	475
With an allowance recorded					
Commercial real estate	$ 2,634	$ 2,638	$ 96	$ 2,664	$ 160
Residential- 1 to 4 family	3,761	3,782	479	3,786	149
Commercial and industrial	1,258	1,497	182	1,484	7
Consumer	—	—	—	—	—
Total	7,653	7,917	757	7,934	316
Total					
Commercial real estate	$ 10,803	$ 11,909	$ 96	$ 11,043	$ 442
Commercial real estate construction	2,154	2,337	—	2,264	130
Residential- 1 to 4 family	4,218	4,239	479	4,246	185
Commercial and industrial	1,782	2,021	182	2,215	34
Consumer	—	—	—	—	—
Grand total	$ 18,957	$ 20,506	$ 757	$ 19,768	$ 791

	Impaired Loans As of and for the quarter ended March 31, 2015				
(Dollar amounts in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Income Recognized
With no related allowance recorded					
Commercial real estate	$ 4,432	$ 5,315	$ —	$ 4,447	$ 63
Commercial real estate construction	2,368	2,551	—	2,371	33
Residential- 1 to 4 family	1,483	1,484	—	1,485	14
Commercial & industrial	564	801	—	573	10
Consumer	—	—	—	—	—
Total	8,847	10,151	—	8,876	120
With an allowance recorded					
Commercial real estate	$ 5,028	$ 5,031	$ 131	$ 5,048	$ 67
Commercial real estate construction	—	—	—	—	—
Residential- 1 to 4 family	3,190	3,207	510	3,218	31
Commercial & industrial	1,662	2,014	279	1,698	4
Consumer	60	60	8	62	3
Total	9,940	10,312	928	10,026	105
Total					
Commercial real estate	$ 9,460	$ 10,346	$ 131	$ 9,495	$ 130
Commercial real estate construction	2,368	2,551	—	2,371	33
Residential - 1 to 4 family	4,673	4,691	510	4,703	45
Commercial & industrial	2,226	2,815	279	2,271	14
Consumer	60	60	8	62	3
Grand total	$ 18,787	$ 20,463	$ 928	$ 18,902	$ 225

Nonaccrual loans totaled $6,882,000 and $7,915,000 as of March 31, 2016 and December 31, 2015. Impaired loans not on nonaccrual are loans that have been restructured and are performing under modified loan agreements, and where principal and interest is determined to be collectible. Nonaccrual loans are loans where principal and interest have not been determined to be fully collectible.

(Dollar amounts in thousands)	Loans on Nonaccrual Status as of March 31, 2016	December 31, 2015
Commercial real estate	$ 5,210	$ 6,021
Real estate - 1 to 4 family	546	636
Commercial & industrial	1,126	1,258
Consumer	—	—
Total	$ 6,882	$ 7,915

Interest income on impaired loans of $357,000 and $791,000 was recognized for cash payments received during the quarter ended March 31, 2016 and the year ended December 31, 2015, respectively. Interest income on impaired loans recognized for cash payments received for the three months ended March 31, 2015 was $225,000.

The amount of interest on impaired loans not collected for the quarter ended March 31, 2016 was $132,000, and the quarter ended March 31, 2015 was $106,000. The cumulative amount of unpaid interest on impaired loans was $3,537,000 and $3,050,000 as of March 31, 2016 and March 31, 2015, respectively.

Troubled Debt Restructurings

(Dollars in thousands)	**Total troubled debt restructured loans outstanding at March 31, 2016**			**December 31, 2015**		
	Accrual status	Non-accrual status	Total modifications	Accrual status	Non-accrual status	Total modifications
Commercial real estate	$ 5,490	$ 1,280	$ 6,770	$ 4,775	$ —	$ 4,775
Real Estate construction	1,232	—	1,232	1,283	—	1,283
Real estate 1 to 4 family	3,570	—	3,570	3,583	2,060	5,643
Commercial & industrial	516	1,006	1,522	524	1,043	1,567
Total	$ 10,808	$ 2,286	$ 13,094	$ 10,165	$ 3,103	$ 13,268

Modification Categories

The Company offers a variety of modifications to borrowers. The modification categories offered can generally be described in the following categories.

Rate Modification – A modification in which the interest rate is changed.

Term modification – A modification in which the maturity date, timing of payments, or frequency of payments is changed.

Interest Only Modification – A modification in which the loan is converted to interest only payments for a period of time.

Payment Modification – A modification in which the dollar amount of the payment is changed, other than an interest only modification described above.

As of March 31, 2016, there were no commitments for additional funding of troubled debt restructured loans.

As of March 31, 2016, there were no loans modified within the previous 12 months and for which there was a payment default during the period. All restructurings were a modification of interest rate and/or payment. There were no principal reductions granted.

There were no new modifications during the quarters ended March 31, 2016 or March 31, 2015.

As of March 31, 2015, there were no loans modified within the previous 12 months and for which there was a payment default during the period. All restructurings were a modification of interest rate and/or payment. There were no principal reductions granted.

Allowance for Credit Losses
For the Three Months Ended March 31, 2016

(Dollar amounts in thousands)

	Commercial Real Estate	Real Estate Construction	Real Estate Multi Family	Real Estate 1 to 4 Family	Commercial & industrial	Consumer	Total
Allowance for credit losses							
Beginning balance	$ 6,059	$ 589	$ 243	$ 2,176	$ 853	$ 50	$ 9,970
Charge-offs	—	—	—	—	(164)	(5)	(169)
Recoveries	2	—	—	12	53	—	67
Provision for (recovery (recovery of) of) loan losses	52	(2)	(32)	(39)	99	(3)	75
Ending balance	$ 6,113	$ 587	$ 211	$ 2,149	$ 841	$ 42	$ 9,943
Ending balance: individually evaluated for impairment	$ 89	$ —	$ —	$ 460	$ 105	$ —	$ 654
Ending balance: collectively evaluated for	$ 6,024	$ 587	$ 211	$ 1,689	$ 736	$ 42	$ 9,289

Allowance for Credit Losses
As of and For the Year Ended December 31, 2015

(Dollar amounts in thousands)

	Commercial Real estate	Real Estate Construction	Real Estate Multi family	Real Estate 1 to 4 family	Commercial & industrial	Consumer	Total
Allowance for credit losses							
Beginning balance	$ 5,549	$ 849	$ 206	$ 1,965	$ 1,073	$ 58	$ 9,700
Charge-offs	—	—	—	(45)	—	(36)	(81)
Recoveries	576	—	—	15	60	5	656
(Recovery of) provision for loan losses	(66)	(260)	37	241	(280)	23	(305)
Ending balance	$ 6,059	$ 589	$ 243	$ 2,176	$ 853	$ 50	$ 9,970
Ending balance: individually evaluated for impairment	$ 96	$ —	$ —	$ 479	$ 182	$ —	$ 757
Ending balance: collectively evaluated for impairment	$ 5,963	$ 589	$ 243	$ 1,697	$ 671	$ 50	$ 9,213

Allowance for Credit Losses
For the Three Months Ended March 31, 2015

(Dollar amounts in thousands)

	Commercial Real estate	Real Estate Construction	Real Estate Multi family	Real Estate 1 to 4 family	Commercial & industrial	Consumer	Total
Allowance for credit losses							
Beginning balance	$ 5,549	$ 849	$ 206	$ 1,965	$ 1,073	$ 58	$ 9,700
Charge-offs	—	—	—	(45)	—	(6)	(51)
Recoveries	6	—	—	—	14	—	20
Provision	(250)	571	(54)	(75)	(126)	9	75
Ending balance	$ 5,305	$ 1,420	$ 152	$ 1,845	$ 961	$ 61	$ 9,744
Ending balance: individually evaluated for impairment	$ 131	$ —	$ —	$ 510	$ 279	$ 8	$ 928
Ending balance: collectively evaluated for impairment	$ 5,174	$ 1,420	$ 152	$ 1,335	$ 682	$ 53	$ 8,816

Risk rating system

Loans to borrowers graded as pass or pooled loans represent loans to borrowers of acceptable or better credit quality. They demonstrate sound financial positions, repayment capacity and credit history. They have an identifiable and stable source of repayment.

Special mention loans have potential weaknesses that deserve management's attention. If left uncorrected these potential weaknesses may result in a deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. These assets are "not adversely classified" and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard loans are inadequately protected by current sound net worth, paying capacity of the borrower, or pledged collateral. Loans are normally classified as Substandard when there are unsatisfactory characteristics causing more than acceptable levels of risk. A substandard loan normally has one or more well-defined weaknesses that could jeopardize the repayment of the debt. For example, a) cash flow deficiency, which may jeopardize future payments; b) sale of non-collateral assets has become primary source of repayment; c) the borrower is bankrupt; or d) for any other reason, future repayment is dependent on court action.

Doubtful loans represent credits with weakness inherent in the Substandard classification and where collection or liquidation in full is highly questionable. To be classified Doubtful, there must be specific pending factors which prevent the Loan Review Officer from determining the amount of loss contained in the credit. When the amount of loss can be reasonably estimated, that amount is classified as Loss and the remainder is classified as Substandard.

Real Estate – Multi-Family

Our multi-family commercial real estate loans are secured by multi-family properties located primarily in San Mateo and San Francisco counties. These loans are made to investors where our primary source of repayment is from cash flows generated by the properties, through rent collections. The borrowers' promissory notes are secured with recorded liens on the underlying properties. The borrowers would normally also be required to personally guarantee repayment of the loans. The Bank uses conservative underwriting standards in reviewing applications for credit. Generally, our borrowers have multiple sources of income, so if cash flow generated from the property declines, at least in the short term, the borrowers can normally cover these short term cash flow deficiencies from their available cash reserves. Risk of loss to the Bank is increased when there are cash flow decreases sufficiently large and for such a prolonged period of time that loan payments can no longer be made by the borrowers.

Commercial Real Estate Loans

Commercial real estate loans consist of loans secured by non-farm, non-residential properties, including, but not limited to industrial, hotel, assisted care, retail, office and mixed use buildings. Our commercial real estate loans are made primarily to investors or small businesses where our primary source of repayment is from cash flows generated by the properties, either through rent collection or business profits. The borrower's promissory notes are secured with recorded liens on the underlying property. The borrowers would normally also be required to personally guarantee repayment of the loan. The Bank uses conservative underwriting standards in reviewing applications for credit. Generally, our borrowers have multiple sources of income, so if cash flow generated from the property declines, at least in the short term, the borrowers can normally cover these short term cash flow deficiencies from their available cash reserves. Risk of loss to the Bank is increased when there are cash flow decreases sufficiently large and for such a prolonged period of time that loan payments can no longer be made by the borrowers.

Real Estate Construction Loans

Our real estate construction loans are generally made to borrowers who are rehabilitating a building, converting a building use from one type of use to another, or developing land and building residential or commercial structures for sale or lease. The borrower's promissory notes are secured with recorded liens on the underlying property. The borrowers would normally also be required to personally guarantee repayment of the loan.

The Bank uses conservative underwriting standards in reviewing applications for credit. Generally, our borrowers have sufficient resources to make the required construction loan payments during the construction and absorption or lease-up period. After construction is complete, the loans are normally paid off from proceeds from the sale of the building or through a refinance to a commercial real estate loan. Risk of loss to the Bank is increased when there are material construction cost overruns, significant delays in the time to complete the project and/or there has been a material drop in the value of the projects in the marketplace since the inception of the loan.

Real Estate-1 to 4 Family Loans

Our residential real estate loans are generally made to borrowers who are buying or refinancing their primary personal residence or a rental property of 1-4 single family residential units. The Bank uses conservative underwriting standards in reviewing applications for credit. Risk of loss to the Bank is increased when borrowers lose their primary source of income and/or property values decline significantly.

Commercial and Industrial Loans

Our commercial and industrial loans are generally made to small businesses to provide them with at least some of the working capital necessary to fund their daily business operations. These loans are generally either unsecured or secured by fixed assets, accounts receivable and/or inventory. The borrowers would normally also be required to personally guarantee repayment of the loan. The Bank uses conservative underwriting standards in reviewing applications for credit. Risk of loss to the Bank is increased when our small business customers experience a significant business downturn, incur significant financial losses, or file for relief from creditors through bankruptcy proceedings.

Consumer Loans

Our consumer and installment loans generally consist of personal loans, credit card loans, automobile loans or other loans secured by personal property. The Bank uses conservative underwriting standards in reviewing applications for credit. Risk of loss to the Bank is increased when borrowers lose their primary source of income, or file for relief from creditors through bankruptcy proceedings.

Age Analysis of Past Due Loans
As of March 31, 2016

(Dollar amounts in thousands)

Originated	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Commercial real estate	$ —	$ —	$ 140	$ 140	$ 336,668	$ 336,808
Real estate construction	1,250	—	—	1,250	39,125	40,375
Real estate multi family	—	—	—	—	50,130	50,130
Real estate-1 to 4 family	1,057	690	—	1,747	143,814	145,561
Commercial & industrial	384	—	1,056	1,440	44,560	46,000
Consumer	—	—	—	—	1,675	1,675
Total	$ 2,691	$ 690	$ 1,196	$ 4,577	$ 615,972	$ 620,549
Purchased						
Not credit impaired						
Commercial real estate	$ —	$ 551	$ —	$ 551	$ 73,444	$ 73,995
Real estate construction	—	—	—	—	2,091	2,091
Real estate multi-family	—	—	—	—	9,769	9,769
Real estate-1 to 4 family	—	—	12	12	27,959	27,971
Commercial & industrial	—	—	70	70	9,538	9,608
Total	$ —	$ 551	$ 82	$ 633	$ 122,801	$ 123,434
Purchased						
Credit impaired						
Commercial real estate	$ —	$ —	$ —	$ —	$ 1,280	$ 1,280
Total	$ —	$ —	$ —	$ —	$ 1,280	$ 1,280

At March 31, 2016, there were no loans that were 90 days or more past due where interest was still accruing.

The over 90 days column includes nonaccruals that were over 90 days, but does not include loans that are in nonaccrual status for reasons other than past due.

Age Analysis of Past Due Loans
As of December 31, 2015

(Dollar amounts in thousands)

Originated	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days	Total Past Due	Current	Total Loans
Commercial real estate	$ 1,541	$ —	$ —	$ 1,541	$ 312,600	$ 314,141
Real estate construction	706	725	—	1431	37,478	38,909
Real estate multi family	—	—	—	—	47,607	47,607
Real estate 1 to 4 family	1,363	737	71	2,171	151,701	153,872
Commercial & industrial	—	—	1,258	1,258	38,636	39,894
Consumer	—	—	—	—	1,574	1,574
Total	$ 3,610	$ 1,462	$ 1,329	$ 6,401	$ 589,596	$ 595,997
Purchased						
Not credit impaired						
Commercial real estate	$ —	$ —	$ 3,810	$ —	$ 84,548	$ 84,548
Real estate construction	—	—	—	—	5,907	5,907
Real estate multi-family	—	—	—	—	15,990	15,990
Real estate 1 to 4 family	175	—	—	175	17,917	18,092
Commercial & industrial	70	—	—	70	12,069	12,139
Total	$ 245	$ —	$ 3,810	$ 245	$ 136,431	$ 136,676
Purchased						
Credit impaired						
Commercial real estate	$ —	$ —	$ —	$ —	$ 1,304	$ 1,304
Total	$ —	$ —	$ —	$ —	$ 1,304	$ 1,304

At December 31, 2015, there were no loans that were 90 days or more past due where interest was still accruing.

The over 90 days column includes nonaccrual loans that were over 90 days, but does not include loans that are in nonaccrual status for reasons other than past due.

Credit Quality Indicators
As of March 31, 2016

(Dollar amounts in thousands)

Originated	Pass	Special mention	Sub-standard	Doubtful	Total loans
Commercial real estate	$ 330,961	$ 1,844	$ 4,003	$ —	$ 336,808
Real estate construction	39,364	—	1,011	—	40,375
Real estate multi-family	50,130	—	—	—	50,130
Real estate-1 to 4 family	144,827	—	734	—	145,561
Commercial & industrial	45,360	—	629	11	46,000
Consumer loans	1,675	—	—	—	1,675
Totals	$ 612,317	$ 1,844	$ 6,377	$ 11	$ 620,549
Purchased					
Not credit impaired					
Commercial real estate	$ 62,646	$ 2,880	$ 8,457	$ 12	$ 73,995
Real estate construction	2,091	—	—	—	2,091
Real estate multi-family	9,769	—	—	—	9,769
Real estate-1 to 4 family	27,971	—	—	—	27,971
Commercial & industrial	9,516	—	92	—	9,608
Total	$ 111,993	$ 2,880	$ 8,549	$ 12	$ 123,434
Purchased					
Credit impaired					
Commercial real estate					$ 1,280
Total					$ 1,280

	Credit Quality Indicators As of December 31, 2015				
(Dollar amounts in thousands)					
Originated	Pass	Special mention	Sub-standard	Doubtful	Total loans
Commercial real estate	$ 308,164	$ 1,857	$ 4,120	$ —	$ 314,141
Real estate construction	37,850	—	1,059	—	38,909
Real estate multi-family	47,607	—	—	—	47,607
Real estate 1 to 4 family	153,285	—	587	—	153,872
Commercial & industrial	39,287	—	451	156	39,894
Consumer loans	1,574	—	—	—	1,574
Totals	$ 587,767	$ 1,857	$ 6,217	$ 156	$ 595,997
Purchased					
Not credit impaired					
Commercial real estate	$ 68,936	$ 3,455	$ 12,145	$ 12	$ 84,548
Real estate construction	5,907	—	—	—	5,907
Real estate multi-family	15,990	—	—	—	15,990
Real estate 1 to 4 family	18,092	—	—	—	18,092
Commercial & industrial	12,044	—	95	—	12,139
Total	$ 120,969	$ 3,455	$ 12,240	$ 12	$ 136,676
Purchased					
Credit impaired					
Commercial real estate					$ 1,304
Total					$ 1,304

NOTE F – BORROWINGS

Federal Home Loan Bank advances

There were no outstanding advances at March 31, 2016.

Corporate loan

On March 27, 2014, FNB Bancorp received funding under a $6,000,000 term loan credit facility. This loan carries a variable rate of interest that fluctuates on a monthly basis. The interest rate is based on the 3 month LIBOR rate plus 4%. Payments of $50,000 in principal plus accrued interest are payable monthly. The first loan payment was due May 1, 2014. The maturity date on this credit facility is March 26, 2019. On the maturity date, all outstanding principal plus accrued interest shall become due and payable. FNB Bancorp has pledged it stock ownership in First National Bank of Northern California as collateral subject to the terms and conditions contained in the Loan Agreement and the Pledge and Security Agreement. FNB Bancorp retains the right to prepay this debt at any time upon not less than 7 days' prior written notice to Lender. The proceeds from this loan were contributed to the Bank as an additional capital contribution. This capital contribution qualified as Tier 1 capital for the Bank under regulatory capital guidelines.

NOTE G – FAIR VALUE MEASUREMENT

The following table presents information about the Company's assets and liabilities measured at fair value as of March 31, 2016 and December 31, 2015, and indicates the fair value techniques used by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Transfers between levels of the fair value hierarchy and recognized on the actual date of the event or circumstances that caused the transfer, which generally corresponds with the Company's quarterly valuation process. During the first three months of 2016 and 2015 there were no transfers of assets or liabilities between hierarchy levels.

The following tables present the recorded amounts of assets measured at fair value on a recurring basis:

(Dollar amounts in thousands)		**Fair Value Measurements at March 31, 2016, Using**		
Description	**Fair Value 3/31/2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U. S. Treasury securities	$ 4,038	$ 4,038	$ —	$ —
Obligations of U.S. Government agencies	77,779	—	77,779	—
Mortgage-backed securities	65,296	—	65,296	—
Obligations of states and political subdivisions	140,912	—	140,912	—
Corporate debt	41,371	—	41,371	—
Total assets measured at fair value	$ 329,396	$ 4,038	$ 325,358	$ —

(Dollar amounts in thousands)		Fair Value Measurements at December 31, 2015, Using		
Description	Fair Value 12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Treasury securities	$ 7,000	$ 7,000	$ —	$ —
Obligations of U.S.				
Government agencies	84,609	—	84,609	—
Mortgage-backed securities	61,663	—	61,663	—
Obligations of states and political subdivisions	135,190	—	135,190	—
Corporate debt	40,745	—	40,745	—
Total assets measured at fair value	$ 329,207	$ 7,000	$ 322,207	$ —

The following tables present the recorded amounts of assets measured at fair value on a non-recurring basis:

(Dollar amounts in thousands)		Fair Value Measurements at March 31, 2016, Using		
Description	Fair Value 3/31/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans:				
Commercial real estate loans	$ —	$ —	$ —	$ —
Residential-1 to 4 family loans	215	—	—	215
Commercial and industrial loans	950	—	—	950
Consumer loans	—	—	—	—
Total impaired loans measured at fair value	$ 1,165	$ —	$ —	$ 1,165

(Dollar amounts in thousands)		Fair Value Measurements at December 31, 2015, Using		
Description	Fair Value 12/31/2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans:				
Commercial real estate loans	$ 136	$ —	$ —	$ 136
Residential-1 to 4 family loans	301	—	—	301
Commercial and industrial loans	1,065	—	—	1,065
Consumer loans	—	—	—	—
Total impaired loans measured at fair value	$ 1,502	$ —	$ —	$ 1,502

The Bank does not record originated loans at fair value. However, from time to time, if a loan is considered impaired, a specific allocation within the allowance for loan losses may be required. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, enterprise value, liquidation value and cash flows. Those impaired loans not requiring an allowance represent loans for which the value of the expected repayments or collateral exceed the recorded investments in such loans.

Impaired loans where an allowance is established based on the fair value of collateral or when the impaired loan has been written down to fair value require classification in the fair value hierarchy. If the fair value of the collateral is based on a non-observable market price or a current appraised value, the Bank records the impaired loans as nonrecurring Level 3. When an appraised value is not available, or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Bank also records the impaired loans as nonrecurring Level 3.

Other real estate owned is carried at the lower of historical cost or fair value less costs to sell. An appraisal (a Level 3 valuation) is obtained at the time the Bank acquires property through the foreclosure process. Any loan balance outstanding that exceeds the appraised value of the property is charged off against the allowance for loan loss at the time the property is acquired. Subsequent to acquisition, the Bank updates the property's appraised value on at least an annual basis. If the value of the property has declined during the year, a loss due to valuation impairment charge is recorded along with a corresponding reduction in the book carrying value of the property. Historical costs of other real estate owned were below fair value estimates at March 31, 2016 and December 31, 2015.

The Bank obtains third party appraisals on its impaired loans held-for-investment and foreclosed assets to determine fair value. When the appraisals are received, Management reviews the assumptions and methodology utilized in the appraisal, as well as the overall resulting value in conjunction with independent data sources such as recent market data and industry-wide statistics. We generally use a 6% discount for selling costs which is applied to all properties, regardless of size. Generally, the third party appraisals apply the "market approach," which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities, such as a business. Adjustments are then made based on the type of property, age of appraisal, current status of property and other related factors to estimate the current value of collateral. The value of OREO is determined based on independent appraisals, similar to the process used for impaired loans, discussed above, and is generally classified as Level 3.

Fair Values of Financial Instruments.

The following methods and assumptions were used by the Company in estimating the fair value disclosures for financial instruments.

Cash and Cash Equivalents, including interest-bearing time deposits with financial institutions.

The carrying amounts reported in the balance sheet for cash and short-term instruments are a reasonable estimate of fair value, which will approximate their historical cost.

Securities Available-for-Sale.

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans Receivable.

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values and credit risk factors. For fixed rate loans, fair values are based on discounted cash flows, credit risk factors, and liquidity factors.

Other equity securities.

These are mostly Federal Reserve Bank stock and Federal Home Loan Bank stock, carried in Other Assets. They are not traded, and not available for sale, but rather have a stated value that does not change.

Deposit liabilities.

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The fair values for fixed-rate certificates of deposit are based on discounted cash flows.

Federal Home Loan Bank Advances.

The fair values of Federal Home Loan Bank Advances are based on discounted cash flows. The discount rate is equal to the market rate currently offered on similar products.

Notes payable.

Fair value is equal to the current balance. They represent a corporate loan with a monthly variable rate, based on the 3-month LIBOR rate plus 4%.

Accrued Interest Receivable and Payable.

The interest receivable and payable balances approximate their fair value due to the short-term nature of their settlement dates.

Undisbursed loan commitments, lines of credit, Mastercard line and standby letters of credit.
The fair value of these off-balance sheet items are based on discounted cash flows of expected fundings.

The Bank has excluded non-financial assets and non-financial liabilities defined by the Codification (ASC 820-10-15-A), such as Bank premises and equipment, deferred taxes and other liabilities. In addition, the Bank has not disclosed the fair value of financial instruments specifically excluded from disclosure requirements of the Financial Instruments Topic of the Codification (ASC 825-10-50-8), such as Bank-owned life insurance policies.

The following table provides summary information on the estimated fair value of financial instruments at March 31, 2016:

March 31, 2016 (Dollar amounts in thousands)	**Carrying amount**	**Fair value**	**Fair value measurements** Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 37,737	$ 37,737	$ 37,737		
Interest-bearing time deposits with financial institutions	205	205		$ 205	
Securities available for sale	329,396	329,396	4,038	325,358	
Loans	746,610	737,339			$ 737,339
Other equity securities	6,756	6,756			6,756
Accrued interest receivable	4,603	4,603	4,603		
Financial liabilities:					
Deposits	1,030,251	1,030,842	904,821	126,021	
Note payable	4,800	4,800		4,800	
Accrued interest payable	244	244	244		
Off-balance-sheet liabilities:					
Undisbursed loan commitments, lines of credit, standby letters of credit and Mastercard lines of credit	—	1,741			1,741

The carrying amount of loans include $6,882,000 of nonaccrual loans (loans that are not accruing interest) as of March 31, 2016. The fair value of nonaccrual loans is based on the collateral values that secure the loans or the cash flows expected to be received.

The following table provides summary information on the estimated fair value of financial instruments at December 31, 2015:

December 31, 2015 (Dollar amounts in thousands)	**Carrying amount**	**Fair value**	**Fair value measurements** Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	$ 12,314	$ 12,314	$ 12,314		
Interest-bearing time deposits with financial institutions	205	205		$ 205	
Securities available for sale	329,207	329,207	7,000	322,207	
Loans	733,977	725,196			$ 725,196
Other equity securities	6,748	6,748			6,748
Accrued interest receivable	4,511	4,511	4,511		
Financial liabilities:					
Deposits	983,199	983,771	857,759	125,430	
Federal Home Loan Bank advances	17,000	17,000		17,000	
Note payable	4,950	4,950		4,950	
Accrued interest payable	236	236	236		
Off-balance-sheet liabilities:					
Undisbursed loan commitments, lines of credit, standby letters of credit and Mastercard lines of credit	—	1,673			1,673

The carrying amounts of loans include $7,915,000 of nonaccrual loans (loans that are not accruing interest) as of December 31, 2015. The fair value of nonaccrual loans is based on the collateral values that secure the loans or the cash flows expected to be received.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Information and Uncertainties Regarding Future Financial Performance.

This report, including management's discussion below, concerning earnings and financial condition, contains "forward-looking statements". Forward-looking statements are estimates of or statements about expectations or beliefs regarding the Company's future financial performance or anticipated future financial condition that are based on current information and that are subject to a number of risks and uncertainties that could cause actual operating results in the future to differ significantly from those expected at the current time. Those risks and uncertainties include, although they are not limited to, the following:

Increased Competition. Increased competition from other banks and financial service businesses, mutual funds and securities brokerage and investment banking firms that offer competitive loan and investment products and competitive market pricing, which could require us to reduce interest rates and loan fees to attract new loans or to increase interest rates that we offer on time deposits, either or both of which could, in turn, reduce interest income and net interest margins. These factors could reduce our ability to attract new deposits and loans and leases.

Liquidity Risk. The stability of funding sources and continued availability of borrowings; our ability to raise capital or incur debt on reasonable terms.

Possible Adverse Changes in Economic Conditions. Adverse changes in national or local economic conditions over an extended period of time could (i) reduce loan demand which could, in turn, reduce interest income and net interest margins; (ii) adversely affect the financial capability of borrowers to meet their loan obligations, which, in turn, could result in increases in loan losses and require increases in provisions for possible loan losses, thereby adversely affecting operating results; and (iii) lead to reductions in real property values that, due to the Company's reliance on real property to secure many of its loans, could make it more difficult to prevent losses from being incurred on non-performing loans through the sale of such real properties.

Possible Adverse Changes in National Economic Conditions and Federal Reserve Board Monetary Policies. Changes in national economic policies and conditions, such as increases in inflation or declines in economic output often prompt changes in Federal Open Market Committee ("FOMC") monetary policies that could reduce interest income or increase the cost of funds to the Company, either of which could result in reduced earnings. In addition, deterioration in economic conditions that could result in increased loan and lease losses.

Changes in Regulatory Policies. Changes in federal and national bank regulatory policies, such as increases in capital requirements or in loan loss reserve or asset/liability ratio requirements, liquidity requirements, and the risks associated with concentration in real estate related loans could adversely affect earnings by reducing yields on earning assets or increasing operating costs.

Due to these and other possible uncertainties and risks, readers are cautioned not to place undue reliance on the forward-looking statements contained in this report, which speak only as of the date of this report, or to make predictions based solely on historical financial performance. The Company also disclaims any obligation to update forward-looking statements contained in this report.

Critical Accounting Policies And Estimates

Management's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to its loans and allowance for loan losses. The Company bases its estimates on current market conditions, historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected as required by Regulation S-X, Rule 10-01. The Company believes the following critical accounting policy requires significant judgments and estimates used in the preparation of the consolidated financial statements.

Allowance for Loan Losses

The allowance for loan losses is periodically evaluated for adequacy by management. Factors considered include the Company's loan loss experience, known and inherent risks in the portfolio, current economic conditions, known adverse situations that may affect the borrower's ability to repay, regulatory policies, and the estimated value of underlying collateral. The evaluation of the adequacy of the allowance is based on the above factors along with prevailing and anticipated economic conditions that may impact our borrowers' ability to repay their loans. Determination of the allowance is based upon objective and subjective judgments by management from the information currently available. Adverse changes in information could result in higher than expected charge-offs and loan loss provisions.

Goodwill

Goodwill arises when the Company's purchase price exceeds the fair value of the net assets of an acquired business. Goodwill represents the value attributable to intangible elements acquired. The value of goodwill is supported ultimately by profit from the acquired business. A decline in earnings could lead to impairment, which would be recorded as a write-down in the Company's consolidated statements of earnings. Events that may indicate goodwill impairment include significant or adverse changes in results of operations of the acquired business or asset, economic or political climate; an adverse action or assessment by a regulator; unanticipated competition; and a more-likely-than-not expectation that a reporting unit will be sold or disposed of at a loss.

Other Than Temporary Impairment

Other than temporary impairment ("OTTI") is triggered if the Company has the intent to sell the security, it is likely that it will be required to sell the security before recovery, or if the Company does not expect to recover the entire amortized cost basis of the security. If the Company intends to sell the security or it is likely it will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If the Company does not intend to sell the security and it is not likely that the Company will be required to sell the security but the Company does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings as an OTTI. The credit loss is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected of a security. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment loss related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, would be recognized as a charge to other comprehensive income ("OCI"). Impairment losses related to all other factors are to be presented as a separate category within OCI.

For investment securities held to maturity, this amount is accreted over the remaining life of the debt security prospectively based on the amount and timing of future estimated cash flows. The accretion of the OTTI amount recorded in OCI will increase the carrying value of the investment, and would not affect earnings. If there is an indication of additional credit losses the security is re-evaluated accordingly based on the procedures described above.

Provision for and Deferred Income Taxes

The Company is subject to income tax laws of the United States, its states, and the municipalities in which it operates. The Company considers its income tax provision methodology to be critical, as the determination of current and deferred taxes based on complex analyses of many factors including interpretation of federal and state laws, the difference between tax and financial reporting bases of assets and liabilities (temporary differences), estimates of amounts due or owed, the timing of reversals of temporary differences and current financial standards. Actual results could differ significantly from the estimates due to tax law interpretations used in determining the current and deferred income tax liabilities. Additionally, there can be no assurances that estimates and interpretations used in determining income tax liabilities may not be challenged by federal and state tax authorities.

Recent Accounting Pronouncements

In September 2015, FASB issued ASU 2015-16, Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments. GAAP requires that during the amendment period, the acquirer retrospectively adjust the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Those adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts initially recognized or would have resulted in the recognition of additional assets or liabilities. To simplify the accounting for adjustments made to provisional amounts recognized in a business combination, the amendments in this Update eliminate the requirement to retrospectively account for those adjustments. These amendments in this Update are effective for fiscal years beginning after December 15, 2015. The adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016 FASB issued ASU 2016-1, *Financial Instruments-overall (subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. Before the global financial crisis that began in 2008, both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) began a joint project to improve and to achieve convergence of their respective standards on the accounting for financial instruments. The global economic crisis further highlighted the need for improvement in the accounting models for financial instruments in today's complex economic environment. As a result, the main objective in developing this Update is enhancing the reporting model for financial instruments to provide users of financial statements with more decision-useful information. For public business entities, the amendments in this Update address certain aspects of recognition measurement. The amendments in this Update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016 FASB issued ASU 2016-2, *Leases (Topic 842)*. The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the *FASB Accounting Standards Codification*® and creating Topic 842, Leases. This Update, along with IFRS 16, Leases, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting. The adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

In March 30, 2016 FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718)*. The Board is issuing this Update as part of its Simplification Initiative. The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The areas for simplification in this Update were identified through outreach for the Simplification Initiative, pre-agenda research for the Private Company Council, and the August 2014 *Post-Implementation Review Report on FASB No. 123(R)*, Share-Based Payment. The adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

Earnings Analysis

Net interest income for the quarter ended March 31, 2016 was $10,709,000, compared to $8,554,000 for the quarter ended March 31, 2015, an increase of $2,155,000, or 25%. Yields on interest earning assets rose 1 basis point in the quarter ended March 31, 2016 when compared to the same quarter in 2015. Net interest income is the primary determinant in our ability to generate sustainable earnings.

The following table presents an analysis of net interest income and average earning assets and liabilities for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015.

TABLE 1

NET INTEREST INCOME AND AVERAGE BALANCES
FNB BANCORP AND SUBSIDIARY

(Dollar amounts In thousands)	Three months ended March 31, 2016 Average Balance	2016 Interest	2016 Annualized Average Yield	2015 Average Balance	2015 Interest	2015 Annualized Average Yield
INTEREST EARNING ASSETS						
Loans, gross (1) (2)	$ 743,282	$ 9,871	5.34%	$ 587,903	$ 7,710	5.32%
Taxable securities (3)	201,677	978	1.95%	176,781	830	1.90%
Nontaxable securities (3)	127,626	941	2.97%	81,458	686	3.42%
Federal funds sold	—	—	n/a	—	—	n/a
Interest time deposits-other fin institutions	205	1	1.96%	2,783	14	2.04%
Total interest earning assets	1,072,790	11,791	4.42%	848,925	9,240	4.41%
NONINTEREST EARNING ASSETS:						
Cash and due from banks	24,723			30,995		
Premises and equipment	10,211			10,842		
Other assets	38,768			28,551		
Total noninterest earning assets	73,703			70,388		
TOTAL ASSETS	$1,146,493			$ 919,313		
INTEREST BEARING LIABILITIES:						
Demand, interest bearing	$ 108,825	38	0.14%	$ 88,778	18	0.08%
Money market	434,187	521	0.48%	320,916	289	0.37%
Savings	81,473	23	0.11%	69,539	17	0.10%
Time deposits	124,938	201	0.65%	104,269	130	0.51%
FHLB advances	6,714	8	0.48%	1,000	1	0.41%
Note payable	4,890	57	4.69%	5,489	59	4.36%
Total interest bearing liabilities	761,027	848	0.45%	589,991	514	0.35%
NONINTEREST BEARING LIABILITIES:						
Demand deposits	262,845			218,216		
Other liabilities	16,402			12,966		
Total noninterest bearing liabilities	279,247			231,182		
TOTAL LIABILITIES	1,040,274			821,173		
Stockholders' equity	106,219			98,140		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,146,493			$ 919,313		
NET INTEREST INCOME AND MARGIN ON TOTAL EARNING ASSETS (4)		$ 10,943	4.10%		$ 8,726	4.17%

1) Interest on non-accrual loans is recognized into income on a cash received basis if the loan has demonstrated performance and full collection is considered probable.
2) Amounts of interest earned included loan fees of $579,000 and $395,000 for the quarters ended March 31, 2016 and 2015, respectively.
3) Tax equivalent adjustments recorded at the statutory rate of 34% that are included in the nontaxable securities portfolio are $234,000 and $172,000 for the quarters ended March 31, 2016 and 2015, respectively, and were derived from nontaxable municipal interest income.
4) The annualized net interest margin is computed by dividing net interest income by total average interest earning assets and multiplied by an annualization factor.

The Net Interest Income and Average Balances table, above, shows the various components that contributed to changes in net interest income for the three months ended March 31, 2016 and 2015. The principal interest earning assets are loans, from a volume, as well as, from an earnings rate perspective. Yields on loans have increased during the first quarter of 2016 due to prepayment penalties realized on loans that were repaid prior to maturity.

For the quarter ended March 31, 2016, average gross loans outstanding represented 69% of average earning assets. For the quarter ended March 31, 2015, they represented 69% of average earning assets.

Interest earning assets consist primarily of loans that are originated by or purchased by the Bank and investment securities that are purchased from broker dealers. An investment in loans is the Bank's most valuable earning asset. Deposit liabilities are obtained through the Bank's branch offices. Demand deposits are the Bank's most profitable deposit account.

TABLE 2

RATE/VOLUME VARIANCE ANALYSIS

(Dollar amounts in thousands)	Three months ended March 31, 2016 compared to 2015		
	Increase(decrease) (2)		
	Interest Income/expense Variance	Variance Attributable to Rate	Variance Attributable to Volume
INTEREST EARNING ASSETS			
Loans	$ 2,161	$ 123	$ 2,038
Taxable securities	148	27	121
Nontaxable securities (1)	255	(85)	340
Int time deposits-other financial institutions	(13)	—	(13)
Total	2,551	65	2,486
INTEREST BEARING LIABILITIES			
Demand deposits	(20)	(16)	(4)
Money market	(232)	(96)	(136)
Savings	(6)	(3)	(3)
Time deposits	(71)	(45)	(26)
FHLB advances	(7)		(7)
Note payable	2	(4)	6
Total	(334)	(164)	(170)
NET INTEREST INCOME	$ 2,217	$ (99)	$ 2,316

(1) Includes tax equivalent adjustments of $234,000 and $172,000 in the three months ended March 31, 2016, and March 31, 2015, respectively.
(2) Increases (decreases) shown are in relation to their effect on net interest income.

Noninterest income

The following table shows the principal components of noninterest income for the periods indicated.

TABLE 3 **NONINTEREST INCOME**

(Dollar amounts in thousands)

	Three months ended March 31,		Variance	
	2016	2015	Amount	Percent
Service charges	$ 621	$ 611	$ 10	1.6%
Gain on available-for-sale securities	184	69	115	166.7%
Bank owned life insurance policy earnings	100	84	16	19.0%
Other income	237	314	(77)	-24.5%
Total noninterest income	$ 1,142	1,078	$ 64	5.9%

Noninterest income consists mainly of service charges on deposits, and earnings on bank owned life insurance policies. During the first quarter of 2016, the Bank sold approximately $12,282,000 in investment securities for a pre-tax gain of $184,000. During the first quarter of 2015, the Bank sold $12,272,000 in investment securities for a pre-tax gain of $69,000.

Noninterest expense

The following table shows the principal components of noninterest expense for the periods indicated.

TABLE 4 **NONINTEREST EXPENSE**

(Dollar amounts in thousands)

	Three months ended March 31,		Variance	
	2016	2015	Amount	Percent
Salaries and employee benefits	$ 4,938	$ 4,302	$ 636	14.8%
Occupancy expense	631	668	(37)	-5.5%
Equipment expense	434	405	29	7.2%
Professional fees	387	387	—	n/a
FDIC assessment	150	150	—	n/a
Telephone, postage & supplies	295	289	6	2.1%
Advertising expense	117	99	18	18.2%
Data processing expense	192	134	58	43.3%
Low income housing expense	71	71	—	n/a
Surety insurance	87	88	(1)	-1.1%
Directors expense	72	72	—	n/a
Other real estate owned expense, net	(10)	—	(10)	n/a
Other expense	423	278	145	52.2%
Total noninterest expense	$ 7,787	$ 6,943	$ 844	12.2%

Increased salary and employee benefits expenses in the first quarter of 2016 compared to the same period one year ago were the result of staffing increases related to the acquisition of America California Bank and normal salary progression. Data processing expense increases were related to post acquisition data processing consolidation measures that occurred during the first quarter of 2016.

Provision for Loan Losses

There was a provision for loan losses of $75,000 for the three-month periods ended March 31, 2016 and a provision for loan losses of $75,000 for the same period in March 31, 2015. The allowance for loan losses was $9,943,000 or 1.33% of total gross loans at March 31, 2016, compared to $9,970,000 or 1.36% of total gross loans at December 31, 2015. During the first quarter of 2016, $169,000 in loans was charged off, compared to $51,000 in the same period in 2015. The overall quality of the remaining portfolio did not warrant a larger provision for loan losses during the quarter. The allowance for loan losses is maintained at a level considered adequate for management to provide for probable loan losses inherent in the loan portfolio.

Income Taxes

The effective tax rate for the quarter ended March 31, 2016 was 35.7% compared to 31.2% for the quarter ended March 31, 2015. The increase is the direct result of a higher proportion of fully taxable income realized during the first quarter of 2016. Tax preference items which otherwise lowered our effective tax rate below full statutory rates during the first quarter of 2016 and 2015 included non-taxable interest income derived from municipal loans and investment securities and available Low Income Housing tax credits.

Asset and Liability Management

Ongoing management of the Company’s interest rate sensitivity limits interest rate risk through monitoring the mix and maturity of loans, investments and deposits. Management regularly reviews the Company’s position and evaluates alternative sources and uses of funds as well as changes in external factors. Various methods are used to achieve and maintain the desired interest rate sensitivity position including the sale or purchase of assets and product pricing.

In order to ensure that sufficient funds are available for loan growth and deposit withdrawals, as well as to provide for general needs, the Company must maintain an adequate level of liquidity. Asset liquidity comes from the Company’s ability to convert short-term investments into cash and from the maturity and repayment of loans and investment securities. Liability liquidity comes from the Company’s customer base, which provides core deposit growth. The overall liquidity position of the Company is closely monitored and evaluated regularly. Management believes the Company’s liquidity sources at March 31, 2016, are adequate to meet its operating needs in 2016 and our liquidity positions are sufficient to meet our liquidity needs in the near term.

Financial Condition

Assets. Total assets increased to $1,160,978,000 at March 31, 2016 from $1,124,349,000 at December 31, 2015, an increase of $36,629,000. The principal source of this increase was a $25,423,000 increase in cash and due from banks, an increase of $11,244,000 in net loans and a net decrease of $38,000 in all other assets.

Loans. Gross loans (before net loan fees) at March 31, 2016 were $745,263,000, an increase of $11,286,000 or 1.5% from December 31, 2015. Gross commercial real estate loans increased $12,090,000, real estate construction loans decreased $2,350,000, real estate multi- family loans decreased $3,698,000, real estate loans secured by 1 to 4 family residences increased $1,568,000, commercial and industrial loans increased $3,575,000, and consumer loans increased by $101,000. The loan portfolio breakdown was as follows:

TABLE 5 **LOAN PORTFOLIO**

(Dollar amounts in thousands)	March 31 2016	Percent	December 31 2015	Percent
Commercial real estate	$ 412,083	55%	$ 399,993	55%
Real estate construction	42,466	6%	44,816	6%
Real estate multi family	59,899	8%	63,597	9%
Real estate 1 to 4 family	173,532	23%	171,964	23%
Commercial & industrial	55,608	7%	52,033	7%
Consumer loans	1,675	0%	1,574	0%
Gross loans	745,263	100%	733,977	100%
Net deferred loan fees	(1,329)	0%	(1,260)	0%
Total	$ 743,934	100%	$ 732,717	100%

Allowance for loan losses. Management of the Company is responsible for assessing the overall risks within the Bank’s loan portfolio, assessing the specific loss expectancy, and determining the adequacy of the allowance for loan losses. The level of the allowance is determined by internally generating credit quality ratings, reviewing economic conditions in the Company’s market area, and considering the Company’s historical loan loss experience. The Company’s management considers changes in national and local economic conditions, as well as the condition of various market segments. It also reviews any changes in the nature and volume of the portfolio. Management watches for the existence and effect of any concentrations of credit, and changes in the level of such concentrations. It also reviews the effect of external factors, such as competition and legal and regulatory requirements. Finally, the Company is committed to maintaining an adequate allowance, identifying credit weaknesses by consistent review of loans, and maintaining the ratings and changing those ratings in a timely manner as circumstances change.

A summary of transactions in the allowance for loan losses for the three months ended March 31, 2016, and March 31, 2015, respectively is as follows:

TABLE 6 **ALLOWANCE FOR LOAN LOSSES**

(Dollar amounts in thousands)	Three months ended March 31, 2016	Three months ended March 31, 2015
Balance, beginning of period	$ 9,970	$ 9,700
Provision for loan losses	75	75
Recoveries	67	20
Amounts charged off	(169)	(51)
Balance, end of period	$ 9,943	$ 9,744

During the first quarter of 2016, there was a provision of $75,000. During the same period in 2015, the provision was $75,000. The provision level was considered appropriate given the declining risk levels within the Bank's loan portfolio.

In management's judgment, the allowance is adequate to absorb probable losses currently inherent in the loan portfolio at March 31, 2016. However, changes in prevailing economic conditions in the Company's markets or in the financial condition of its customers could result in changes in the level of nonperforming assets and charge-offs in the future and, accordingly, changes in the allowance.

The allowance is affected by a number of factors, and does not necessarily move in tandem with the level of gross loans outstanding. Management continues to monitor the factors that affect the allowance, and is prepared to make adjustments as they become necessary.

Nonperforming assets. Nonperforming assets consist of nonaccrual loans, loans that are 90 days or more past due but are still accruing interest and other real estate owned. At March 31, 2016, there was $7,937,000 in nonperforming assets, compared to $8,941,000 at December 31, 2015. Nonaccrual loans were $6,882,000 at March 31, 2016, compared to $7,915,000 at December 31, 2015. There were no loans past due 90 days and still accruing at either date.

There was $1,055,000 in other real estate owned at March 31, 2016, and $1,026,000 at December 31, 2015. Management intends to aggressively market our other real estate owned. While management believes these properties will sell, there can be no assurance that these properties will sell quickly given the current real estate market, nor can the expected sales price be accurately predicted.

Deposits. Total deposits at March 31, 2016, were $1,030,251,000 compared to $983,189,000 on December 31, 2015. Of these totals, noninterest-bearing demand deposits were $265,947,000 or 25.8% of the total on March 31, 2016, and $263,822,000 or 26.8% on December 31, 2015. Time deposits were $124,410,000 on March 31, 2016, and $125,430,000 on December 31, 2015.

The following table sets forth the maturity schedule of the time certificates of deposit on March 31, 2016:

TABLE 7

(Dollar amounts in thousands) Maturities	Under $250,000	$250,000 or more	Total
Three months or less	$ 17,358	$ 23,990	$ 41,348
Over three through six months	12,550	3,498	16,048
Over six through twelve months	22,961	13,374	36,335
Over twelve months	21,905	8,774	30,679
Total	$ 74,774	$ 49,636	$ 124,410

Regulatory Capital. The following table shows the risk-based capital ratios and leverage ratios at March 31, 2016 and December 31, 2015 for the Bank:

TABLE 8

Regulatory Capital Ratios	March 31, 2016	December 31, 2015		Minimum "Well Capitalized" Requirements
Total Regulatory Capital Ratio	13.25%	13.35%	≥	10.00%
Tier 1 Capital Ratio	12.06%	12.14%	≥	6.00%
Leverage Ratios	9.10%	9.08%	≥	5.00%
Common equity Tier 1 Capital Ratio	12.06%	12.14%	≥	4.50%

Liquidity. Liquidity is a measure of the Company's ability to convert assets into cash with minimal loss. As of March 31, 2016, liquid assets were $367,338,000, or 31.6% of total assets. As of December 31, 2015, liquid assets were $341,726,000, or 30.4% of total assets. Liquidity consists of cash and due from banks, and securities available-for-sale. The Company's primary uses of funds are loans, and the primary sources of funds are deposits. The Company also has federal funds borrowing facilities totaling $30,000,000, a Federal Home Loan Bank line up to 30% of total eligible assets, and a Federal Reserve Bank borrowing facility.

The relationship between total net loans and total deposits is a useful additional measure of liquidity. A higher loan to deposit ratio may lead to a loss of liquid assets in the future. This must be balanced against the fact that loans represent the highest interest earning assets. A lower loan to deposit ratio means lower potential income. On March 31, 2016, and December 31, 2015, respectively, net loans were at 71% and 74% of deposits. See the consolidated statements of Cash Flows under Item 1 for further information on the Company's cash flows.

Off-Balance Sheet Items

The Company has certain ongoing commitments under operating leases. These commitments do not significantly impact operating results. As of March 31, 2016 and December 31, 2015, commitments to extend credit and letters of credit were the only financial instruments with off-balance sheet risk. The Company has not entered into any contracts for financial derivative instruments such as futures, swaps, options or similar instruments. Loan commitments and letters of credit were $174,070,000 and $167,254,000 at March 31, 2016 and December 31, 2015, respectively. As a percentage of net loans, these off-balance sheet items represent 00.00% and 23.14% respectively. The Company does not expect all commitments are expected to be funded.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the risk of loss to future earnings, to fair values of assets or to future cash flows that may result from changes in the price or value of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates and other market conditions. Market risk is attributed to all market risk sensitive financial instruments, including loans, investment securities, deposits and borrowings. The Company does not engage in trading activities or participate in foreign currency transactions for its own account. Accordingly, exposure to market risk is primarily a function of asset and liability management activities and of changes in market rates of interest. Changes in rates can cause or require increases in the rates paid on deposits that may take effect more rapidly or may be greater than the increases in the interest rates that the Company is able to charge on loans and the yields that it can realize on its investments. The extent of that market risk depends on a number of variables including the sensitivity to changes in market interest rates and the maturities of the Company's interest earning assets and deposits.

Item 4. Controls and Procedures.

(a) *Disclosure Controls and Procedures.* The Company conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act of 1934 (the “Act”) as of the end of the Company’s fiscal quarter ended March 31, 2016. This evaluation was carried out under the supervision and with the participation of the Company’s Chief Executive Officer (principal executive officer) Chief Financial Officer (principal financial and accounting officer) and other members of the Company’s senior management. The Company’s Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial and accounting officer) concluded that the Company’s disclosure controls and procedures are effective in ensuring that material information required to be disclosed by the Company in the reports it files and submits under the Exchange Act is recorded, processed, summarized and reported as and when required and that such information is communicated to the Company’s management, including the principal executive officer and the principal financial officer, to allow timely decisions required disclosures. The evaluation did not identify any change in the Company’s internal control over financial reporting that occurred during the quarter ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management of FNB Bancorp (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting, and for reporting an assessment of the effectiveness of the internal control over financial reporting as of March 31, 2016. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparations of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transaction and dispositions of the assets of the Company; (ii) 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 (iii) 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.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings adverse to the Company or First National Bank to which any director, officer, affiliate of the Company, or 5% stockholder of the Company, or any associate of any such director, officer, affiliate or 5% stockholder of the Company are a party, and none of the foregoing persons has a material interest adverse to the Company or First National Bank.

From time to time, the Company and/or First National Bank are a party to claims and legal proceedings arising in the ordinary course of business. The Company's management is not aware of any material pending legal proceedings to which either it or First National Bank may be a party or has recently been a party, which will have a material adverse effect on the financial condition or results of operations of the Company and First National Bank, taken as a whole.

Item 1A. Risk Factors

During the course of normal operations, the Bank and the Company manage a variety of risks including, but not limited to, credit risk, operational risk, interest rate risk and regulatory compliance risk. For a more complete discussion of the risk factors facing the Bank and the Company, please refer to the section entitled "Item 1A – Risk Factors" in the Company's December 31, 2015 Form 10K.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") was signed into law. The purpose of this legislation was to bring about regulatory changes and oversight that would help stop past abuses from recurring in the future. This legislation gives additional powers to the FDIC and the Federal Reserve Bank that they may use in the execution of their duties as regulators and overseers of the banking industry. It also created a federal consumer protection agency named the Consumer Financial Protection Bureau ("CFPB"). All existing consumer laws and regulations have been transferred to the CFPB. This Act has enabled regulators to issue numerous new banking regulations and requirements that have not yet been fully developed or promulgated. The ultimate effect the Act has on the Company's operations will ultimately be determined by the significance of the new banking regulations that are issued as a result of the Act.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

c) ISSUER PURCHASES OF EQUITY SECURITIES

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

Item 6. Exhibits

Exhibits

31:Rule 13a-14(a)/15d-14(a) Certifications
32:Section 1350 Certifications

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 hereunto duly authorized.

FNB BANCORP
(Registrant)

Dated:

May 9, 2016.

By: /s/ Thomas C. McGraw
Thomas C. McGraw
Chief Executive Officer
(Authorized Officer)
(Principal Executive Officer)

By: /s/ David A. Curtis
David A. Curtis
Senior Vice President
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

Rule 13a-14(a)/15d-14(a) Certifications

I, Thomas C. McGraw, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FNB Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2016.

/s/ Thomas C. McGraw
Thomas C. McGraw
Chief Executive Officer

Exhibit 31.2

Rule 13a-14(a)/15d-14(a) Certifications

I, David A. Curtis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FNB Bancorp;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial instruments for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2016.

/s/ David A. Curtis
David A. Curtis,
Senior Vice President and
Chief Financial Officer

Exhibit 32

Section 1350 Certifications

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of FNB Bancorp, a California corporation (the "Company"), does hereby certify that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the "Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2016.	/s/ Thomas C. McGraw
	Thomas C. McGraw Chief Executive Officer
Dated: May 9, 2016.	/s/ David A. Curtis
	David A. Curtis Senior Vice President and Chief Financial Officer

A signed original of this statement required by Section 906 has been provided to FNB Bancorp and will be retained by FNB Bancorp and furnished to the Securities and Exchange Commission or its staff upon request.