

SUSSEX BANCORP  
Form 10-Q  
May 15, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-29030

SUSSEX BANCORP

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

200 Munsonhurst Rd., Franklin, NJ 07416  
(Address of principal executive offices) (Zip Code)

(973) 827-2914

(Registrant's telephone number, including area code)

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 and 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 corporate Web site, if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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.

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

(Do not check if a smaller reporting company)

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

As of May 10, 2013 there were 3,430,663 shares of common stock, no par value, outstanding.

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SUSSEX BANCORP

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## FORWARD-LOOKING STATEMENTS

We may, from time to time, make written or oral “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (the “SEC”), our reports to shareholders and in other communications by us. This Report on Form 10-Q contains “forward-looking statements” which may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operation and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

- § changes in the interest rate environment that reduce margins;
- § changes in the regulatory environment;
- § the highly competitive industry and market area in which we operate;
- § general economic conditions, either nationally or regionally, resulting in, among other things, a deterioration in credit quality;
- § changes in business conditions and inflation;
- § changes in credit market conditions;
- § changes in the securities markets which affect investment management revenues;
- § increases in Federal Deposit Insurance Corporation (“FDIC”) deposit insurance premiums and assessments could adversely affect our financial condition;
- § changes in technology used in the banking business;
- § the soundness of other financial services institutions which may adversely affect our credit risk;
- § our controls and procedures may fail or be circumvented;
- § new lines of business or new products and services which may subject us to additional risks;
- § changes in key management personnel which may adversely impact our operations;
- § the effect on our operations of recent legislative and regulatory initiatives that were or may be enacted in response to the ongoing financial crisis;
- § severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact our business; and
- § other factors detailed from time to time in our filings with the SEC.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.



## PART I – FINANCIAL INFORMATION

## Item 1 – Financial Statements

SUSSEX BANCORP  
CONSOLIDATED BALANCE SHEETS

(Dollars In Thousands)	March 31, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks	\$ 4,878	\$ 6,268
Interest-bearing deposits with other banks	2,202	5,400
Cash and cash equivalents	7,080	11,668
Interest bearing time deposits with other banks	100	100
Securities available for sale, at estimated fair value	123,251	118,881
Securities held to maturity, at cost (estimated fair value of \$5,675 and \$5,472 at March 31, 2013 and December 31, 2012, respectively)	5,473	5,221
Federal Home Loan Bank Stock, at cost	2,115	1,980
Loans receivable, net of unearned income	349,684	347,736
Less: allowance for loan losses	5,306	4,976
Net loans receivable	344,378	342,760
Foreclosed real estate	6,622	5,066
Premises and equipment, net	6,336	6,476
Accrued interest receivable	1,781	1,741
Goodwill	2,820	2,820
Bank-owned life insurance	11,628	11,536
Other assets	7,228	6,485
Total Assets	\$ 518,812	\$ 514,734
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits:		
Non-interest bearing	\$ 53,825	\$ 48,375
Interest bearing	380,018	384,061
Total Deposits	433,843	432,436

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Short-term borrowings	3,000	-
Long-term borrowings	26,000	26,000
Accrued interest payable and other liabilities	3,167	3,039
Junior subordinated debentures	12,887	12,887
Total Liabilities	478,897	474,362
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Common stock, no par value, 10,000,000 shares authorized; 3,435,396 and 3,409,056 shares issued and 3,424,213 and 3,397,873 shares outstanding at March 31, 2013 and December 31, 2012, respectively	28,171	28,117
Treasury stock, at cost; 11,183 shares	(59)	(59)
Retained earnings	12,056	11,958
Accumulated other comprehensive (loss) income	(253)	356
Total Stockholders' Equity	39,915	40,372
Total Liabilities and Stockholders' Equity	\$ 518,812	\$ 514,734

See Notes to Unaudited Consolidated Financial Statements



SUSSEX BANCORP  
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE (LOSS) INCOME  
(Unaudited)

(Dollars in thousands except per share data)	Three Months	
	Ended March 31, 2013	2012
INTEREST INCOME		
Loans receivable, including fees	\$ 4,276	\$ 4,450
Securities:		
Taxable	154	320
Tax-exempt	262	245
Interest bearing deposits	5	17
Total Interest Income	4,697	5,032
INTEREST EXPENSE		
Deposits	538	719
Borrowings	262	265
Junior subordinated debentures	54	62
Total Interest Expense	854	1,046
Net Interest Income	3,843	3,986
PROVISION FOR LOAN LOSSES	1,142	860
Net Interest Income after Provision for Loan Losses	2,701	3,126
OTHER INCOME		
Service fees on deposit accounts	286	275
ATM and debit card fees	160	137
Bank-owned life insurance	92	103
Insurance commissions and fees	842	599
Investment brokerage fees	45	36
Net gain on sale of loans held for sale	-	47
Net gain on securities transactions	370	59
Net gain on sale of premises and equipment	-	1
Other	90	65
Total Other Income	1,885	1,322
OTHER EXPENSES		
Salaries and employee benefits	2,235	2,424
Occupancy, net	394	362
Furniture, equipment and data processing	326	354
Advertising and promotion	40	71
Professional fees	185	158
Director fees	206	106
FDIC assessment	169	167
Insurance	76	53
Stationary and supplies	49	45
Loan collection costs	98	134
Expenses and write-downs related to foreclosed real estate	411	706

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Amortization of intangible assets	1	2
Other	388	326
Total Other Expenses	4,578	4,908
Income (Loss) before Income Taxes	8	(460)
BENEFIT FOR INCOME TAXES	(90)	(265)
Net Income (Loss)	98	(195)
<b>OTHER COMPREHENSIVE (LOSS) INCOME:</b>		
Unrealized (losses) gains on available for sale securities arising during the period	(644)	417
Reclassification adjustment for gain on securities transactions included in net income	(370)	(59)
Income tax expense (benefit) related to items of other comprehensive (loss) income	405	(143)
Other comprehensive (loss) income, net of income taxes	(609)	215
Comprehensive (loss) income	\$ (511)	\$ 20
<b>EARNINGS (LOSS) PER SHARE</b>		
Basic	\$ 0.03	\$ (0.06)
Diluted	\$ 0.03	\$ (0.06)

See Notes to Unaudited Consolidated Financial Statements

SUSSEX BANCORP  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
Three Months Ended March 31, 2013 and 2012  
(Unaudited)

(Dollars In Thousands)	Number of Shares Outstanding	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance December 31, 2011	3,372,949	\$ 27,964	\$ 11,223	\$ 719	\$ (4)	\$ 39,902
Net income	-	-	(195)	-	-	(195)
Other comprehensive income	-	-	-	215	-	215
Treasury shares purchased	(10,339)	-	-	-	(55)	(55)
Restricted stock granted	30,496	-	-	-	-	-
Compensation expense related to stock option and restricted stock grants	-	36	-	-	-	36
Balance March 31, 2012	3,393,106	\$ 28,000	\$ 11,028	\$ 934	\$ (59)	\$ 39,903
Balance December 31, 2012	3,397,873	\$ 28,117	\$ 11,958	\$ 356	\$ (59)	\$ 40,372
Net income	-	-	98	-	-	98
Other comprehensive loss	-	-	-	(609)	-	(609)
Restricted stock granted	26,340	-	-	-	-	-
Compensation expense related to stock option and restricted stock grants	-	54	-	-	-	54
Balance March 31, 2013	3,424,213	\$ 28,171	\$ 12,056	\$ (253)	\$ (59)	\$ 39,915

See Notes to Unaudited Consolidated Financial Statements



SUSSEX BANCORP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	\$ 98	\$ (195)
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,142	860
Depreciation and amortization	171	165
Net amortization of securities premiums and discounts	921	574
Net realized gain on sale of securities	(370)	(59)
Net realized gain on sale of loans held for sale	-	(47)
Proceeds from the sale of loans held for sale	-	638
Net realized gain on sale of premises and equipment	-	(1)
Net realized gain on sale of foreclosed real estate	(29)	(2)
Write-downs of and provisions for foreclosed real estate	196	615
Deferred income taxes	381	-
Earnings on bank owned life insurance	(92)	(103)
Compensation expense for stock options and stock awards	54	36
(Increase) decrease in assets:		
Accrued interest receivable	(40)	(49)
Other assets	(720)	370

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Increase (decrease) in accrued interest payable and other liabilities	128	(468)
Net Cash Provided by Operating Activities	1,840	2,334
Cash Flows from Investing Activities		
Securities available for sale:		
Purchases	(27,529)	(14,882)
Sales	10,836	