JUNIATA VALLEY FINANCIAL CORP
Form 10-Q
November 09, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

¨ **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 000-13232

Juniata Valley Financial Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2235254**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Bridge and Main Streets, Mifflintown, Pennsylvania	**17059**
(Address of principal executive offices)	**(Zip Code)**

(717) 436-8211

(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 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. x 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 (§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). x 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	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 x No

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 8, 2012
Common Stock ($1.00 par value)	4,233,490 shares

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Statements of Financial Condition as of September 30, 2012 and December 31, 2011 (Unaudited)	3
	Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2012 and 2011 (Unaudited)	4
	Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2012 and 2011 (Unaudited)	5
	Consolidated Statements of Changes in Stockholders Equity for the Nine Months Ended September 30, 2012 and 2011 (Unaudited)	6
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2012 and 2011 (Unaudited)	7
	Notes to Consolidated Financial Statements (Unaudited)	8
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	36
Item 4.	Controls and Procedures	37
	PART II OTHER INFORMATION	
Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3.	Defaults upon Senior Securities	39
Item 4.	Mine Safety Disclosures	39
Item 5.	Other Information	39
Item 6.	Exhibits	40
	Signatures	40

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Juniata Valley Financial Corp. and Subsidiary

Consolidated Statements of Financial Condition

(Unaudited, in thousands, except share data)

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	$ 9,239	$ 12,074
Interest bearing deposits with banks	7,608	2,100
Cash and cash equivalents	16,847	14,174
Interest bearing time deposits with banks	847	1,096
Securities available for sale	124,737	111,281
Restricted investment in Federal Home Loan Bank (FHLB) stock	1,387	1,700
Investment in unconsolidated subsidiary	3,939	3,796
Total loans	278,347	289,681
Less: Allowance for loan losses	(3,420)	(2,931)
Total loans, net of allowance for loan losses	274,927	286,750
Premises and equipment, net	6,441	6,710
Other real estate owned	913	427
Bank owned life insurance and annuities	14,301	14,069
Equity investment in low income housing project	2,303	393
Core deposit intangible	175	209
Goodwill	2,046	2,046
Accrued interest receivable and other assets	5,985	4,782
Total assets	$ 454,848	$ 447,433
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 66,080	$ 64,751
Interest bearing	327,229	321,914
Total deposits	393,309	386,665
Securities sold under agreements to repurchase	4,268	3,500
Other interest bearing liabilities	1,282	1,244
Accrued interest payable and other liabilities	5,887	6,304
Total liabilities	404,746	397,713
Stockholders Equity:		
Preferred stock, no par value:		
Authorized - 500,000 shares, none issued		
Common stock, par value $1.00 per share:		
Authorized - 20,000,000 shares		

Issued - 4,745,826 shares				
Outstanding -				
4,233,490 shares at September 30, 2012;				
4,228,218 shares at December 31, 2011		4,746		4,746
Surplus		18,340		18,363
Retained earnings		38,872		38,900
Accumulated other comprehensive loss		(1,931)		(2,256)
Cost of common stock in Treasury:				
512,336 shares at September 30, 2012;				
517,608 shares at December 31, 2011		(9,925)		(10,033)
Total stockholders equity		50,102		49,720
Total liabilities and stockholders equity	$	454,848	$	447,433

See accompanying notes to consolidated financial statements.

3

Table of Contents

Juniata Valley Financial Corp. and Subsidiary

Consolidated Statements of Income

(Unaudited)

(in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Interest income:				
Loans, including fees	$ 3,930	$ 4,401	$ 12,199	$ 13,477
Taxable securities	337	328	1,004	894
Tax-exempt securities	190	222	554	689
Federal funds sold		1		5
Other interest income	7	8	23	23
Total interest income	4,464	4,960	13,780	15,088
Interest expense:				
Deposits	891	1,162	2,774	3,528
Securities sold under agreements to repurchase	1	1	2	2
Other interest bearing liabilities	6	6	18	20
Total interest expense	898	1,169	2,794	3,550
Net interest income	3,566	3,791	10,986	11,538
Provision for loan losses	60	60	1,237	264
Net interest income after provision for loan losses	3,506	3,731	9,749	11,274
Non-interest income:				
Trust fees	85	109	305	316
Customer service fees	323	354	957	1,015
Debit card fee income	202	204	611	603
Earnings on bank-owned life insurance and annuities	134	123	345	366
Commissions from sales of non-deposit products	128	53	288	221
Income from unconsolidated subsidiary	62	66	180	197
Gain on calls of securities			2	6
Gain on sales of loans	208		420	
Gain from life insurance proceeds			53	
Fees derived from loan activity	56	39	146	115
Other non-interest income	55	57	183	177
Total non-interest income	1,253	1,005	3,490	3,016
Non-interest expense:				
Employee compensation expense	1,314	1,318	3,881	3,910
Employee benefits	500	334	1,513	1,158
Occupancy	231	236	689	731
Equipment	125	138	384	439
Data processing expense	364	336	1,074	995

Director compensation	58	74	177	221
Professional fees	105	111	286	341
Taxes, other than income	115	123	346	374
FDIC Insurance premiums	82	73	242	291
Loss (gain) on sales of other real estate owned	4	(14)	3	(28)
Amortization of intangibles	12	12	34	34
Other non-interest expense	363	368	1,109	1,106
Total non-interest expense	3,273	3,109	9,738	9,572
Income before income taxes	1,486	1,627	3,501	4,718
Provision for income taxes	354	413	736	1,174
Net income	$ 1,132	$ 1,214	$ 2,765	$ 3,544
Earnings per share				
Basic	$ 0.27	$ 0.29	$ 0.65	$ 0.84
Diluted	$ 0.27	$ 0.29	$ 0.65	$ 0.83
Cash dividends declared per share	$ 0.22	$ 0.22	$ 0.66	$ 0.64
Weighted average basic shares outstanding	4,235,207	4,236,168	4,231,718	4,243,273
Weighted average diluted shares outstanding	4,236,542	4,239,872	4,234,008	4,246,533

See accompanying notes to consolidated financial statements.

Table of Contents

Juniata Valley Financial Corp. and Subsidiary

Consolidated Statements of Comprehensive Income

(Unaudited, in thousands)

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	$ 1,486	$ 354	$ 1,132	$ 1,627	$ 413	$ 1,214
Other comprehensive income:						
Unrealized gains (losses) on available for sale securities:						
Unrealized gains arising during the period	134	45	89	147	50	97
Unrealized gains (losses) from unconsolidated subsidiary	(1)		(1)	1		1
Change in pension liability	74	25	49	40	14	26
Other comprehensive income	207	70	137	188	64	124
Total comprehensive income	$ 1,693	$ 424	$ 1,269	$ 1,815	$ 477	$ 1,338

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011		
	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	$ 3,501	$ 736	$ 2,765	$ 4,718	$ 1,174	$ 3,544
Other comprehensive income:						
Unrealized gains (losses) on available for sale securities:						
Unrealized gains arising during the period	273	92	181	556	189	367
Unrealized gains (losses) from unconsolidated subsidiary	(2)		(2)	6		6
Less reclassification adjustment for:						
gains included in net income	(2)	(1)	(1)	(6)	(2)	(4)
Change in pension liability	222	75	147	118	40	78
Other comprehensive income	491	166	325	674	227	447
Total comprehensive income	$ 3,992	$ 902	$ 3,090	$ 5,392	$ 1,401	$ 3,991

See accompanying notes to consolidated financial statements.

Table of Contents

Juniata Valley Financial Corp. and Subsidiary

Consolidated Statements of Changes in Stockholders Equity

(Unaudited)

(in thousands, except share data)

	Nine Months Ended September 30, 2012						
	Number of Shares Outstanding	**Common Stock**	**Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders Equity**
Balance at January 1, 2012	4,228,218	$ 4,746	$ 18,363	$ 38,900	$ (2,256)	$ (10,033)	$ 49,720
Net income				2,765			2,765
Other comprehensive income					325		325
Cash dividends at $0.66 per share				(2,793)			(2,793)
Stock-based compensation			17				17
Purchase of treasury stock	(4,664)					(85)	(85)
Treasury stock issued for stock option and stock purchase plans	9,936		(40)			193	153
Balance at September 30, 2012	4,233,490	$ 4,746	$ 18,340	$ 38,872	$ (1,931)	$ (9,925)	$ 50,102

	Nine Months Ended September 30, 2011						
	Number of Shares Outstanding	**Common Stock**	**Surplus**	**Retained Earnings**	**Accumulated Other Comprehensive Loss**	**Treasury Stock**	**Total Stockholders Equity**
Balance at January 1, 2011	4,257,765	$ 4,746	$ 18,354	$ 37,868	$ (1,465)	$ (9,527)	$ 49,976
Net income				3,544			3,544
Other comprehensive income					447		447
Cash dividends at $0.64 per share				(2,716)			(2,716)
Stock-based compensation			19				19
Purchase of treasury stock	(24,500)					(417)	(417)
Treasury stock issued for stock option and stock purchase plans	2,903		(10)			56	46
Balance at September 30, 2011	4,236,168	$ 4,746	$ 18,363	$ 38,696	$ (1,018)	$ (9,888)	$ 50,899

See accompanying notes to consolidated financial statements.

Table of Contents

Juniata Valley Financial Corp. and Subsidiary

Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2012	**2011**
Operating activities:		
Net income	$ 2,765	$ 3,544
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,237	264
Depreciation	396	447
Net amortization of securities premiums	298	271
Net amortization of loan origination costs	13	33
Deferred net loan origination fees (costs)	(53)	8
Amortization of core deposit intangible	34	34
Net realized gains on sales or calls of securities	(2)	(6)
Net losses (gains) on sales of other real estate owned	3	(28)
Earnings on bank owned life insurance and annuities	(345)	(366)
Deferred income tax expense (benefit)	(138)	45
Equity in earnings of unconsolidated subsidiary, net of dividends of $35 and $19	(145)	(178)
Stock-based compensation expense	17	19
Mortgage loans originated for sale	(7,845)	
Proceeds from loans sold to others	8,193	
Net gains on sales of loans	(420)	
Increase in accrued interest receivable and other assets	(1,163)	(538)
Increase (decrease) in accrued interest payable and other liabilities	(137)	118
Net cash provided by operating activities	2,708	3,667
Investing activities:		
Purchases of:		
Securities available for sale	(71,427)	(76,365)
Premises and equipment	(127)	(168)
Bank owned life insurance and annuities	(65)	(66)
Proceeds from:		
Maturities of and principal repayments on:		
Securities available for sale	57,948	44,218
Redemption of FHLB stock	313	298
Bank owned life insurance and annuities	11	20
Proceeds from life insurance claim	147	
Sale of other real estate owned	504	479
Sale of other assets	2	9
Investment in low income housing partnership	(1,910)	
Net decrease in interest bearing time deposits	249	249
Net decrease in loans receivable	9,633	5,276
Net cash used in investing activities	(4,722)	(26,050)
Financing activities:		
Net increase in deposits	6,644	18,321

Net increase (decrease) in securities sold under agreements to repurchase		768		(257)
Cash dividends		(2,793)		(2,716)
Purchase of treasury stock		(85)		(417)
Treasury stock issued for employee stock plans		153		46
Net cash provided by financing activities		4,687		14,977
Net increase (decrease) in cash and cash equivalents		2,673		(7,406)
Cash and cash equivalents at beginning of year		14,174		25,276
Cash and cash equivalents at end of year	$	16,847	$	17,870
Supplemental information:				
Interest paid	$	2,767	$	3,512
Income taxes paid		825		1,075
Supplemental schedule of noncash investing and financing activities:				
Transfer of loans to other real estate owned	$	993	$	251
Transfer of loans to other assets				9

See accompanying notes to consolidated financial statements.

Table of Contents

Juniata Valley Financial Corp. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 Basis of Presentation and Accounting Policies

The consolidated financial statements include the accounts of Juniata Valley Financial Corp. (the Company) and its wholly owned subsidiary, The Juniata Valley Bank (the Bank). All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. For comparative purposes, whenever necessary, the 2011 balances have been reclassified to conform to the 2012 presentation. Such reclassifications, if any, had no impact on net income. Operating results for the three and nine month periods ended September 30, 2012, are not necessarily indicative of the results for the year ended December 31, 2012. For further information, refer to the consolidated financial statements and footnotes thereto included in Juniata Valley Financial Corp. s Annual Report on Form 10-K for the year ended December 31, 2011.

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of September 30, 2012 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

NOTE 2 Recent Accounting Pronouncements

There were no new accounting pronouncements affecting the Company during the current quarter.

NOTE 3 Accumulated Other Comprehensive Loss

Components of accumulated other comprehensive loss, net of tax consisted of the following (in thousands):

	9/30/2012	12/31/2011
Unrealized gains on available for sale securities	$ 1,001	$ 823
Unrecognized expense for defined benefit pension	(2,932)	(3,079)
Accumulated other comprehensive loss	$ (1,931)	$ (2,256)

Table of Contents

NOTE 4 Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

(Amounts, except earnings per share, in thousands)	**Three Months Ended September 30, 2012**	**Three Months Ended September 30, 2011**
Net income	$ 1,132	$ 1,214
Weighted-average common shares outstanding	4,235	4,236
Basic earnings per share	$ 0.27	$ 0.29
Weighted-average common shares outstanding	4,235	4,236
Common stock equivalents due to effect of stock options	1	4
Total weighted-average common shares and equivalents	4,236	4,240
Diluted earnings per share	$ 0.27	$ 0.29

	Nine Months Ended September 30, 2012	**Nine Months Ended September 30, 2011**
Net income	$ 2,765	$ 3,544
Weighted-average common shares outstanding	4,232	4,243
Basic earnings per share	$ 0.65	$ 0.84
Weighted-average common shares outstanding	4,232	4,243
Common stock equivalents due to effect of stock options	2	3
Total weighted-average common shares and equivalents	4,234	4,246
Diluted earnings per share	$ 0.65	$ 0.83

NOTE 5 Commitments, Contingent Liabilities and Guarantees

In the ordinary course of business, the Company makes commitments to extend credit to its customers through letters of credit, loan commitments and lines of credit. At September 30, 2012, the Company had $41,551,000 outstanding in loan commitments and other unused lines of credit extended to its customers as compared to $38,033,000 at December 31, 2011.

The Company does not issue any guarantees that would require liability recognition or disclosure, other than its letters of credit. Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, letters of credit have expiration dates within one year of issuance. The credit risk involved in issuing letters of credit is essentially the same as the risks that are involved in extending loan facilities to customers. The Company generally holds collateral and/or personal guarantees supporting these commitments. The Company had outstanding $1,202,000 and $1,067,000 of letters of credit commitments as of September 30, 2012 and December 31, 2011, respectively. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of September 30, 2012 for payments under letters of credit issued was not material. Because these instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk.

9

Table of Contents

NOTE 6 Defined Benefit Retirement Plan

The Company had a defined benefit retirement plan covering substantially all of its employees, prior to January 1, 2008. Effective January 1, 2008, the plan was amended to close the plan to new entrants. The benefits under the plan are based on years of service and the employees compensation. The Company s funding policy allows contributions annually up to the maximum amount that can be deducted for federal income taxes purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Company has made no contributions in the first nine months of 2012 and does not expect to contribute to the defined benefit plan in the remainder of 2012. Pension expense included the following components for the three and nine month periods ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2012**	**2011**	**2012**	**2011**
Components of net periodic pension cost				
Service cost	$ 55	$ 48	$ 166	$ 144
Interest cost	113	119	338	358
Expected return on plan assets	(148)	(158)	(443)	(474)
Amortization of net loss	74	38	222	114
Net periodic pension cost	$ 94	$ 47	$ 283	$ 142

On September 18, 2012, the Company s Board of Directors approved a plan to freeze future benefit accruals in the defined benefit plan effective on December 31, 2012.

NOTE 7 Acquisition

In 2006, the Company acquired a branch office in Richfield, PA. The acquisition included real estate, deposits and loans. The assets and liabilities of the acquired business were recorded on the consolidated statement of financial condition at their estimated fair values as of September 8, 2006, and their results of operations have been included in the consolidated statements of income since such date.

Included in the purchase price of the branch were goodwill and core deposit intangible of $2,046,000 and $449,000, respectively. The core deposit intangible is being amortized over a ten-year period on a straight line basis. For the three-month periods ending September 30, 2012 and September 30, 2011, amortization expense was $12,000. During the first nine months of 2012 and 2011, amortization expense was $34,000 in each period. Accumulated amortization of core deposit intangible through September 30, 2012 was $273,000. The goodwill is not amortized, but is measured annually for impairment or more frequently if certain events occur which might indicate goodwill has been impaired. There was no impairment of goodwill during the nine month periods ended September 30, 2012 or 2011.

NOTE 8 Investment in Unconsolidated Subsidiary

The Company owns 39.16% of the outstanding common stock of Liverpool Community Bank (LCB), Liverpool, PA. This investment is accounted for under the equity method of accounting. The investment is being carried at $3,939,000 as of September 30, 2012. The Company increases its investment in LCB for its share of earnings and decreases its investment by any dividends received from LCB. A loss in value of the investment which is other than a temporary decline would be recognized in earnings. Evidence of a loss in value that is other than temporary might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or inability of LCB to sustain an earnings capacity which would justify the carrying amount of the investment.

Table of Contents

NOTE 9 Securities

ASC Topic 320, *Investments Debt and Equity Securities*, clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. For equity securities, consideration is given to management s intention and ability to hold the securities until recovery of unrealized losses in assessing potential other-than-temporary impairment. More specifically, considerations used to determine other-than-temporary impairment status for individual equity holdings include the length of time the stock has remained in an unrealized loss position, the percentage of unrealized loss compared to the carrying cost of the stock, dividend reduction or suspension, market analyst reviews and expectations, and other pertinent developments that would affect expectations for recovery or further decline.

In instances when a determination is made that an other-than-temporary impairment exists and the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, the other-than-temporary impairment is separated into the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and the amount of the total other-than-temporary impaired related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors for securities available for sale is recognized in other comprehensive income.

The Company s investment portfolio includes primarily bonds issued by U.S. Government sponsored agencies (approximately 60%) and municipalities (approximately 39%) as of September 30, 2012. Most of the municipal bonds are general obligation bonds with maturities or pre-refunding dates within 5 years. The remaining 1% of the portfolio includes mortgage-backed securities issued by Government-sponsored agencies and backed by residential mortgages and a group of equity investments in other financial institutions. The amortized cost and fair value of securities as of September 30, 2012 and December 31, 2011, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

Securities Available for Sale	September 30, 2012			
Type and maturity	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Obligations of U.S. Government agencies and corporations				
Within one year	$ 5,401	$ 5,449	$ 48	$
After one year but within five years	50,791	51,428	637	
After five years but within ten years	14,502	14,606	104	
	70,694	71,483	789	
Obligations of state and political subdivisions				
Within one year	12,006	12,066	60	
After one year but within five years	32,873	33,196	339	(16)
After five years but within ten years	2,537	2,760	223	
After ten years	923	931	8	
	48,339	48,953	630	(16)
Mortgage-backed securities	3,225	3,266	41	
Equity securities	985	1,035	156	(106)
Total	$ 123,243	$ 124,737	$ 1,616	$ (122)

Securities Available for Sale	December 31, 2011			
Type and maturity	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses

Obligations of U.S. Government agencies and corporations				
Within one year	$ 2,918	$ 2,947	$ 29	$
After one year but within five years	51,629	52,202	584	(11)
After five years but within ten years	12,497	12,539	42	
	67,044	67,688	655	(11)
Obligations of state and political subdivisions				
Within one year	11,076	11,154	78	
After one year but within five years	21,944	22,289	369	(24)
After five years but within ten years	3,976	4,147	173	(2)
	36,996	37,590	620	(26)
Corporate notes				
After one year but within five years	1,000	1,004	4	
	1,000	1,004	4	
Mortgage-backed securities	4,035	4,109	74	
Equity securities	985	890	97	(192)
Total	$ 110,060	$ 111,281	$ 1,450	$ (229)

Table of Contents

The following table shows gross unrealized losses and fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2012 and December 31, 2011 (in thousands):

	Unrealized Losses at September 30, 2012					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of state and political subdivisions	$ 6,213	$ (16)	$	$	$ 6,213	$ (16)
Debt securities	6,213	(16)			6,213	(16)
Equity securities	40	(2)	244	(104)	284	(106)
Total temporarily impaired securities	$ 6,253	$ (18)	$ 244	$ (104)	$ 6,497	$ (122)

	Unrealized Losses at December 31, 2011					
	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. Government agencies and corporations	$ 6,489	$ (11)	$	$	$ 6,489	$ (11)
Obligations of state and political subdivisions	4,321	(26)			4,321	(26)
Debt securities	10,810	(37)			10,810	(37)
Equity securities	423	(80)	232	(112)	655	(192)
Total temporarily impaired securities	$ 11,233	$ (117)	$ 232	$ (112)	$ 11,465	$ (229)

The unrealized losses noted above are considered to be temporary impairments. There are 17 debt securities that were in an unrealized loss position on September 30, 2012, but none that have had unrealized losses for more than 12 months. We believe that the decline in the value of our debt securities is due only to interest rate fluctuations, rather than erosion of quality. As a result, we also believe that the payment of contractual cash flows, including principal repayment, is not at risk. As management does not intend to sell the securities, does not believe the Company will be required to sell the securities before recovery and expects to recover the entire amortized cost basis, none of the debt securities are deemed to be other-than-temporarily impaired.

Equity securities owned by the Company consist of common stock of various financial services providers (Bank Stocks) and are evaluated quarterly for evidence of other-than-temporary impairment. There were nine equity securities that were in an unrealized loss position on September 30, 2012, and eight of those that comprise a group of securities with unrealized losses for 12 months or more. Individually, none of these eight equity securities have significant unrealized losses. Of the eight equity securities that have sustained unrealized losses for more than 12 months, six have increased in fair value during the first nine months of 2012, indicating the possibility of full recovery and therefore are deemed to be temporarily impaired. Of the two remaining stocks experiencing sustained unrealized losses, the amount of individual loss is not material and increases in value were noted, at times, in 2012. Management has identified no other-than-temporary impairment as of, or for the periods ended, September 30, 2012 in the equity portfolio. Management continues to track the performance of each stock owned to determine if it is prudent to deem any further other-than-temporary impairment charges. Management has the ability and intent to hold its equity securities until recovery of unrealized losses.

Certain obligations of the U.S. Government and state and political subdivisions are pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law. The fair value of the pledged assets amounted to $28,900,000 and $25,953,000 at September 30, 2012 and December 31, 2011, respectively.

Table of Contents

In addition to cash received from the scheduled maturities of securities, some investment securities available for sale are sold at current market values during the course of normal operations, and some securities are called pursuant to call features built into the bonds. Following is a summary of proceeds received from all investment securities transactions, and the resulting realized gains and losses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Gross proceeds from sales of securities	$	$	$	$
Securities available for sale:				
Gross realized gains from called securities	$	$	$ 2	$ 6
Gross realized losses				

NOTE 10 Loans and Related Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the outstanding unpaid principal balances, net of any deferred fees or costs and the allowance for loan losses. Interest income on all loans, other than nonaccrual loans, is accrued over the term of the loans based on the amount of principal outstanding. Unearned income is amortized to income over the life of the loans, using the interest method.

The loan portfolio is segmented into commercial and consumer loans. Commercial loans are comprised of the following classes of loans: (1) commercial, financial and agricultural, (2) commercial real estate, (3) real estate construction, a portion of (4) mortgage loans and (5) obligations of states and political subdivisions. Consumer loans are comprised of a portion of (4) mortgage loans and (6) personal loans.

Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Accrual of interest on loans is discontinued when the contractual payment of principal or interest has become 90 days past due or reasonable doubt exists as to the full, timely collection of principal or interest. However, it is the Company s policy to continue to accrue interest on loans over 90 days past due as long as they are (1) guaranteed or well secured and (2) there is an effective means of collection in process. When a loan is placed on non-accrual status, all unpaid interest credited to income in the current year is reversed against current period income and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management s judgment as to the collectability of principal. Generally, accruals are resumed on loans only when the obligation is brought fully current with respect to interest and principal, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Company originates loans in the portfolio with the intent to hold them until maturity. At the time the Company no longer intends to hold loans to maturity based on asset/liability management practices, the Company transfers loans from its portfolio to held for sale at fair value. Any write-down recorded upon transfer is charged against the allowance for loan losses. Any write-downs recorded after the initial transfers are recorded as a charge to other non-interest expense. Gains or losses recognized upon sale are included in other non-interest income.

The Company also originates residential mortgage loans with the intent to sell. These individual loans are normally funded by the buyer immediately. The Company maintains servicing rights on these loans, and fair value of the servicing right is carried as a component of other assets.

The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses represents management s estimate of losses inherent in the loan portfolio as of the consolidated statement of financial condition date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management s estimate of losses inherent in its unfunded lending commitments and is recorded in other liabilities on the consolidated statement of financial condition, when necessary. The amount of the reserve for unfunded lending commitments is not material to the consolidated financial statements. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

For financial reporting purposes, the provision for loan losses charged to current operating income is based on management s estimates, and actual losses may vary from estimates. These estimates are reviewed and adjusted at least quarterly and are reported in earnings in the periods in which they become known.

Table of Contents

Loans included in any class are considered for charge-off when:

1. principal or interest has been in default for 120 days or more and for which no payment has been received during the previous four months;
2. all collateral securing the loan has been liquidated and a deficiency balance remains;
3. a bankruptcy notice is received for an unsecured loan;
4. a confirming loss event has occurred; or
5. the loan is deemed to be uncollectible for any other reason.

The allowance for loan losses is maintained at a level considered adequate to offset probable losses on the Company s existing loans. The analysis of the allowance for loan losses relies heavily on changes in observable trends that may indicate potential credit weaknesses. Management s periodic evaluation of the adequacy of the allowance is based on the Bank s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company s allowance for loan losses and may require the Company to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management s comprehensive analysis of the loan portfolio, management believes the level of the allowance for loan losses as of September 30, 2012 to be adequate.

There are two components of the allowance: a specific component for loans that are deemed to be impaired; and a general component for contingencies.

A large commercial loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. (i.e., large loan, or group of like-loans within one relationship, is defined as a commercial/business loan, including business loans secured by 1-4 family properties included in the real estate-mortgage category, with an aggregate outstanding balance in excess of $150,000, or any other loan that management deems to have similar characteristics to an impaired large loan) Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loans and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial segment loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price or the fair value of the collateral if the loan is collateral dependent. The estimated fair values of substantially all of the Company s impaired loans are measured based on the estimated fair value of the loan s collateral. For commercial loans secured with real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the current appraisal and the condition of the property. Appraised values may be discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include the estimated costs to sell the property. For commercial loans secured by non-real estate collateral, estimated fair values are determined based on the borrower s financial statements, inventory reports, aging accounts receivable, equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The Bank generally does not separately identify individual consumer segment loans for impairment disclosures, unless such loans are subject to a

restructuring agreement.

Loans whose terms are modified are classified as troubled debt restructurings if the Company grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a below-market interest rate based on the loan s risk characteristics or an extension of a loan s stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for a period of time after modification. Loans classified as troubled debt restructurings are designated as impaired.

Table of Contents

The component of the allowance for contingencies relates to other loans that have been segmented into risk rated categories. The borrower s overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated quarterly or when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management s close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have one or more well-defined weaknesses that jeopardize the liquidation of the debt. Substandard loans include loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass. Specific reserves may be established for larger, individual classified loans as a result of this evaluation, as discussed above. Remaining loans are categorized into large groups of smaller balance homogeneous loans and are collectively evaluated for impairment. This computation is generally based on historical loss experience adjusted for qualitative factors. The historical loss experience is averaged over a ten-year period for each of the portfolio segments. The ten-year timeframe was selected in order to capture activity over a wide range of economic conditions and has been consistently used for the past six years. The qualitative risk factors are reviewed for relevancy each quarter and include:

1. National, regional and local economic and business conditions, as well as the condition of various market segments, including the underlying collateral for collateral dependent loans;

2. Nature and volume of the portfolio and terms of loans;

3. Experience, ability and depth of lending and credit management and staff;

4. Volume and severity of past due, classified and nonaccrual loans, as well as other loan modifications;

5. Existence and effect of any concentrations of credit and changes in the level of such concentrations; and

6. Effect of external factors, including competition.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management s best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

Commercial, Financial and Agricultural Lending

The Company originates commercial, financial and agricultural loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes, which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is shorter and does not exceed the projected useful life of such machinery and equipment. Most business lines of credit are written with a five year maturity, subject to an annual review.

Commercial loans are generally secured with short-term assets; however, in many cases, additional collateral, such as real estate, is provided as additional security for the loan. Loan-to-value maximum values have been established by the Company and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

In underwriting commercial loans, an analysis of the borrower s character, capacity to repay the loan, the adequacy of the borrower s capital and collateral, as well as an evaluation of conditions affecting the borrower, is performed. Analysis of the borrower s past, present and future cash flows is also an important aspect of the Company s analysis.

Concentration analysis assists in identifying industry specific risk inherent in commercial, financial and agricultural lending. Mitigants include the identification of secondary and tertiary sources of repayment and appropriate increases in oversight.

Commercial loans generally present a higher level of risk than certain other types of loans, particularly during slow economic conditions.

Commercial Real Estate Lending

The Company engages in commercial real estate lending in its primary market area and surrounding areas. The Company s commercial real estate portfolio is secured primarily by residential housing, commercial buildings, raw land and hotels. Generally, commercial real estate loans have terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the property and are typically secured by personal guarantees of the borrowers.

As economic conditions deteriorate, the Company reduces its exposure in real estate loans with higher risk characteristics. In underwriting these loans, the Company performs a thorough analysis of the financial condition of the borrower, the borrower s credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than certain other types of loans, particularly during slow economic conditions.

Real Estate Construction Lending

The Company engages in real estate construction lending in its primary market area and surrounding areas. The Company s real estate construction lending consists of commercial and residential site development loans, as well as commercial building construction and residential housing construction loans.

The Company s commercial real estate construction loans are generally secured with the subject property, and advances are made in conformity with a pre-determined draw schedule supported by independent inspections. Terms of construction loans depend on the specifics of the project, such as estimated absorption rates, estimated time to complete, etc.

In underwriting commercial real estate construction loans, the Company performs a thorough analysis of the financial condition of the borrower, the borrower s credit history, the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers.

Real estate construction loans generally present a higher level of risk than certain other types of loans, particularly during slow economic conditions. The difficulty of estimating total construction costs adds to the risk as well.

Mortgage Lending

The Company s real estate mortgage portfolio is comprised of consumer residential mortgages and business loans secured by one-to-four family properties. One-to-four family residential mortgage loan originations, including home equity installment and home equity lines of credit loans, are generated by the Company s marketing efforts, its present customers, walk-in customers and referrals. These loans originate primarily within the Company s market area or with customers primarily from the market area.

The Company offers fixed-rate and adjustable rate mortgage loans with terms up to a maximum of 25-years for both permanent structures and those under construction. The Company s one-to-four family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Company s residential mortgage loans originate with a loan-to-value of 80% or less. Home equity installment loans are secured by the borrower s primary residence with a maximum loan-to-value of 80% and a maximum term of 15 years. Home equity lines of credit are secured by the borrower s primary residence with a maximum loan-to-value of 90% and a maximum term of 20 years.

In underwriting one-to-four family residential real estate loans, the Company evaluates the borrower s ability to make monthly payments, the borrower s repayment history and the value of the property securing the loan. The ability to repay is determined by the borrower s employment history, current financial conditions, and credit background. The analysis is based primarily on the customer s ability to repay and secondarily on the collateral or security. Most properties securing real estate loans made by the Company are appraised by independent fee appraisers. The Company generally requires mortgage loan borrowers to obtain an attorney s title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Company does not engage in sub-prime residential mortgage originations.

Table of Contents

Residential mortgage loans and home equity loans generally present a lower level of risk than certain other types of consumer loans because they are secured by the borrower s primary residence.

Obligations of States and Political Subdivisions

The Company lends to local municipalities and other tax-exempt organizations. These loans are primarily tax-anticipation notes and, as such, carry little risk. Historically, the Company has never had a loss on any loan of this type.

Personal Lending

The Company offers a variety of secured and unsecured personal loans, including vehicle loans, mobile home loans and loans secured by savings deposits as well as other types of personal loans.

Personal loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting personal loans, a thorough analysis of the borrower s willingness and financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower s employment history, current financial conditions and credit background.

Personal loans may entail greater credit risk than do residential mortgage loans, particularly in the case of personal loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted personal loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, personal loan collections are dependent on the borrower s continuing financial stability and, thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company s internal risk rating system as of September 30, 2012 and December 31, 2011 (in thousands):

As of September 30, 2012	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial and agricultural	$ 16,734	$ 1,151	$ 1,338	$	$ 19,223
Real estate commercial	53,127	9,008	4,084	40	66,259
Real estate construction	10,680	779	893	2,399	14,751
Real estate mortgage	148,454	5,355	1,688	2,839	158,336
Obligations of states and political subdivisions	14,303				14,303
Personal	5,462	10	3		5,475
Total	$ 248,760	$ 16,303	$ 8,006	$ 5,278	$ 278,347

As of December 31, 2011	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial and agricultural	$ 17,657	$ 671	$ 1,089	$	$ 19,417
Real estate commercial	48,108	8,898	3,768		60,774
Real estate construction	14,616	1,022	720	1,150	17,508
Real estate mortgage	161,607	7,513	3,758	3,666	176,544
Obligations of states and political subdivisions	8,780				8,780
Personal	6,640	18			6,658
Total	$ 257,408	$ 18,122	$ 9,335	$ 4,816	$ 289,681

Table of Contents

The Company has certain loans in its portfolio that are considered to be impaired. It is the policy of the Company to recognize income on impaired loans that have been transferred to nonaccrual status on a cash basis, only to the extent that it exceeds principal balance recovery. Until an impaired loan is placed on nonaccrual status, income is recognized on the accrual basis. Collateral analysis is performed on each impaired loan at least quarterly and results are used to determine if a specific reserve is necessary to adjust the carrying value of each individual loan down to the estimated fair value. Generally, specific reserves are carried against impaired loans based upon estimated collateral value until a confirming loss event occurs or until termination of the credit is scheduled through liquidation of the collateral or foreclosure. Charge off will occur when a confirmed loss is identified. Professional appraisals of collateral, discounted for expected selling costs, are used to determine the charge-off amount. The following tables summarize information regarding impaired loans by portfolio class as of September 30, 2012 and December 31, 2011 (in thousands):

	As of September 30, 2012			As of December 31, 2011		
Impaired loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial, financial and agricultural	$ 181	$ 181	$	$ 238	$ 238	$
Real estate commercial	2,713	2,713		2,312	2,312	
Real estate construction	1,297	1,297		720	720	
Real estate mortgage	362	362		2,254	2,254	
With an allowance recorded:						
Real estate construction	$ 1,102	$ 1,102	$ 284	$ 1,150	$ 1,150	$ 343
Real estate mortgage	2,319	2,319	1,072	2,865	2,865	432
Total:						
Commercial, financial and agricultural	$ 181	$ 181	$	$ 238	$ 238	$
Real estate commercial	2,713	2,713		2,312	2,312	
Real estate construction	2,399	2,399	284	1,870	1,870	343
Real estate mortgage	2,681	2,681	1,072	5,119	5,119	432
	$ 7,974	$ 7,974	$ 1,356	$ 9,539	$ 9,539	$ 775

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011		
Impaired loans	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income
With no related allowance recorded:						
Commercial, financial and agricultural	$ 189	$ 4	$	$ 265	$ 4	$
Real estate commercial	2,730	10	3	2,331	29	
Real estate construction	1,297			360	36	
Real estate mortgage	452			2,009	5	
With an allowance recorded:						
Commercial financial and agricultural	$	$	$	$	$	$
Real estate commercial						
Real estate construction	1,108		11	1,150		
Real estate mortgage	2,686			1,049		
Total:						
Commercial, financial and agricultural	$ 189	$ 4	$	$ 265	$ 4	$
Real estate commercial	2,730	10	3	2,331	29	
Real estate construction	2,405		11	1,510	36	
Real estate mortgage	3,138			3,058	5	
	$ 8,462	$ 14	$ 14	$ 7,164	$ 74	$

18

Table of Contents

Impaired loans	Nine Months Ended September 30, 2012 Average Recorded Investment	Nine Months Ended September 30, 2012 Interest Income Recognized	Nine Months Ended September 30, 2012 Cash Basis Interest Income	Nine Months Ended September 30, 2011 Average Recorded Investment	Nine Months Ended September 30, 2011 Interest Income Recognized	Nine Months Ended September 30, 2011 Cash Basis Interest Income
With no related allowance recorded:						
Commercial, financial and agricultural	$ 210	$ 11	$	$ 282	$ 14	$
Real estate commercial	2,513	91	3	2,357	97	2
Real estate construction	1,009			305	36	
Real estate mortgage	1,308			2,118	18	3
With an allowance recorded:						
Commercial financial and agricultural	$	$	$	$	$	$
Real estate commercial						
Real estate construction	1,126		11	1,025		
Real estate mortgage	2,592	&nbs				