FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
August 10, 2012
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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 OF 1934

For the quarterly period ended March 31, 2011

OR

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

For the transition period from to

Commission File No. 000-53869

FIRST NATIONAL COMMUNITY BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania (State or Other Jurisdiction of Incorporation or Organization)	**23-2900790** (I.R.S. Employer Identification No.)
102 E. Drinker St., Dunmore, PA (Address of Principal Executive Offices)	**18512** (Zip Code)

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

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 x

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). YES o NO o

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 o	Accelerated Filer x
Non-Accelerated Filer o	Smaller reporting company o

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

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

Common Stock, $1.25 par value	**16,442,119 shares**
(Title of Class)	(Outstanding at August 6, 2012)

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FIRST NATIONAL COMMUNITY BANCORP, INC.

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PART I. Financial Information

Item 1. Financial Statements

FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(unaudited)

(in thousands, except share data)		March 31, 2011		December 31, 2010
Assets				
Cash and cash equivalents:				
Cash and due from banks	$	19,339	$	18,934
Interest-bearing deposits in other banks		52,385		55,571
Total cash and cash equivalents		71,724		74,505
Securities				
Available-for-sale at fair value		246,994		251,072
Held-to-maturity at amortized cost (fair value $1,897 and $1,857)		2,018		1,994
Stock in Federal Home Loan Bank of Pittsburgh, at cost		9,796		10,311
Loans held for sale		1,247		3,557
Loans, net of allowance for loan and lease losses of $24,230 and $22,575		733,173		735,813
Bank premises and equipment, net		19,109		19,310
Accrued interest receivable		3,088		3,119
Refundable federal income taxes		12,411		12,409
Intangible assets		921		963
Bank-owned life insurance		26,178		25,982
Other real estate owned		8,610		9,633
Other assets		15,617		18,630
Total Assets	$	1,150,886	$	1,167,298
Liabilities				
Deposits				
Demand	$	85,785	$	93,215
Interest-bearing demand		339,499		349,185
Savings		92,724		90,037
Time ($100,000 and over)		198,650		189,526
Other time		244,291		260,473
Total deposits		960,949		982,436
Borrowed funds				
FHLB advances		106,071		101,887
Subordinated debentures		25,000		25,000
Junior subordinated debentures		10,310		10,310
Other debt		187		407
Total borrowed funds		141,568		137,604
Accrued interest payable		3,045		2,763
Other liabilities		12,304		12,440
Total liabilities		1,117,866		1,135,243

Shareholders Equity				
Common Shares ($1.25 par)				
Authorized: 50,000,000 shares as of March 31, 2011 and December 31, 2010				
Issued and outstanding: 16,438,791 shares as of March 31, 2011 and 16,433,020 shares as of December 31, 2010		20,548		20,541
Additional paid-in capital		61,551		61,539
Accumulated Deficit		(38,408)		(37,882)
Accumulated other comprehensive loss				
Unrealized holding loss on available-for-sale securities, net of taxes		(4,880)		(6,174)
Unrealized non-credit holding loss on OTTI available-for-sale securities, net		(5,791)		(5,969)
Total accumulated other comprehensive loss, net of taxes		(10,671)		(12,143)
Total shareholders equity		33,020		32,055
Total Liabilities and Shareholders Equity	$	1,150,886	$	1,167,298

The accompanying notes to consolidated financial statements are an integral part of these statements.

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share data)	Three months ended March 31, 2011 (unaudited)	2010 (unaudited)
Interest income		
Interest and fees on loans	$ 9,093	$ 12,132
Interest and dividends on securities:		
U.S. government agencies	922	1,492
State and political subdivisions, tax-free	1,410	1,400
State and political subdivisions, taxable	13	20
Other securities	44	79
Total interest and dividends on securities	2,389	2,991
Interest on interest-bearing deposits and federal funds sold	26	36
Total interest income	11,508	15,159
Interest expense		
Deposits:		
Interest-bearing demand	612	1,032
Savings	95	129
Time ($100,000 and over)	698	931
Other time	1,241	1,940
Total interest on deposits	2,646	4,032
Interest on borrowed funds		
Interest on FHLB advances	869	1,451
Interest on subordinated debentures	562	539
Interest on junior subordinated debentures	51	50
Total interest on borrowed funds	1,482	2,040
Total interest expense	4,128	6,072
Net interest income before provision for loan and lease losses	7,380	9,087
Provision for loan and lease losses	1,744	5,108
Net interest income after provision for loan and lease losses	5,636	3,979
Non-interest income		
Service charges	727	813
Net gain on the sale of securities		1,196
Gross other-than-temporary impairment (OTTI) gains (losses)	274	(8,235)
Portion of (gain) loss recognized in other comprehensive income (OCI) (before taxes)	(274)	7,889
Other-than-temporary-impairment losses recognized in earnings		(346)
Net gain on the sale of loans held for sale	175	248
Net gain on the sale of other real estate	2,544	
Net gain on the sale of other assets	1	
Bank owned life insurance income	196	197
Other	339	383
Total non-interest income	3,982	2,491
Non-interest expense		
Salaries and employee benefits	3,396	3,108
Occupancy expense	677	647
Equipment expense	385	432
Advertising expense	161	119
Data processing expense	501	414
FDIC assessment	789	469
Bank shares tax	276	255
Expense of other real estate	567	135

Provision for off-balance sheet commitments		(234)		24
Legal expense		298		148
Professional fees		2,239		294
Insurance expense		99		80
Other operating expenses		990		1,170
Total non-interest expense		10,144		7,295
Loss before income taxes		(526)		(825)
Provision for income taxes				
Net loss	$	(526)	$	(825)
Loss Per Share				
Basic	$	(0.03)	$	(0.05)
Diluted	$	(0.03)	$	(0.05)
Cash Dividends Declared Per Common Share				
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
Basic		16,434,763		16,294,291
Diluted		16,434,763		16,294,291

The accompanying notes to consolidated financial statements are an integral part of these statements.

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Three Months Ended March 31, 2011 and 2010

(UNAUDITED)

(in thousands)	Number of Common Shares		Common Stock		Additional Paid-in Capital		Accumulated Deficit		Accumulated Other Comprehensive Loss		Total Shareholders Equity
BALANCES, DECEMBER 31, 2009	16,289,970	$	20,362	$	61,190	$	(6,162)	$	(12,306)	$	63,084
Net loss for the year							(825)				(825)
Other comprehensive loss, net of tax:											
Net change in unrealized gains and losses on securities available for sale (AFS) net of tax of $10,365									(19,245)		
Non-credit related losses on securities not expected to be sold, net of tax benefit of $9,729									18,067		
Less reclassification adjustment for gains and (losses) included in net income, net of tax of $419									777		
Other comprehensive loss									(401)		(401)
Total comprehensive loss											(1,226)
Proceeds from issuance of common shares through dividend reinvestment plan	9,486		12		34						46
Balances, March 31, 2010	16,299,456	$	20,374	$	61,224	$	(6,987)	$	(12,707)	$	61,904
BALANCES, DECEMBER 31, 2010	16,433,020	$	20,541	$	61,539	$	(37,882)	$	(12,143)	$	32,055
Net loss for the year							(526)				(526)
Other comprehensive income, net of tax:											
Net change in unrealized gains and losses on securities available for sale (AFS) net of tax of $668									1,291		
Non-credit related gains on securities not expected to be sold, net of tax benefit of $93									181		
Other comprehensive income									1,472		1,472
Total comprehensive income											946
Proceeds from issuance of common shares through dividend reinvestment plan	5,771		7		12						19
Balances, March 31, 2011	16,438,791	$	20,548	$	61,551	$	(38,408)	$	(10,671)	$	33,020

The accompanying notes to consolidated financial statements are an integral part of these statements.

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three months ended March 31, 2011 (unaudited)	2010 (unaudited)
Cash Flows from Operating Activities:		
Net Loss	$ (526)	$ (825)
Reconciliation of Net Loss to Net Cash Provided by Operating Activities:		
Investment securities accretion, net	(330)	(754)
Equity in trust	(1)	(1)
Depreciation and amortization	380	441
Provision for loan and lease losses	1,744	5,108
Provision for off balance sheet commitments	(234)	24
Gain on sale of investment securities		(1,196)
Other-than temporary impairment losses		346
Gain on the sale of loans held for sale	(175)	(248)
Gain on the sale of other real estate owned	(2,544)	
Write-down of other real estate owned	158	
Gain on sale of other assets	(1)	
Income from bank owned life insurance	(196)	(197)
Proceeds from the sale of loans held for sale	11,900	10,294
Funds used to originate loans held for sale	(9,415)	(9,988)
Increase (decrease) in interest payable	282	(298)
Decrease (increase) in accrued expenses and other liabilities	98	(147)
Decrease in interest receivable	31	396
Increase in refundable federal income taxes	(2)	
Decrease (increase) in prepaid expenses and other assets	2,461	(2,107)
Net Cash Provided by Operating Activities	3,630	848
Cash Flows from Investing Activities:		
Investment Securities :		
Proceeds from maturities, calls and principal payments	6,614	8,035
Proceeds from sales		24,687
Purchases		(18,904)
Purchases of Federal Reserve Bank stock		(290)
Redemption of FHLB stock	515	
Net increase in loans to customers	(1,384)	(226)
Proceeds from the sale of other real estate owned	5,513	
Purchases of bank premises and equipment	(173)	(437)
Proceeds from sale of other assets	8	
Net Cash Provided by Investing Activities	11,093	12,865
Cash Flows from Financing Activities:		
Net decrease in demand deposits, money market demand, interest-bearing demand accounts, and savings accounts	(14,429)	(7,472)
Net decrease in time deposits	(7,058)	(10,653)
Proceeds from issuance of subordinated debentures		1,900
Proceeds from FHLB advances	76,804	87,318
Repayment of FHLB advances	(72,620)	(90,971)
Repayment of other borrowed funds	(220)	(18)
Proceeds from issuance of common shares - share option plans	19	46
Net Cash Used in Financing Activities	(17,504)	(19,850)

Decrease in Cash and Cash Equivalents		(2,781)		(6,137)
Cash & Cash Equivalents at beginning of period		74,505		86,364
Cash & Cash Equivalents at end of period	$	71,724	$	80,227
Supplemental Cash Flow Information				
Cash paid during the period for:				
Interest	$	3,846	$	6,370
Other transactions:				
Principal balance of loans transferred to OREO		2,104		1,064
Transfer from loans held for sale to other assets		947		
Transfer from loans held for sale to loans		790		

The accompanying notes to consolidated financial statements are an integral part of these statements.

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FIRST NATIONAL COMMUNITY BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

The consolidated financial statements are comprised of the accounts of First National Community Bancorp, Inc., and its wholly owned subsidiary, First National Community Bank (the Bank), as well as the Bank s wholly owned subsidiaries (collectively, the Company). All inter-company transactions and balances have been eliminated. The accounting and reporting policies of the Company conform to U.S. Generally Accepted Accounting Principles (GAAP) and general practices within the financial services industry. In the opinion of management, all adjustments necessary to a fair presentation of the results for the quarterly period ended March 31, 2011 have been included.

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change are the allowance for loan and lease losses (ALLL), security valuations, the evaluation of deferred income taxes, and the impairment of securities. The current economic environment has increased the degree of uncertainty inherent in these material estimates.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s December 31, 2010 audited financial statements filed on Form 10-K.

Note 2. New Authoritative Accounting Guidance

In January 2010, the FASB issued an update (Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*). The update provides clarification regarding existing disclosures and requires additional disclosures regarding fair value measurements. Specifically, the guidance now requires reporting entities to disclose the amounts of significant transfers between levels and the reasons for the transfers. In addition, the reconciliation should present separate information about purchases, sales, issuances and settlements. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value. The new standard is effective for reporting periods beginning after December 15, 2009 except for disclosures about purchases, sales, issuances and settlements which are not effective until reporting periods beginning after December 15, 2010. The adoption of this guidance did not have a material impact on the Company s consolidated financial statements. The disclosures required by this update are included in Note 7 to the consolidated financial statements.

In July 2010, the FASB issued an update (Accounting Standards Update No. 2010-20, *Receivables, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*). This update expands the disclosures that an entity must provide about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate, by portfolio segment or class, certain existing disclosures, and to provide certain new disclosures about its financing receivables and related allowances for credit losses. The disclosures as of the end of a reporting period were effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period were effective for interim and annual reporting periods beginning on or after December 15, 2010. The amendment does not require comparative disclosures for earlier reporting periods that ended before adoption; however, an entity should provide comparative disclosures for those reporting periods after initial adoption. The adoption of this amendment did not have a material effect on the Company s consolidated financial statements. The disclusures required by this update are included in Note 4 to the consolidated financial statements.

In January 2011, the FASB issued an update (Accounting Standards Update No. 2011-01, *Receivables*) which temporarily delayed the effective date of the disclosures about trouble debt restructurings in Update 2010-20 for public entities. The delay was intended to allow the Board time to complete its deliberations on what constitutes a trouble debt restructuring. The effective date of the new disclosures about troubled debt restructurings and the guidance for determining what constitutes a troubled debt restructuring was effective for interim and annual periods ending after June 15, 2011.

In April 2011, the FASB issued an update (Accounting Standards Update No. 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*) which clarifies when creditors should classify loan modifications as troubled debt restructurings. The new guidance was effective for interim and annual periods beginning on or after June 15, 2011, and applies

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retrospectively to restructurings occurring on or after January 1, 2011. A provision in Update 2011-02 also ends the FASB s deferral of the additional disclosures about troubled debt restructurings as required by Update 2010-20. The Company elected to adopt Update 2011-02 in the quarter ending March 31, 2011. The adoption of this update did not have a material impact on the Company s consolidated financial statements.

Accounting Guidance to be Adopted In Future Periods

In May 2011, the FASB issued an update (Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*). This update results in common fair value measurement and disclosure requirements among U.S. GAAP and International Financial Reporting Standards. The amendments in Update 2011-04 include clarifications about the application of existing fair value measurement requirements and changes to principles for measuring fair value. This update also requires additional disclosures about fair value measurements, is required to be applied prospectively, and is effective for interim and annual periods beginning after December 15, 2011. The Company is currently evaluating the impact of adoption of Update 2011-04 on the Company s consolidated financial statements.

In June 2011, the FASB issued an update (Accounting Standards Update 2011-05, *Presentation of Comprehensive Income*). This update was issued to improve the comparability, consistency and transparency of financial reporting. The amendment provides the entity an option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not change the items that must be reported in other comprehensive income. Update 2011-05 is required to be applied retrospectively and is effective for interim and annual periods beginning after December 15, 2011. Update 2011-05 is an update only for presentation and as such will not impact the Company s consolidated financial statements.

In December 2011, the FASB issued an update (Accounting Standards Update No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*). The objective of this update is to provide enhanced disclosures that will enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on an entity s financial position. This includes the effect or potential effect of rights of setoff associated with an entity s recognized assets and recognized liabilities within the scope of this update. The amendments require enhanced disclosures by requiring expanded information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented.

In December 2011, the FASB issued ASU No. 2011-12 - Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05. This update defers only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments. The paragraphs in this update supersede certain pending paragraphs in ASU No. 2011-05. All other requirements in ASU No. 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

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Reclassification of Prior Year Financial Statements

Certain reclassifications have been made to the prior year s consolidated financial statements to conform to the current year s presentation. Such reclassifications had no impact on results of operations.

Note 3. Regulatory Matters

The Bank is under a Consent Order (the Order) from the Office of the Comptroller of the Currency (OCC) dated September 1, 2010. The Company is also subject to a written Agreement (the Agreement) with the Federal Reserve Bank of Philadelphia (the Reserve Bank) dated November 24, 2010.

OCC Consent Order. The Bank, pursuant to a Stipulation and Consent to the Issuance of a Consent Order dated September 1, 2010 without admitting or denying any wrongdoing, consented and agreed to the issuance of the Order by the OCC, the Bank s primary regulator. The Order requires the Bank to undertake certain actions within designated timeframes, and to operate in compliance with the provisions thereof during its term. The Order is based on the results of an examination of the Bank as of March 31, 2009. Since the examination, management has engaged in discussions with the OCC and has taken steps to improve the condition, policies and procedures of the Bank. Compliance with the Order is to be monitored by a committee (the Committee) of at least three directors, none of whom is an employee or controlling shareholder of the Bank or its affiliates or a family member of any such person. The Committee is required to submit written progress reports on a monthly basis and the Agreement requires the Bank to make periodic reports and filings with the OCC. The members of the Committee are John P. Moses, Joseph Coccia, Joseph J. Gentile and Thomas J. Melone. The material provisions of the Order are as follows:

(i) By October 31, 2010, the Board of Directors of the Bank (the Board) is required to adopt and implement a three-year strategic plan which must be submitted to the OCC for review and prior determination of no supervisory objection; the strategic plan must establish objectives for the Bank s overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development, and market segments that the Bank intends to promote or develop, and is to include strategies to achieve those objectives; if the strategic plan involves the sale or merger of the Bank, it must address the timeline and steps to be followed to provide for a definitive agreement within 90 days after the receipt of a determination of no supervisory objection;

(ii) by October 31, 2010, the Board is required to adopt and implement a three year capital plan, which must be submitted to the OCC for review and prior determination of no supervisory objection;

(iii) by November 30, 2010, the Bank is required to achieve and thereafter maintain a total risk-based capital equal to at least 13% of risk-weighted assets and a Tier 1 capital equal to at least 9% of adjusted total assets;

(iv) the Bank may not pay any dividend or capital distribution unless it is in compliance with the higher capital requirements required by the Order, the Capital Plan, applicable legal requirements and, then only after receiving a determination of no supervisory objection from the OCC;

(v) by November 15, 2010, the Committee must review the Board and the Board s committee structure; by November 30, 2010, the Board must prepare or cause to be prepared an assessment of the capabilities of the Bank s executive officers to perform their past and current duties, including those required to respond to the most recent examination report, and to perform annual performance appraisals of each officer;

(vi) by October 31, 2010, the Board must adopt, implement and thereafter ensure compliance with a comprehensive conflict of interest policy applicable to the Bank s and the Company s directors, executive officers, principal shareholders and their affiliates and such person s immediate family members and their related interests, employees, and by November 30, 2010, conduct a review of existing relationships with such persons to identify those, if any, not in compliance with the policy; and review all subsequent proposed transactions with such persons or modifications of transactions;

(vii) by October 31, 2010, the Board must develop, implement and ensure adherence to policies and procedures for Bank Secrecy Act (BSA) compliance; and account opening and monitoring procedures compliance;

(viii) by October 31, 2010, the Board must ensure the BSA audit function is supported by an adequately staffed department or third party firm; adopt, implement and ensure compliance with an independent BSA audit; and assess the capabilities of the BSA officer and supporting staff to perform present and anticipated duties;

(ix) by October 31, 2010, the Board is required to adopt, implement and ensure adherence to a written credit policy, including specified features, to improve the Bank s loan portfolio management;

(x) the Board is required to take certain actions to resolve certain credit and collateral exceptions;

(xi) by October 31, 2010, the Board is required to establish an effective, independent and ongoing loan review system to review, at least quarterly, the Bank s loan and lease portfolios to assure the timely identification and categorization of problem credits; by

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October 31, 2010, to adopt and adhere to a program for the maintenance of an adequate ALLL, and to review the adequacy of the Bank s ALLL at least quarterly;

(xii) by October 31, 2010, the Board must adopt and the Bank implement and adhere to a program to protect the Bank s interest in criticized assets; and the Bank may only extend additional credit (including renewals) to a borrower whose loans are criticized under specified circumstances;

(xiii) by October 31, 2010, the Board must adopt and ensure adherence to action plans for each piece of other real estate owned;

(xiv) by November 30, 2010, the Board is required to develop, implement and ensure adherence to a policy for effective monitoring and management of concentrations of credit;

(xv) by October 31, 2010, the Board must revise and implement the Bank s other than temporary impairment policy;

(xvi) by October 31, 2010, the Board must take action to maintain adequate sources of stable funding and liquidity and a contingency funding plan; by October 31, 2010, the Board is required to adopt, implement and ensure compliance with an independent, internal audit program; and

(xvii) take actions to correct cited violations of law; and adopt procedures to prevent future violations and address compliance management.

Federal Reserve Agreement. On November 24, 2010, the Company entered into a written Agreement (the Agreement) with the Federal Reserve Bank of Philadelphia (the Reserve Bank). The Agreement requires the Company to undertake certain actions within designated timeframes, and to operate in compliance with the provisions thereof during its term. The material provisions of the Agreement include the following:

(i) the Company s Board must take appropriate steps to fully utilize the Company s financial and managerial resources to serve as a source of strength to the Bank, including taking steps to ensure that the Bank complies with its Consent Order entered into with the OCC;

(ii) the Company may not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the Director) of the Federal Reserve Board;

(iii) the Company may not take dividends or other payments representing a reduction of the Bank s capital without the prior written approval of the Reserve Bank;

(iv) the Company and its nonbank subsidiary may not make any payment of interest, principal or other amounts on the Company s subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director;

(v) the Company may not make any payment of interest, principal or other amounts on debt owed to insiders of the Company without the prior written approval of the Reserve Bank and Director;

(vi) the Company and its nonbank subsidiary may not incur, increase or guarantee any debt without the prior written approval of the Reserve Bank;

(vii) the Company may not purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank;

(viii) the Company must submit to the Reserve Bank, by January 23, 2011, an acceptable written plan to maintain sufficient capital at the Company on a consolidated basis. Thereafter, the Company must notify the Reserve Bank within 45 days of the end of any quarter in which the Company s capital ratios fall below the approved capital plan s minimum ratios, and submit an acceptable written plan to increase the Company s capital ratios above the capital plan s minimums;

(ix) the Company must immediately take all actions necessary to ensure that: (1) each regulatory report accurately reflects the Company s condition on the date for which it is filed and all material transactions between the Company and its subsidiaries; (2) each such report is prepared in accordance with its instructions; and (3) all records indicating how the report was prepared are maintained for supervisory review;

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(x) the Company must submit to the Reserve Bank, by January 23, 2011, acceptable written procedures to strengthen and maintain internal controls to ensure all required regulatory reports and notices filed with the Board of Governors are accurate and filed in accordance with the instructions for preparation;

(xi) the Company must submit to the Reserve Bank, by January 8, 2011, a cash flow projection for 2011, reflecting the Company s planned sources and uses of cash, and submit a cash flow projection for each subsequent calendar year at least one month prior to the beginning of such year;

(xii) the Company must comply with: (1) the notice provisions of Section 32 of the FDI Act and Subpart H of Regulation Y in appointing any new director or senior executive officer or changing the duties of any senior executive officer; and (2) the restrictions on indemnification and severance payments of Section 18(k) of the FDI Act and Part 359 of the FDIC s regulations; and

(xiii) the Board must submit written progress reports within 30 days of the end of each calendar quarter.

The Order and Agreement have not and are not expected to have an impact on the Company s ability to attract and maintain deposits or the Company s cost of funds. In order to meet the increased capital requirements imposed under the Order and the Agreement, however, unless the Company is able to raise additional capital, the Company could be limited in the aggregate amount of loans it can have outstanding, which may constrain loan growth. While it is not anticipated that the Order and the Agreement will have an immediate impact on the Company s net interest margin, the overall cost of compliance with the Order and the Agreement will continue to impact profitability at least through the end of 2012.

Banking regulations also limit the amount of dividends that may be paid without prior approval of the Bank s regulatory agency. As of August 10, 2012, the Company and the Bank are restricted from paying any dividends without regulatory approval.

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices must be met. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined).

In accordance with the Order, the Bank is required to achieve and thereafter maintain a total risk-based capital equal to at least 13% of risk-weighted assets and a Tier 1 capital equal to at least 9% of adjusted total assets. At March 31, 2011, the Bank was not in compliance with these requirements. The minimum capital requirements under the Order take precedence over the standard regulatory capital adequacy definitions described in the tables below. The Company s and the Bank s actual capital positions and ratios at March 31, 2011 and December 31, 2010 are presented in the following table:

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CAPITAL ANALYSIS

(In thousands)		March 31, 2011		December 31, 2010
Company				
Tier I Capital:				
Total Tier I Capital	$	52,703	$	53,297
Tier II Capital:				
Subordinated notes		25,000		25,000
Allowable portion of allowance for loan losses		10,812		11,201
Total Tier II Capital		35,812		36,201
Total Risk-Based Capital		88,515		89,498
Total Risk Weighted Assets	$	850,929	$	883,887
Bank				
Tier I Capital:				
Total Tier I Capital	$	75,678	$	75,659
Tier II Capital:				
Allowable portion of allowance for loan losses		10,807		11,197
Total Tier II Capital		10,807		11,197
Total Risk-Based Capital		86,485		86,856
Total Risk Weighted Assets	$	850,573	$	883,535

(In thousands) At March 31, 2011	Actual			For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provision	
		Amount	Ratio		Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets)								
Company	$	88,515	10.40%	$	>68,074	>8.00%	N/A	N/A
Bank	$	86,485	10.17%	$	>68,046	>8.00%	$ >85,057	>10.00%
Tier I Capital (to Risk Weighted Assets)								
Company	$	52,703	6.17%	$	>34,037	>4.00%	N/A	N/A
Bank	$	75,678	8.90%	$	>34,023	>4.00%	$ >51,034	>6.00%
Tier I Capital (to Average Assets)								
Company	$	52,703	4.53%	$	>46,580	>4.00%	N/A	N/A
Bank	$	75,678	6.50%	$	>46,566	>4.00%	$ >58,208	>5.00%

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(In thousands) At December 31, 2010	Actual Amount	Actual Ratio	For Capital Adequacy Purposes Amount	For Capital Adequacy Purposes Ratio	To Be Well Capitalized Under Prompt Corrective Action Provision Amount	To Be Well Capitalized Under Prompt Corrective Action Provision Ratio
Total Capital (to Risk Weighted Assets)						
Company	$ 89,499	10.13%	$ >70,711	>8.00%	N/A	N/A
Bank	$ 86,856	9.83%	$ >70,683	>8.00%	$ >88,354	>10.00%
Tier I Capital (to Risk Weighted Assets)						
Company	$ 53,297	6.03%	$ >35,535	>4.00%	N/A	N/A
Bank	$ 75,659	8.56%	$ >35,341	>4.00%	$ >53,012	>6.00%
Tier I Capital (to Average Assets)						
Company	$ 53,279	4.27%	$ >49,964	>4.00%	N/A	N/A
Bank	$ 75,659	6.06%	$ >49,950	>4.00%	$ >62,438	>5.00%

Note 4. LOANS

Loans receivable, net, consists of the following at March 31, 2011 and December 31, 2010:

(In thousands)	March 31, 2011	December 31, 2010
Residential real estate	$ 87,686	$ 87,925
Commercial real estate	263,380	256,327
Construction, land acquisition, and development	70,995	77,395
Commercial and industrial loans	197,502	197,697
Consumer loans	106,585	110,853
State and political subdivisions	30,786	27,739
Total loans, gross	756,934	757,936
Unearned discount	(208)	(332)
Net deferred loan fees and costs	677	784
Allowance for loan and lease losses	(24,230)	(22,575)
Loans, net	$ 733,173	$ 735,813

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The Company has granted loans, letters of credit and lines of credit to certain executive officers and directors of the Company as well as to certain related parties of executive officers and directors. See Note 9 to these consolidated financial statements for more information about related party transactions.

The Company originates one-to-four family mortgage loans primarily for sale in the secondary market. During the quarter ended March 31, 2011, the Company sold $11.7 million of one-to-four family mortgages. The Company retains servicing rights on these mortgages.

The Company had $1.2 million and $3.6 million in loans held-for-sale at March 31, 2011 and December 31, 2010, respectively. All loans held for sale are one-to-four family residential mortgage loans.

The Company does not have any lending programs commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios.

See Note 2 to the Company s consolidated financial statements included in the 2010 Form 10-K for the risk characteristics related to the Company s loan segments.

The Company provides for loan losses based on the consistent application of its documented ALLL methodology. Loan losses are charged to the ALLL and recoveries are credited to it. Additions to the ALLL are provided by charges against income based on various factors which, in management s judgment, deserve current recognition of estimated probable losses. Loan losses are charged-off in the period the loans, or portions thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated recoverable amount based on its methodology detailed below. The Company regularly reviews the loan portfolio and makes adjustments for loan losses in order to maintain the ALLL in accordance with U.S. GAAP. The ALLL consists primarily of the following two components:

(1) Specific allowances are established for impaired loans (defined by the Company as all loans with an outstanding balance greater than $100,000 rated doubtful or substandard and on non-accrual status and all TDRs). The amount of impairment provided for as an allowance is represented by the deficiency, if any, between the carrying value of the loan and either (a) the present value of expected future cash flows discounted at the loan s effective interest rate, (b) the loan s observable market price, or (c) the fair value of the underlying collateral, less estimated costs to sell, for collateral dependent loans. Impaired loans that have no impairment losses are not considered for general valuation allowances described below. If the Company determines that collection of the impairment amount is remote, the Company will record a charge-off.

(2) General allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired. The Company divides its portfolio into loan segments, with loans exhibiting similar characteristics. These segments are further disaggregated into classes. Loans rated special mention or substandard and accruing which are embedded in these loan segments are then separated from them. These separated loans are then subject to an analysis placing increased emphasis on the credit risk associated with these specific loans. The Company applies an estimated loss rate to each loan group. The loss rates applied are primarily based on the Company s own historical loss experience based on the loss rate for each group of loans with similar risk characteristics in its portfolio. In addition management evaluates and

applies certain qualitative or environmental factors that are likely to cause estimated credit losses associated with the Company s existing portfolio that may differ from historical experience, which are discussed below. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the ALLL that is established, which could have a material negative effect on the Company s financial results.

In underwriting a loan secured by real property (unless exempt based on legal requirements), the Company requires an appraisal of the property by an independent licensed appraiser approved by the Company s board of directors. The appraisal is either reviewed internally or by an independent third party hired by the Company. Generally, management obtains updated appraisals when a loan is deemed impaired. These appraisals may be more limited than those prepared for the underwriting of a new loan. In addition, when the Company acquires other real estate owned, it generally obtains a current appraisal to substantiate the net carrying value of the asset.

Management makes adjustments for loan losses based on its evaluation of several qualitative and environmental factors, including but not limited to:

- Changes in national, local, and business economic conditions and developments, including the condition of various market segments;
- Changes in the nature and volume of the Company s loan portfolio;

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- Changes in the Company s lending policies and procedures, including underwriting standards, collection, charge-off and recovery practices and results;
- Changes in the experience, ability and depth of the Company s lending management and staff;
- Changes in the quality of the Company s loan review system and the degree of oversight by the Company s Board of Directors;
- Changes in the trend of the volume and severity of past due and classified loans, including trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations;
- The effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company s current loan portfolio; and
- Analysis of its customers credit quality.

Management evaluates the ALLL based on the combined total of the impaired and general components. Generally, when the loan portfolio increases, absent other factors, the Company s ALLL methodology results in a higher dollar amount of estimated probable losses. Conversely, when the loan portfolio decreases, absent other factors, the Company s ALLL methodology results in a lower dollar amount of estimated probable losses.

Each quarter, management evaluates the ALLL and adjusts the ALLL as appropriate through a provision for loan losses. While the Company uses the best information available to make evaluations, future adjustments to the ALLL may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of its examination process, the Office of the Comptroller of the Currency periodically reviews the Company s ALLL. The OCC may require the Company to adjust the ALLL based on its analysis of information available to it at the time of its examination.

The following tables set forth activity in the ALLL, by loan type, for the quarter ended March 31, 2011 and year ended December 31, 2010. The following tables also details the amount of gross loans receivable that are evaluated individually, and collectively, for impairment, and the related portion of ALLL that is allocated to each loan portfolio segment:

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March 31, 2011

	Real Estate			Commercial & Industrial		Consumer			
(In thousands)	**Residential Real Esate**	**Commercial Real Estate**	**Construction, Land Acquisition & Development**	**Solid Waste Landfills**	**Other**	**Indirect Auto**	**Installment/ HELOC**	**State and Political Subdivisions**	**Total**
Allowance for loan losses:									
Beginning Balance, January 1, 2011	$ 2,176	$ 9,640	$ 4,170	$ 11	$ 4,839	$ 597	$ 576	$ 566	$ 22,575
Charge-offs	(136)	(457)	(6)		(109)	(128)	(92)		(928)
Recoveries	7	13	706		74	38	1		839
Provisions	194	1,664	(247)	5	(161)	74	91	124	1,744
Ending Balance, March 31, 2011	$ 2,241	$ 10,860	$ 4,623	$ 16	$ 4,643	$ 581	$ 576	$ 690	$ 24,230
Ending balance, March 31, 2011 Individually evaluated for impairment	$ 770	191	440		3				$ 1,404
Ending balance, March 31, 2011 Collectively evaluated for impairment	$ 1,471	10,669	4,183	16	4,640	581	576	690	$ 22,826
Gross loans receivable:									
Ending balance, March 31, 2011	$ 87,686	$ 263,380	$ 70,995	$ 52,270	$ 145,232	$ 60,545	$ 46,040	$ 30,786	$ 756,934
Ending Balance, March 31, 2011 Individually evaluated for impairment	$ 2,987	14,926	6,327		5,181		228		$ 29,649
Ending Balance, March 31, 2011 Collectively evaluated for impairment	$ 84,699	248,454	64,668	52,270	140,051	60,545	45,812	30,786	$ 727,285

December 31, 2010

	Real Estate			Commercial & Industrial		Consumer			
(In thousands)	**Residential Real Esate**	**Commercial Real Estate**	**Construction, Land Acquisition & Development**	**Solid Waste Landfills**	**Other**	**Indirect Auto**	**Installment/ HELOC**	**State and Political Subdivisions**	**Total**
Allowance for loan losses:									
Ending Balance, December 31, 2010	$ 2,176	$ 9,640	$ 4,170	$ 11	$ 4,839	$ 597	$ 576	$ 566	$ 22,575
Ending balance, December 31, 2010 Individually evaluated for impairment	$ 785	372	310		339				$ 1,806
Ending balance, December 31, 2010	$ 1,391	9,268	3,860	11	4,500	597	576	566	$ 20,769

Collectively evaluated for impairment									
Gross loans receivable:									
Ending balance, December 31, 2010	$ 87,925	$ 256,327	$ 77,395	$ 52,270	$ 145,427	$ 63,509	$ 47,344	$ 27,739	$ 757,936
Ending balance, December 31, 2010 Individually evaluated for impairment	$ 2,926	9,477	11,365		6,029		132		$ 29,929
Ending balance, December 31, 2010 Collectively evaluated for impairment	$ 84,999	246,850	66,030	52,270	139,398	63,509	47,212	27,739	$ 728,007

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The changes in the ALLL for the three months ended March 31, 2011 and 2010 are as follows (in thousands):

	2011	2010
Balance, beginning of period	$ 22,575	$ 22,458
Charge offs	(928)	(2,121)
Recoveries	839	60
Provisions	1,744	5,108
Balance, end of period	$ 24,230	$ 25,505

Credit Quality Indicators Commercial Loans

The Company continuously monitors the credit quality of its commercial loan receivables. Credit quality is monitored by reviewing certain credit quality indicators. Management has determined that internally assigned credit risk ratings by loan type are the key credit quality indicators that best help management monitor the credit quality of the Company s loan receivables.

The Bank s commercial loan classification and credit grading processes are part of the lending, underwriting, and credit administration functions to ensure an ongoing assessment of credit quality. Accurate and timely loan classification or credit grading is a critical component of loan portfolio management. Loan officers are required to review their loan portfolio risk ratings regularly for accuracy. The loan review function uses the same risk rating system in the loan review process. This allows an independent third party to assess the quality of the portfolio and compare the accuracy of ratings with the loan officer s and management s assessment.

A formal loan classification and credit grading system reflects the risk of default and credit losses. The Company maintains a written description of the risk ratings that includes a discussion of the factors used to assign appropriate classifications of credit grades to loans. The process identifies groups of loans that warrant the special attention of management. The risk grade groupings provide a mechanism to identify risk within the loan portfolio and provide management and the Board with periodic reports by risk category. The credit risk ratings play an important role in the establishment and evaluation of ALLL. After determining the historical loss factor which is adjusted for qualitative and environmental factors for each portfolio segment, segment balances collectively evaluated for impairment are multiplied by the general reserve loss factor for the respective portfolio segments in order to determine the general reserve. Loans that have an internal credit rating of special mention or substandard follow the same process however the qualitative and environmental factors are further adjusted for the increased risk.

The Company utilizes a loan rating system that assigns a degree of risk to commercial loans based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. Management analyzes these non-homogeneous loans individually based on credit risk and probability of collection for each type of class. Commercial loans include commercial indirect auto loans which are not individually risk rated. These loans are monitored on a pool basis due to their homogeneous nature as described in Credit Quality Indicators Other Loans below. The grading system contains the following basic risk categories:

1. Minimal Risk

2. Above Average Credit Quality

3. Average Risk

4. Acceptable Risk

5. Pass - Watch

6. Special Mention

7. Substandard - Accruing

8. Substandard - Non-Accrual

9. Doubtful

10. Loss

This analysis is performed on a quarterly basis using the following definitions for risk ratings:

Pass Loans rated 1 through 5 are considered pass ratings. These loans show no current or potential problems and are considered fully collectible. All such loans are considered collectively for ALLL calculation purposes.

Special Mention Loans classified as special mention loans do not currently expose the Company to a sufficient degree of risk to warrant an adverse classification but do possess credit deficiencies or potential weaknesses deserving close attention.

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Special Mention loans have a potential weakness or pose an unwarranted financial risk which, if not corrected, could weaken the loan and increase risk in the future.

Substandard - Loans classified as substandard have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable based on current circumstances.

Loss - Loans classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted.

The following tables detail the recorded investment in loans receivable by the aforementioned class of loan and credit quality indicator at March 31, 2011 and December 31, 2010.

	Real Estate			Commercial & Industrial		Consumer		
As of March 31, 2011 (In thousands)	**Residential Real Esate**	**Commercial Real Estate**	**Construction, Land Acquisition & Development**	**Solid Waste Landfills**	**Other**	**Installment & HELOC**	**State and Political Subdivisions**	**Total**
Internal Risk Rating								
Pass	$ 24,321	$ 208,499	$ 46,672	$ 52,270	$ 130,088	$ 2,768	$ 20,613	$ 485,231
Special Mention	201	14,196	335		2,560	377	10,173	27,842
Substandard	1,906	40,685	19,840		5,994	159		68,584
Doubtful	699		400					1,099
Loss								
Total Loans Receivable	$ 27,127	$ 263,380	$ 67,247	$ 52,270	$ 138,642	$ 3,304	$ 30,786	$ 582,756

	Real Estate			Commercial & Industrial			
At December 31, 2010 (in thousands)	**Residential Real Esate**	**Commercial Real Estate**	**Construction, Land Acquisition & Development**	**Solid Waste Landfills**	**Other**	**State and Political Subdivisions**	**Total**
Internal Risk Rating							
Pass	$ 24,854	$ 200,847	$ 46,657	$ 52,270	$ 123,848	$ 17,481	$ 465,957
Special Mention	1,633	18,455	14,001		6,061	10,258	56,308
Substandard	1,308	35,100	10,199		7,951		48,658
Doubtful		1,925	2,611				4,536
Loss							
Total Loans Receivable	$ 27,795	$ 256,327	$ 73,468	$ 52,270	$ 137,860	$ 27,739	$ 575,459

Credit Quality Indicators Other Loans

Residential, consumer and commercial, and consumer indirect auto loans are monitored on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more are considered non-accrual. The Company utilizes accruing versus non-accruing

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status as the credit quality indicator for these loan pools. The following table presents the recorded investment in residential, consumer and indirect auto loans based on payment activity as of March 31, 2011 and December 31, 2010.

	March 31, 2011			December 31, 2010		
(in thousands)	**Performing Loans**	**Non-accrual Loans**	**Total**	**Performing Loans**	**Non-accrual Loans**	**Total**
Construction, Land Acquisition, and Development-Residential	$ 3,748	$	$ 3,748	$ 3,927	$	$ 3,927
Residential Real Estate	57,976	2,583	60,559	57,665	2,465	60,130
Indirect Auto-Consumer	60,545		60,545	63,493	16	63,509
Indirect Auto-Commercial	6,590		6,590	7,445		7,445
Installment/HELOC	42,704	32	42,736	47,245	221	47,466
Total	$ 171,563	$ 2,615	$ 174,178	$ 179,775	$ 2,702	$ 182,477

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment in these non-accrual loans was $28.3 million at both March 31, 2011 and December 31, 2010. Generally, loans are placed on non-accruing status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accruing status. Loans past due 90 days or more and still accruing interest were $225 thousand and $99 thousand at March 31, 2011 and December 31, 2010, respectively, and consisted of loans that are well secured and are in the process of renewal.

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The following table sets forth the detail, and delinquency status, of past due and non-accrual loans at March 31, 2011 and December 31, 2010 (in thousands):

	March 31, 2011 Performing (Accruing) Loans				
	0-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	>/= 90 Days Past Due	Total Performing Loans
Real Estate					
Residential Real Estate	$ 83,592	$ 767	$ 101	$	$ 84,460
Commercial Real Estate	249,495	205			249,700
Construction, Land Acquisition & Development	64,671	84		225	64,980
Total Real Estate	397,758	1,056	101	225	399,140
Commercial and Industrial					
Solid Waste Landfills	52,270				52,270
Other	139,588	405	77		140,070
Total Commercial and Industrial	191,858	405	77		192,340
Consumer					
Indirect Auto	59,827	636	52		60,515
Installment/HELOC	45,435	277	199		45,911
Total Consumer	105,262	913	251		106,426
State and Political Subdivisions	30,786				30,786
Totals	$ 725,664	$ 2,374	$ 429	$ 225	$ 728,692

	Non-Accruing Loans				
	0-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	>/= 90 Days Past Due	Total
Real Estate					
Residential Real Estate	$ 1,700	$ 125	$ 63	$ 1,338	$ 3,226
Commercial Real Estate	10,305	9	244	3,122	13,680
Construction, Land Acquisition & Development				6,015	6,015
Total Real Estate	12,005	134	307	10,475	22,921
Commercial and Industrial					
Solid Waste Landfills					
Other	104	5,058			5,162
Total Commercial and Industrial	104	5,058			5,162
Consumer					
Indirect Auto				26	26
Installment/HELOC				133	133
Total Consumer				159	159
State and Political Subdivisions					
Total Non-accruing loans	$ 12,109	$ 5,192	$ 307	$ 10,634	$ 28,242

Total loans receivable	$ 737,773	$ 7,566	$ 736	$ 10,859	$ 756,934

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	December 31, 2010 Performing (Accruing) Loans				
	0-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	>/= 90 Days Past Due	Total Performing Loans
Real Estate					
Residential Real Estate	$ 83,371	$ 1,095	$ 465	$	$ 84,931
Commercial Real Estate	247,217	949	85		248,251
Construction, Land Acquisition & Development	65,785	285	231	99	66,400
Total Real Estate	396,373	2,329	781	99	399,582
Commercial and Industrial					
Solid Waste Landfills	52,270				52,270
Other	138,743	567	153		139,463
Total Commercial and Industrial	191,013	567	153		191,733
Consumer					
Indirect Auto	62,269	959	264		63,492
Installment/HELOC	47,000	112	11		47,123
Total Consumer	109,269	1,071	275		110,615
State and Political Subdivisions	27,739				27,739
Totals	$ 724,394	$ 3,967	$ 1,209	$ 99	$ 729,669

	Non-Accruing Loans				
	0-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	>/= 90 Days Past Due	Total
Real Estate					
Residential Real Estate	$ 1,256	$ 327	$ 240	$ 1,171	$ 2,994
Commercial Real Estate	3,173		200	4,703	8,076
Construction, Land Acquisition & Development				10,995	10,995
Total Real Estate	4,429	327	440	16,869	22,065
Commercial and Industrial					
Solid Waste Landfills					
Other	5,319			645	5,964
Total Commercial and Industrial	5,319			645	5,964
Consumer					
Indirect Auto			12	5	17
Installment/HELOC			31	190	221
Total Consumer			43	195	238
State and Political Subdivisions					
Total Non-accruing loans	$ 9,748	$ 327	$ 483	$ 17,709	$ 28,267

Total loans receivable	$	734,142	$	4,294	$	1,692	$	17,808	$	757,936

The total recorded investment in impaired loans, which consists of nonaccrual loans greater than $100,000 and performing TDRs, amounted to $29.6 million and $29.9 million at March 31, 2011 and December 31, 2010, respectively. The related allowance on impaired loans was $1.4 million and $1.8 million as of March 31, 2011 and December 31, 2010, respectively.

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The following tables provide an analysis of the Company s impaired loans as of March 31, 2011 and December 31, 2010:

March 31, 2011

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Allowance Recorded:			
Residential Real Estate	$ 1,659	$ 1,921	
Commercial Real Estate	9,243	14,348	
Construction, Land Acquisition & Development	2,647	5,955	
Commercial and Industrial			
Solid Waste Landfills			
Other	5,016	5,118	
Total Commercial and Industrial	5,016	5,118	
Consumer			
Indirect Auto			
Installment/HELOC	228	231	
Total Consumer	228	231	
State and Political Subdivisions			
Total With No Allowance Recorded	**$ 18,793**	**$ 27,573**	**$**
With a Related Allowance Recorded:			
Residential Real Estate	$ 1,328	$ 1,402	$ 770
Commercial Real Estate	5,683	12,772	191
Construction, Land Acquisition & Development	3,680	11,527	440
Commercial and Industrial			
Solid Waste Landfills			
Other	165	165	3
Total Commercial and Industrial	165	165	3
Consumer			
Indirect Auto			
Installment/HELOC			
Total Consumer			
State and Political Subdivisions			
Total with Related Allowance	**$ 10,856**	**$ 25,866**	**$ 1,404**

Total				**Average Balance**	**Interest Income (2)**
Residential Real Estate	$ 2,987	$ 3,323	$ 770	$ 2,957	$ 2
Commercial Real Estate	14,926	27,120	191	12,201	20
Construction, Land Acquisition & Development	6,327	17,482	440	8,846	2

Commercial and Industrial					
Solid Waste Landfills					
Other	5,181	5,283	3	5,605	5
Total Commercial and Industrial	5,181	5,283	3	5,605	5
Consumer					