HMN FINANCIAL INC
Form 10-Q
November 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from to

Commission File Number 0-24100

HMN FINANCIAL, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**41-1777397**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1016 Civic Center Drive N.W., Rochester, MN	**55901**
(Address of principal executive offices)	**(ZIP Code)**

Registrant s telephone number, including area code: (507) 535-1200

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 x No ¨

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

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

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

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

Class	Outstanding at October 14, 2011
Common stock, $0.01 par value	4,387,951

HMN FINANCIAL, INC.

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Part I FINANCIAL INFORMATION

Item 1: Financial Statements

HMN FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands)	September 30, 2011 (unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	$ 38,311	20,981
Securities available for sale:		
Mortgage-backed and related securities (amortized cost $22,426 and $32,036)	23,681	33,506
Other marketable securities (amortized cost $120,616 and $118,631)	120,452	118,058
	144,133	151,564
Loans held for sale	4,031	2,728
Loans receivable, net	590,176	664,241
Accrued interest receivable	2,576	3,311
Real estate, net	21,144	16,382
Federal Home Loan Bank stock, at cost	4,222	6,743
Mortgage servicing rights, net	1,447	1,586
Premises and equipment, net	8,255	9,450
Prepaid expenses and other assets	2,577	3,632
Deferred tax asset, net	0	0
Assets held for sale	1,512	0
Total assets	$ 818,384	880,618
Liabilities and Stockholders Equity		
Deposits	$ 630,606	683,230
Deposits held for sale	45,838	0
Federal Home Loan Bank advances	70,000	122,500
Accrued interest payable	715	1,092
Customer escrows	1,450	818
Accrued expenses and other liabilities	4,606	3,431
Total liabilities	753,215	811,071
Commitments and contingencies		
Stockholders equity:		
Serial preferred stock: ($.01 par value) authorized 500,000 shares; issued shares 26,000	24,648	24,264
Common stock ($.01 par value): authorized 11,000,000; issued shares 9,128,662	91	91
Additional paid-in capital	53,535	56,420
Retained earnings, subject to certain restrictions	50,934	55,838
Accumulated other comprehensive income	735	541
Unearned employee stock ownership plan shares	(3,239)	(3,384)
Treasury stock, at cost 4,740,711 and 4,818,263 shares	(61,535)	(64,223)

Total stockholders equity	65,169	69,547
Total liabilities and stockholders equity	$ 818,384	880,618

See accompanying notes to consolidated financial statements.

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HMN FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Loss

(unaudited)

(dollars in thousands, except per share data)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Interest income:				
Loans receivable	$ 8,967	11,023	28,171	34,243
Securities available for sale:				
Mortgage-backed and related	259	430	873	1,444
Other marketable	308	473	1,132	1,636
Cash equivalents	4	2	7	4
Other	34	35	148	109
Total interest income	9,572	11,963	30,331	37,436
Interest expense:				
Deposits	1,623	2,668	5,369	9,127
Federal Home Loan Bank advances	865	1,521	3,434	4,585
Total interest expense	2,488	4,189	8,803	13,712
Net interest income	7,084	7,774	21,528	23,724
Provision for loan losses	4,260	11,946	9,669	22,839
Net interest income (loss) after provision for loan losses	2,824	(4,172)	11,859	885
Non-interest income:				
Fees and service charges	978	972	2,827	2,734
Mortgage servicing fees	247	264	747	806
Gain on sales of loans	188	551	984	1,332
Other	106	105	336	375
Total non-interest income	1,519	1,892	4,894	5,247
Non-interest expense:				
Compensation and benefits	3,276	3,356	10,348	10,216
Loss (gain) on real estate owned	111	384	301	(344)
Occupancy	930	1,055	2,786	3,121
Deposit insurance	190	458	1,001	1,494
Data processing	326	292	884	866
Other	1,565	1,445	5,362	3,984
Total non-interest expense	6,398	6,990	20,682	19,337
Loss before income tax expense	(2,055)	(9,270)	(3,929)	(13,205)
Income tax expense	0	97	0	5,841
Net loss	$ (2,055)	(9,367)	(3,929)	(19,046)

Preferred stock dividends and discount	456	447	1,362	1,335
Net loss available to common shareholders	(2,511)	(9,814)	(5,291)	(20,381)
Basic loss per common share	$ (0.65)	(2.60)	(1.38)	(5.43)
Diluted loss per common share	$ (0.65)	(2.60)	(1.38)	(5.43)

See accompanying notes to consolidated financial statements.

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HMN FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholders Equity and Comprehensive Loss

For the Nine-Month Period Ended September 30, 2011

(unaudited)

(Dollars in thousands)	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Employee Stock Ownership Plan Shares	Treasury Stock	Total Stock-Holders Equity
Balance, December 31, 2010	$ 24,264	91	56,420	55,838	541	(3,384)	(64,223)	69,547
Net loss				(3,929)				(3,929)
Other comprehensive income, net of tax:								
Net unrealized gains on securities available for sale					194			194
Total comprehensive loss								(3,735)
Preferred stock discount amortization	384		(384)					0
Stock compensation tax benefits			22					22
Unearned compensation restricted stock awards			(2,700)				2,700	0
Restricted stock awards forfeited			12				(12)	0
Amortization of restricted stock awards			225					225
Preferred stock dividends accrued				(975)				(975)
Earned employee stock ownership plan shares			(60)			145		85
Balance, September 30, 2011	$ 24,648	91	53,535	50,934	735	(3,239)	(61,535)	65,169

See accompanying notes to consolidated financial statements.

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HMN FINANCIAL, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(unaudited)

(Dollars in thousands)	Nine Months Ended September 30, 2011	2010
Cash flows from operating activities:		
Net loss	$ (3,929)	(19,046)
Adjustments to reconcile net loss to cash provided by operating activities:		
Provision for loan losses	9,669	22,839
Depreciation	955	1,255
Amortization of premiums, net	236	460
Amortization of deferred loan fees	(412)	(256)
Amortization of mortgage servicing rights, net	357	338
Capitalized mortgage servicing rights	(218)	(540)
Deferred income tax	0	11,721
Loss (gain) on sales of real estate	301	(344)
Gain on sales of loans	(984)	(1,332)
Proceeds from sale of loans held for sale	34,813	64,585
Disbursements on loans held for sale	(30,667)	(60,653)
Amortization of restricted stock awards	225	280
Amortization of unearned ESOP shares	145	145
Earned employee stock ownership shares priced below original cost	(60)	(33)
Stock option compensation	22	47
Decrease in accrued interest receivable	735	217
Decrease in accrued interest payable	(377)	(1,070)
Decrease in other assets	1,017	2,727
Increase in other liabilities	137	472
Other, net	243	18
Net cash provided by operating activities	12,208	21,830
Cash flows from investing activities:		
Principal collected on securities available for sale	9,623	14,527
Proceeds collected on maturities of securities available for sale	132,000	100,000
Purchases of securities available for sale	(134,051)	(103,190)
Purchase of Federal Home Loan Bank Stock	(17)	(1,736)
Redemption of Federal Home Loan Bank Stock	2,538	1,216
Proceeds from sales of real estate	3,378	13,792
Net decrease in loans receivable (including loans classified as other assets held for sale)	50,671	58,067
Purchases of premises and equipment	(183)	(222)
Net cash provided by investing activities	63,959	82,454
Cash flows from financing activities:		
Decrease in deposits (including deposits held for sale)	(6,969)	(110,353)
Dividends paid to preferred stockholders	0	(975)
Proceeds from borrowings	10,000	38,500
Repayment of borrowings	(62,500)	(37,000)
Increase in customer escrows	632	43

Net cash used by financing activities	(58,837)	(109,785)
Increase (decrease) in cash and cash equivalents	17,330	(5,501)
Cash and cash equivalents, beginning of period	20,981	16,418
Cash and cash equivalents, end of period	$ 38,311	10,917
Supplemental cash flow disclosures:		
Cash paid for interest	$ 9,181	14,781
Cash paid for income taxes	0	39
Supplemental noncash flow disclosures:		
Transfer of loans to real estate	8,682	15,751
Loans transferred to loans held for sale	4,366	2,977
Assets transferred to assets held for sale	1,512	0
Deposits transferred to deposits held for sale	45,838	0

See accompanying notes to consolidated financial statements.

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HMN FINANCIAL, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2011 and 2010

(1) HMN Financial, Inc.

HMN Financial, Inc. (HMN or the Company) is a stock savings bank holding company that owns 100 percent of Home Federal Savings Bank (the Bank). The Bank has a community banking philosophy and operates retail banking and loan production offices in Minnesota and Iowa. The Bank has one wholly owned subsidiary, Osterud Insurance Agency, Inc. (OIA), which offers financial planning products and services. HMN has another wholly owned subsidiary, Security Finance Corporation (SFC), which is currently not actively engaged in any activities.

The consolidated financial statements included herein are for HMN, SFC, the Bank and OIA. All significant intercompany accounts and transactions have been eliminated in consolidation.

(2) Basis of Preparation

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and therefore, do not include all disclosures necessary for a complete presentation of the consolidated balance sheets, consolidated statements of loss, consolidated statement of stockholders equity and comprehensive loss and consolidated statements of cash flows in conformity with U.S. generally accepted accounting principles. However, all normal recurring adjustments which are, in the opinion of management, necessary for the fair presentation of the interim financial statements have been included. The consolidated statement of loss for the nine-month period ended September 30, 2011 is not necessarily indicative of the results which may be expected for the entire year.

Certain amounts in the consolidated financial statements for prior periods have been reclassified to conform with the current period presentation.

(3) New Accounting Standards

In July 2010, the FASB issued ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, which requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings are also required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio s risk and performance. This ASU is effective for interim and annual reporting periods after December 15, 2010 and the related disclosures were included in Note 5 in the Company s December 31, 2010 notes to the consolidated financial statements and in Note 9 of this quarterly report.

In January 2011, the FASB issued ASU 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20.* The amendment temporarily delayed the effective date of the disclosures about troubled debt restructurings in ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* for public entities.

In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310), A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring.* This ASU provides guidance on evaluating whether a restructuring constitutes a troubled debt restructuring. It indicates that if a creditor separately concludes that a restructuring constitutes a concession and that the debtor is experiencing financial difficulties that the restructuring is a troubled debt restructuring. It also clarifies guidance on a creditor s evaluation of the above two items. For public entities, such as HMN, the amendments in this ASU are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. In addition, this ASU requires that the disclosures about troubled debt restructurings that were delayed by ASU 2011-01 in January 2011 be disclosed for interim and annual periods beginning on or after June 15, 2011. The implementation of the guidance in this ASU and the related disclosures are included in Note 9 of this quarterly report.

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In April 2011, the FASB issued ASU 2011-03, *Transfers and Servicing (Topic 860), Reconsideration of Effective Control for Repurchase Agreements. Topic 860, Transfers and Servicing,* which prescribes when an entity may or may not recognize a sale upon the transfer of financial assets subject to repurchase agreements. That determination is based, in part, on whether the entity has maintained effective control over the transferred assets. The amendments in this ASU removed from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by the amendments in this ASU. This ASU is effective for the first interim or annual period beginning on or after December 15, 2011 and should be applied prospectively to transactions or modification of existing transactions that occur on or after the effective date. The adoption of this ASU in the first quarter of 2012 is not anticipated to have a material impact on the Company s consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The amendments in this ASU change the wording used to describe the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements in order to improve consistency in wording between U.S. GAAP and IFRS. This ASU is effective for interim or annual period beginning on or after December 15, 2011. The adoption of this ASU in the first quarter of 2012 is not anticipated to have a material impact on the Company s consolidated financial statements other than to change the disclosures relating to fair value measurements.

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220), Presentation of Comprehensive Income.* Current U.S. GAAP allows reporting entities three alternatives for presenting other comprehensive income and its components in financial statements. The first two options are to present this information in a single continuous statement of comprehensive income or in two separate but consecutive statements. The third option, which is used by the Company, is to present the components of other comprehensive income as part of the statement of changes in stockholders equity. This ASU eliminates the third option and therefore the Company will have to adopt one of the two remaining methods for presentation. This ASU is effective for fiscal years, and interim periods beginning after December 15, 2011. The adoption of this ASU in the first quarter of 2012 is not anticipated to have a material impact on the Company s consolidated financial statements other than to change the presentation of other comprehensive income as discussed above.

In September 2011, the FASB issued ASU 2011-09, *Compensation Retirement Benefits Multiemployer Plans (Subtopic 715-80).* The amendments in this ASU require additional disclosures about an employer s participation in a multiemployer plan. For public entities, such as HMN, this ASU is effective for annual periods for fiscal years ending after December 15, 2011. The adoption of this ASU in the fourth quarter of 2011 is not anticipated to have a material impact on the Company s consolidated financial statements other than the presentation of additional disclosures relating to the one multiemployer retirement plan that is sponsored by the Financial Institutions Retirement Fund (FIRF) that the Company participates in.

(4) Derivative Instruments and Hedging Activities

The Company has commitments outstanding to extend credit to future borrowers that have not closed prior to the end of the quarter. The Company intends to sell these commitments, which are referred to as its mortgage pipeline. As commitments to originate loans enter the mortgage pipeline, the Company generally enters into commitments to sell the mortgage pipeline into the secondary market on a firm commitment or best efforts basis. The commitments to originate, purchase or sell loans on a firm commitment basis are derivatives. As a result of marking to market the mortgage pipeline and the related firm commitments to sell for the period ended September 30, 2010, the Company recorded an increase in other assets of $20,000, an increase in other liabilities of $13,000 and a gain included in the gains on sales of loans of $7,000.

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The current commitments to sell loans held for sale are derivatives that do not qualify for hedge accounting. As a result, these derivatives are marked to market and the related loans held for sale are recorded at the lower of cost or market. The Company recorded a decrease in other assets of $56,000, an increase in the mark-to-market adjustment for loans held for sale of $56,000, an increase in other liabilities of $50,000, and a loss included in the gain on sales of loans of $50,000.

(5) Fair Value Measurements

ASC 820, *Fair Value Measurements* establishes a framework for measuring the fair value of assets and liabilities using a hierarchy system consisting of three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets that the Company has the ability to access.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use significant assumptions not observable in the market and are used only to the extent that observable inputs are not available. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following table summarizes the assets and liabilities of the Company for which fair values are determined on a recurring basis as of September 30, 2011 and December 31, 2010.

	Carrying value at September 30, 2011			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Securities available for sale	$ 144,133	903	143,230	0
Mortgage loan commitments	20	0	20	0
Total	$ 144,153	903	143,250	0

	Carrying value at December 31, 2010			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Securities available for sale	$ 151,564	1,740	149,824	0
Mortgage loan commitments	(1)	0	(1)	0
Total	$ 151,563	1,740	149,823	0

There were no transfers between Levels 1, 2, or 3 during the three or nine month periods ended September 30, 2011.

The Company may also be required, from time to time, to measure certain other financial assets and liabilities at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from the application of the lower-of-cost-or-market accounting or write-downs of individual assets or liabilities . For assets and liabilities measured at fair value on a nonrecurring basis in the third quarter of 2011 that were still held at September 30, 2011, the following table provides the level of valuation assumptions used to determine each adjustment and the carrying value of the related individual assets and liabilities or portfolios at September 30, 2011 and December 31, 2010.

	Carrying value at September 30, 2011					
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Three months ended September 30, 2011 Total gains (losses)	Nine months ended September 30, 2011 Total gains (losses)
Loans held for sale	$ 4,031	0	4,031	0	53	106
Mortgage servicing rights	1,447	0	1,447	0	0	0
Loans [(1)]	52,053	0	52,053	0	360	(4,970)
Real estate, net [(2)]	21,144	0	21,144	0	(162)	(258)
Assets held for sale	1,512	0	1,512	0	0	0
Deposits held for sale	45,838	0	45,838	0	0	0
Total	$ 126,025	0	126,025	0	251	(5,122)

	Carrying value at December 31, 2010				
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Year ended December 31, 2010 Total losses
Loans held for sale	$ 2,728	0	2,728	0	(6)
Mortgage servicing rights	1,586	0	1,586	0	0
Loans [(1)]	43,039	0	43,039	0	(18,855)
Real estate, net [(2)]	16,382	0	16,382	0	(1,782)
Total	$ 63,735	0	63,735	0	(20,643)

(1) Represents the carrying value and related specific reserves on loans for which adjustments are based on the appraised value of the collateral. The carrying value of loans fully charged-off is zero.

(2) Represents the fair value and related losses of foreclosed real estate and other collateral owned that were measured at fair value subsequent to their initial classification as foreclosed assets.

(6) Fair Value of Financial Instruments

Generally accepted accounting principles require interim reporting period disclosure about the fair value of financial instruments, including assets, liabilities and off-balance sheet items for which it is practicable to estimate fair value. The fair value estimates are made based upon relevant market information, if available, and upon the characteristics of the financial instruments themselves. Because no market exists for a significant portion of the Company s financial instruments, fair value estimates are based upon judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. The estimated fair value of the Company s financial instruments as of September 30, 2011 and December 31, 2010 are shown below.

	September 30, 2011			December 31, 2010		
(Dollars in thousands)	Carrying amount	Estimated fair value	Contract amount	Carrying amount	Estimated fair value	Contract amount
Financial assets:						
Cash and cash equivalents	$ 38,311	38,311		20,981	20,981	
Securities available for sale	144,133	144,133		151,564	151,564	

Loans held for sale	4,031	4,031		2,728	2,728	
Loans receivable, net	590,176	598,965		664,241	655,508	
Federal Home Loan Bank stock	4,222	4,222		6,743	6,743	
Accrued interest receivable	2,576	2,576		3,311	3,311	
Assets held for sale	1,512	1,512		0	0	
Financial liabilities:						
Deposits	630,606	630,606		683,230	683,230	
Deposits held for sale	45,838	45,838		0	0	
Federal Home Loan Bank advances	70,000	75,171		122,500	129,893	
Accrued interest payable	715	715		1,092	1,092	
Off-balance sheet financial instruments:						
Commitments to extend credit	20	20	83,514	56	56	92,313
Commitments to sell loans	64	64	7,868	(1)	(1)	3,413

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(7) Comprehensive Income (Loss)

Other comprehensive income (loss) is defined as the change in equity during a period from transactions and other events from nonowner sources. Comprehensive loss is the total of net loss and other comprehensive income (loss), which for the Company is comprised of unrealized gains and losses on securities available for sale. The components of other comprehensive income (loss) and the related tax effects were as follows:

	For the three months ended September 30,					
	2011			2010		
(Dollars in thousands)	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Securities available for sale:						
Net unrealized losses arising during the period	$ (130)	0	(130)	(243)	(97)	(146)
Other comprehensive loss	$ (130)	0	(130)	(243)	(97)	(146)

	For the nine months ended September 30,					
	2011			2010		
(Dollars in thousands)	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Securities available for sale:						
Net unrealized gains (losses) arising during the period	$ 194	0	194	(331)	(131)	(200)
Other comprehensive income (loss)	$ 194	0	194	(331)	(131)	(200)

(8) Securities Available For Sale

The following table shows the gross unrealized losses and fair value for the securities available for sale portfolio, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2011 and December 31, 2010.

	September 30, 2011							
	Less than twelve months			Twelve months or more			Total	
(Dollars in thousands)	# of Investments	Fair Value	Unrealized Losses	# of Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other marketable securities:								
Corporate preferred stock	0	$ 0	0	1	$ 175	(525)	$ 175	(525)
Total temporarily impaired Securities	0	$ 0	0	1	$ 175	(525)	$ 175	(525)

	December 31, 2010							
	Less than twelve months			Twelve months or more			Total	
(Dollars in thousands)	# of Investments	Fair Value	Unrealized Losses	# of Investments	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Other marketable securities:								
U.S. Government agency obligations	10	$ 47,610	(266)	0	$ 0	0	$ 47,610	(266)
Corporate preferred stock	0	0	0	1	175	(525)	175	(525)

Total temporarily impaired securities	10	$ 47,610	(266)	1	$ 175	(525)	$ 47,785	(791)

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which the fair value has been lower than the cost, the market liquidity for the investment, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and our intent and ability to hold the investment for a period of time sufficient to recover the temporary loss.

The unrealized losses reported for corporate preferred stock at September 30, 2011 related to a single trust preferred security that was issued by the holding company of a small community bank. Typical of most trust preferred issuances, the issuer has the ability to defer interest payments for up to five years with interest payable on the deferred balance. In October 2009, the issuer elected to defer its scheduled interest payments as allowed by the terms of the security agreement. The issuer s subsidiary bank has incurred operating losses due to increased provisions for loan losses but still meets the regulatory requirements to be considered adequately capitalized based on its most recent regulatory filing. Based on information furnished by the issuer, a branch was sold in the third quarter of 2011 which improved its capital position and the bank is now well capitalized . In addition, the

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owners of the issuing bank appear to have the ability to make additional capital contributions, if needed, to enhance the bank s capital position. Based on a review of the issuer, it was determined that the trust preferred security was not other-than-temporarily impaired at September 30, 2011. The Company does not intend to sell the preferred stock and has the intent and ability to hold it for a period of time sufficient to recover the temporary loss. Management believes that the Company will receive all principal and interest payments contractually due on the security and that the decrease in the market value is primarily due to a lack of liquidity in the market for trust preferred securities and the deferral of interest by the issuer. Management will continue to monitor the credit risk of the issuer and may be required to recognize other-than-temporary impairment charges on this security in future periods.

A summary of securities available for sale at September 30, 2011 and December 31, 2010 is as follows:

(Dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
***September 30, 2011*:**				
Mortgage-backed securities:				
FHLMC	$ 12,724	642	0	13,366
FNMA	8,814	598	0	9,412
Collateralized mortgage obligations:				
FHLMC	544	8	0	552
FNMA	344	7	0	351
	22,426	1,255	0	23,681
Other marketable securities:				
U.S. Government agency obligations	119,916	361	0	120,277
Corporate preferred stock	700	0	(525)	175
	120,616	361	(525)	120,452
	$ 143,042	1,616	(525)	144,133

(Dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
***December 31, 2010*:**				
Mortgage-backed securities:				
FHLMC	$ 17,555	719	0	18,274
FNMA	12,800	692	0	13,492
Collateralized mortgage obligations:				
FHLMC	1,299	44	0	1,343
FNMA	382	15	0	397
	32,036	1,470	0	33,506
Other marketable securities:				
U.S. Government agency obligations	117,931	218	(266)	117,883
Corporate preferred stock	700	0	(525)	175
	118,631	218	(791)	118,058
	$ 150,667	1,688	(791)	151,564

The following table indicates amortized cost and estimated fair value of securities available for sale at September 30, 2011 based upon contractual maturity adjusted for scheduled repayments of principal and projected prepayments of principal based upon current economic conditions and interest rates.

(Dollars in thousands)	Amortized Cost	Fair Value
Due less than one year	$ 120,440	121,267
Due after one year through five years	21,095	21,840
Due after five years through ten years	807	851
Due after ten years	700	175
Total	$ 143,042	144,133

The allocation of mortgage-backed securities and collateralized mortgage obligations in the table above is based upon the anticipated future cash flow of the securities using estimated mortgage prepayment speeds.

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(9) Allowance for Loan Losses and Credit Quality Information

The allowance for loan losses is summarized as follows:

(Dollars in thousands)	1-4 Family	Commercial Real Estate	Consumer	Commercial Business	Total
For the three months ended September 30, 2011:					
Balance, June 30, 2011	$ 3,437	15,367	1,154	7,806	27,764
Provision for losses	878	2,893	85	404	4,260
Charge-offs	(32)	(4,094)	(143)	(2,167)	(6,436)
Recoveries	0	10	6	86	102
Balance, September 30, 2011	$ 4,283	14,176	1,102	6,129	25,690
For the nine months ended September 30, 2011:					
Balance, December 31, 2010	$ 2,145	24,590	924	15,169	42,828
Provision for losses	2,588	5,807	392	882	9,669
Charge-offs	(450)	(16,303)	(230)	(10,724)	(27,707)
Recoveries	0	82	16	802	900
Balance, September 30, 2011	$ 4,283	14,176	1,102	6,129	25,690
Allocated to:					
Specific reserves	$ 993	13,263	76	10,702	25,034
General reserves	1,152	11,327	848	4,467	17,794
Balance, December 31, 2010	$ 2,145	24,590	924	15,169	42,828
Allocated to:					
Specific reserves	$ 1,344	4,767	257	3,416	9,784
General reserves	2,939	9,409	845	2,713	15,906
Balance, September 30, 2011	$ 4,283	14,176	1,102	6,129	25,690
Loans receivable at December 31, 2010:					
Individually reviewed for impairment	$ 6,729	45,077	299	26,855	78,960
Collectively reviewed for impairment	121,806	311,314	70,304	126,184	629,608
Ending balance	$ 128,535	356,391	70,603	153,039	708,568
Loans receivable at September 30, 2011:					
Individually reviewed for impairment	$ 5,378	33,196	633	12,846	52,053
Collectively reviewed for impairment	117,059	273,914	64,603	109,057	564,633
Ending balance	$ 122,437	307,110	65,236	121,903	616,686

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The following table summarizes the amount of classified and unclassified loans at September 30, 2011 and December 31, 2010:

	September 30, 2011						
	Classified					Unclassified	
(Dollars in thousands)	Special Mention	Substandard	Doubtful	Loss	Total	Total	Total Loans
1-4 family	$ 11,229	9,816	1,087	0	22,132	100,305	122,437
Commercial real estate:							
Residential developments	12,443	37,709	0	0	50,152	13,068	63,220
Alternative fuels	0	2,266	0	0	2,266	22,543	24,809
Other	8,360	8,083	0	0	16,443	202,638	219,081
Consumer	0	329	199	105	633	64,603	65,236
Commercial business:							
Construction/development	2,383	1,060	0	0	3,443	2,105	5,548
Banking	0	675	1,149	0	1,824	5,433	7,257
Other	2,550	10,826	0	0	13,376	95,722	109,098
	$ 36,965	70,764	2,435	105	110,269	506,417	616,686

	December 31, 2010						
	Classified					Unclassified	
(Dollars in thousands)	Special Mention	Substandard	Doubtful	Loss	Total	Total	Total Loans
1-4 family	$ 7,395	8,228	0	0	15,623	112,912	128,535
Commercial real estate:							
Residential developments	8,373	34,515	0	0	42,888	44,218	87,106
Alternative fuels	0	11,069	0	0	11,069	20,054	31,123
Other	6,268	6,614	0	0	12,882	225,280	238,162
Consumer	0	248	31	27	306	70,297	70,603
Commercial business:							
Construction/development	1,776	4,907	0	0	6,683	5,117	11,800
Banking	0	4,975	3,248	0	8,223	5,830	14,053
Other	4,712	15,689	67	0	20,468	106,718	127,186
	$ 28,524	86,245	3,346	27	118,142	590,426	708,568

Classified loans represent non-performing loans and loans that are generally inadequately protected by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Assets so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

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The aging of past due loans at September 30, 2011 and December 31, 2010 is summarized as follows:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current Loans	Total Loans	Loans 90 Days or More Past Due and Still Accruing
September 30, 2011							
1-4 family	$ 2,296	1,042	1,527	4,865	117,572	122,437	0
Commercial real estate:							
Residential developments	7,309	2,033	7,033	16,375	46,845	63,220	0
Alternative fuels	0	0	2,266	2,266	22,543	24,809	0
Other	79	4,533	982	5,594	213,487	219,081	823
Consumer	642	129	417	1,188	64,048	65,236	0
Commercial business:							
Construction/development	250	0	0	250	5,298	5,548	0
Banking	0	0	1,824	1,824	5,433	7,257	0
Other	250	230	4,738	5,218	103,880	109,098	0
	$ 10,826	7,967	18,787	37,580	579,106	616,686	823
December 31, 2010							
1-4 family	$ 2,313	695	3,500	6,508	122,027	128,535	178
Commercial real estate:							
Residential developments	444	3,899	15,523	19,866	67,240	87,106	0
Alternative fuels	0	0	4,994	4,994	26,129	31,123	0
Other	75	264	3,914	4,253	233,909	238,162	0
Consumer	446	163	207	816	69,787	70,603	0
Commercial business:							
Construction/development	0	0	4,809	4,809	6,991	11,800	0
Banking	0	0	8,223	8,223	5,830	14,053	0
Other	311	45	7,876	8,232	118,954	127,186	576
	$ 3,589	5,066	49,046	57,701	650,867	708,568	754

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Impaired loans include loans that are non-performing (non-accruing) and loans that have been modified in a troubled debt restructuring. The following table summarizes impaired loans and related allowances as of September 30, 2011 and December 31, 2010:

	September 30, 2011			December 31, 2010		
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Loans with no related allowance recorded:						
1-4 family	$ 1,762	1,762	0	932	932	0
Commercial real estate:						
Residential developments	8,413	9,855	0	6,486	6,486	0
Alternative fuels	2,266	4,994	0	0	0	0
Other	694	694	0	119	119	0
Consumer	223	223	0	104	104	0
Commercial business:						
Construction/development	341	1,459	0	99	99	0
Banking	1,149	3,248	0	0	0	0
Other	2,089	2,636	0	397	397	0
Loans with an allowance recorded:						
1-4 family	3,617	3,617	1,344	5,797	5,797	994
Commercial real estate:						
Residential developments	14,884	14,884	3,236	27,147	27,147	9,673
Alternative fuels	0	0	0	4,994	4,994	2,441
Other	6,938	8,893	1,531	6,331	7,287	1,148
Consumer	410	410	257	195	195	76
Commercial business:						
Construction/development	720	867	235	4,809	4,809	2,668
Banking	675	4,975	500	8,223	8,223	4,985
Other	7,872	8,424	2,681	13,327	13,878	3,049
Total:						
1-4 family	5,379	5,379	1,344	6,729	6,729	994
Commercial real estate:						
Residential developments	23,297	24,739	3,236	33,633	33,633	9,673
Alternative fuels	2,266	4,994	0	4,994	4,994	2,441
Other	7,632	9,587	1,531	6,450	7,406	1,148
Consumer	633	633	257	299	299	76
Commercial business:						
Construction/development	1,061	2,326	235	4,908	4,908	2,668
Banking	1,824	8,223	500	8,223	8,223	4,985
Other	9,961	11,060	2,681	13,724	14,275	3,049
	$ 52,053	66,941	9,784	78,960	80,467	25,034

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The following table summarizes average recorded investment and interest income recognized on loans with no related allowance and those with an allowance recorded for the three and nine months ended September 30, 2011.

	For the three months ended September 30, 2011		For the nine months ended September 30, 2011	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Loans with no related allowance recorded:				
1-4 family	1,549	6	1,351	42
Commercial real estate:				
Residential developments	7,065	0	6,624	125
Alternative fuels	2,266	0	1,133	0
Other	676	12	531	25
Consumer	224	2	148	2
Commercial business:				
Construction/development	343	0	283	0
Banking	1,562	0	781	0
Other	1,377	1	949	1
Loans with an allowance recorded:				
1-4 family	3,467	22	4,368	90
Commercial real estate:				
Residential developments	16,820	45	18,421	264
Alternative fuels	0	0	2,497	0
Other	6,902	12	6,520	28
Consumer	425	4	325	20
Commercial business:				
Construction/development	1,711	0	3,053	0
Banking	338	0	4,280	0
Other	9,654	26	10,983	90
Total:				
1-4 family	5,016	28	5,719	132
Commercial real estate:				
Residential developments	23,885	45	25,045	389
Alternative fuels	2,266	0	3,630	0
Other	7,578	24	7,051	53
Consumer	649	6	473	22
Commercial business:				
Construction/development	2,054	0	3,336	0
Banking	1,900	0	5,061	0
Other	11,031	27	11,932	91
	$ 54,379	130	62,247	687

At September 30, 2011 and December 31, 2010, non-accruing loans totaled $38.9 million and $68.1 million, respectively, for which the related allowance for loan losses was $7.8 million and $25.0 million, respectively. The decrease in the related allowances is due primarily because of the charge off of previously established reserves. All of the interest income that was recognized for non-accruing loans was recognized using the cash basis method of income recognition. Non-accruing loans for which no specific allowance has been recorded, because management determined that the value of the collateral was sufficient to repay the loan, totaled $15.4 million and $8.1 million, respectively. Non-accrual loans also include certain loans that have had terms modified in a troubled debt restructuring.

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The non-accrual loans at September 30, 2011 and December 31, 2010 are summarized as follows:

(Dollars in thousands)	September 30, 2011	December 31, 2010
1-4 family	$ 2,930	$ 4,844
Commercial real estate:		
Residential developments	15,545	25,980
Alternative fuels	2,266	4,994
Other	6,581	5,763
Consumer	459	224
Commercial business:		
Construction/development	1,061	4,907
Banking	1,824	8,223
Other	8,192	13,139
	$ 38,858	$ 68,074

Included in loans above are certain loans that have been modified in order to maximize collection of loan balances. If the Company, for legal or economic reasons related to the borrowers financial difficulties, grants a concession compared to the original terms and conditions of the loan, the modified loan is considered a troubled debt restructuring (TDR).

During the third quarter of 2011, the Company adopted Accounting Standards Update (ASU) 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring (Topic 310)*, which modified guidance for identifying restructurings of receivables that constitute a TDR. At September 30, 2011 and December 31, 2010, there were loans included in loans receivable, net, with terms that had been modified in a troubled debt restructuring totaling $36.1 million and $19.3 million, respectively. Of the $36.1 million at September 30, 2011 and the $19.3 million at December 31, 2010, $22.9 million and $8.4 million were non-accrual, and $13.2 million and $10.9 million were accruing, respectively.

The following table summarizes troubled debt restructurings at September 30, 2011 and December 31, 2010:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Commercial real estate	$ 22,530	14,871
Commercial business	9,599	1,756
1-4 family	3,765	2,589
Consumer	217	75
	$ 36,111	19,291

There were no material commitments to lend additional funds to customers whose loans were restructured or classified as nonaccrual at September 30, 2011 or December 31, 2010.

TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and or interest due, or acceptance of real estate or other assets in full or partial satisfaction of the debt. Loan modifications are not reported as TDR s after 12 months if the loan was modified at a market rate of interest for comparable risk loans, and the loan is performing in accordance with the terms of the restructured agreement for the entire 12 month period. All loans classified as TDR s are considered to be impaired.

When a loan is modified as a TDR, there may be a direct, material impact on the loans within the balance sheet, as principal balances may be partially forgiven. The financial effects of TDR s are presented in the following table and represent the difference between the outstanding recorded balance pre-modification and post-modification, for the three and nine month periods ending September 30, 2011.

(Dollars in thousands)	Three Months Ended September 30, 2011 Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Nine Months Ended September 30, 2011 Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:						
1-4 family	5	$ 1,234	1,234	13	$ 2,783	2,783
Commercial real estate:						
Residential developments	2	2,349	2,349	9	7,790	7,790
Alternative fuels	0	0	0	0	0	0
Other	0	0	0	8	7,394	6,394
Consumer	3	57	24	11	261	228
Commercial business:						
Construction/development	0	0	0	3	2,360	1,095
Banking	0	0	0	0	0	0
Other	5	7,047	5,905	20	9,641	8,299
Total	5	$ 10,687	9,512	64	$ 30,229	26,589

Loans that were restructured within the 12 months preceding September 30, 2011 and defaulted during the three and nine months ended September 30, 2011 are presented in the table below.

(Dollars in thousands)	Three Months Ended September 30, 2011 Number of Contracts	Outstanding Recorded Investment	Nine Months Ended September 30, 2011 Number of Contracts	Outstanding Recorded Investment
Troubled debt restructurings that subsequently defaulted:				
1-4 family	1	$ 250	1	$ 250
Commercial real estate:				
Residential developments	5	4,501	5	4,501
Alternative fuels	0	0	0	0
Other	3	4,464	3	4,464
Consumer	0	0	0	0
Commercial business:				
Construction/development	0	0	0	0
Banking	0	0	0	0
Other	1	447	3	506
Total	10	$ 9,662	12	$ 9,721

The Company considers a loan to have defaulted when it becomes 90 or more days past due under the modified terms, when it is placed in non-accrual status, when it becomes other real estate owned, or when it becomes non-compliant with some other material requirement of the modification agreement.

Loans that were non-accrual prior to modification remain non-accrual for at least six months following modification. Non-accrual TDR loans that have performed according to the modified terms for six months may be returned to accruing status. Loans that were accruing prior to modification remain on accrual status after the modification as long as the loan continues to perform under the new terms.

TDR s are reviewed for impairment following the same methodology as other impaired loans. For loans that are collateral dependent, the value of the collateral is reviewed and additional reserves may be added as needed. Loans that are not collateral dependent may have additional reserves established if deemed necessary. The allowance for loan losses on TDR s was $6.3 million, or 24.5%, of the total $25.7 million in loan loss reserves at September 30, 2011 and $1.9 million, or 4.4%, of the total $42.8 million in loan loss reserves at December 31, 2010.

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(10) Investment in Mortgage Servicing Rights

A summary of mortgage servicing activity is as follows:

(Dollars in thousands)	Nine Months ended September 30, 2011	Twelve Months ended December 31, 2010	Nine Months ended September 30, 2010
Mortgage servicing rights:			
Balance, beginning of period	$ 1,586	1,315	1,315
Originations	218	753	540
Amortization	(357)	(482)	(338)
Balance, end of period	$ 1,447	1,586	1,517
Fair value of mortgage servicing rights	$ 1,860	2,263	1,905

All of the loans being serviced are single family loans serviced for the Federal National Mortgage Association (FNMA) under the mortgage-backed security program or the individual loan sale program. The following is a summary of the risk characteristics of the loans being serviced at September 30, 2011.

(Dollars in thousands)	Loan Principal Balance	Weighted Average Interest Rate	Weighted Average Remaining Term	Number of Loans
Original term 30 year fixed rate	$ 212,279	5.18%	298	1,841
Original term 15 year fixed rate	94,099	4.59%	123	1,408
Adjustable rate	609	3.25%	287	9

The gross carrying amount of mortgage servicing rights and the associated accumulated amortization at September 30, 2011 is presented in the table below. Amortization expense for mortgage servicing rights was $357,000 and $338,000 respectively, for the nine-month periods ended September 30, 2011 and 2010.

(Dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Unamortized Mortgage Servicing Rights
Mortgage servicing rights	$ 3,959	(2,512)	1,447
Total	$ 3,959	(2,512)	1,447

The following table indicates the estimated future amortization expense for mortgage servicing rights:

(Dollars in thousands)	Mortgage Servicing Rights
Year ended December 31,	
2011	$ 88,367
2012	329,437
2013	310,663
2014	282,943
2015	238,759

Projections of amortization are based on existing asset balances and the existing interest rate environment as of September 30, 2011. The Company s actual experiences may be significantly different depending upon changes in mortgage interest rates and other market conditions.

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(11) Loss per Common Share

The following table reconciles the weighted average shares outstanding and the loss available to common shareholders used for basic and diluted loss per share:

(Dollars in thousands, except per share data)	Three Months Ended September 30, 2011	2010	Nine Months Ended September 30, 2011	2010
Weighted average number of common shares outstanding used in basic loss per common share calculation	3,865	3,776	3,841	3,757
Net dilutive effect of:				
Restricted stock awards	0	0	0	0
Weighted average number of shares outstanding adjusted for effect of dilutive securities	3,865	3,776	3,841	3,757
Loss available to common shareholders	$ (2,511)	(9,814)	(5,291)	(20,381)
Basic loss per common share	$ (0.65)	(2.60)	(1.38)	(5.43)
Diluted loss per common share	$ (0.65)	(2.60)	(1.38)	(5.43)

At September 30, 2011 and September 30, 2010, there were 121,531 and 172,857 common share equivalents outstanding, respectively, that are not included in the calculation of diluted earnings per share as they are anti-dilutive because the Company had a net loss for the period.

(12) Regulatory Capital and Regulatory Oversight

The Bank 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, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank s assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank s capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of Tier I or Core capital and Risk-based capital (as defined in the regulations) to total assets (as defined). Management believes, as of September 30, 2011, that the Bank meets all capital adequacy requirements to which it is subject.

Management believes that based upon the Bank s capital calculations at September 30, 2011 and other conditions consistent with the Prompt Corrective Actions Provisions regulations, the Bank would be categorized as well capitalized.

On September 30, 2011, the Bank s tangible assets and adjusted total assets were $816.9 million and its risk-weighted assets were $614.2 million. The following table presents the Bank s capital amounts and ratios at September 30, 2011 for actual capital, required capital and excess capital, including ratios in order to qualify as being well capitalized under the Prompt Corrective Actions Provisions.

(Dollars in thousands)	Actual		Required to be Adequately Capitalized		Excess Capital		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
September 30, 2011	Amount	Percent of Assets(1)	Amount	Percent of Assets (1)	Amount	Percent of Assets(1)	Amount	Percent of Assets(1)
Bank stockholder s equity	$ 65,070							
Less: Net unrealized gains on certain securities available for sale	(1,404)							
	63,666							
Tier I or core capital								
Tier I capital to adjusted total assets		7.79%	$ 32,677	4.00%	$ 30,989	3.79%	$ 40,847	5.00%
Tier I capital to risk-weighted assets		10.37%	$ 24,569	4.00%	$ 39,097	6.37%	$ 36,853	6.00%
Plus: Allowable allowance for loan losses	7,678							
Risk-based capital	$ 71,344		$ 49,138		$ 22,206		$ 61,422	
Risk-based capital to risk-weighted assets		11.62%		8.00%		3.62%		10.00%

(1) Based upon the Bank s adjusted total assets for the purpose of the tangible and core capital ratios and risk-weighted assets for the purpose of the risk-based capital ratio.

(Dollars in thousands)	Actual		Required to be Adequately Capitalized		Excess Capital		To Be Well Capitalized Under Prompt Corrective Actions Provisions	
December 31, 2010	Amount	Percent of Assets(1)	Amount	Percent of Assets (1)	Amount	Percent of Assets(1)	Amount	Percent of Assets