

LAKELAND BANCORP INC  
Form 10-Q  
May 10, 2012  
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-17820

LAKELAND BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of  
incorporation or organization)

22-2953275  
(I.R.S. Employer  
Identification No.)

250 Oak Ridge Road, Oak Ridge, New Jersey  
(Address of principal executive offices)

07438  
(Zip Code)

(973) 697-2000

(Registrant's telephone number, including area code)

(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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, any Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes  No

## Edgar Filing: LAKELAND BANCORP INC - Form 10-Q

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 [X]      Non-accelerated filer [ ]      Smaller reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):

Yes [ ]      No [X]

### APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of April 30, 2012 there were 26,965,019 outstanding shares of Common Stock, no par value.

**Table of Contents**

LAKELAND BANCORP, INC.

Form 10-Q Index

	PAGE
<u>Part I Financial Information</u>	
Item 1. Financial Statements:	
<u>Consolidated Balance Sheets - March 31, 2012 (unaudited) and December 31, 2011</u>	3
<u>Consolidated Statements of Income - Unaudited Three Months ended March 31, 2012 and 2011</u>	4
<u>Consolidated Statements of Comprehensive Income - Unaudited Three Months ended March 31, 2012 and 2011</u>	5
<u>Consolidated Statements of Changes in Stockholders' Equity - Unaudited Three Months ended March 31, 2012</u>	6
<u>Consolidated Statements of Cash Flows - Unaudited Three Months ended March 31, 2012 and 2011</u>	7
<u>Notes to Consolidated Financial Statements (unaudited)</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
Item 4. <u>Controls and Procedures</u>	37
<u>Part II Other Information</u>	
Item 1. <u>Legal Proceedings</u>	39
Item 1A. <u>Risk Factors</u>	39
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
Item 3. <u>Defaults Upon Senior Securities</u>	39
Item 4. <u>Mine Safety Disclosures</u>	39
Item 5. <u>Other Information</u>	39
Item 6. <u>Exhibits</u>	39
<u>Signatures</u>	40

The Securities and Exchange Commission maintains a web site which contains reports, proxy and information statements and other information relating to registrants that file electronically at the address: [http:// www.sec.gov](http://www.sec.gov).

**Table of Contents****Lakeland Bancorp, Inc. and Subsidiaries****CONSOLIDATED BALANCE SHEETS**

	March 31, 2012 (unaudited)	December 31, 2011
<b>ASSETS:</b>	(dollars in thousands except share and per share amounts)	
Cash	\$79,877	\$60,688
Interest-bearing deposits due from banks	6,944	11,870
Total cash and cash equivalents	86,821	72,558
Investment securities available for sale	446,113	463,611
Investment securities held to maturity; fair value of \$71,601 in 2012 and \$74,274 in 2011	69,231	71,700
Federal Home Loan Bank Stock	7,417	8,333
Loans, net of deferred costs	2,073,466	2,041,575
Less: allowance for loan and lease losses	28,700	28,416
Net loans	2,044,766	2,013,159
Premises and equipment, net	29,108	27,917
Accrued interest receivable	8,503	8,369
Goodwill	87,111	87,111
Bank owned life insurance	45,099	44,760
Other assets	28,178	28,432
<b>TOTAL ASSETS</b>	<b>\$2,852,347</b>	<b>\$2,825,950</b>
<b>LIABILITIES</b>		
Deposits:		
Noninterest bearing	\$476,349	\$449,560
Savings and interest-bearing transaction accounts	1,473,051	1,440,541
Time deposits under \$100 thousand	206,766	211,797
Time deposits \$100 thousand and over	131,962	147,755
Total deposits	2,288,128	2,249,653
Federal funds purchased and securities sold under agreements to repurchase	96,453	72,131
Other borrowings	135,000	155,000
Subordinated debentures	77,322	77,322
Other liabilities	13,489	12,061
<b>TOTAL LIABILITIES</b>	<b>2,610,392</b>	<b>2,566,167</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, Series A, no par value, \$1,000 liquidation value, authorized 1,000,000 shares; issued 0 shares at March 31, 2012 and 19,000 shares at December 31, 2011	---	18,480
Common stock, no par value; authorized shares, 40,000,000; issued 27,275,480 shares at March 31, 2012 and December 31, 2011	278,509	270,044

Edgar Filing: LAKELAND BANCORP INC - Form 10-Q

Accumulated deficit	(35,593)	(26,061)
Treasury stock, at cost, 312,654 shares at March 31, 2012 and 439,340 at December 31, 2011	(3,947)	(5,551)
Accumulated other comprehensive income	2,986	2,871
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>241,955</b>	<b>259,783</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$2,852,347</b>	<b>\$2,825,950</b>

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

**Table of Contents****Lakeland Bancorp, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**

	For the three months ended March 31,	
	2012	2011
	(In thousands, except per share data)	
<b>INTEREST INCOME</b>		
Loans, leases and fees	\$25,458	\$26,665
Federal funds sold and interest-bearing deposits with banks	6	12
Taxable investment securities and other	2,340	2,713
Tax-exempt investment securities	490	499
<b>TOTAL INTEREST INCOME</b>	<b>28,294</b>	<b>29,889</b>
<b>INTEREST EXPENSE</b>		
Deposits	2,256	2,931
Federal funds purchased and securities sold under agreements to repurchase	28	27
Other borrowings	2,064	2,347
<b>TOTAL INTEREST EXPENSE</b>	<b>4,348</b>	<b>5,305</b>
<b>NET INTEREST INCOME</b>	<b>23,946</b>	<b>24,584</b>
Provision for loan and lease losses	4,556	4,927
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES</b>	<b>19,390</b>	<b>19,657</b>
<b>NONINTEREST INCOME</b>		
Service charges on deposit accounts	2,447	2,478
Commissions and fees	980	832
Gains on investment securities	32	---
Income on bank owned life insurance	339	355
Gains on leasing related assets	184	463
Other income	75	102
<b>TOTAL NONINTEREST INCOME</b>	<b>4,057</b>	<b>4,230</b>
<b>NONINTEREST EXPENSE</b>		
Salaries and employee benefits	9,435	8,986
Net occupancy expense	1,688	1,911
Furniture and equipment	1,083	1,164
Stationery, supplies and postage	336	365
Marketing expense	470	615
Core deposit intangible amortization	---	265
FDIC insurance expense	555	947
Collection expense	139	65
Legal expense	399	295
Expenses on other real estate owned and other repossessed assets	38	272
Other expenses	2,132	2,141
<b>TOTAL NONINTEREST EXPENSE</b>	<b>16,275</b>	<b>17,026</b>

Edgar Filing: LAKELAND BANCORP INC - Form 10-Q

Income before provision for income taxes	7,172	6,861
Income tax expense	2,201	2,090
<b>NET INCOME</b>	<b>\$4,971</b>	<b>\$4,771</b>
Dividends on Preferred Stock and Accretion	620	1,286
<b>Net Income Available to Common Stockholders</b>	<b>\$4,351</b>	<b>\$3,485</b>
PER SHARE OF COMMON STOCK		
Basic earnings	\$0.16	\$0.13
Diluted earnings	\$0.16	\$0.13
Dividends	\$0.06	\$0.06

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

**Table of Contents**

**Lakeland Bancorp, Inc. and Subsidiaries**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME-UNAUDITED**

	For the three months ended March 31,	
	2012	2011
	(in thousands)	
<b>NET INCOME</b>	<b>\$4,971</b>	<b>\$4,771</b>
<b>OTHER COMPREHENSIVE INCOME NET OF TAX:</b>		
Unrealized securities gains during period	131	876
Less: reclassification for gains included in net income	21	---
Change in pension liability, net	5	4
Other Comprehensive Income	115	880
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$5,086</b>	<b>\$5,651</b>

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



**Table of Contents****Lakeland Bancorp, Inc. and Subsidiaries**

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY - UNAUDITED

Three Months ended March 31, 2012

	Common stock		Series A	Accumulated	Treasury	Accumulated	Total
	Number of	Amount	Preferred	deficit	Stock	Other	
	Shares		Stock	(dollars in thousands)		Comprehensive	
						Income	
BALANCE January 1, 2012	25,976,648	\$270,044	\$18,480	(\$26,061)	(\$5,551)	\$2,871	\$259,783
Net Income				4,971			4,971
Other comprehensive income, net of tax						115	115
Preferred dividends				(100)			(100)
Accretion of discount			520	(520)			---
Stock based compensation		178					178
Redemption of preferred stock			(19,000)				(19,000)
Warrant Repurchase		(2,800)					(2,800)
Adjustment for stock dividend	1,298,832	12,345		(12,345)			---
Issuance of restricted stock awards		(1,153)			1,153		---
Issuance of stock to dividend reinvestment and stock purchase plan		(123)		(251)	451		77
Exercise of stock options, net of excess tax benefits		18					18
Cash dividends, common stock				(1,287)			(1,287)
BALANCE March 31, 2012 (UNAUDITED)	27,275,480	\$278,509	\$0	(\$35,593)	(\$3,947)	\$2,986	\$241,955

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

**Table of Contents****Lakeland Bancorp, Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED**

	For the three months ended March 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	(dollars in thousands)	
Net income	\$4,971	\$4,771
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of premiums, discounts and deferred loan fees and costs	1,803	1,514
Depreciation and amortization	715	1,010
Provision for loan and lease losses	4,556	4,927
Gains on securities	(32)	---
Gains on leases	---	(382)
Gains on sales of other assets	(27)	(35)
Stock-based compensation	178	155
(Increase) decrease in other assets	(144)	1,737
Increase in other liabilities	1,555	2,791
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>13,575</b>	<b>16,488</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from repayments on and maturity of securities:		
Available for sale	36,189	46,649
Held to maturity	8,030	3,166
Proceeds from sales of securities		
Available for sale	16,540	---
Purchase of securities:		
Available for sale	(36,483)	(32,196)
Held to maturity	(5,607)	(6,701)
Net decrease in Federal Home Loan Bank Stock	916	2,911
Proceeds from sales of leases	---	16,433
Net (increase) decrease in loans and leases	(36,731)	15,843
Proceeds from sales of other repossessed assets	154	769
Capital expenditures	(1,906)	(991)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(18,898)</b>	<b>45,883</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	38,475	42,623
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	24,322	(5,741)
Proceeds from other borrowings	130,000	15,000
Repayments of other borrowings	(150,000)	(80,000)
Redemption of preferred stock and common stock warrant	(21,800)	(20,000)
Exercise of stock options	---	57
Excess tax benefits	18	16
Issuance of stock to dividend reinvestment and stock purchase plan	77	148
Dividends paid	(1,506)	(1,790)
<b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>	<b>19,586</b>	<b>(49,687)</b>

Edgar Filing: LAKELAND BANCORP INC - Form 10-Q

Net increase in cash and cash equivalents	14,263	12,684
Cash and cash equivalents, beginning of period	72,558	49,278
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$86,821</b>	<b>\$61,962</b>

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

## **Table of Contents**

### **Notes to Consolidated Financial Statements (Unaudited)**

#### **Note 1. Significant Accounting Policies**

##### *Basis of Presentation.*

This quarterly report presents the consolidated financial statements of Lakeland Bancorp, Inc. (the Company) and its subsidiary, Lakeland Bank (Lakeland). The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America (U.S. GAAP) and predominant practices within the banking industry.

The Company's unaudited interim financial statements reflect all adjustments, such as normal recurring accruals that are, in the opinion of management, necessary for the fair statement of the results of the interim periods presented. The results of operations for the quarter presented do not necessarily indicate the results that the Company will achieve for all of 2012. You should read these interim financial statements in conjunction with the audited consolidated financial statements and accompanying notes that are presented in the Lakeland Bancorp, Inc. Annual Report on Form 10-K for the year ended December 31, 2011.

The financial information in this quarterly report has been prepared in accordance with the Company's customary accounting practices. Certain information and footnote disclosures required under U.S. GAAP have been condensed or omitted, as permitted by rules and regulations of the Securities and Exchange Commission.

On March 19, 2012, the Company's Board of Directors authorized a 5% stock dividend which was distributed on April 16, 2012 to holders of record as of March 30, 2012. All weighted average, actual share and per share information set forth in this Quarterly Report on Form 10-Q have been adjusted retroactively for the effects of the stock dividend.

Certain reclassifications have been made to prior period financial statements to conform to the 2012 presentation.

#### **Note 2. Stock-Based Compensation**

Share-based compensation expense of \$178,000 and \$155,000 was recognized for the three months ended March 31, 2012 and 2011, respectively. As of March 31, 2012, there was unrecognized compensation cost of \$1.8 million related to unvested restricted stock; that cost is expected to be recognized over a weighted average period of approximately 3.3 years. Unrecognized compensation expense related to unvested stock options was approximately \$38,000 as of March 31, 2012 and is expected to be recognized over a period of 2.2 years.

In the first three months of 2012, the Company granted 91,269 shares of restricted stock at a grant date fair value of \$9.50 per share under the Company's 2009 equity compensation program. These shares vest over a five year period. Compensation expense on these shares is expected to average approximately \$173,000 per year for the next five years. In the first three months of 2011, the Company granted 100,112 shares of restricted stock at a grant date fair value of \$9.40 per share under the 2009 program. Compensation expense on these shares is expected to average approximately \$188,000 per year over a five year period.

There were no grants of stock options in the first three months of 2012 and 2011.

**Table of Contents**

Option activity under the Company's stock option plans is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Outstanding, January 1, 2012	598,477	\$12.57		\$- - -
Issued	---	---		
Exercised	---	---		
Forfeited	---	---		
<b>Outstanding, March 31, 2012</b>	<b>598,477</b>	<b>\$12.57</b>	<b>2.84</b>	<b>\$31,825</b>
Options exercisable at				
March 31, 2012	576,427	\$12.70	2.66	\$12,676

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the first three months of 2012 and the exercise price, multiplied by the number of in-the-money options).

There were no options exercised in the first quarter of 2012. The aggregate intrinsic value of options exercised during the three months ended March 31, 2011 was \$41,000. Exercise of stock options during the first three months of 2011 resulted in cash receipts of \$57,000.

Information regarding the Company's restricted stock (all unvested) and changes during the three months ended March 31, 2012 is as follows:

	Number of shares	Weighted average price
Outstanding, January 1, 2012	172,772	\$ 8.96
Granted	91,269	9.50
Vested	(20,552)	6.82
Forfeited	(277)	9.07
<b>Outstanding, March 31, 2012</b>	<b>243,212</b>	<b>\$ 9.34</b>

**Table of Contents****Note 3. Comprehensive Income**

The components of other comprehensive income are as follows:

For the quarter ended:	March 31, 2012			March 31, 2011		
	Before tax amount	Tax Benefit (Expense)	Net of tax amount	Before tax amount	Tax Benefit (Expense)	Net of tax amount
	(in thousands)			(in thousands)		
Net unrealized gains on available for sale securities						
Net unrealized holding gains arising during period	\$194	(\$63)	\$131	\$1,364	(\$488)	\$876
Less reclassification adjustment for net gains arising during the period	32	(11)	21	---	---	---
Net unrealized gains (losses)	\$162	(\$52)	\$110	\$1,364	(\$488)	\$876
Change in minimum pension liability	8	(3)	5	7	(3)	4
Other comprehensive income (loss), net	\$170	(\$55)	\$115	\$1,371	(\$491)	\$880

**Note 4. Statement of Cash Flow Information, Supplemental Information**

	For the three months ended March 31,	
	2012	2011
	(in thousands)	
Supplemental schedule of noncash investing and financing activities:		
Cash paid during the period for income taxes	\$517	\$569
Cash paid during the period for interest	4,406	5,301
Transfer of loans and leases into other repossessed assets and other real estate owned	259	871
Transfer of leases held for sale to leases held for investment	0	1,517

**Table of Contents****Note 5. Earnings Per Share**

All weighted average, actual share and per share information set forth in this quarterly report on Form 10-Q for the three months ended March 31, 2012 and 2011 have been adjusted retroactively for the effects of the stock dividend distributed on April 16, 2012. The following schedule shows the Company's earnings per share for the periods presented:

(In thousands, except per share data)	For the three months ended March 31,	
	2012	2011
Net income available to common shareholders	\$4,351	\$3,485
Less: earnings allocated to participating securities	36	24
Net income allocated to common shareholders	\$4,315	\$3,461
Weighted average number of common shares outstanding - basic (1)	26,700	26,511
Share-based plans (1)	47	140
Weighted average number of common shares - diluted (1)	26,747	26,651
Basic earnings per share	\$0.16	\$0.13
Diluted earnings per share	\$0.16	\$0.13

(1) Adjusted for 5% stock dividend distributed April 16, 2012 to shareholders of record on March 30, 2012.

Options to purchase 570,914 shares of common stock at a weighted average price of \$12.79 per share were outstanding and were not included in the computation of diluted earnings per share for the quarter ended March 31, 2012 because the exercise price was greater than the average market price. Options to purchase 737,275 shares of common stock at a weighted average price of \$12.35 per share and 65,137 shares of restricted stock at a weighted average price of \$9.44 per share were outstanding and were not included in the computation of diluted earnings per share for the quarter ended March 31, 2011 because the exercise price and the grant-date price were greater than the average market price.

**Table of Contents**
**Note 6. Investment Securities**

AVAILABLE FOR SALE  (in thousands)	March 31, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	\$38,172	\$67	\$(69)	\$38,170	\$43,463	\$140	---	\$43,603
Mortgage-backed securities	335,628	5,129	(650)	340,107	344,938	5,014	(428)	349,524
Obligations of states and political subdivisions	34,326	1,607	(82)	35,851	34,102	1,875	(9)	35,968
Other debt securities	17,551	175	(950)	16,776	20,965	72	(1,320)	19,717
Equity securities	14,674	549	(14)	15,209	14,543	306	(50)	14,799
	\$440,351	\$7,527	\$(1,765)	\$446,113	\$458,011	\$7,407	\$(1,807)	\$463,611

  

HELD TO MATURITY  (in thousands)	March 31, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government agencies	\$13,998	\$57	\$(64)	\$13,991	\$9,005	\$134	\$---	\$9,139
Mortgage-backed securities	19,138	1,097	(3)	20,232	20,577	1,148	(1)	21,724
Obligations of states and political subdivisions	34,539	1,196	(31)	35,704	40,559	1,305	(9)	41,855
Other debt securities	1,556	118	---	1,674	1,559	72	(75)	1,556
	\$69,231	\$2,468	\$(98)	\$71,601	\$71,700	\$2,659	\$(85)	\$74,274

The following table shows investment securities by stated maturity. Securities backed by mortgages have expected maturities that differ from contractual maturities because borrowers have the right to call or prepay, and are, therefore, classified separately with no specific maturity date (in thousands):

	March 31, 2012			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 5,975	\$ 6,021	\$ 13,542	\$ 13,599
Due after one year through five years	43,598	43,764	14,738	15,390
Due after five years through ten years	35,333	36,323	18,646	19,181
Due after ten years	5,143	4,689	3,167	3,199
	90,049	90,797	50,093	51,369
Mortgage-backed securities	335,628	340,107	19,138	20,232



Edgar Filing: LAKELAND BANCORP INC - Form 10-Q

Equity securities	14,674	15,209	---	---
Total securities	\$ 440,351	\$ 446,113	\$ 69,231	\$ 71,601

**Table of Contents**

The following table shows proceeds from sales of securities, gross gains and gross losses on sales or calls of securities and other than temporary impairments for the periods indicated (in thousands):

	For the three months ended	
	March 31,	
	2012	2011
Sale proceeds	\$16,540	\$---
Gross gains	99	---
Gross losses	(67)	---
Other than temporary impairment	---	---

Gains or losses on sales of investment securities are based on the net proceeds and the adjusted carrying amount of the securities sold using the specific identification method.

Securities with a carrying value of approximately \$325.3 million and \$343.7 million at March 31, 2012 and December 31, 2011, respectively, were pledged to secure public deposits and for other purposes required by applicable laws and regulations.

The following table indicates the length of time individual securities have been in a continuous unrealized loss position at March 31, 2012 and December 31, 2011:

March 31, 2012	Less than 12 months		12 months or longer		Number of securities	Total	
	Fair value	Unrealized Losses	Fair value	Unrealized Losses		Fair value	Unrealized Losses
AVAILABLE FOR SALE							
			(dollars in thousands)				
U.S. government agencies	\$9,928	\$69	\$---	\$---	2	\$9,928	\$69
Mortgage-backed securities	66,019	635	4,108	15	17	70,127	650
Obligations of states and political subdivisions	1,971	82	---	---	5	1,971	82
Other debt securities	590	10	6,012	940	4	6,602	950
Equity securities	4,312	14	---	---	1	4,312	14
	\$82,820	\$810	\$10,120	\$955	29	\$92,940	\$1,765

**HELD TO MATURITY**

U.S. government agencies	\$4,928	\$64	\$---	\$---	1	\$4,928	\$64
Mortgage-backed securities	1,501	3	---	---	1	\$1,501	\$3
Obligations of states and political subdivisions	675	24	395	7	4	1,070	31
	\$7,104	\$91	\$395	\$7	6	\$7,499	\$98

**Table of Contents**

December 31, 2011	Less than 12 months		12 months or longer		Number of securities	Total	
	Fair value	Unrealized Losses	Fair value	Unrealized Losses		Fair value	Unrealized Losses
AVAILABLE FOR SALE							
			(dollars in thousands)				
U.S. government agencies	\$---	\$---	\$---	\$---	0	\$---	