CODORUS VALLEY BANCORP INC
Form 10-Q
May 13, 2013
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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 March 31, 2013
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 number: 0-15536

CODORUS VALLEY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2428543**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

105 Leader Heights Road, P.O. Box 2887, York, Pennsylvania 17405
(Address of principal executive offices) (Zip code)

717-747-1519
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since the 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 x No o

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 x 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	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 o 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. On May 1, 2013, 4,501,627 shares of common stock, par value $2.50, were outstanding.

Codorus Valley Bancorp, Inc.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Codorus Valley Bancorp, Inc.
Consolidated Balance Sheets
Unaudited

(dollars in thousands, except share and per share data)	**March 31, 2013**	**December 31, 2012**
Assets		
Interest bearing deposits with banks	$ 26,340	$ 34,866
Cash and due from banks	10,586	14,891
Total cash and cash equivalents	36,926	49,757
Securities, available-for-sale	221,777	234,062
Restricted investment in bank stocks, at cost	3,084	2,863
Loans held for sale	2,622	3,091
Loans (net of deferred fees of $1,407 - 2013 and $1,186 - 2012)	759,614	737,134
Less-allowance for loan losses	(9,486)	(9,302)
Net loans	750,128	727,832
Premises and equipment, net	12,746	11,493
Other assets	36,100	30,639
Total assets	$ 1,063,383	$ 1,059,737
Liabilities		
Deposits		
Noninterest bearing	$ 88,137	$ 88,476
Interest bearing	805,045	812,831
Total deposits	893,182	901,307
Short-term borrowings	19,243	19,356
Long-term debt	40,650	30,815
Other liabilities	7,123	6,928
Total liabilities	960,198	958,406
Shareholders equity		
Preferred stock, par value $2.50 per share; $1,000 liquidation preference, 1,000,000 shares authorized; 25,000 Series B shares issued and outstanding - 2013 and 2012	25,000	25,000
Common stock, par value $2.50 per share; 15,000,000 shares authorized; shares issued and outstanding: 4,487,856 at March 31, 2013 and 4,482,319 at December 31, 2012	11,220	11,206
Additional paid-in capital	40,681	40,524
Retained earnings	20,973	18,868
Accumulated other comprehensive income	5,311	5,733
Total shareholders equity	103,185	101,331
Total liabilities and shareholders equity	$ 1,063,383	$ 1,059,737

See accompanying notes.

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Codorus Valley Bancorp, Inc.
Consolidated Statements of Income
Unaudited

(dollars in thousands, except per share data)	Three months ended March 31, 2013	2012
Interest income		
Loans, including fees	$ 10,068	$ 9,870
Investment securities:		
Taxable	645	907
Tax-exempt	628	597
Dividends	6	4
Other	14	15
Total interest income	11,361	11,393
Interest expense		
Deposits	2,009	2,456
Federal funds purchased and other short-term borrowings	28	24
Long-term debt	172	211
Total interest expense	2,209	2,691
Net interest income	9,152	8,702
Provision for loan losses	260	250
Net interest income after provision for loan losses	8,892	8,452
Noninterest income		
Trust and investment services fees	473	408
Income from mutual fund, annuity and insurance sales	249	188
Service charges on deposit accounts	634	611
Income from bank owned life insurance	166	156
Other income	166	162
Net gain on sales of loans held for sale	319	259
Net gain on sales of securities	0	49
Total noninterest income	2,007	1,833
Noninterest expense		
Personnel	4,180	3,678
Occupancy of premises, net	511	508
Furniture and equipment	516	463
Postage, stationery and supplies	150	134
Professional and legal	137	159
Marketing and advertising	146	210
FDIC insurance	171	219
Debit card processing	178	177
Charitable donations	475	447
Telephone	134	132
External data processing	147	128
Foreclosed real estate including (gains) losses on sales	63	593
Impaired loan carrying costs	79	45
Other	366	377
Total noninterest expense	7,253	7,270
Income before income taxes	3,646	3,015
Provision for income taxes	984	725
Net income	2,662	2,290
Preferred stock dividends	63	188
Net income available to common shareholders	$ 2,599	$ 2,102
Net income per common share, basic	$ 0.58	$ 0.48
Net income per common share, diluted	$ 0.57	$ 0.47

See accompanying notes.

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Codorus Valley Bancorp, Inc.
Consolidated Statements of Comprehensive Income
Unaudited

	Three months ended March 31,	
(dollars in thousands)	**2013**	**2012**
Net income	$ 2,662	$ 2,290
Other comprehensive (loss) income:		
Securities available for sale:		
Net unrealized holding (losses) gains arising during the period (net of tax (benefit) expense of $(217) and $61, respectively)	(422)	117
Reclassification adjustment for (gains) included in net income (net of tax expense of $0 and $17, respectively)	0	(32)
Net unrealized (losses) gains	(422)	85
Comprehensive income	$ 2,240	$ 2,375

See accompanying notes.

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Codorus Valley Bancorp, Inc.
Consolidated Statements of Cash Flows
Unaudited

(dollars in thousands)	Three months ended March 31, 2013	2012
Cash flows from operating activities		
Net income	$ 2,662	$ 2,290
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation/amortization	359	331
Net amortization of premiums on securities	380	337
Amortization of deferred loan origination fees and costs	(131)	(54)
Amortization of intangible assets	0	7
Provision for loan losses	260	250
Provision for losses on foreclosed real estate	0	707
Amortization of investment in real estate partnership	85	86
Increase in cash surrender value and death benefit on bank owned life insurance	(166)	(156)
Originations of loans held for sale	(19,172)	(16,520)
Proceeds from sales of loans held for sale	19,960	14,841
Net gain on sales of loans held for sale	(319)	(259)
Gain on disposal of premises and equipment	0	(8)
Net gain on sales of securities available-for-sale	0	(49)
Net (gain) loss on sales of foreclosed real estate	(14)	1
Stock-based compensation	78	116
Decrease in accrued interest receivable	58	282
Increase in other assets	(117)	(531)
Decrease in accrued interest payable	(41)	(30)
Increase (decrease) in other liabilities	239	(681)
Net cash provided by operating activities	4,121	960
Cash flows from investing activities		
Purchases of securities, available-for-sale	(838)	(14,012)
Maturities, repayments and calls of securities, available-for-sale	12,104	7,472
Sales of securities, available-for-sale	0	8,047
(Purchase) redemption of restricted investment in bank stock	(221)	178
Net increase in loans made to customers	(22,425)	(9,953)
Purchases of premises and equipment	(1,612)	(260)
Investment in bank owned life insurance	(5,300)	(230)
Investment in foreclosed real estate	0	(17)
Proceeds from sales of foreclosed real estate	207	1,875
Net cash used in investing activities	(18,085)	(6,900)
Cash flows from financing activities		
Net (decrease) increase in demand and savings deposits	(2,030)	20,336
Net decrease in time deposits	(6,095)	(137)
Net (decrease) increase in short-term borrowings	(113)	3,499
Proceeds from issuance of long-term debt	10,000	0
Repayment of long-term debt	(165)	(10,260)
Cash dividends paid to preferred shareholders	(63)	(313)
Cash dividends paid to common shareholders	(494)	(378)
Issuance of common stock	93	101
Net cash provided by financing activities	1,133	12,848
Net (decrease) increase in cash and cash equivalents	(12,831)	6,908
Cash and cash equivalents at beginning of year	49,757	32,195
Cash and cash equivalents at end of period	$ 36,926	$ 39,103

See accompanying notes.

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Codorus Valley Bancorp, Inc.
Consolidated Statements of Changes in Shareholders Equity
Unaudited

(dollars in thousands, except per share data)	**Preferred Stock**	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total**
Balance, January 1, 2013	$ 25,000	$ 11,206	$ 40,524	$ 18,868	$ 5,733	$ 101,331
Net income				2,662		2,662
Other comprehensive loss, net of tax					(422)	(422)
Common stock cash dividends ($0.11 per share)				(494)		(494)
Preferred stock cash dividends				(63)		(63)
Stock-based compensation			78			78
Issuance of common stock:						
5,537 shares under the dividend reinvestment and stock purchase plan		14	79			93
Balance, March 31, 2013	$ 25,000	$ 11,220	$ 40,681	$ 20,973	$ 5,311	$ 103,185
Balance, January 1, 2012	$ 25,000	$ 10,507	$ 37,253	$ 14,558	$ 5,924	$ 93,242
Net income				2,290		2,290
Other comprehensive income, net of tax					85	85
Common stock cash dividends ($0.086 per share, adjusted)				(378)		(378)
Preferred stock cash dividends				(188)		(188)
Stock-based compensation			116			116
Issuance of common stock:						
6,614 shares under the dividend reinvestment and stock purchase plan		16	52			68
3,466 shares under the stock option plan		9	24			33
Balance, March 31, 2012	$ 25,000	$ 10,532	$ 37,445	$ 16,282	$ 6,009	$ 95,268

See accompanying notes.

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Notes to Consolidated Financial Statements (Unaudited)

Note 1 Basis of Presentation

The accompanying consolidated balance sheet at December 31, 2012 has been derived from audited financial statements, and the unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions to Form 10-Q, and FASB Accounting Standards Codification (ASC) 270. Accordingly, the interim financial statements do not include all of the financial information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the interim consolidated financial statements include all adjustments necessary to present fairly the financial condition and results of operations for the reported periods, and all such adjustments are of a normal and recurring nature.

These consolidated statements should be read in conjunction with the notes to the audited consolidated financial statements contained in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2012.

The consolidated financial statements include the accounts of Codorus Valley Bancorp, Inc. and its wholly owned bank subsidiary, PeoplesBank, A Codorus Valley Company (PeoplesBank), and its wholly owned nonbank subsidiary, SYC Realty Company, Inc. (collectively referred to as Codorus Valley or the Corporation). PeoplesBank has four wholly-owned subsidiaries, Codorus Valley Financial Advisors, Inc., SYC Settlement Services, Inc. and two subsidiaries whose purpose is to temporarily hold foreclosed properties pending eventual liquidation. All significant intercompany account balances and transactions have been eliminated in consolidation. The combined results of operations of the nonbank subsidiaries are not material to the consolidated financial statements.

The results of operations for the three month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year.

In accordance with FASB ASC 855, the Corporation evaluated the events and transactions that occurred after the balance sheet date of March 31, 2013 and through the date these consolidated financial statements were issued, for items of potential recognition or disclosure.

Note 2 Significant Accounting Policies

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are stated at their outstanding unpaid principal balances less amounts charged off, net of an allowance for loan losses and any deferred fees or costs. Interest income is accrued on the unpaid principal balance. Generally, loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the yield (interest income) over the contractual life of the loan. The loans receivable portfolio is segmented into commercial and consumer loans. Commercial loans consist of the following industry classes: builder & developer, commercial real estate investor, residential real estate investor, hotel/motel, wholesale & retail, agriculture, manufacturing and all other. Consumer loans consist of the following classes: residential mortgage, home equity and all other.

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to the Corporation s judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, generally six months, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

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Allowance for Loan Losses

The allowance for loan losses represents the Corporation s estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. All, or part, of the principal balance of loans receivable are charged off to the allowance as soon as it is determined that the repayment of all, or part, of the principal balance is highly unlikely. While the Corporation attributes a portion of the allowance to individual loans and groups of loans that it evaluates and determines to be impaired, the allowance is available to cover all charge-offs that arise from the loan portfolio.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. The Corporation performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Corporation s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired, generally substandard and nonaccrual loans. For loans that are classified as impaired, an allowance is established when the collateral value (or discounted cash flows or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these classes of loans, adjusted for qualitative (environmental) risk factors. Historical loss rates are based on a two year rolling average of net charge-offs. Qualitative risk factors that supplement historical losses in the evaluation of loan pools include:

- Changes in national and local economies and business conditions
- Changes in the value of collateral for collateral dependent loans
- Changes in the level of concentrations of credit
- Changes in the volume and severity of classified and past due loans
- Changes in the nature and volume of the portfolio
- Changes in collection, charge-off, and recovery procedures
- Changes in underwriting standards and loan terms
- Changes in the quality of the loan review system
- Changes in the experience/ability of lending management and key lending staff
- Regulatory and legal regulations that could affect the level of credit losses
- Other pertinent environmental factors

Each factor is assigned a value to reflect improving, stable or declining conditions based on the Corporation s best judgment using relevant information available at the time of the evaluation. An unallocated component is maintained to cover uncertainties that could affect the Corporation s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the loan portfolio.

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As disclosed in Note 5-Loans, the Corporation engages in commercial and consumer lending. Loans are made within the Corporation s primary market area and surrounding areas, and include the purchase of whole loan or participation interests in loans from other financial institutions. Commercial related loans, which pose the greatest risk of loss to the Corporation, whether originated or purchased, are generally secured by real estate. Within the broad commercial loan segment, the builder & developer and commercial real estate investor loan classes generally present a higher level of risk than other commercial loan classifications. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effect of general economic conditions on income producing properties, unstable real estate prices and the dependency upon successful construction and sale or operation of the real estate project. Within the consumer loan segment, junior (i.e., second) liens present a slightly higher risk to the Corporation because economic and housing market conditions can adversely affect the underlying value of the collateral and the ability of some borrowers to service their debt.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. The Corporation determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Loans that are deemed impaired are evaluated for impairment loss based on the net realizable value of the collateral, as applicable. Loans that are not collateral dependent will rely on the present value of expected future cash flows discounted at the loan s effective interest rate to determine impairment loss. Large groups of smaller balance homogeneous loans such as residential mortgage loans, home equity loans and other consumer loans are collectively evaluated for impairment, unless they are considered to be a troubled debt restructuring.

An allowance for loan losses is established for an impaired commercial loan if its carrying value exceeds its estimated fair value. For commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals of the underlying collateral. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the most recent appraisal and the condition of the property. Appraisals are generally discounted to provide for selling costs and other factors to determine an estimate of the net realizable value of the property. For commercial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower s financial statements, inventory reports, accounts receivable aging or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. In instances when specific consumer related loans become impaired, they may be partially or fully charged off, which obviates the need for a specific allowance.

Loans whose terms are modified are classified as troubled debt restructurings if the Corporation grants borrowers experiencing financial difficulties concessions that it would not otherwise consider. Concessions granted under a troubled debt restructuring may involve an interest rate that is below the market rate given the associated credit risk of the loan or an extension of a loan s stated maturity date. Loans classified as troubled debt restructurings are designated as impaired. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for a reasonable period of time, generally six consecutive months after modification and future payments are reasonably assured.

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Banking regulatory agencies, as an integral part of their examination process, periodically review the Corporation s allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to the Corporation. Based on a comprehensive analysis of the loan portfolio, the Corporation believes that the level of the allowance for loan losses at March 31, 2013 is adequate.

Foreclosed Real Estate

Foreclosed real estate, included in other assets, is comprised of property acquired through a foreclosure proceeding or property that is acquired through in substance foreclosure. Foreclosed real estate is initially recorded at fair value minus estimated costs to sell at the date of foreclosure, establishing a new cost basis. Any difference between the carrying value and the new cost basis is charged against the allowance for loan losses. Appraisals are generally used to determine fair value. After foreclosure, management reviews valuations at least quarterly and adjusts the asset to the lower of cost or fair value minus estimated costs to sell through a valuation allowance. Costs related to the improvement of foreclosed real estate are generally capitalized until the real estate reaches a saleable condition subject to fair value limitations. Revenue and expense from operations and changes in the valuation allowance are included in noninterest expense. When a foreclosed real estate asset is ultimately sold, any gain or loss on the sale is included in the income statement as a component of noninterest expense. At March 31, 2013, foreclosed real estate, net of allowance, was $3,440,000, compared to $3,633,000 for December 31, 2012.

Per Common Share Computations

All per share computations include the effect of stock dividends distributed. The computation of net income per common share is provided in the table below.

	Three months ended March 31,	
(in thousands, except per share data)	**2013**	**2012**
Net income available to common shareholders	$ 2,599	$ 2,102
Weighted average shares outstanding (basic)	4,485	4,417
Effect of dilutive stock options	83	26
Weighted average shares outstanding (diluted)	4,568	4,443
Basic earnings per common share	$ 0.58	$ 0.48
Diluted earnings per common share	$ 0.57	$ 0.47
Anti-dilutive stock options and common stock warrants	28	87

Comprehensive Income

Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

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Cash Flow Information

For purposes of the statements of cash flows, the Corporation considers interest bearing deposits with banks, cash and due from banks, and federal funds sold to be cash and cash equivalents.

Supplemental cash flow information is provided in the table below.

(dollars in thousands)	Three months ended March 31, 2013	Three months ended March 31, 2012
Cash paid during the period for:		
Income taxes	$ 65	$ 201
Interest	$ 2,250	$ 2,721
Noncash investing activities:		
Increase in other liabilities for purchase of securities settling after quarter-end	$ 0	$ 3,100

Reclassification

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation, which did not impact net income or shareholders equity.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities . The ASU amends Topic 210 by requiring additional improved information to be disclosed regarding financial instruments and derivative instruments that are offset in accordance with the conditions under ASC 210-20-45 or ASC 810-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures required by the amendments were applied retrospectively for all comparative periods presented (See Note 14). The Corporation adopted this Update during the period ending March 31, 2013 and it did not have a material impact on the Corporation s consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities . The ASU amends Update 2011-11 to clarify that the scope applies to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to master netting or similar arrangements. Other types of financial assets and liabilities subject to master netting or similar arrangements are not subject to the disclosure requirements in Update 2011-11. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods (See Note 14). The Corporation adopted this Update during the period ending March 31, 2013 and it did not have a material impact on the Corporation s consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The objective of this ASU is to improve the reporting of reclassifications out of accumulated other comprehensive income. This ASU requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income, by component, on the respective line items in the income statement if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income. Reclassifications that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period are required to be cross-referenced to other U.S. GAAP disclosures that provide additional detail about those amounts. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income. The provisions of this ASU are effective for public entities prospectively for reporting periods beginning after December 15, 2012. The Corporation adopted this Update during the period ending March 31, 2013 and it had no impact on the Corporation s consolidated financial statements.

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On July 13, 2012, the SEC published their final report on International Financial Reporting Standards (IFRS), which included an analysis of the issues related to possible incorporation of IFRS into the U.S. financial reporting regime. The SEC report was designed to inform the SEC commissioners for when they would come to decide whether, and if so, how, IFRS should be applied to the U.S. The next step for the SEC is to develop a recommendation on IFRS, but no timetable has been disclosed for completing this work. The Corporation will continue to monitor the development of the potential implementation of IFRS.

Note 3-Securities

A summary of securities available-for-sale at March 31, 2013 and December 31, 2012 is provided below. The securities available-for-sale portfolio is generally comprised of high quality debt instruments, principally obligations of the United States government or agencies thereof. Also included in the portfolio are investments in the obligations of states and municipalities. With the exception of an approximately $14 million portfolio (fair value) of Texas municipal utility district bonds, which has its own criteria for investment (e.g., maximum debt to assessed valuation, minimum assessed valuation and district size, proximity to employment, etc.), the remaining municipal bonds were all rated A or above by a national rating service at March 31, 2013. The majority of municipal bonds in the portfolio are general obligation bonds, which can draw upon multiple sources of revenue, including taxes, for payment. Only a few bonds are revenue bonds, which are dependent upon a single revenue stream for payment, but they are for critical services such as water and sewer. In many cases, municipal debt issues are insured or, in the case of school districts of selected states, backed by specific loss reserves. At March 31, 2013, the fair value of the municipal bond portfolio was concentrated in the states of Pennsylvania at 42 percent and Texas at 17 percent.

	Amortized	Gross Unrealized		Fair
(dollars in thousands)	**Cost**	**Gains**	**Losses**	**Value**
March 31, 2013				
Debt securities:				
U.S. Treasury notes	$ 3,501	$ 22	$ 0	$ 3,523
U.S. agency	34,953	1,037	(17)	35,973
U.S. agency mortgage-backed, residential	76,959	3,116	(3)	80,072
State and municipal	98,316	3,908	(15)	102,209
Total debt securities	$ 213,729	$ 8,083	$ (35)	$ 221,777
December 31, 2012				
Debt securities:				
U.S. Treasury notes	$ 5,001	$ 31	$ 0	$ 5,032
U.S. agency	37,000	1,083	(25)	38,058
U.S. agency mortgage-backed, residential	84,630	3,603	0	88,233
State and municipal	98,744	4,053	(58)	102,739
Total debt securities	$ 225,375	$ 8,770	$ (83)	$ 234,062

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The amortized cost and estimated fair value of debt securities at March 31, 2013 by contractual maturity are shown below. Actual maturities may differ from contractual maturities if call options on select debt issues are exercised in the future. Mortgage-backed securities are included in the maturity categories based on average expected life.

	Available-for-sale	
(dollars in thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 15,624	$ 15,761
Due after one year through five years	173,079	179,649
Due after five years through ten years	21,205	22,322
Due after ten years	3,821	4,045
Total debt securities	$ 213,729	$ 221,777

Gross realized gains and losses on sales of securities available-for-sale are shown below. Realized gains and losses are computed on the basis of specific identification of the adjusted cost of each security and are shown net as a separate line item in the income statement.

	Three months ended March 31,	
(dollars in thousands)	2013	2012
Realized gains	$ 0	$ 50
Realized losses	0	(1)
Net gains	$ 0	$ 49

Securities, issued by agencies of the federal government, with a carrying value of $140,942,000 and $135,348,000 on March 31, 2013 and December 31, 2012, respectively, were pledged to secure public and trust deposits, repurchase agreements and other short-term borrowings.

The table below shows gross unrealized losses and fair value, aggregated by investment category and length of time, for securities that have been in a continuous unrealized loss position, at March 31, 2013 and December 31, 2012.

	Less than 12 months		12 months or more		Total	
(dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2013						
Debt securities:						
U.S. agency	$ 8,243	$ (17)	$ 0	$ 0	$ 8,243	$ (17)
U.S. agency mortgage-backed, residential	1,617	(3)	0	0	1,617	(3)
State and municipal	6,637	(15)	0	0	6,637	(15)
Total temporarily impaired debt securities, available for sale	$ 16,497	$ (35)	$ 0	$ 0	$ 16,497	$ (35)
December 31, 2012						
Debt securities:						
U.S. agency	$ 8,251	$ (25)	$ 0	$ 0	$ 8,251	$ (25)
State and municipal	11,565	(58)	0	0	11,565	(58)
Total temporarily impaired debt securities, available for sale	$ 19,816	$ (83)	$ 0	$ 0	$ 19,816	$ (83)

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The unrealized losses of $35,000 at March 31, 2013 within the less than 12 months category were attributable to three U.S. agency securities, one U.S. agency mortgage-backed security, and fifteen state and municipal securities, all rated A or above by a national rating service.

Securities available-for-sale are analyzed quarterly for possible other-than-temporary impairment. The analysis considers, among other factors: 1) whether the Corporation has the intent to sell its securities prior to market recovery or maturity; 2) whether it is more likely than not that the Corporation will be required to sell its securities prior to market recovery or maturity; 3) default rates/history by security type; 4) third-party securities ratings; 5) third-party guarantees; 6) subordination; 7) payment delinquencies; 8) nature of the issuer; and 9) current financial news.

The Corporation believes that unrealized losses at March 31, 2013 were primarily the result of changes in market interest rates and that it has the ability to hold these investments for a time necessary to recover the amortized cost. Through March 31, 2013 the Corporation has collected all interest and principal on its investment securities as scheduled. The Corporation believes that collection of the contractual principal and interest is probable and, therefore, all impairment is considered to be temporary.

Note 4 Restricted Investment in Bank Stocks

Restricted stock, which represents required investments in the common stock of correspondent banks, is carried at cost and, as of March 31, 2013 and December 31, 2012, consisted primarily of the common stock of the Federal Home Loan Bank of Pittsburgh (FHLBP) and, to a lesser degree, Atlantic Central Bankers Bank (ACBB). Under the FHLBP s Capital Plan, PeoplesBank is required to maintain a minimum member stock investment, both as a condition of becoming and remaining a member and as a condition of obtaining borrowings from the FHLBP. The FHLBP uses a formula to determine the minimum stock investment, which is based on the volume of loans outstanding, unused borrowing capacity and other factors.

The FHLBP paid dividends during the periods ended March 31, 2013 and 2012 but reported that future dividends will be dependent upon the condition of its private-label residential mortgage-backed securities portfolio, its overall financial performance, retained earnings and other factors. The FHLBP restricts the repurchase of the excess capital stock of member banks. The amount of excess capital stock that can be repurchased from any member is currently the lesser of five percent of the member s total capital stock outstanding or its excess capital stock outstanding.

Management evaluates the restricted stock for impairment in accordance with FASB ASC Topic 942. Management s determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. Using the FHLBP as an example, the determination of whether a decline affects the ultimate recoverability of cost is influenced by criteria such as: (1) the significance of the decline in net assets of the FHLBP as compared to the capital stock amount for the FHLBP and the length of time this situation has persisted; (2) commitments by the FHLBP to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLBP; and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLBP. Management believes no impairment charge was necessary related to the restricted stock during the periods ended March 31, 2013 and 2012.

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Note 5 Loans

The table below provides the composition of the loan portfolio at March 31, 2013 and December 31, 2012. The portfolio is comprised of two segments, commercial and consumer loans. The commercial loan segment is disaggregated by industry class which allows the Corporation to monitor risk and performance. Those industries representing the largest dollar investment and most risk are listed separately. The other commercial loans category is comprised of a multitude of industries, including health services, professional services, public administration, restaurant, service, transportation, finance, natural resources, recreation and religious organizations. The consumer related segment is comprised of residential mortgages, home equity and other consumer loans. The Corporation has not engaged in sub-prime residential mortgage originations.

(dollars in thousands)	**March 31, 2013**	**December 31, 2012**
Builder & developer	$ 97,195	$ 96,936
Commercial real estate investor	124,917	122,714
Residential real estate investor	66,725	66,419
Hotel/Motel	68,903	64,948
Wholesale & retail	69,905	70,443
Manufacturing	37,923	40,258
Agriculture	27,935	20,928
Other	133,946	124,834
Total commercial related loans	627,449	607,480
Residential mortgages	23,538	23,511
Home equity	68,864	65,858
Other	39,763	40,285
Total consumer related loans	132,165	129,654
Total loans	$ 759,614	$ 737,134

The Corporation s internal risk rating system follows regulatory guidance as to risk classifications and definitions. Every approved loan is assigned a risk rating. Generally, risk ratings for commercial related loans and residential mortgages held for investment are determined by a formal evaluation of risk factors performed by the Corporation s underwriting staff. For consumer loans, and commercial loans up to $750,000, the Corporation uses third-party credit scoring software models for risk rating purposes. The loan portfolio is monitored on a continuous basis by loan officers, loan review personnel and senior management. Adjustments of loan risk ratings are generally performed by the Special Asset Committee, which includes senior management. The Committee, which meets monthly, makes changes, as appropriate, to risk ratings when it becomes aware of credit events such as payment delinquency, cessation of a business or project, bankruptcy or death of the borrower, or changes in collateral value.

The Corporation uses ten risk ratings to grade loans. The first seven ratings, representing the lowest risk, are combined and given a pass rating. A pass rating is a satisfactory credit rating, which applies to a loan that is expected to perform in accordance with the loan agreement and has a low probability of loss. A loan rated special mention has a potential weakness which may, if not corrected, weaken the loan or inadequately protect the Corporation s position at some future date. A loan rated substandard is inadequately protected by the current net worth or paying capacity of the borrower or of the collateral pledged. A substandard loan has a well defined weakness or weaknesses that could jeopardize liquidation of the loan, which exposes the Corporation to loss if the deficiencies are not corrected. When circumstances indicate that collection of the loan is doubtful, the loan is risk rated nonaccrual, the accrual of interest income is discontinued, and any unpaid interest previously credited to income is reversed. Accordingly, the table below does not include the regulatory classification of doubtful, nor does it include the regulatory classification of loss because the Corporation promptly charges off known loan losses.

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The table below presents a summary of loan risk ratings by loan class at March 31, 2013 and December 31, 2012.

(dollars in thousands)	Pass	Special Mention	Substandard	Nonaccrual	Total
March 31, 2013					
Builder & developer	$ 84,364	$ 4,629	$ 7,817	$ 385	$ 97,195
Commercial real estate investor	115,368	3,837	2,295	3,417	124,917
Residential real estate investor	63,740	171	85	2,729	66,725
Hotel/Motel	68,903	0	0	0	68,903
Wholesale & retail	65,909	1,348	0	2,648	69,905
Manufacturing	37,235	0	688	0	37,923
Agriculture	27,466	0	469	0	27,935
Other	130,205	1,026	346	2,369	133,946
Total commercial related loans	593,190	11,011	11,700	11,548	627,449
Residential mortgage	23,450	5	31	52	23,538
Home equity	68,468	117	188	91	68,864
Other	38,884	261	145	473	39,763
Total consumer related loans	130,802	383	364	616	132,165
Total loans	$ 723,992	$ 11,394	$ 12,064	$ 12,164	$ 759,614
December 31, 2012					
Builder & developer	$ 79,101	$ 6,567	$ 11,013	$ 255	$ 96,936
Commercial real estate investor	107,415	9,563	2,459	3,277	122,714
Residential real estate investor	62,327	1,361	2,044	687	66,419
Hotel/Motel	64,948	0	0	0	64,948
Wholesale & retail	66,155	1,521	983	1,784	70,443
Manufacturing	39,559	0	699	0	40,258
Agriculture	20,457	0	471	0	20,928
Other	121,223	1,156	612	1,843	124,834
Total commercial related loans	561,185	20,168	18,281	7,846	607,480
Residential mortgage	23,421	5	32	53	23,511
Home equity	65,406	112	188	152	65,858
Other	39,318	325	351	291	40,285
Total consumer related loans	128,145	442	571	496	129,654
Total loans	$ 689,330	$ 20,610	$ 18,852	$ 8,342	$ 737,134

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The table below presents a summary of impaired loans at March 31, 2013 and December 31, 2012. Generally, impaired loans are loans risk rated substandard and nonaccrual or classified as troubled debt restructurings. An allowance is established for individual commercial related loans where the Corporation has doubt as to full recovery of the outstanding principal balance. Typically, impaired consumer related loans are partially or fully charged-off obviating the need for a specific allowance. The recorded investment represents outstanding unpaid principal loan balances adjusted for charge-offs.

	March 31, 2013			December 31, 2012		
(dollars in thousands)	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
Impaired loans with no related allowance:						
Builder & developer	$ 9,254	$ 9,254		$ 12,211	$ 12,211	
Commercial real estate investor	5,712	5,812		5,736	5,836	
Residential real estate investor	157	157		72	72	
Hotel/Motel	0	0		0	0	
Wholesale & retail	2,928	5,203		3,048	5,323	
Manufacturing	688	688		699	699	
Agriculture	0	0		0	0	
Other commercial	1,745	1,873		1,483	1,611	
Residential mortgage	83	109		85	111	
Home equity	279	279		340	340	
Other consumer	618	676		642	718	
Total impaired loans with no related allowance	$ 21,464	$ 24,051		$ 24,316	$ 26,921	
Impaired loans with a related allowance:						
Builder & developer	$ 132	$ 132	$ 62	$ 256	$ 256	$ 147
Commercial real estate investor	0	0	0	0	0	0
Residential real estate investor	2,657	2,657	700	2,659	2,659	700
Hotel/Motel	0	0	0	0	0	0
Wholesale & retail	0	0	0	0	0	0
Manufacturing	0	0	0	0	0	0
Agriculture	469	469	100	471	471	100
Other commercial	969	969	170	972	972	215
Residential mortgage	0	0	0	0	0	0
Home equity	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total impaired loans with a related allowance	$ 4,227	$ 4,227	$ 1,032	$ 4,358	$ 4,358	$ 1,162
Total impaired loans:						
Builder & developer	$ 9,386	$ 9,386	$ 62	$ 12,467	$ 12,467	$ 147
Commercial real estate investor	5,712	5,812	0	5,736	5,836	0
Residential real estate investor	2,814	2,814	700	2,731	2,731	700
Hotel/Motel	0	0	0	0	0	0
Wholesale & retail	2,928	5,203	0	3,048	5,323	0
Manufacturing	688	688	0	699	699	0
Agriculture	469	469	100	471	471	100
Other commercial	2,714	2,842	170	2,455	2,583	215
Residential mortgage	83	109	0	85	111	0
Home equity	279	279	0	340	340	0
Other consumer	618	676	0	642	718	0
Total impaired loans	$ 25,691	$ 28,278	$ 1,032	$ 28,674	$ 31,279	$ 1,162

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The tables below present a summary of average impaired loans and related interest income that was included in net income for the three months ended March 31, 2013 and 2012.

	For the three months ended					
	March 31, 2013			March 31, 2012		
(dollars in thousands)	**Average Recorded Investment**	**Total Interest Income**	**Cash Basis Interest Income**	**Average Recorded Investment**	**Total Interest Income**	**Cash Basis Interest Income**
Impaired loans with no related allowance:						
Builder & developer	$ 10,732	$ 130	$ 2	$ 5,245	$ 116	$ 42
Commercial real estate investor	5,724	67	36	4,260	69	34
Residential real estate investor	115	2	1	463	1	1
Hotel/Motel	0	0	0	0	0	0
Wholesale & retail	2,988	(23)	1	2,955	(3)	1
Manufacturing	693	10	0	713	10	0
Agriculture	0	0	0	0	0	0
Other commercial	1,614	(2)	1	5,373	(23)	23
Residential mortgage	84	2	1	203	3	2
Home equity	310	3	1	246	2	1
Other consumer	630	6	6	295	3	3
Total impaired loans with no related allowance	$ 22,890	$ 195	$ 49	$ 19,753	$ 178	$ 107
Impaired loans with a related allowance:						
Builder & developer	$ 194	$ 0	$ 0	$ 264	0	0
Commercial real estate investor	0	0	0	113	1	0
Residential real estate investor	2,658	(9)	0	89	0	0
Hotel/Motel	0	0	0	0	0	0
Wholesale & retail	0	0	0	0	0	0
Manufacturing	0	0	0	0	0	0
Agriculture	470	8	0	488	9	0
Other commercial	971	1	0	925	(1)	0
Residential mortgage	0	0	0	0	0	0
Home equity	0	0	0	0	0	0
Other consumer	0	0	0	0	0	0
Total impaired loans with a related allowance	$ 4,293	$ 0	$ 0	$ 1,879	$ 9	$ 0
Total impaired loans:						
Builder & developer	$ 10,926	$ 130	$ 2	$ 5,509	$ 116	$ 42
Commercial real estate investor	5,724	67	36	4,373	70	34
Residential real estate investor	2,773	(7)	1	552	1	1
Hotel/Motel	0	0	0	0	0	0
Wholesale & retail	2,988	(23)	1	2,955	(3)	1
Manufacturing	693	10	0	713	10	0
Agriculture	470	8	0	488	9	0
Other commercial	2,585	(1)	1	6,298	(24)	23
Residential mortgage	84	2	1	203	3	2
Home equity	310	3	1	246	2	1
Other consumer	630	6	6	295	3	3
Total impaired loans	$ 27,183	$ 195	$ 49	$ 21,632	$ 187	$ 107

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The performance and credit quality of the loan portfolio is also monitored by using an aging schedule which shows the length of time a loan is past due. The table below presents a summary of past due loans, nonaccrual loans and current loans by loan segment and class at March 31, 2013 and December 31, 2012.

(dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	≥ 90 Days Past Due and Accruing	Nonaccrual	Total Past Due and Nonaccrual	Current	Total Loans
March 31, 2013							
Builder & developer	$ 0	$ 0	$ 0	$ 385	$ 385	$ 96,810	$ 97,195
Commercial real estate investor	0	0	0	3,417	3,417	121,500	124,917
Residential real estate investor	0	268	0	2,729	2,997	63,728	66,725
Hotel/Motel	0	0	0	0	0	68,903	68,903
Wholesale & retail	0	0	0	2,648	2,648	67,257	69,905
Manufacturing	0	0	0	0	0	37,923	37,923
Agriculture	375	0	0	0	375	27,560	27,935
Other	0	0	0	2,369	2,369	131,577	133,946
Total commercial related loans	375	268	0	11,548	12,191	615,258	627,449
Residential mortgage	397	0	0	52	449	23,089	23,538
Home equity	0	0	0	91	91	68,773	68,864
Other	553	27	0	473	1,053	38,710	39,763
Total consumer related loans	950	27	0	616	1,593	130,572	132,165
Total loans	$ 1,325	$ 295	$ 0	$ 12,164	$ 13,784	$ 745,830	$ 759,614
December 31, 2012							
Builder & developer	$ 400	$ 0	$ 0	$ 255	$ 655	$ 96,281	$ 96,936
Commercial real estate investor	0	0	0	3,277	3,277	119,437	122,714
Residential real estate investor	2,044	0	0	687	2,731	63,688	66,419
Hotel/Motel	0	0	0	0	0	64,948	64,948
Wholesale & retail	1,067	0	0	1,784	2,851	67,592	70,443
Manufacturing	0	0	0	0	0	40,258	40,258
Agriculture	0	0	0	0	0	20,928	20,928
Other	456	0	0	1,843	2,299	122,535	124,834
Total commercial related loans	3,967	0	0	7,846	11,813	595,667	607,480
Residential mortgage	474	129	0	53	656	22,855	23,511
Home equity	62	0	0	152	214	65,644	65,858
Other	842	195	186	291	1,514	38,771	40,285
Total consumer related loans	1,378	324	186	496	2,384	127,270	129,654
Total loans	$ 5,345	$ 324	$ 186	$ 8,342	$ 14,197	$ 722,937	$ 737,134

Loans classified as troubled debt restructurings (TDRs) are designated impaired and arise when the Corporation grants borrowers experiencing financial difficulties concessions that it would not otherwise consider. Concessions granted with respect to these loans involve an extension of the maturity date or a below market interest rate relative to new debt with similar credit risk. Generally, these loans are secured by real estate. If repayment of the loan is determined to be collateral dependent, the loan is evaluated for impairment loss based on the fair value of the collateral. For loans that are not collateral dependent, the present value of expected future cash flows, discounted at the loan s effective interest rate, is used to determine any impairment loss.

A nonaccrual TDR represents a nonaccrual loan, as previously defined, which includes an economic concession. Nonaccrual TDRs are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive payments after the modification and future principal and interest payments are reasonably assured. In contrast, an accruing TDR represents a loan that, at the time of the modification, has a demonstrated history of payments and with respect to which management believes that future loan payments are reasonably assured under the modified terms.

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The table below shows loans whose terms have been modified under TDRs during the three months ended March 31, 2013 and 2012. There was no impairment loss recognized on any of these TDRs, and they are all performing under their modified terms. There were no defaults during the three months ended March 31, 2013 for TDRs entered into for the last 12 months.

(dollars in thousands)	**Number of Contracts**	**Modifications Pre-Modification Outstanding Recorded Investments**	**Post-Modification Outstanding Recorded Investments**
Three months ended:			
March 31, 2013			
Commercial related loans accruing	1	$ 208	$ 208
March 31, 2012			
Commercial related loans nonaccrual	1	$ 286	$ 286

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NOTE 6 Allowance for Loan Losses

The table below shows the activity in and the composition of the allowance for loan losses by loan segment and class detail as of and for the three months ended March 31, 2013 and 2012.

(dollars in thousands)	Builder & developer	Commercial real estate investor	Residential real estate investor	Hotel/ Motel	Wholesale & retail	Manufacturing	Agriculture	Other	Total commercial related
Allowance for loan losses:									
Balance, January 1, 2013	$ 1,571	$ 1,259	$ 1,195	$ 485	$ 1,913	$ 237	$ 202	$ 1,170	$ 8,032
Charge-offs	0	0	0	0	0	0	0	0	0
Recoveries	0	0	0	0	4	0	0	0	4
Provisions	(37)	27	1	29	(85)	(13)	35	(14)	(57)
Balance, March 31, 2013	$ 1,534	$ 1,286	$ 1,196	$ 514	$ 1,832	$ 224	$ 237	$ 1,156	$ 7,979
Balance, January 1, 2012	$ 2,170	$ 2,003	$ 505	$ 394	$ 1,806	$ 151	$ 184	$ 907	$ 8,120
Charge-offs	0	0	0	0	0	0	0	0	0
Recoveries	0	0	0	0	6	0	0	0	6
Provisions	(191)	10	(5)	49	(96)	0	9	108	(116)
Balance, March 31, 2012	$ 1,979	$ 2,013	$ 500	$ 443	$ 1,716	$ 151	$ 193	$ 1,015	$ 8,010

(dollars in thousands)	Residential mortgage	Home equity	Other	Total consumer related	Unallocated	Total
Allowance for loan losses:						
Balance, January 1, 2013	$ 124	$ 237	$ 238	$ 599	$ 671	$ 9,302
Charge-offs	0	(75)	(32)	(107)	0	(107)
Recoveries	0	1	26	27	0	31
Provisions	(76)	152	(35)	41	276	260
Balance, March 31, 2013	$ 48	$ 315	$ 197	$ 560	$ 947	$ 9,486
Balance, January 1, 2012	$ 88	$ 86	$ 171	$ 345	$ 237	$ 8,702
Charge-offs	(39)	0	(51)	(90)	0	(90)
Recoveries	17	0	4	21	0	27
Provisions	51	1	39	91	275	250
Balance, March 31, 2012	$ 117	$ 87	$ 163	$ 367	$ 512	$ 8,889

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The table below shows the allowance amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment at March 31, 2013 and 2012 and December 31, 2012.

(dollars in thousands)	Builder & developer	Commercial real estate investor	Residential real estate investor	Hotel/Motel	Wholesale & retail	Manufacturing	Agriculture	Other	Total commercial related
Allowance for loan losses:									
Individually evaluated for impairment	$ 62	$ 0	$ 700	$ 0	$ 0	$ 0	$ 100	$ 170	$ 1,032
Collectively evaluated for impairment									