FIRST NATIONAL COMMUNITY BANCORP INC
Form 10-Q
August 10, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from to

Commission File No. 000-53869

FIRST NATIONAL COMMUNITY BANCORP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES o NO x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO x

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

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

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

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

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

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PART I Financial Information

Item 1 Financial Statements

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(unaudited)

(in thousands, except share data)	**June 30, 2011**	**December 31, 2010**
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 19,932	$ 18,934
Interest-bearing deposits in other banks	37,885	55,571
Total cash and cash equivalents	57,817	74,505
Securities		
Available-for-sale, at fair value	230,021	251,072
Held-to-maturity, at amortized cost (fair value $2,003 and $1,857)	2,043	1,994
Stock in Federal Home Loan Bank of Pittsburgh, at cost	9,306	10,311
Loans held for sale	1,803	3,557
Loans, net of allowance for loan and lease losses of $23,701 and $22,575	702,476	735,813
Bank premises and equipment, net	19,150	19,310
Accrued interest receivable	2,800	3,119
Refundable federal income taxes	12,411	12,409
Intangible assets	880	963
Bank-owned life insurance	26,377	25,982
Other real estate owned	8,189	9,633
Other assets	13,412	18,630
Total Assets	$ 1,086,685	$ 1,167,298
Liabilities		
Deposits:		
Demand	$ 94,719	$ 93,215
Interest-bearing demand	327,657	349,185
Savings	90,715	90,037
Time ($100,000 and over)	164,192	189,526
Other time	255,419	260,473
Total deposits	932,702	982,436
Borrowed funds:		
FHLB advances	65,828	101,887
Subordinated debentures	25,000	25,000
Junior subordinated debentures	10,310	10,310
Other debt	180	407
Total borrowed funds	101,318	137,604
Accrued interest payable	3,432	2,763
Other liabilities	12,627	12,440
Total liabilities	1,050,079	1,135,243
Shareholders Equity		
Common Shares ($1.25 par)		
Authorized: 50,000,000 shares as of June 30, 2011 and December 31, 2010		
Issued and outstanding: 16,441,319 shares as of June 30, 2011 and 16,433,020 shares as of December 31, 2010	20,551	20,541
Additional paid-in capital	61,556	61,539
Accumulated deficit	(38,219)	(37,882)
Accumulated other comprehensive loss		

Unrealized holding loss on available-for-sale securities, net of taxes		(1,814)		(6,174)
Unrealized non-credit holding loss on OTTI available-for-sale securities, net		(5,468)		(5,969)
Total accumulated other comprehensive loss, net of taxes		(7,282)		(12,143)
Total shareholders equity		36,606		32,055
Total Liabilities and Shareholders Equity	$	1,086,685	$	1,167,298

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

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(In thousands, except share data)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest income				
Interest and fees on loans	$ 8,943	$ 11,486	$ 18,036	$ 23,618
Interest and dividends on securities				
U.S. government agencies	827	1,305	1,749	2,797
State and political subdivisions, tax-free	1,406	1,391	2,816	2,791
State and political subdivisions, taxable	13	13	26	33
Other securities	58	163	102	242
Total interest and dividends on securities	2,304	2,872	4,693	5,863
Interest on interest-bearing deposits and federal funds sold	36	31	62	67
Total interest income	11,283	14,389	22,791	29,548
Interest expense				
Deposits				
Interest-bearing demand	539	863	1,151	1,895
Savings	87	128	182	257
Time ($100,000 and over)	664	881	1,362	1,812
Other time	1,167	1,794	2,408	3,734
Total interest on deposits	2,457	3,666	5,103	7,698
Interest on borrowed funds				
Interest on FHLB advances	797	1,347	1,666	2,798
Interest on subordinated debentures	569	569	1,131	1,108
Interest on junior subordinated debentures	51	51	102	101
Total interest on borrowed funds	1,417	1,967	2,899	4,007
Total interest expense	3,874	5,633	8,002	11,705
Net interest income before provision for loan and lease losses	7,409	8,756	14,789	17,843
Provision for loan and lease losses	765	4,574	2,509	9,682
Net interest income after provision for loan and lease losses	6,644	4,182	12,280	8,161
Non-interest income (loss)				
Service charges	783	835	1,510	1,648
Net gain (loss) on the sale of securities	2,302	(21)	2,302	1,175
Gross other-than-temporary impairment (OTTI) losses	(479)	(2,938)	(209)	(11,173)
Portion of (gain) loss recognized in OCI (before taxes)	130	382	(140)	8,271
Other-than-temporary-impairment losses recognized in earnings	(349)	(2,556)	(349)	(2,902)
Net gain on the sale of loans held for sale	123	155	298	403
Net gain on the sale of other real estate owned	23	48	2,567	48
Net gain on the sale of other assets	19	28	20	28
Bank owned life insurance income	199	186	395	383
Other	357	394	696	777
Total non-interest income (loss)	3,457	(931)	7,439	1,560
Non-interest expense				
Salaries and employee benefits	3,459	3,229	6,855	6,337
Occupancy expense	821	517	1,498	1,164
Equipment expense	409	454	794	886

Advertising expense		182		214		343		333
Data processing expense		518		568		1,019		982
FDIC assessment		587		502		1,376		971
Bank shares tax		276		255		552		510
Expense of other real estate		121		1,170		688		1,305
Provision for off-balance sheet commitments		43		(24)		(191)		30
Legal expense		1,103		133		1,401		281
Professional fees		1,206		206		3,445		500
Insurance expense		98		75		197		155
Other operating expenses		1,089		1,147		2,079		2,287
Total non-interest expense		9,912		8,446		20,056		15,741
Income (loss) before income taxes		189		(5,195)		(337)		(6,020)
Provision for income taxes								
Net Income (loss)	$	189	$	(5,195)	$	(337)	$	(6,020)
Income (Loss) Per Share								
Basic	$	0.01	$	(0.32)	$	(0.02)	$	(0.37)
Diluted	$	0.01	$	(0.32)	$	(0.02)	$	(0.37)
Cash Dividends Declared Per Common Share	$		$		$		$	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:								
Basic		16,440,190		16,306,670		16,437,491		16,300,515
Diluted		16,440,190		16,306,670		16,437,491		16,300,515

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

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FIRST NATIONAL COMMUNITY BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Six Months Ended June 30, 2011 and 2010 (in thousands)

(Unaudited)

	Number of Common Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders Equity
BALANCES, DECEMBER 31, 2009	16,289,970	$ 20,362	$ 61,190	$ (6,162)	**$ (12,306)**	$ 63,084
Net loss for the period				(6,020)		(6,020)
Other comprehensive income, net of tax:						
Net change in unrealized gains and losses on securities available for sale (AFS), net of taxes of $10,886					20,220	
Non-credit related losses on OTTI securities not expected to be sold, net of taxes of $9,649					(17,920)	
Reclassification adjustment for gains and (losses) included in net loss, net of tax of $411					764	
Other comprehensive income					3,064	3,064
Total comprehensive loss						(2,956)
Proceeds from issuance of common shares through dividend reinvestment plan	25,635	33	81			114
Balances, June 30, 2010	16,315,605	$ 20,395	$ 61,271	$ (12,182)	$ (9,242)	$ 60,242
BALANCES, DECEMBER 31, 2010	16,433,020	$ 20,541	$ 61,539	$ (37,882)	$ (12,143)	$ 32,055
Net loss for the period				(337)		(337)
Other comprehensive income, net of tax:						
Net change in unrealized gains and losses on securities available for sale (AFS), net of tax of $3,097					6,012	
Non-credit related losses on OTTI securities not expected to be sold, net of tax of $71					138	
Reclassification adjustment for losses included in net loss, net of tax of $664					(1,289)	
Other comprehensive income					4,861	4,861
Total comprehensive income						4,524
Proceeds from issuance of common shares through dividend reinvestment plan	8,299	10	17			27
Balances, June 30, 2011	16,441,319	$ 20,551	$ 61,556	$ (38,219)	$ (7,282)	$ 36,606

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

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FIRST NATIONAL COMMUNITY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six months ended June 30,	
(in thousands)	**2011**	**2010**
Cash Flows from Operating Activities:		
Net loss	$ (337)	$ (6,020)
Adjustments to Reconcile Net loss to Net Cash Provided by Operating Activities:		
Investment securities accretion, net	(754)	(1,402)
Equity in trust	(1)	(2)
Depreciation and amortization	750	881
Provision for loan and lease losses	2,509	9,682
Provision for off balance sheet commitments	(191)	30
Provision for deferred taxes		2,137
Net gain on sale of investment securities	(2,302)	(1,175)
Other-than temporary impairment losses	349	2,902
Net gain on the sale of loans held for sale	(298)	(403)
Net gain on the sale of other real estate owned	(2,567)	(48)
Write-down of other real estate owned	266	896
Gain on the sale of other assets	(20)	(28)
Bank owned life insurance income	(395)	(383)
Proceeds from the sale of loans held for sale	15,512	17,680
Funds used to originate loans held for sale	(13,460)	(17,396)
Increase (decrease) in interest payable	669	(360)
Increase (decrease) in other liabilities	378	(528)
Decrease in interest receivable	319	339
Increase in refundable federal income taxes	(2)	
Decrease in prepaid expenses and other assets	4,388	797
Net Cash Provided by Operating Activities	4,813	7,599
Cash Flows from Investing Activities:		
Investment Securities:		
Proceeds from maturities, calls and principal payments	14,869	17,502
Proceeds from sales	16,103	25,548
Purchases		(38,769)
Purchases of Federal Reserve Bank stock		(336)
Redemption of FHLB stock	1,005	
Net decrease in loans to customers	26,899	41,194
Proceeds from the sale of other real estate owned	6,101	357
Purchases of bank premises and equipment	(517)	(746)
Proceeds from the sale of bank premises and equipment	32	97
Net Cash Provided by Investing Activities	64,492	44,847
Cash Flows from Financing Activities:		
Net decrease in demand deposits, money market demand, interest-bearing demand accounts, and savings accounts	(19,346)	(12,514)
Net decrease in time deposits	(30,388)	(37,313)
Proceeds from issuance of subordinated debentures		1,900
Proceeds from FHLB advances	97,947	94,305
Repayment of FHLB advances	(134,006)	(102,559)
Repayment of other borrowed funds	(227)	(21)
Proceeds from issuance of common shares - dividend reinvestment plan	27	112
Net Cash Used by Financing Activities	(85,993)	(56,090)

Net Decrease in Cash and Cash Equivalents		(16,688)		(3,644)
Cash & Cash Equivalents at Beginning of Period		74,505		86,364
Cash & Cash Equivalents at End of Period	$	57,817	$	82,720
Supplemental Cash Flow Information				
Cash paid during the period for:				
Interest	$	7,333	$	12,065
Other transactions:				
Principal balance of loans transferred to OREO		2,356		5,043
Transfer from other assets to loans held for sale		830		
Transfer from loans held for sale to loans		1,803		119

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

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FIRST NATIONAL COMMUNITY BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

The consolidated financial statements are comprised of First National Community Bancorp, Inc. and its wholly owned subsidiary, First National Community Bank (the Bank) as well as the Bank s wholly-owned subsidiaries (collectively the Company). All inter-company transactions and balances have been eliminated. The accounting and reporting policies of the Company conform to U.S. Generally Accepted Accounting Principles (GAAP) and general practices within the financial services industry. In the opinion of management, all adjustments necessary to a fair statement of the results for the quarterly period ended June 30, 2011 have been included.

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

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s December 31, 2010 audited financial statements filed on Form 10-K and the Company s March 31, 2011 unaudited financial statements filed on Form 10-Q.

Note 2. New Authoritative Accounting Guidance

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

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

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

In April 2011, the FASB issued an update (Accounting Standards Update No. 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*) which clarifies when creditors should classify loan modifications as troubled debt

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restructurings. The new guidance was effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. A provision in Update 2011-02 also ends the FASB s deferral of the additional disclosures about troubled debt restructurings as required by Update 2010-20. The Company elected to adopt Update 2011-02 in the quarter ending March 31, 2011. The adoption of this update did not have a material impact on the Company s consolidated financial statements.

Accounting Guidance to be Adopted In Future Periods

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

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

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

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

Reclassification of Prior Year Financial Statements

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

Note 3. Regulatory Matters

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

OCC Consent Order. The Bank, pursuant to a Stipulation and Consent to the Issuance of a Consent Order dated September 1, 2010 without admitting or denying any wrongdoing, consented and agreed to the issuance of the Order by the OCC, the Bank s primary

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regulator. The Order requires the Bank to undertake certain actions within designated timeframes, and to operate in compliance with the provisions thereof during its term. The Order is based on the results of an examination of the Bank as of March 31, 2009. Since the examination, management has engaged in discussions with the OCC and has taken steps to improve the condition, policies and procedures of the Bank. Compliance with the Order is to be monitored by a committee (the Committee) of at least three directors, none of whom is an employee or controlling shareholder of the Bank or its affiliates or a family member of any such person. The Committee is required to submit written progress reports on a monthly basis and the Agreement requires the Bank to make periodic reports and filings with the OCC. The members of the Committee are John P. Moses, Joseph Coccia, Joseph J. Gentile and Thomas J. Melone. The material provisions of the Order are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with the Order, the Bank is required to achieve and thereafter maintain a total risk-based capital equal to at least 13% of risk-weighted assets and a Tier 1 capital equal to at least 9% of adjusted total assets. At June 30, 2011, the Bank did not meet these requirements. The minimum capital requirements under the Order take precedence over the standard regulatory capital adequacy definitions described in the tables below. The Company s and the Bank s actual capital positions and ratios at June 30, 2011 and December 31, 2010 are presented in the following table:

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CAPITAL ANALYSIS

(In thousands)	June 30, 2011	December 31, 2010
Company		
Tier I Capital:		
Total Tier I Capital	$ 52,956	$ 53,297
Tier II Capital:		
Subordinated notes	25,000	25,000
Allowable portion of allowance for loan losses	10,228	11,201
Total Tier II Capital	35,228	36,201
Total Risk-Based Capital	88,184	89,498
Total Risk Weighted Assets	$ 804,126	$ 883,887
Bank		
Tier I Capital:		
Total Tier I Capital	$ 76,550	$ 75,659
Tier II Capital:		
Allowable portion of allowance for loan losses	10,223	11,197
Total Tier II Capital	10,223	11,197
Total Risk-Based Capital	86,773	86,856
Total Risk Weighted Assets	$ 803,772	$ 883,535

(in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provision	
At June 30, 2011	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets)						
Company	$ 88,184	10.97%	$ >64,330	>8.00%	N/A	N/A
Bank	$ 86,773	10.80%	$ >64,302	>8.00%	$ >80,377	>10.00%
Tier I Capital (to Risk Weighted Assets)						
Company	$ 52,956	6.59%	$ >32,165	>4.00%	N/A	N/A
Bank	$ 76,550	9.52%	$ >32,151	>4.00%	$ >48,226	>6.00%
Tier I Capital (to Average Assets)						
Company	$ 52,956	4.60%	$ >46,054	>4.00%	N/A	N/A
Bank	$ 76,550	6.65%	$ >46,040	>4.00%	$ >57,550	>5.00%

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(in thousands) At December 31, 2010	Actual				For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provision		
		Amount	Ratio		Amount	Ratio		Amount	Ratio
Total Capital (to Risk Weighted Assets)									
Company	$	89,499	10.13%	$	>70,711	>8.00%		N/A	N/A
Bank	$	86,856	9.83%	$	>70,683	>8.00%	$	>88,354	>10.00%
Tier I Capital (to Risk Weighted Assets)									
Company	$	53,297	6.03%	$	>35,535	>4.00%		N/A	N/A
Bank	$	75,659	8.56%	$	>35,341	>4.00%	$	>53,012	>6.00%
Tier I Capital (to Average Assets)									
Company	$	56,297	4.27%	$	>49,964	>4.00%		N/A	N/A
Bank	$	75,659	6.06%	$	>49,950	>4.00%	$	>62,438	>5.00%

Note 4. Loans

Loans receivable, net, consists of the following at June 30, 2011 and December 31, 2010:

(in thousands)		June 30, 2011		December 31, 2010
Residential real estate	$	85,159	$	87,925
Commercial real estate		275,715		256,327
Construction, land acquisition and development		46,742		77,395
Commercial and industrial		188,412		197,697
Consumer		106,622		110,853
State and political subdivisions		23,132		27,739
Total loans, gross		725,782		757,936
Unearned discount		(191)		(332)
Net deferred loan fees and costs		586		784
Allowance for loan and lease losses		(23,701)		(22,575)
Loans, net	$	702,476	$	735,813

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

The Company originates one-to-four family mortgage loans primarily for sale in the secondary market. During the three and six month period ended June 30, 2011, the Company sold $3.5 and $15.2 million, respectively, of one-to-four family mortgages. The Company retains servicing rights on these mortgages.

The Company had $1.8 million and $3.6 million in loans held-for-sale at June 30, 2011 and December 31, 2010, respectively. All loans held for sale are one-to-four family residential mortgage loans.

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

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

The Company provides for loan losses based on the consistent application of its documented ALLL methodology. Loan losses are charged to the ALLL and recoveries are credited to it. Additions to the ALLL are provided by charges against income based on various factors which, in management s judgment, deserve current recognition of estimated probable losses. Loan losses are charged-

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off in the period the loans, or portions thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated recoverable amount based on its methodology detailed below. The Company regularly reviews the loan portfolio and makes adjustments for loan losses in order to maintain the ALLL in accordance with U.S. GAAP. The ALLL consists primarily of the following two components:

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

(2) General allowances are established for loan losses on a portfolio basis for loans that do not meet the definition of impaired. The Company divides its portfolio into loan segments, with loans exhibiting similar characteristics. These segments are further disaggregated into classes. Loans rated special mention or substandard and accruing which are embedded in these loan segments are then separated from them. These separated loans are then subject to an analysis placing increased emphasis on the credit risk associated with these specific loans. The Company applies an estimated loss rate to each loan group. The loss rates applied are primarily based on the Company s own historical loss experience based on the loss rate for each group of loans with similar risk characteristics in its portfolio. In addition management evaluates and applies certain qualitative or environmental factors that are likely to cause estimated credit losses associated with the Company s existing portfolio that may differ from historical experience, which are discussed below. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate market conditions. Actual loan losses may be significantly more than the ALLL that is established, which could have a material negative effect on the Company s financial results.

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

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

- Changes in national, local, and business economic conditions and developments, including the condition of various market segments;
- Changes in the nature and volume of the Company s loan portfolio;
- Changes in the Company s lending policies and procedures, including underwriting standards, collection, charge-off and recovery practices and results;
- Changes in the experience, ability and depth of the Company s lending management and staff;

- Changes in the quality of the Company s loan review system and the degree of oversight by the Company s Board of Directors;

- Changes in the trend of the volume and severity of past due and classified loans, including trends in the volume of non-accrual loans, troubled debt restructurings and other loan modifications;

- The existence and effect of any concentrations of credit and changes in the level of such concentrations;

- The effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company s current loan portfolio; and

- Analysis of its customers credit quality.

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

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

The following tables set forth activity in the ALLL, by loan type, for the three and six months ended June 30, 2011:

	Real Estate			Commercial & Industrial		Consumer			
(in thousands)	Residential Real Esate	Commercial Real Estate	Construction, Land Acquisition & Development	Solid Waste Landfills	Other	Indirect Auto	Installment/ HELOC	State and Political Subdivisions	Total
Three Months Ended June 30, 2011:									
Allowance for loan losses:									
Beginning Balance, April 1, 2011	$ 2,241	$ 10,860	$ 4,623	$ 16	$ 4,643	$ 581	$ 576	$ 690	$ 24,230
Charge-offs	(145)	(1,377)			(15)	(104)	(13)		(1,654)
Recoveries	7	11	117		173	51			359
Provisions	135	2,092	(1,077)		(126)	37	44	(339)	766
Ending Balance, June 30, 2011	$ 2,238	$ 11,586	$ 3,663	$ 16	$ 4,675	$ 565	$ 607	$ 351	$ 23,701
Six Months Ended June 30, 2011:									
Allowance for loan losses:									
Beginning Balance, January 1, 2011	$ 2,176	$ 9,640	$ 4,170	$ 11	$ 4,839	$ 597	$ 576	$ 566	$ 22,575
Charge-offs	(281)	(1,833)	(6)		(124)	(232)	(105)		(2,581)
Recoveries	14	24	823		247	89	1		1,198
Provisions	329	3,755	(1,324)	5	(287)	111	135	(215)	2,509
Ending Balance, June 30, 2011	$ 2,238	$ 11,586	$ 3,663	$ 16	$ 4,675	$ 565	$ 607	$ 351	$ 23,701

Changes in the ALLL for the periods indicated are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Balance, beginning of period	$ 24,230	$ 25,505	$ 22,575	$ 22,458
Charge offs	(1,654)	(2,744)	(2,581)	(4,865)
Recoveries	359	43	1,198	103
Provisions	766	4,574	2,509	9,682
Balance, end of period	$ 23,701	$ 27,378	$ 23,701	$ 27,378

The following tables represent the allocation of the allowance for loan losses and the related loan by loan portfolio segment disaggregated based on the impairment methodology at June 30, 2011 and December 31, 2010:

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	Real Estate			Commercial & Industrial		Consumer			
(in thousands)	Residential Real Esate	Commercial Real Estate	Construction, Land Acquisition & Development	Solid Waste Landfills	Other	Indirect Auto	Installment/ HELOC	State and Political Subdivisions	Total
June 30, 2011									
Allowance for loan losses:									
Individually evaluated for impairment	$ 778	$ 675	$ 566	$	$ 3	$	$	$	$ 2,022
Collectively evaluated for impairment	1,460	10,911	3,097	16	4,672	565	607	351	21,679
Total	$ 2,238	$ 11,586	$ 3,663	$ 16	$ 4,675	$ 565	$ 607	$ 351	$ 23,701
Loans receivable:									
individually evaluated for impairment	$ 3,080	$ 13,330	$ 6,686	$	$ 4,970	$	$ 31	$	$ 28,097
collectively evaluated for impairment	82,079	262,385	40,056	52,270	131,172	59,268	47,323	23,132	697,685
Total	$ 85,159	$ 275,715	$ 46,742	$ 52,270	$ 136,142	$ 59,268	$ 47,354	$ 23,132	$ 725,782
December 31, 2010									
Allowance for loan losses:									
Individually evaluated for impairment	$ 785	$ 372	$ 310	$	$ 339	$	$	$	$ 1,806
Collectively evaluated for impairment	1,391	9,268	3,860	11	4,500	597	576	566	20,769
Total	$ 2,176	$ 9,640	$ 4,170	$ 11	$ 4,839	$ 597	$ 576	$ 566	$ 22,575
Loans receivable:									
individually evaluated for impairment	$ 2,926	$ 9,477	$ 11,365	$	$ 6,029	$	$ 132	$	$ 29,929
collectively evaluated for impairment	84,999	246,850	66,030	52,270	139,398	63,509	47,212	27,739	728,007
Total	$ 87,925	$ 256,327	$ 77,395	$ 52,270	$ 145,427	$ 63,509	$ 47,344	$ 27,739	$ 757,936

Credit Quality Indicators Commercial Loans

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

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

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

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

1. Minimal Risk
2. Above Average Credit Quality
3. Average Risk
4. Acceptable Risk
5. Pass - Watch
6. Special Mention
7. Substandard - Accruing
8. Substandard - Non-Accrual
9. Doubtful
10. Loss

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

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

Special Mention Assets classified as special mention do not currently expose the Company to a sufficient degree of risk to warrant an adverse classification but do possess credit deficiencies or potential weaknesses deserving close attention. Special Mention assets have a potential weakness or pose an unwarranted financial risk which, if not corrected, could weaken the asset and increase risk in the future.

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

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

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

The following tables detail the recorded investment in loans receivable by the aforementioned class of loan and credit quality indicator at June 30, 2011 and December 31, 2010, respectively:

		Real Estate		Commercial & Industrial				
June 30, 2011 (in thousands)	**Residential Real Esate**	**Commercial Real Estate**	**Construction, Land Acquisition & Development**	**Solid Waste Landfills**	**Other**	**Installment HELOC**	**State and Political Subdivisions**	**Total**
Internal Risk Rating								
Pass	$ 23,929	$ 220,872	$ 24,327	$ 52,270	$ 122,010	$ 3,379	$ 13,071	$ 459,858
Special Mention	196	20,337	1,120		1,768	291	10,061	33,773
Substandard	1,431	34,506	17,477		6,080	157		59,651
Doubtful	682		400					1,082
Loss								
Total Loans Recievable	$ 26,238	$ 275,715	$ 43,324	$ 52,270	$ 129,858	$ 3,827	$ 23,132	$ 554,364

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

Credit Quality Indicators Other Loans

Residential, consumer and commercial, and consumer indirect auto loans are monitored on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more are considered non-accrual. The Company utilizes accruing versus non-accruing status as the credit quality indicator for these loan pools. The following table presents the recorded investment in residential, consumer and indirect auto loans based on payment activity as of June 30, 2011 and December 31, 2010.

	June 30, 2011			December 31, 2010		
(in thousands)	Performing Loans	Non-accrual Loans	Total	Performing Loans	Non-accrual Loans	Total
Construction, Land Acquisition & Development - Residential	$ 3,418	$	$ 3,418	$ 3,927	$	$ 3,927
Residential Real Estate	56,311	2,610	58,921	57,665	2,465	60,130
Indirect Auto - Consumer	59,268		59,268	63,493	16	63,509
Indirect Auto - Commercial	6,284		6,284	7,445		7,445
Installment/HELOC	43,268	259	43,527	47,245	221	47,466
Total	$ 168,549	$ 2,869	$ 171,418	$ 179,775	$ 2,702	$ 182,477

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment in these non-accrual loans was $26.8 million and $28.3 million at June 30, 2011 and December 31, 2010, respectively. Generally, loans are placed on non-accruing status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be fewer than 90 days delinquent and still be on a non-accruing status. Loans past due 90 days or more and still accruing interest were $74 thousand and $99 thousand at June 30, 2011 and December 31, 2010, respectively, and consisted of loans that are well secured and are in the process of renewal.

The following tables set forth the detail, and delinquency status, of past due and non-accrual loans at June 30, 2011 and December 31, 2010:

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	June 30, 2011 Performing (Accruing) Loans				
(in thousands)	0-29 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	>/= 90 Days Past Due	Total Performing Loans
Real Estate					
Residential Real Estate	$ 80,362	$ 849	$ 497	$ 37	$ 81,745
Commercial Real Estate	259,743	3,254	670		263,667
Construction, Land Acquisition & Development	40,656	50	34		40,740
Total Real Estate	380,761	4,153	1,201	37	386,152
Commercial and Industrial					
Solid Waste Landfills	52,270				52,270
Other	130,591	437	22	28	131,078
Total Commercial and Industrial	182,861	437	22	28	183,348