

CHOICEONE FINANCIAL SERVICES INC  
Form 10-Q  
August 14, 2013

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2013
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-19202

ChoiceOne Financial Services, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Michigan 38-2659066  
(State or Other Jurisdiction of Incorporation or (I.R.S. Employer Identification No.)  
Organization)

109 East Division 49345  
Sparta, Michigan (Zip Code)  
(Address of Principal Executive Offices)

(616) 887-7366  
(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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  No

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

Edgar Filing: CHOICEONE FINANCIAL SERVICES INC - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of July 31, 2013, the Registrant had outstanding 3,296,637 shares of common stock.

---

---

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

ChoiceOne Financial Services, Inc.  
CONSOLIDATED BALANCE SHEETS

| (Dollars in thousands)  | June 30,<br>2013<br>(Unaudited) | December 31,<br>2012<br>(Audited) |
|---|---------------------------------|-----------------------------------|
| <b>Assets</b>   |                                 |                                   |
| Cash and due from banks   | \$ 10,341                       | \$ 19,034                         |
| Federal funds sold  | —                               | —                                 |
| Cash and cash equivalents   | 10,341                          | 19,034                            |
| Securities available for sale   | 131,183                         | 134,492                           |
| Federal Home Loan Bank stock  | 2,478                           | 2,478                             |
| Federal Reserve Bank stock  | 1,272                           | 1,272                             |
| Loans held for sale   | 1,529                           | 1,874                             |
| Loans   | 315,835                         | 311,468                           |
| Allowance for loan losses   | (5,864 )                        | (5,852 )                          |
| Loans, net  | 309,971                         | 305,616                           |
| Premises and equipment, net   | 12,294                          | 12,121                            |
| Other real estate owned, net  | 1,573                           | 2,019                             |
| Cash value of life insurance policies   | 10,120                          | 9,970                             |
| Intangible assets, net  | 1,499                           | 1,724                             |
| Goodwill  | 13,728                          | 13,728                            |
| Other assets  | 3,766                           | 4,585                             |
| <b>Total assets</b>   | <b>\$ 499,754</b>               | <b>\$ 508,913</b>                 |
| <b>Liabilities</b>  |                                 |                                   |
| Deposits – noninterest-bearing  | \$ 97,066                       | \$ 101,861                        |
| Deposits – interest-bearing   | 307,372                         | 322,338                           |
| <b>Total deposits</b>   | <b>404,438</b>                  | <b>424,199</b>                    |
| Repurchase agreements   | 17,292                          | 19,572                            |
| Advances from Federal Home Loan Bank  | 12,406                          | 420                               |
| Federal funds purchased   | 1,879                           | —                                 |
| Other liabilities   | 3,153                           | 4,216                             |
| <b>Total liabilities</b>  | <b>439,168</b>                  | <b>448,407</b>                    |
| <b>Shareholders' Equity</b>   |                                 |                                   |
| Preferred stock; shares authorized: 100,000; shares outstanding: none   | —                               | —                                 |
| Common stock and paid in capital, no par value; shares authorized: 7,000,000; shares outstanding: 3,295,924 at June 30, 2013 and 3,298,081 at December 31, 2012 | 46,593                          | 46,649                            |
| Retained earnings   | 13,190                          | 11,501                            |

Edgar Filing: CHOICEONE FINANCIAL SERVICES INC - Form 10-Q

|   |            |            |
|---|------------|------------|
| Accumulated other comprehensive income, net | 803        | 2,356      |
| Total shareholders' equity                  | 60,586     | 60,506     |
| Total liabilities and shareholders' equity  | \$ 499,754 | \$ 508,913 |

See accompanying notes to consolidated financial statements.

2

---

ChoiceOne Financial Services, Inc.  
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

| (Dollars in thousands, except<br>per share data)               | Three Months Ended<br>June 30, |              | Six Months Ended<br>June 30, |               |
|--|--------------------------------|--------------|------------------------------|---------------|
|  | 2013                           | 2012         | 2013                         | 2012          |
| <b>Interest income</b>   |                                |              |                              |               |
| Loans, including fees  | \$ 4,004                       | \$ 4,165     | \$ 8,008                     | \$ 8,511      |
| <b>Securities:</b>   |                                |              |                              |               |
| Taxable  | 454                            | 494          | 917                          | 997           |
| Tax exempt   | 347                            | 339          | 693                          | 660           |
| Other  | 2                              | 6            | 5                            | 11            |
| <b>Total interest income</b>                                   | <b>4,807</b>                   | <b>5,004</b> | <b>9,623</b>                 | <b>10,179</b> |
| <b>Interest expense</b>  |                                |              |                              |               |
| Deposits   | 338                            | 532          | 714                          | 1,144         |
| Advances from Federal Home<br>Loan Bank                        | 11                             | 112          | 15                           | 188           |
| Other  | 10                             | 70           | 19                           | 138           |
| <b>Total interest expense</b>                                  | <b>359</b>                     | <b>714</b>   | <b>748</b>                   | <b>1,470</b>  |
| <b>Net interest income</b>                                     | <b>4,448</b>                   | <b>4,290</b> | <b>8,875</b>                 | <b>8,709</b>  |
| Provision for loan losses                                      | —                              | 650          | 300                          | 1,475         |
| <b>Net interest income after<br/>provision for loan losses</b> | <b>4,448</b>                   | <b>3,640</b> | <b>8,575</b>                 | <b>7,234</b>  |
| <b>Noninterest income</b>                                      |                                |              |                              |               |
| Customer service charges                                       | 934                            | 806          | 1,772                        | 1,586         |
| Insurance and investment<br>commissions                        | 194                            | 221          | 343                          | 382           |
| Gains on sales of loans  | 481                            | 386          | 974                          | 760           |
| Gains on sales of securities                                   | 53                             | 117          | 76                           | 286           |
| Losses on sales and<br>write-downs of other assets             | (231 )                         | (67 )        | (300 )                       | (239 )        |
| Earnings on life insurance<br>policies                         | 75                             | 77           | 150                          | 290           |
| Other  | 187                            | 173          | 374                          | 341           |
| <b>Total noninterest income</b>                                | <b>1,693</b>                   | <b>1,713</b> | <b>3,389</b>                 | <b>3,406</b>  |
| <b>Noninterest expense</b>                                     |                                |              |                              |               |
| Salaries and benefits  | 2,101                          | 1,949        | 4,117                        | 3,818         |
| Occupancy and equipment  | 592                            | 545          | 1,162                        | 1,137         |
| Data processing  | 513                            | 434          | 1,013                        | 876           |
| Professional fees  | 234                            | 189          | 392                          | 399           |
| Supplies and postage   | 100                            | 116          | 244                          | 251           |
| Advertising and promotional                                    | 59                             | 37           | 112                          | 81            |
| Intangible amortization  | 112                            | 112          | 224                          | 224           |

Edgar Filing: CHOICEONE FINANCIAL SERVICES INC - Form 10-Q

|                              |          |          |          |          |
|------------------------------|----------|----------|----------|----------|
| Loan and collection expense  | 66       | 114      | 177      | 242      |
| FDIC insurance               | 84       | 105      | 179      | 210      |
| Other                        | 481      | 410      | 884      | 788      |
| Total noninterest expense    | 4,342    | 4,011    | 8,504    | 8,026    |
| Income before income tax     | 1,799    | 1,342    | 3,460    | 2,614    |
| Income tax expense           | 487      | 321      | 913      | 578      |
| Net income                   | \$ 1,312 | \$ 1,021 | \$ 2,547 | \$ 2,036 |
| Basic earnings per share     | \$ 0.40  | \$ 0.31  | \$ 0.77  | \$ 0.62  |
| Diluted earnings per share   | \$ 0.40  | \$ 0.31  | \$ 0.77  | \$ 0.62  |
| Dividends declared per share | \$ 0.13  | \$ 0.12  | \$ 0.26  | \$ 0.24  |

See accompanying notes to consolidated financial statements.

ChoiceOne Financial Services, Inc.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

| (Dollars in thousands)  | Three Months Ended<br>June 30, |          | Six Months Ended<br>June 30, |          |
|---|--------------------------------|----------|------------------------------|----------|
|   | 2013                           | 2012     | 2013                         | 2012     |
| Net income  | \$ 1,312                       | \$ 1,021 | \$ 2,547                     | \$ 2,036 |
| Other comprehensive income, net<br>of tax:  |                                |          |                              |          |
| Unrealized holding gains/(losses)<br>on available for sale securities               | (1,696 )                       | 539      | (1,503 )                     | 348      |
| Less: Reclassification adjustment<br>for gain recognized in earnings,<br>net of tax | (35 )                          | 77       | (50 )                        | 189      |
| Other comprehensive<br>income/(loss), net of tax                                    | (1,731 )                       | 462      | (1,553 )                     | 159      |
| Comprehensive income/(loss)   | \$ (419 )                      | \$ 1,483 | \$ 994                       | \$ 2,195 |

See accompanying notes to consolidated financial statements.

ChoiceOne Financial Services, Inc.  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

| (Dollars in thousands)                     | Number of<br>Shares | Common<br>Stock and<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income, Net | Total     |
|--|---------------------|---|----------------------|--|-----------|
| Balance, January 1, 2012                   | 3,293,269           | \$ 46,602                                 | \$ 8,887             | \$ 2,415   | \$ 57,904 |
| Net income                                 |                     |   | 2,036                |  | 2,036     |
| Other comprehensive income                 |                     |   |                      | 159  | 159       |
| Shares issued                              | 5,535               | 68  |                      |  | 68        |
| Effect of employee stock purchases         |                     | 6   |                      |  | 6         |
| Cash dividends declared (\$0.24 per share) |                     |   | (791 )               |  | (791 )    |
| Balance, June 30, 2012                     | 3,298,804           | \$ 46,676                                 | \$ 10,132            | \$ 2,574   | \$ 59,382 |
| Balance, January 1, 2013                   | 3,298,081           | \$ 46,649                                 | \$ 11,501            | \$ 2,356   | \$ 60,506 |
| Net income                                 |                     |   | 2,547                |  | 2,547     |
| Other comprehensive income/(loss)          |                     |   |                      | (1,553 )   | (1,553 )  |
| Change in ESOP repurchase obligation       |                     | (13 )                                     |                      |  | (13 )     |
| Shares repurchased                         | (7,468 )            | (125 )                                    |                      |  | (125 )    |
| Shares issued                              | 5,311               | 76  |                      |  | 76        |
| Effect of employee stock purchases         |                     | 6   |                      |  | 6         |
| Cash dividends declared (\$0.26 per share) |                     |   | (858 )               |  | (858 )    |
| Balance, June 30, 2013                     | 3,295,924           | \$ 46,593                                 | \$ 13,190            | \$ 803   | \$ 60,586 |

See accompanying notes to consolidated financial statements.

ChoiceOne Financial Services, Inc.  
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

| (Dollars in thousands)   | Six Months Ended<br>June 30, |           |
|--|------------------------------|-----------|
|  | 2013                         | 2012      |
| Cash flows from operating activities:                                      |                              |           |
| Net income   | \$2,547                      | \$2,036   |
| Adjustments to reconcile net income to net cash from operating activities: |                              |           |
| Provision for loan losses  | 300                          | 1,475     |
| Depreciation   | 449                          | 463       |
| Amortization   | 842                          | 747       |
| Compensation expense on stock options and employee stock purchases         | 6                            | 6         |
| Gains on sales of securities   | (76 )                        | (286 )    |
| Gains on sales of loans  | (974 )                       | (760 )    |
| Loans originated for sale  | (25,337 )                    | (21,622 ) |
| Proceeds from loan sales   | 26,508                       | 22,484    |
| Earnings on bank-owned life insurance                                      | (150 )                       | (290 )    |
| Proceeds from life insurance   | —                            | 311       |
| Losses on sales of other real estate owned                                 | 24                           | 14        |
| Write-downs of other real estate owned                                     | 277                          | 231       |
| Proceeds from sales of other real estate owned                             | 554                          | 596       |
| Deferred federal income tax expense  | 242                          | 43        |
| Net changes in other assets  | 881                          | 814       |
| Net changes in other liabilities   | (519 )                       | (101 )    |
| Net cash from operating activities   | 5,574                        | 6,161     |
| Cash flows from investing activities:                                      |                              |           |
| Securities available for sale:   |                              |           |
| Sales  | 2,344                        | 6,801     |
| Maturities, prepayments and calls  | 13,612                       | 18,172    |
| Purchases  | (15,454 )                    | (40,481 ) |
| Loan originations and payments, net  | (5,064 )                     | 14,030    |
| Additions to premises and equipment  | (622 )                       | (158 )    |
| Net cash from investing activities   | (5,184 )                     | (1,636 )  |
| Cash flows from financing activities:                                      |                              |           |
| Net change in deposits   | (19,761 )                    | (623 )    |
| Net change in repurchase agreements  | (2,280 )                     | 2,793     |
| Net change in federal funds purchased                                      | 1,879                        | —         |
| Proceeds from Federal Home Loan Bank advances                              | 13,000                       | —         |
| Payments on Federal Home Loan Bank advances                                | (1,014 )                     | (3,013 )  |
| Issuance of common stock   | 76                           | 68        |
| Repurchase of common stock   | (125 )                       | —         |
| Cash dividends   | (858 )                       | (791 )    |
| Net cash from financing activities   | (9,083 )                     | (1,566 )  |

Edgar Filing: CHOICEONE FINANCIAL SERVICES INC - Form 10-Q

|  |          |          |
|--|----------|----------|
| Net change in cash and cash equivalents            | (8,693 ) | 2,959    |
| Beginning cash and cash equivalents                | 19,034   | 17,125   |
| Ending cash and cash equivalents                   | \$10,341 | \$20,084 |
| Supplemental disclosures of cash flow information: |          |          |
| Cash paid for interest                             | \$778    | \$1,498  |
| Cash paid for income taxes                         | \$975    | \$800    |
| Loans transferred to other real estate owned       | \$409    | \$193    |
| Securities transferred to other assets             | \$—      | \$330    |

See accompanying notes to consolidated financial statements.

ChoiceOne Financial Services, Inc.  
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include ChoiceOne Financial Services, Inc. (“ChoiceOne” or the “Registrant”) and its wholly-owned subsidiary, ChoiceOne Bank (the “Bank”), and the Bank’s wholly-owned subsidiary, ChoiceOne Insurance Agencies, Inc. Intercompany transactions and balances have been eliminated in consolidation.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, prevailing practices within the banking industry and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The accompanying consolidated financial statements reflect all adjustments ordinary in nature which are, in the opinion of management, necessary for a fair presentation of the Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012, the Consolidated Statements of Income for the three- and six-month periods ended June 30, 2013 and June 30, 2012, the Consolidated Statements of Comprehensive Income for the three- and six-month periods ended June 30, 2013 and June 30, 2012, the Consolidated Statements of Changes in Shareholders’ Equity for the six-month periods ended June 30, 2013 and June 30, 2012, and the Consolidated Statements of Cash Flows for the six-month periods ended June 30, 2013 and June 30, 2012. Operating results for the six months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2012.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level believed adequate by management to absorb probable incurred losses inherent in the consolidated loan portfolio. Management’s evaluation of the adequacy of the allowance is an estimate based on reviews of individual loans, assessments of the impact of current economic conditions on the portfolio and historical loss experience of seasoned loan portfolios. See Note 3 to the interim consolidated financial statements for additional information.

Management believes the accounting estimate related to the allowance for loan losses is a “critical accounting estimate” because (1) the estimate is highly susceptible to change from period to period because of assumptions concerning the changes in the types and volumes of the portfolios and economic conditions and (2) the impact of recognizing an impairment or loan loss could have a material effect on ChoiceOne’s assets reported on the balance sheet as well as its net income.

Stock Transactions

A total of 2,565 shares of common stock were issued to the Registrant’s Board of Directors for a cash price of \$40,000 under the terms of the Directors’ Stock Purchase Plan in the first six months of 2013. A total of 2,555 shares were issued to employees for a cash price of \$36,000 under the Employee Stock Purchase Plan in the first half of 2013. A total of 191 shares were issued upon the exercise of stock options in the first two quarters of 2013. A total of 7,468 shares of common stock were repurchased in the first half of 2013.

Reclassifications

Certain amounts presented in prior periods have been reclassified to conform to the current presentation.

#### New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“ASU 2013-02”), to improve the reporting of reclassifications out of accumulated other comprehensive income. ASU 2013-02 requires that an entity report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (“GAAP”) to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about these accounts. ASU 2013-02 is effective prospectively for reporting periods beginning after December 15, 2012. ChoiceOne adopted ASU 2013-02 as of January 1, 2013.

## NOTE 2 - SECURITIES

The fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

| (Dollars in thousands)             | June 30, 2013     |                              |                               |            |
|------------------------------------|-------------------|------------------------------|-------------------------------|------------|
|                                    | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Value |
| U.S. Government and federal agency | \$ 39,867         | \$ 200                       | \$ (448 )                     | \$ 39,619  |
| U.S. Treasury                      | 7,324             | 13                           | (101 )                        | 7,236      |
| State and municipal                | 64,752            | 2,184                        | (918 )                        | 66,018     |
| Mortgage-backed                    | 8,925             | 115                          | (69 )                         | 8,971      |
| Corporate                          | 6,670             | 70                           | (30 )                         | 6,710      |
| Foreign debt                       | 1,000             | —                            | (23 )                         | 977        |
| Equity securities                  | 1,651             | 2                            | (1)                           | 1,652      |
| Total                              | \$ 130,189        | \$ 2,584                     | \$ (1,590 )                   | \$ 131,183 |

| (Dollars in thousands)             | December 31, 2012 |                              |                               |            |
|------------------------------------|-------------------|------------------------------|-------------------------------|------------|
|                                    | Amortized<br>Cost | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair Value |
| U.S. Government and federal agency | \$ 39,815         | \$ 455                       | \$ (2 )                       | \$ 40,268  |
| U.S. Treasury                      | 7,362             | 45                           | (9 )                          | 7,398      |
| State and municipal                | 62,248            | 2,668                        | (238 )                        | 64,678     |
| Mortgage-backed                    | 12,218            | 308                          | —                             | 12,526     |
| Corporate                          | 6,600             | 113                          | (1 )                          | 6,712      |
| Foreign debt                       | 1,000             | 1                            | —                             | 1,001      |
| Equity securities                  | 1,902             | 12                           | (5 )                          | 1,909      |
| Total                              | \$ 131,145        | \$ 3,602                     | \$ (255 )                     | \$ 134,492 |

ChoiceOne reviews its securities portfolio on a quarterly basis to determine whether unrealized losses are considered to be temporary or other-than-temporary. No other-than-temporary impairment charges were recorded during the six months ended June 30, 2013. ChoiceOne believed that unrealized losses on securities were temporary in nature and were due to changes in interest rates and reduced market liquidity and not as a result of credit quality issues.

## NOTE 3 – LOANS AND ALLOWANCE FOR LOAN LOSSES

Activity in the allowance for loan losses and balances in the loan portfolio were as follows:

(Dollars in thousands)

|                                       | Commercial<br>and<br>Agricultural | Commercial<br>Industrial | Consumer | Commercial<br>Real<br>Estate | Commercial<br>Real<br>Estate | Construction<br>Real<br>Estate | Residential<br>Real<br>Estate | Unallocated | Total |
|---------------------------------------|-----------------------------------|--------------------------|----------|------------------------------|------------------------------|--------------------------------|-------------------------------|-------------|-------|
| Allowance for Loan Losses             |                                   |                          |          |                              |                              |                                |                               |             |       |
| Three Months Ended                    |                                   |                          |          |                              |                              |                                |                               |             |       |
| June 30, 2013                         |                                   |                          |          |                              |                              |                                |                               |             |       |
| Beginning balance                     | \$ 190                            | \$ 553                   | \$ 236   | \$ 2,900                     | \$ 15                        | \$ 1,552                       | \$ 435                        | \$ 5,881    |       |
| Charge-offs                           | —                                 | (28 )                    | (87 )    | (68 )                        | —                            | (119 )                         | —                             | (302 )      |       |
| Recoveries                            | 1                                 | 202                      | 52       | 21                           | —                            | 9                              | —                             | 285         |       |
| Provision                             | (51 )                             | 83                       | 14       | (403 )                       | 5                            | 229                            | 123                           | —           |       |
| Ending balance                        | \$ 140                            | \$ 810                   | \$ 215   | \$ 2,450                     | \$ 20                        | \$ 1,671                       | \$ 558                        | \$ 5,864    |       |
| Six Months Ended June 30, 2013        |                                   |                          |          |                              |                              |                                |                               |             |       |
| Beginning balance                     | \$ 140                            | \$ 381                   | \$ 250   | \$ 2,596                     | \$ 15                        | \$ 1,923                       | \$ 547                        | \$ 5,852    |       |
| Charge-offs                           | —                                 | (49 )                    | (184 )   | (166 )                       | —                            | (283 )                         | —                             | (682 )      |       |
| Recoveries                            | 2                                 | 239                      | 104      | 31                           | —                            | 18                             | —                             | 394         |       |
| Provision                             | (2 )                              | 239                      | 45       | (11 )                        | 5                            | 13                             | 11                            | 300         |       |
| Ending balance                        | \$ 140                            | \$ 810                   | \$ 215   | \$ 2,450                     | \$ 20                        | \$ 1,671                       | \$ 558                        | \$ 5,864    |       |
| Individually evaluated for impairment | \$ 23                             | \$ 280                   | \$ 6     | \$ 817                       | \$ —                         | \$ 315                         | \$ —                          | \$ 1,441    |       |
| Collectively evaluated for impairment | \$ 117                            | \$ 530                   | \$ 209   | \$ 1,633                     | \$ 20                        | \$ 1,356                       | \$ 558                        | \$ 4,423    |       |
| Three Months Ended                    |                                   |                          |          |                              |                              |                                |                               |             |       |
| June 30, 2012                         |                                   |                          |          |                              |                              |                                |                               |             |       |
| Beginning balance                     | \$ 50                             | \$ 556                   | \$ 231   | \$ 2,748                     | \$ 16                        | \$ 1,522                       | \$ 213                        | \$ 5,336    |       |
| Charge-offs                           | —                                 | (10 )                    | (62 )    | (247 )                       | —                            | (156 )                         | —                             | (475 )      |       |
| Recoveries                            | 2                                 | 10                       | 59       | 11                           | —                            | 16                             | —                             | 98          |       |
| Provision                             | 69                                | 134                      | 8        | 99                           | (1 )                         | 292                            | 49                            | 650         |       |
| Ending balance                        | \$ 121                            | \$ 690                   | \$ 236   | \$ 2,611                     | \$ 15                        | \$ 1,674                       | \$ 262                        | \$ 5,609    |       |
| Six Months Ended June 30, 2012        |                                   |                          |          |                              |                              |                                |                               |             |       |
| Beginning balance                     | \$ 55                             | \$ 609                   | \$ 197   | \$ 2,299                     | \$ 34                        | \$ 1,847                       | \$ 172                        | \$ 5,213    |       |
| Charge-offs                           | —                                 | (30 )                    | (133 )   | (434 )                       | —                            | (740 )                         | —                             | (1,337 )    |       |
| Recoveries                            | 3                                 | 30                       | 125      | 21                           | —                            | 79                             | —                             | 258         |       |
| Provision                             | 63                                | 81                       | 47       | 725                          | (19 )                        | 488                            | 90                            | 1,475       |       |
| Ending balance                        | \$ 121                            | \$ 690                   | \$ 236   | \$ 2,611                     | \$ 15                        | \$ 1,674                       | \$ 262                        | \$ 5,609    |       |
|                                       | \$ —                              | \$ —                     | \$ —     | \$ 173                       | \$ —                         | \$ —                           | \$ —                          | \$ 173      |       |

Individually evaluated  
for impairment

Collectively evaluated  
for impairment

|        |        |        |          |       |          |
|--------|--------|--------|----------|-------|----------|
| \$ 121 | \$ 690 | \$ 236 | \$ 2,438 | \$ 15 | \$ 1,674 |
|--------|--------|--------|----------|-------|----------|