PLUMAS BANCORP
Form 10-Q
November 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM __________ TO ___________

COMMISSION FILE NUMBER: 000-49883

PLUMAS BANCORP

(Exact Name of Registrant as Specified in Its Charter)

California	**75-2987096**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
35 S. Lindan Avenue, Quincy, California	**95971**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code **(530) 283-7305**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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.

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of November 2, 2015. 4,827,832 shares

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PLUMAS BANCORP

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	September 30, 2015	**December 31, 2014**
Assets		
Cash and cash equivalents	$ 93,964	$ 45,574
Investment securities available for sale	89,391	90,320
Loans, less allowance for loan losses of $5,917 at September 30, 2015 and $5,451 at December 31, 2014	386,838	366,787
Premises and equipment, net	12,442	11,642
Bank owned life insurance	12,102	11,845
Real estate acquired through foreclosure	2,265	3,590
Accrued interest receivable and other assets	9,854	9,104
Total assets	$ 606,856	$ 538,862
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	$ 213,406	$ 180,649
Interest bearing	325,348	287,242
Total deposits	538,754	467,891
Repurchase agreements	5,355	9,626
Note payable	5,000	1,000
Subordinated debenture	-	7,454
Accrued interest payable and other liabilities	6,229	6,084
Junior subordinated deferrable interest debentures	10,310	10,310
Total liabilities	565,648	502,365
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 4,827,832 shares at September 30, 2015 and 4,799,139 at December 31, 2014	6,422	6,312

Retained earnings	34,415	30,245
Accumulated other comprehensive income (loss), net	371	(60)
Total shareholders’ equity	41,208	36,497
Total liabilities and shareholders’ equity	$ 606,856	$ 538,862

See notes to unaudited condensed consolidated financial statements.

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PLUMAS BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest Income:				
Interest and fees on loans	$5,325	$4,898	$15,415	$14,265
Interest on investment securities	418	368	1,235	1,122
Other	50	36	114	92
Total interest income	5,793	5,302	16,764	15,479
Interest Expense:				
Interest on deposits	134	126	383	390
Interest on note payable	51	34	106	98
Interest on subordinated debenture	-	191	219	568
Interest on junior subordinated deferrable interest debentures	77	79	227	228
Other	1	2	4	4
Total interest expense	263	432	939	1,288
Net interest income before provision for loan losses	5,530	4,870	15,825	14,191
Provision for Loan Losses	300	300	900	750
Net interest income after provision for loan losses	5,230	4,570	14,925	13,441
Non-Interest Income:				
Service charges	1,013	1,064	2,958	3,122
Gain on sale of loans	617	304	1,591	1,081
(Loss) gain on sale of investments	(9)	128	21	128
Other	425	399	1,343	1,145
Total non-interest income	2,046	1,895	5,913	5,476
Non-Interest Expenses:				
Salaries and employee benefits	2,584	2,287	7,728	7,049
Occupancy and equipment	702	699	2,082	2,235
Other	1,372	1,302	4,184	4,029
Total non-interest expenses	4,658	4,288	13,994	13,313
Income before provision for income taxes	2,618	2,177	6,844	5,604
Provision for Income Taxes	1,018	850	2,674	2,210
Net income	$1,600	$1,327	$4,170	$3,394
Basic earnings per share	$0.33	$0.28	$0.87	$0.71
Diluted earnings per share	$0.32	$0.27	$0.82	$0.68

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$1,600	$1,327	$4,170	$3,394
Other comprehensive income (loss):				
Change in net unrealized gain (loss)	934	(334)	755	1,188
Reclassification adjustments for net losses (gains) included net income	9	(128)	(21)	(128)
Net unrealized holding gains (losses)	943	(462)	734	1,060
Related tax effect:				
Change in net unrealized (gain) loss	(386)	138	(312)	(491)
Reclassification of net gains (losses) included in net income	(3)	53	9	53
Income tax effect	(389)	191	(303)	(438)
Other comprehensive income (loss)	554	(271)	431	622
Total comprehensive income	$2,154	$1,056	$4,601	$4,016

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Nine Months Ended September 30,	
	2015	**2014**
Cash Flows from Operating Activities:		
Net income	$4,170	$3,394
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	900	750
Change in deferred loan origination costs/fees, net	(317)	(545)
Depreciation and amortization	895	977
Stock-based compensation expense	56	57
Gain on sale of investments	(21)	(128)
Amortization of investment security premiums	373	369
Gain on sale of other vehicles	(68)	(34)
Gain on sale of OREO	(73)	(100)
Gain on sale of loans held for sale	(1,591)	(1,081)
Loans originated for sale	(20,816)	(15,371)
Proceeds from loan sales	23,735	16,574
Provision from change in OREO valuation	79	226
Earnings on bank-owned life insurance	(256)	(258)
(Increase) decrease in accrued interest receivable and other assets	(675)	62
Increase in accrued interest payable and other liabilities	145	26
Net cash provided by operating activities	6,536	4,918
Cash Flows from Investing Activities:		
Proceeds from matured and called available-for-sale investment securities	2,500	16,044
Proceeds from principal repayments from available-for-sale government-sponsored mortgage-backed securities	8,996	7,163
Purchases of available-for-sale securities	(22,441)	(32,667)
Proceeds from sale of available-for-sale securities	12,260	16,325
Net increase in loans	(22,951)	(25,717)
Proceeds from sale of other vehicles	303	202
Proceeds from sale of OREO	1,648	2,981
Purchase of premises and equipment	(1,611)	(101)
Net cash used in investing activities	(21,296)	(15,770)

Continued on next page.

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PLUMAS BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

(Continued)

	For the Nine Months Ended September 30,	
	2015	**2014**
Cash Flows from Financing Activities:		
Net increase in demand, interest bearing and savings deposits	$72,058	$28,319
Net decrease in time deposits	(1,195)	(5,544)
Net (decrease) increase in securities sold under agreements to repurchase	(4,271)	2,357
Borrowing (repayment) - note payable	4,000	(2,000)
Redemption of subordinated debenture	(7,500)	-
Net proceeds from exercise of stock options	58	22
Net cash provided by financing activities	63,150	23,154
Increase in cash and cash equivalents	48,390	12,302
Cash and Cash Equivalents at Beginning of Year	45,574	49,917
Cash and Cash Equivalents at End of Period	$93,964	$62,219
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest expense	$871	$1,189
Income taxes	$3,295	$1,326
Non-Cash Investing Activities:		
Real estate and vehicles acquired through foreclosure	$604	$351
Non-Cash Financing Activities:		
Common stock retired in connection with the exercise of stock options	$32	$-

See notes to unaudited condensed consolidated financial statements.

PLUMAS BANCORP

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. GENERAL

During 2002, Plumas Bancorp (the "Company") was incorporated as a bank holding company for the purpose of acquiring Plumas Bank (the "Bank") in a one bank holding company reorganization. This corporate structure gives the Company and the Bank greater flexibility in terms of operation, expansion and diversification. The Company formed Plumas Statutory Trust I ("Trust I") for the sole purpose of issuing trust preferred securities on September 26, 2002. The Company formed Plumas Statutory Trust II ("Trust II") for the sole purpose of issuing trust preferred securities on September 28, 2005.

The Bank operates eleven branches in California, including branches in Alturas, Chester, Fall River Mills, Greenville, Kings Beach, Portola, Quincy, Redding, Susanville, Tahoe City, and Truckee. The Bank’s administrative headquarters is in Quincy, California. In addition, the Bank operates a loan administrative and lending office in Reno, Nevada, lending offices specializing in government-guaranteed lending in Auburn, California and Beaverton, Oregon and a commercial/agricultural lending office in Chico, California. The Bank's primary source of revenue is generated from providing loans to customers who are predominately small and middle market businesses and individuals residing in the surrounding areas.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements include the accounts of the Company and the accounts of its wholly-owned subsidiary, Plumas Bank. Plumas Statutory Trust I and Plumas Statutory Trust II are not consolidated into the Company’s consolidated financial statements and, accordingly, are accounted for under the equity method. In the opinion of management, the unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the Company’s financial position at September 30, 2015 and the results of its operations and its cash flows for the three-month and nine-month periods ended September 30, 2015 and 2014. Our condensed consolidated balance sheet at December 31, 2014 is derived from audited financial statements. Certain reclassifications have been made to prior period’s balances to conform to classifications used in 2015.

The unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim reporting on Form 10-Q. Accordingly, certain disclosures normally presented in the notes to the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted. The Company believes that the disclosures are adequate to make the information not misleading.

These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2014 Annual Report to Shareholders on Form 10-K. The results of operations for the three-month and nine-month periods ended September 30, 2015 may not necessarily be indicative of future operating results. In preparing such financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the periods reported. Actual results could differ significantly from those estimates.

Management has determined that because all of the commercial banking products and services offered by the Company are available in each branch of the Bank, all branches are located within the same economic environment and management does not allocate resources based on the performance of different lending or transaction activities, it is appropriate to aggregate the Bank branches and report them as a single operating segment. No single customer accounts for more than 10% of the revenues of the Company or the Bank.

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of investment securities at September 30, 2015 and December 31, 2014 consisted of the following, in thousands:

Available-for-Sale	September 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government-sponsored agencies	$998	$ 2	$ -	$ 1,000
U.S. Government-sponsored agencies collateralized by mortgage obligations- residential	71,034	469	(207)	71,296
Obligations of states and political subdivisions	16,726	374	(5)	17,095
	$88,758	$ 845	$ (212)	$ 89,391

Net unrealized gain on available-for-sale investment securities totaling $633,000 were recorded, net of $262,000 in tax expense, as accumulated other comprehensive income within shareholders' equity at September 30, 2015. During the nine months ended September 30, 2015 the Company sold fifteen available-for-sale investment securities for total proceeds of $12,260,000 recording a $21,000 net gain on sale. The Company realized a gain on sale from eight of these securities totaling $62,000 and a loss on sale on seven securities of $41,000. During the three months ended September 30, 2015 the Company sold seven available-for-sale investment securities for total proceeds of $5,592,000 recording a $9,000 net loss on sale. The Company realized a gain on sale from three of these securities totaling $25,000 and a loss on sale on four securities of $34,000.

Available-for-Sale	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government-sponsored agencies	$7,003	$ 19	$ (20)	$ 7,002
U.S. Government-sponsored agencies collateralized by mortgage obligations- residential	70,610	192	(522)	70,280
Obligations of states and political subdivisions	12,307	234	(9)	12,532
Corporate debt	502	4	-	506
	$90,422	$ 449	$ (551)	$ 90,320

Net unrealized loss on available-for-sale investment securities totaling $102,000 were recorded, net of $42,000 in tax benefits, as accumulated other comprehensive income within shareholders' equity at December 31, 2014. During the nine and three months ended September 30, 2014 the Company sold fourteen available-for-sale securities for $16,325,000. The Company realized a gain on sale from thirteen of these securities totaling $134,000 and a loss on sale on one security of $6,000.

There were no transfers of available-for-sale investment securities during the nine months ended September 30, 2015 and twelve months ended December 31, 2014. There were no securities classified as held-to-maturity at September 30, 2015 or December 31, 2014.

Investment securities with unrealized losses at September 30, 2015 and December 31, 2014 are summarized and classified according to the duration of the loss period as follows, in thousands:

<u>September 30, 2015</u>

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government agencies collateralized by mortgage obligations-residential	$11,649	$ 26	$12,507	$ 181	$24,156	$ 207
Obligations of states and political subdivisions	1,495	4	160	1	1,655	5
	$13,144	$ 30	$12,667	$ 182	$25,811	$ 212

<u>December 31, 2014</u>

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:						
U.S. Government- sponsored agencies	$994	$ 6	$2,985	$ 14	$3,979	$ 20
U.S. Government agencies collateralized by mortgage obligations-residential	4,504	17	28,643	505	33,147	522
Obligations of states and political subdivisions	2,014	9	-	-	2,014	9
	$7,512	$ 32	$31,628	$ 519	$39,140	$ 551

At September 30, 2015, the Company held 129 securities of which 27 were in a loss position. Of the securities in a loss position, 13 were in a loss position for less than twelve months. Of the 27 securities 22 are U.S. Government-sponsored agencies collateralized by residential mortgage obligations and five were obligations of states and political subdivisions. The unrealized losses relate principally to market rate conditions. All of the securities continue to pay as scheduled. When analyzing an issuer’s financial condition, management considers the length of time and extent to which the market value has been less than cost; the historical and implied volatility of the security; the financial condition of the issuer of the security; and the Company’s intent and ability to hold the security to recovery. As of September 30, 2015, management does not have the intent to sell these securities nor does it believe it is more likely than not that it will be required to sell these securities before the recovery of its amortized cost basis. Based on the Company’s evaluation of the above and other relevant factors, the Company does not believe the securities that are in an unrealized loss position as of September 30, 2015 are other than temporarily impaired.

The amortized cost and estimated fair value of investment securities at September 30, 2015 by contractual maturity are shown below, in thousands.

	Amortized Cost	Estimated Fair Value
After one year through five years	$ 998	$ 1,000
After five years through ten years	13,108	13,396
After ten years	3,618	3,699
Investment securities not due at a single maturity date:		
Government-sponsored mortgage-backed securities	71,034	71,296
	$ 88,758	$ 89,391

Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties. Investment securities with amortized costs totaling $55,457,000 and $57,793,000 and estimated fair values totaling $55,724,000 and $57,636,000 at September 30, 2015 and December 31, 2014, respectively, were pledged to secure deposits and repurchase agreements.

4. LOANS AND THE ALLOWANCE FOR LOAN LOSSES

Outstanding loans are summarized below, in thousands:

	September 30, 2015	December 31, 2014
Commercial	$ 32,898	$ 31,465
Agricultural	39,819	35,355
Real estate - residential	26,201	29,284
Real estate – commercial	182,728	163,306
Real estate – construction and land development	20,479	24,572
Equity lines of credit	37,872	38,972
Auto	48,012	44,618
Other	2,777	2,818
	390,786	370,390
Deferred loan costs, net	1,969	1,848
Allowance for loan losses	(5,917)	(5,451)
	$ 386,838	$ 366,787

Changes in the allowance for loan losses, in thousands, were as follows:

	September 30, 2015	December 31, 2014
Balance, beginning of year	$ 5,451	$ 5,517
Provision charged to operations	900	1,100
Losses charged to allowance	(672)	(1,913)
Recoveries	238	747
Balance, end of year	$ 5,917	$ 5,451

The recorded investment in impaired loans totaled $6,950,000 and $8,582,000 at September 30, 2015 and December 31, 2014, respectively. The Company had specific allowances for loan losses of $705,000 on impaired loans of $2,375,000 at September 30, 2015 as compared to specific allowances for loan losses of $564,000 on impaired loans of $2,401,000 at December 31, 2014. The balance of impaired loans in which no specific reserves were required totaled $4,575,000 and $6,181,000 at September 30, 2015 and December 31, 2014, respectively. The average recorded investment in impaired loans for the nine months ended September 30, 2015 and September 30, 2014 was $6,892,000 and $7,949,000, respectively. The Company recognized $89,000 and $94,000 in interest income on impaired loans during the nine months ended September 30, 2015 and 2014, respectively. No interest was recognized on impaired loans accounted for on a cash basis during the nine months ended September 30, 2015 and 2014, respectively.

Included in impaired loans are troubled debt restructurings. A troubled debt restructuring is a formal restructure of a loan where the Company for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower. The concessions may be granted in various forms to include one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

The carrying value of troubled debt restructurings at September 30, 2015 and December 31, 2014 was $4,720,000 and $5,738,000, respectively. The Company has allocated $288,000 and $319,000 of specific reserves on loans to customers whose loan terms have been modified in troubled debt restructurings as of September 30, 2015 and December 31, 2014, respectively. The Company has not committed to lend additional amounts on loans classified as troubled debt restructurings at September 30, 2015 and December 31, 2014.

There were no troubled debt restructurings that occurred during the nine months ended September 30, 2015.

During the three and nine month periods ended September 30, 2014, one loan was modified as a troubled debt restructuring.

The following table presents information related to the one loan modified as a troubled debt restructuring during the three and nine months ending September 30, 2014, dollars in thousands:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Recorded Investment
Troubled Debt Restructurings:			
Auto	1	$10	$10
Total	1	$10	$10

The troubled debt restructuring described above resulted in no allowance for loan losses or charge-offs during the nine months ending September 30, 2014.

There were no troubled debt restructurings for which there was a payment default within twelve months following the modification during the nine months ended September 30, 2015 and 2014, respectively.

At September 30, 2015 and December 31, 2014, nonaccrual loans totaled $5,024,000 and $6,625,000, respectively. Interest foregone on nonaccrual loans totaled $270,000 and $286,000 for the nine months ended September 30, 2015 and 2014, respectively. Interest foregone on nonaccrual loans totaled $66,000 and $82,000 for the three months ended September 30, 2015 and 2014, respectively. No loans were past due 90 days or more and on accrual status at September 30, 2015 and December 31, 2014.

The Company assigns a risk rating to all loans, with the exception of automobile and other loans and periodically, but not less than annually, performs detailed reviews of all such loans over $100,000 to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by independent specialists engaged by the Company and the Company’s regulators. During these internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which borrowers operate and the fair values of collateral securing these loans. These credit quality indicators are used to assign a risk rating to each individual loan.

The risk ratings can be grouped into five major categories, defined as follows:

Pass – A pass loan is a strong credit with no existing or known potential weaknesses deserving of management's close attention.

Watch – A Watch loan has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company’s credit position at some future date. Watch loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is not adequately protected by the current sound worth and paying capacity of the borrower or the value of the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. Well defined weaknesses include a project’s lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time or the project's failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss – Loans classified as loss are considered uncollectible and charged off immediately.

Other real estate owned totaled $2,265,000 and $3,590,000 at September 30, 2015 and December 31, 2014, respectively. Of these amount $117,000 at September 30, 2015 and $146,000 at December 31, 2014 represent foreclosed residential real estate property. There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at September 30, 2015 or December 31, 2014.

The following table shows the loan portfolio allocated by management's internal risk ratings at the dates indicated, in thousands:

September 30, 2015	**Commercial Credit Exposure Credit Risk Profile by Internally Assigned Grade**						
	Commercial	Agricultural	Real Estate- Residential	Real Estate- Commercial	Real Estate- Construction	Equity LOC	Total
Grade:							
Pass	$31,618	$ 39,070	$ 26,041	$ 176,528	$ 19,567	$37,359	$330,183
Watch	695	373	82	2,215	-	146	3,511
Substandard	585	376	78	3,985	912	367	6,303
Doubtful	-	-	-	-	-	-	-
Total	$32,898	$ 39,819	$ 26,201	$ 182,728	$ 20,479	$37,872	$339,997

December 31, 2014	**Commercial Credit Exposure Credit Risk Profile by Internally Assigned Grade**						
	Commercial	Agricultural	Real Estate- Residential	Real Estate- Commercial	Real Estate- Construction	Equity LOC	Total
Grade:							
Pass	$30,176	$ 34,609	$ 28,048	$ 156,329	$ 22,924	$38,373	$310,459
Watch	789	355	233	2,297	537	146	4,357
Substandard	500	391	1,003	4,680	1,111	453	8,138
Doubtful	-	-	-	-	-	-	-
Total	$31,465	$ 35,355	$ 29,284	$ 163,306	$ 24,572	$38,972	$322,954

	Consumer Credit Exposure Credit Risk Profile Based on Payment Activity September 30, 2015			**Consumer Credit Exposure Credit Risk Profile Based on Payment Activity December 31, 2014**		
	Auto	Other	Total	Auto	Other	Total
Grade:						
Performing	$47,924	$2,774	$50,698	$44,523	$2,805	$47,328
Non-performing	88	3	91	95	13	108
Total	$48,012	$2,777	$50,789	$44,618	$2,818	$47,436

The following tables show the allocation of the allowance for loan losses at the dates indicated, in thousands:

Nine months ended September 30, 2015:	Commercial	Agricultural	Real Estate- Residential	Real Estate- Commercial	Real Estate- Construction	Equity LOC	Auto	Other	Total
Allowance for Loan Losses									
Beginning balance	$ 574	$ 225	$ 379	$ 1,701	$ 1,227	$691	$581	$73	$5,451
Charge-offs	(88)	(3)	(132)	-	(54)	(59)	(309)	(27)	(672)
Recoveries	102	6	6	-	-	4	84	36	238
Provision	(30)	33	80	758	(231)	(97)	397	(10)	900
Ending balance	$ 558	$ 261	$ 333	$ 2,459	$ 942	$539	$753	$72	$5,917
Three months ended September 30, 2015:									
Allowance for Loan Losses									
Beginning balance	$ 628	$ 242	$ 399	$ 2,140	$ 1,031	$534	$717	$89	$5,780
Charge-offs	(34)	-	(79)	-	1	-	(105)	(5)	(222)
Recoveries	12	6	2	-	-	1	29	9	59
Provision	(48)	13	11	319	(90)	4	112	(21)	300
Ending balance	$ 558	$ 261	$ 333	$ 2,459	$ 942	$539	$753	$72	$5,917
Nine months ended September 30, 2014:									
Allowance for Loan Losses									
Beginning balance	$ 785	$ 164	$ 638	$ 1,774	$ 944	$613	$449	$150	$5,517
Charge-offs	(191)	-	(145)	(887)	-	(142)	(253)	(84)	(1,702)
Recoveries	50	-	29	5	491	15	33	63	686
Provision	(33)	54	(114)	636	(238)	137	311	(3)	750
Ending balance	$ 611	$ 218	$ 408	$ 1,528	$ 1,197	$623	$540	$126	$5,251
Three months ended September 30, 2014:									
Allowance for Loan Losses									
Beginning balance	$ 703	$ 211	$ 423	$ 1,686	$ 1,140	$603	$466	$126	$5,358
Charge-offs	(98)	-	-	(208)	-	-	(148)	(27)	(481)
Recoveries	23	-	2	4	-	2	12	31	74
Provision	(17)	7							