MIDSOUTH BANCORP INC
Form 10-Q
November 09, 2010

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

FORM 10-Q

xQUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010
OR
¨TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

COMMISSION FILE NUMBER 1-11826
MIDSOUTH BANCORP, INC.
(Exact name of registrant as specified in its charter)

Louisiana	72 –1020809
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

102 Versailles Boulevard, Lafayette, Louisiana 70501
(Address of principal executive offices, including zip code)
(337) 237-8343
(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 x 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 (Section 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 small reporting company.

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x Small reporting company ¨

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

As of November 8, 2010, there were 9,725,252 shares of the registrant's Common Stock, par value $0.10 per share, outstanding.

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Part I – Financial Information

Item 1. Financial Statements.
MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Condition
(dollars in thousands, except share data)

	September 30, 2010 (unaudited)	December 31, 2009* (audited)
Assets		
Cash and due from banks, including required reserves of $4,006 and $3,460, respectively	$ 20,916	$ 22,842
Interest-bearing deposits in banks	28,857	509
Federal funds sold	3,606	-
Time deposits held in banks	5,060	26,122
Securities available-for-sale, at fair value (cost of $264,821 at September 30, 2010 and $265,892 at December 31, 2009)	274,291	271,808
Securities held-to-maturity (fair value of $1,617 at September 30, 2010 and $3,121 at December 31, 2009)	1,588	3,043
Other investments	5,065	4,902
Loans	598,311	585,042
Allowance for loan losses	(8,446)	(7,995)
Loans, net	589,865	577,047
Bank premises and equipment, net	36,814	38,737
Accrued interest receivable	4,989	4,808
Goodwill and intangibles	9,406	9,483
Cash surrender value of life insurance	4,661	4,540
Other assets	7,711	8,301
Total assets	$ 992,829	$ 972,142
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest-bearing	$ 195,496	$ 175,173
Interest bearing	584,110	598,112
Total deposits	779,606	773,285
Securities sold under agreements to repurchase	53,091	47,059
Federal funds purchased	-	1,700
Junior subordinated debentures	15,465	15,465
Other liabilities	6,970	5,356
Total liabilities	855,132	842,865
Stockholders' Equity:		
Preferred stock, no par value; 5,000,000 shares authorized, 20,000 shares issued and outstanding at September 30, 2010 and at December 31, 2009	19,359	19,211
	988	949

Common stock, $0.10 par value; 30,000,000 shares authorized, 9,875,729 issued and 9,725,252 outstanding at September 30, 2010 and 9,488,933 issued and 9,318,268 outstanding at December 31, 2009				
Additional paid-in capital		89,823		85,263
Unearned ESOP shares		(133)		(217)
Accumulated other comprehensive income		6,249		3,904
Treasury stock – 150,477 shares at September 30, 2010 and 170,665 shares at December 31, 2009, at cost		(3,286)		(3,544)
Retained earnings		24,697		23,711
Total stockholders' equity		137,697		129,277
Total liabilities and stockholders' equity	$	992,829	$	972,142

See notes to unaudited consolidated financial statements.
* Derived from audited financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Earnings (unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest income:				
Loans, including fees	$10,104	$10,426	$29,832	$31,119
Securities and other investments:				
Taxable	925	898	2,816	3,046
Nontaxable	986	1,068	3,009	3,305
Federal funds sold	3	10	4	29
Time deposits in other banks	46	56	182	187
Other investments and interest bearing deposits	56	40	145	102
Total interest income	12,120	12,498	35,988	37,788
Interest expense:				
Deposits	1,325	2,014	4,316	6,228
Securities sold under agreements to repurchase	249	303	713	775
Federal funds purchased	-	-	2	5
Other borrowed money	-	-	3	23
Junior subordinated debentures	247	249	731	777
Total interest expense	1,821	2,566	5,765	7,808
Net interest income	10,299	9,932	30,223	29,980
Provision for loan losses	1,500	1,000	4,150	4,100
Net interest income after provision for loan losses	8,799	8,932	26,073	25,880
Non-interest income:				
Service charges on deposits	2,427	2,736	7,485	7,700
ATM and debit card income	859	770	2,489	2,310
Other charges and fees	450	466	1,427	1,350
Total non-interest income	3,736	3,972	11,401	11,360
Non-interest expenses:				
Salaries and employee benefits	5,118	5,505	15,306	16,257
Occupancy expense	2,177	2,287	6,709	6,916
FDIC insurance	334	328	986	1,380
Other	3,488	3,206	10,019	9,171
Total non-interest expenses	11,117	11,326	33,020	33,724
Income before income taxes	1,418	1,578	4,454	3,516
Provision for income taxes	179	147	530	107
Net earnings	1,239	1,431	3,924	3,409
Dividends on preferred stock and accretion of warrants	300	299	898	875
Net earnings available to common shareholders	$939	$1,132	$3,026	$2,534

Earnings per share:				
Basic	$0.09	$0.17	$0.31	$0.38
Diluted	$0.09	$0.17	$0.31	$0.38

See notes to unaudited consolidated financial statements.

MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity (unaudited)
For the Nine Months Ended September 30, 2010
(in thousands, except share and per share data)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Unearned ESOP Shares	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total
	Shares	Amount	Shares	Amount						
Balance- January 1, 2010	20,000	$19,211	9,488,933	$949	$85,263	$(217)	$3,904	$(3,544)	$23,711	$129,277
Net earnings	-	-	-	-	-	-	-	-	3,924	3,924
Net change in unrealized gains on securities available-for-sale, net of taxes	-	-	-	-	-	-	2,345	-	-	2,345
Comprehensive income	-	-	-	-	-	-	-	-	-	6,269
Issuance of common and treasury stock due to overallotment, net of discount and offering expenses	-	-	384,811	39	4,472	-	-	258	-	4,769
Dividends on preferred stock and accretion of common stock warrants	-	148	-	-	-	-	-	-	(898)	(750)
Dividends on common stock, $0.21 per share	-	-	-	-	-	-	-	-	(2,040)	(2,040)
Exercise of stock options	-	-	1,985	-	17	-	-	-	-	17
ESOP compensation expense	-	-	-	-	43	84	-	-	-	127
Stock option expense					5					5
Restricted stock compensation expense	-	-	-	-	23	-	-	-	-	23
Balance- September 30, 2010	20,000	$19,359	9,875,729	$988	$89,823	$(133)	$6,249	$(3,286)	$24,697	$137,697

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)
(in thousands)

	For the Nine Months Ended September 30, 2010	2009
Cash flows from operating activities:		
Net earnings	$3,924	$3,409
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,623	2,797
Provision for loan losses	4,150	4,100
Provision for deferred tax benefit	(838)	(459)
Amortization of premiums on securities, net	909	642
Stock option expense	5	19
Restricted stock expense	23	-
Net loss on sale of other real estate owned	146	23
Net loss on sale of premises and equipment	62	16
Change in accrued interest receivable	(181)	73
Change in accrued interest payable	(300)	(591)
Other, net	2,563	2,676
Net cash provided by operating activities	13,086	12,705
Cash flows from investing activities:		
Net decrease (increase) in time deposits in other banks	21,062	(7,000)
Proceeds from maturities and calls of securities available-for-sale	26,278	63,249
Proceeds from maturities and calls of securities held-to-maturity	1,456	3,277
Purchases of securities available-for-sale	(26,107)	(51,687)
Purchases of other investments	(173)	(124)
Net change in loans	(18,067)	15,869
Purchase of premises and equipment	(689)	(1,195)
Proceeds from sale of premises and equipment	3	9
Proceeds from sales of other real estate owned	766	122
Purchase of other real estate owned	(450)	-
Net cash provided by investing activities	4,079	22,520
Cash flows from financing activities:		
Change in deposits	6,320	5,387
Change in repurchase agreements	6,032	30,390
Change in federal funds purchased	(1,700)	(14,900)
Change in Federal Reserve Discount Window borrowings	-	(36,000)
Net proceeds from the issuance of preferred stock	-	19,954
Issuance of common stock and treasury stock, net of offering expenses	4,769	-
Payment of dividends on preferred stock	(750)	(600)
Payment of dividends on common stock	(1,825)	(1,654)
Proceeds from exercise of stock options	17	-
Excess tax benefit from stock option exercises, net adjustment	-	(3)
Net cash provided by financing activities	12,863	2,574

Net increase in cash and cash equivalents	30,028	37,799
Cash and cash equivalents, beginning of period	23,351	24,786
Cash and cash equivalents, end of period	$53,379	$62,585
Supplemental information- Noncash items		
Accretion of warrants	148	148
Transfer of loans to other real estate owned	1,183	599
Net change in loan to ESOP	(84)	227

See notes to unaudited consolidated financial statements.

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MidSouth Bancorp, Inc. and Subsidiaries
Notes to Interim Consolidated Financial Statements
September 30, 2010
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company and its subsidiaries as of September 30, 2010 and the results of their operations and their cash flows for the periods presented. The interim financial information should be read in conjunction with the annual consolidated financial statements and the notes thereto included in the Company's 2009 Annual Report on Form 10-K.

The results of operations for the nine month period ended September 30, 2010 are not necessarily indicative of the results to be expected for the entire year.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies — The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America and general practices within the banking industry. There have been no material changes or developments in the application of accounting principles or in our evaluation of the accounting estimates and the underlying assumptions or methodologies that we believe to be Critical Accounting Policies and Estimates as disclosed in our 2009 Annual Report on Form 10-K.

Recent Accounting Pronouncements — In July 2010 FASB issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which is intended to improve transparency in financial reporting by public and nonpublic companies that hold financing receivables, which include loans, lease receivables, and other long-term receivables by requiring companies to provide more information in disclosures about the credit quality of financing receivables and the credit reserves held against receivables. Under this statement, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact and segment information of troubled debt restructurings will also be required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance. For public companies, the amendments that require disclosure as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. As ASU 2010-20 amends only the disclosure requirements for loans and leases and the allowance for credit losses, the adoption will have no impact on our consolidated financial statements. To provide greater transparency on non-performing assets, additional disclosures that will be required by ASU 2010-20 have been included in Note 4 – Credit Quality of Loans and Allowance for Loan Losses for the period ended September 30, 2010.

ASU No. 2010-06, Improving Disclosures About Fair Value Measurements ("ASU 2010-06"). ASU 2010-06 amends FASB Accounting Standards Codification topic 820-10-50, Fair Value Measurements and Disclosures, to require additional information to be disclosed principally regarding Level 3 measurements and transfers to and from Level 1 and Level 2. In addition, enhanced disclosure is required concerning inputs and valuation techniques used to determine Level 2 and Level 3 measurements. This guidance is generally effective for interim and annual reporting periods beginning after December 15, 2009; however requirements to disclose separately purchases, sales, issuances and settlements in the Level 3 reconciliation are effective for fiscal years beginning after December 15, 2010 (and for interim periods within such years). As required by ASU 2010-06, additional disclosure concerning inputs and valuation techniques has been included in Note 8 – Fair Value Measurement for the quarter ended September 30, 2010.

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Reclassifications—Certain reclassifications have been made to the prior years' financial statements in order to conform to the classifications adopted for reporting in 2010. The reclassifications had no impact on stockholders' equity or net income.

2. Investment Securities

The portfolio of securities consisted of the following (in thousands):

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government agencies	$116,729	$1,545	$-	$118,274
Obligations of state and political subdivisions	108,815	6,202	-	115,017
GSE mortgage-backed securities	11,319	809	-	12,128
Collateralized mortgage obligations	27,886	923	15	28,794
Financial institution equity security	72	6	-	78
	$264,821	$9,485	$15	$274,291

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government agencies	$102,249	$459	$185	$102,523
Obligations of state and political subdivisions	113,232	4,180	111	117,301
GSE mortgage-backed securities	14,888	746	-	15,634
Collateralized mortgage obligations	35,451	870	43	36,278
Financial institution equity security	72	-	-	72
	$265,892	$6,255	$339	$271,808

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				
Obligations of state and political subdivisions	$1,588	$29	$-	$1,617

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity:				

Obligations of state and political subdivisions	$3,043	$78	$-	$3,121

With the exception of two private-label collateralized mortgage obligations ("CMOs") with a combined balance remaining of $126,000 at September 30, 2010, all of the Company's CMOs are government-sponsored enterprise securities.

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The amortized cost and fair value of debt securities at September 30, 2010 by contractual maturity are shown in the following table (in thousands). Except for mortgage-backed securities, expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Available-for-sale:		
Due in one year or less	$31,374	$31,700
Due after one year through five years	136,531	140,357
Due after five years through ten years	42,205	44,990
Due after ten years	15,434	16,244
Mortgage-backed securities and collateralized mortgage obligations	39,205	40,922
Equity securities with readily determinable market values	72	78
	$264,821	$274,291

	Amortized Cost	Fair Value
Held-to-maturity:		
Due in one year or less	$900	$907
Due after one year through five years	688	710
	$1,588	$1,617

Details concerning investment securities with unrealized losses are as follows (in thousands):

	September 30, 2010					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
Available-for-sale:	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Collateralized mortgage obligations	$-	$-	$238	$15	$238	$15

	December 31, 2009					
	Securities with losses under 12 months		Securities with losses over 12 months		Total	
Available-for-sale:	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
U.S. Government agencies	$50,041	$185	$-	$-	$50,041	$185

Obligations of state and political subdivisions	7,694	111	-	-	7,694	111
Collateralized mortgage obligations	1,528	22	277	21	1,805	43
	$59,263	$318	$277	$21	$59,540	$339

Management evaluates each quarter whether unrealized losses on securities represent impairment that is other than temporary. For debt securities, the Company considers its intent to sell the securities or if it is more likely than not the Company will be required to sell the securities. If such impairment is identified, based upon the intent to sell or the more likely than not threshold, the carrying amount of the security is reduced to fair value with a charge to earnings. Upon the

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result of the aforementioned review, management then reviews for potential other than temporary impairment based upon other qualitative factors. In making this evaluation, management considers changes in market rates relative to those available when the security was acquired, changes in market expectations about the timing of cash flows from securities that can be prepaid, performance of the debt security, and changes in the market's perception of the issuer's financial health and the security's credit quality. If determined that a debt security has incurred other than temporary impairment, then the amount of the credit related impairment is determined. If a credit loss is evident, the amount of the credit loss is charged to earnings and the non-credit related impairment is recognized through other comprehensive income.

The unrealized losses on debt securities at September 30, 2010 resulted from changing market interest rates over the yields available at the time the underlying securities were purchased, which were related to two collateralized mortgage obligations. Management identified no impairment related to credit quality. At September 30, 2010, management had no intent to sell the securities and determined it was more likely than not that the Company would not have to sell the securities and no other than temporary impairment was evident. As a result, no other than temporary impairment losses were recognized during the nine months ended September 30, 2010.

At September 30, 2010, the Company held one equity security with an unrealized gain of $6,000 that was charged down in the fourth quarter of 2009 to $72,000 from the original value of $250,000. The equity security is an investment in a portfolio of common stocks of community bank holding companies. The Company did not recognize any impairment on the equity security for the nine months ended September 30, 2010 and it was subsequently liquidated on October 27, 2010 at a market value of $76,000.

During the nine months ended September 30, 2010 and year ended December 31, 2009, respectively, the Company did not sell any securities. Securities with an aggregate carrying value of approximately $150,728,000 and $108,505,000 at September 30, 2010 and December 31, 2009, respectively, were pledged to secure public funds on deposit and for other purposes required or permitted by law.

3. Other Investments

The Company is required to own stock in the Federal Reserve Bank of Atlanta ("FRB-Atlanta") and as a member of the Federal Home Loan Bank system, owns stock in the Federal Home Loan Bank of Dallas ("FHLB-Dallas"). The Company accounts for FRB-Atlanta and FHLB-Dallas stock as other investments along with stock ownership in two correspondent banks and a Community Reinvestment Act ("CRA") investment in a Senior Housing Crime Prevention program in Louisiana. The CRA investment consisted of three government-sponsored agency mortgage-backed securities purchased by the Company and held by the Senior Housing Crime Prevention program. The majority of the interest earned on the securities provides income to the program.

For impairment analysis, the Company reviews financial statements and regulatory capital ratios for each of the banks in which the Company owns stock to verify financial stability and regulatory compliance with capital requirements. As of September 30, 2010 and December 31, 2009, based upon quarterly reviews, management determined that there was no impairment in the bank stocks held as other investments.

The aggregate carrying amount of other investments consisted of the following (in thousands):

	September 30, 2010	December 31, 2009
FRB-Atlanta	$1,624	$1,473

FHLB-Dallas	584	562
Other bank stocks	713	713
CRA investment	2,144	2,154
	$5,065	$4,902

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4. Credit Quality of Loans and Allowance for Loan Losses

A summary of the activity in the allowance for loan losses is as follows (in thousands):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Balance, beginning of period	$8,471	$8,039	$7,995	$7,586
Provision for loan losses	1,500	1,000	4,150	4,100
Recoveries	58	68	209	200
Loans charged-off	(1,583)	(1,092)	(3,908)	(3,871)
Balance, end of period	$8,446	$8,015	$8,446	$8,015

The Company's loans individually evaluated for impairment were approximately $29.3 million at September 30, 2010 and $23.2 million at December 31, 2009. Specific reserves totaling $2.7 million were established for $10.8 million of impaired loans reported at September 30, 2010. At December 31, 2009, specific reserves totaling $2.3 million were established for $12.3 million of impaired loans reported for the fourth quarter 2009. Interest recognized on impaired loans totaled $71,000 at September 30, 2010, which includes interest of $54,000 for a loan that was repaid during the third quarter of 2010 and interest of $17,000 recognized on the $10.8 million of impaired loans. Two small commercial loans totaling $661,000 were classified as troubled debt restructurings during the third quarter of 2010 due to a reduction in the monthly payments granted to the borrowers. The $1.2 million in troubled debt restructurings at June 30, 2010 represented one commercial loan that paid off in August 2010.

To provide greater transparency on non-performing assets, additional disclosures that will be required by ASU 2010-20 have been included below. Allowance for loan losses is reported by portfolio segment and further detail of credit quality indicators are provided by class of loans.

Allowance for Loan Losses and Recorded Investment in Loans
For the Nine Months Ended September 30, 2010 (in thousands)

		Real Estate						
	Coml, Fin, and Agric	Construction	Commercial	Residential	Consumer	Finance Leases Coml	Other	Total
Allowance for loan losses:								
Beginning balance	$ 2,105	$ 2,240	$ 1,683	$ 631	$ 1,315	$ 21	$ -	$ 7,995
Charge-offs	1,094	1,478	51	127	1,157	1	-	3,908
Recoveries	19	1	-	58	130	1	-	209
Provision	719	1,500	1,025	274	624	7	1	4,150
Ending balance	$ 1,749	$ 2,263	$ 2,657	$ 836	$ 912	$ 28	$ 1	$ 8,446
Ending balance: individually evaluated for impairment	$ 95	$ 1,456	$ 1,000	$ 20	$ 87	$ -	$ -	$ 2,658

Loans:								
Ending balance	$ 194,729	$ 47,407	$ 208,491	$ 74,820	$ 66,544	$ 5,192	$ 1,128	$ 598,311
Ending balance: individually evaluated for impairment	$ 7,618	$ 10,807	$ 9,004	$ 1,668	$ 210	$ -	$ -	$ 29,307

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Credit Quality Indicators
As of September 30, 2010 (in thousands)

Commercial Credit Exposure
Credit Risk Profile by Internally Assigned Grade

	Commercial, Financial, and Agricultural	Commercial Real Estate-Construction	Commercial Real Estate -Other
Prime	$ 6,823	$ 29	$ 3,276
Excellent	6,596	2,613	7,557
Above average	37,828	4,765	33,004
Satisfactory	129,549	18,967	146,452
Other assets especially mentioned	2,512	4,011	3,973
Substandard	11,063	12,080	14,229
Doubtful	358	-	-
Loss	-	-	-
	$ 194,729	$ 42,465	$ 208,491

Consumer Credit Exposure
Credit Risk Profile by Creditworthiness Category

	Residential - Construction	Residential - Prime	Residential - Subprime
Grade:			
Pass	$ 4,890	$ 69,551	$ -
Special mention	-	2,318	-
Substandard	52	2,951	-
	$ 4,942	$ 74,820	$ -

Consumer and Commercial Credit Exposure
Credit Risk Profile Based on Payment Activity

	Consumer - Credit Card	Consumer - Other	Finance Leases Commercial	Other Loans
Performing	$ 4,896	$ 61,402	$ 5,192	$ 1,128
Nonperforming	26	220	-	-
	$ 4,922	$ 61,622	$ 5,192	$ 1,128

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Age Analysis of Past Due Loans
As of September 30, 2010 (in thousands)

	30-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 days and Accruing
Commercial, financial, and agricultural	$1,140	$3,374	$4,514	$190,215	$194,729	$42
Commercial real estate - construction	3,577	3,324	6,901	35,564	42,465	-
Commercial real estate - other	7,389	830	8,219	200,272	208,491	-
Consumer - credit card	29	26	55	4,867	4,922	26
Consumer - other	557	231	788	60,834	61,622	60
Residential - construction	-	-	-	4,942	4,942	-
Residential - prime	934	1,232	2,166	72,654	74,820	496
Residential - subprime	-	-	-	-	-	-
Other loans	147	-	147	981	1,128	-
Finance leases commercial	43	-	43	5,149	5,192	-
	$13,816	$9,017	$22,833	$575,478	$598,311	$624

Impaired Loans
For the Quarter Ended September 30, 2010 (in thousands)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial, financial, and agricultural	$7,212	$7,428	$-	$6,872	$17
Commercial real estate – construction	7,435	10,691	-	5,339	123
Commercial real estate – other	2,222	2,222	-	2,728	92
Consumer – other	42	42	-	115	-
Residential – prime	1,557	1,618	-	1,596	43
Subtotal:	$18,468	$22,001	$-	$16,650	$275
With an allowance recorded:					
Commercial	407	407	95	536	1
Commercial real estate – construction	3,371	3,371	1,456	4,150	15
Commercial real estate – other	6,782	6,782	1,000	6,807	1
Consumer – other	167	172	87	161	-
Residential – prime	111	111	20	81	-
Subtotal:	$10,838	$10,843	$2,658	$11,735	$17
Totals:					
Commercial	27,429	30,901	2,551	26,432	249
Consumer	209	214	87	276	-
Residential	1,668	1,729	20	1,677	43
Grand Total:	$29,306	$32,844	$2,658	$28,385	$292

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Modifications
As of September 30, 2010 (in thousands)

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled debt restructuring occurring during the quarter ended September 30, 2010:			
Commercial, financial, and agricultural	2	$ 661	$ 661

Loans on Nonaccrual Status
As of September 30, 2010 (in thousands)

Commercial, financial, and agricultural	$7,342
Commercial real estate - construction	8,211
Commercial real estate - other	7,070
Consumer - credit card	-
Consumer - other	210
Residential - construction	-
Residential - prime	736
Residential - subprime	-
Other loans	-
Finance leases commercial	-
	$23,569

5. Earnings Per Common Share

Following is a summary of the information used in the computation of earnings per common share (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net earnings available to common shareholders	$939	$1,132	$3,026	$2,534
Weighted average number of common shares outstanding used in computation of basic earnings per common share	9,709	6,592	9,697	6,596
Effect of dilutive securities:				
Stock options and warrants	16	20	18	17
Weighted average number of common shares outstanding plus effect of dilutive securities – used in computation of diluted earnings per share	9,725	6,612	9,715	6,613