FIRST BANCORP /PR/
Form 4
October 17, 2014

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Odell Lawrence
(Last) (First) (Middle)
P.O. BOX 9146
(Street)
SAN JUAN, PR 00908-0146
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIRST BANCORP /PR/ [FBP]

3. Date of Earliest Transaction (Month/Day/Year)
10/15/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP and General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
First BanCorp Common Stock	10/15/2014		A		629 (1)	A	$ 4.58 (1)	202,402	D	
First BanCorp Common Stock	10/15/2014		F		192 (1)	D	$ 4.58 (1)	202,210	D	
First BanCorp Common Stock								1,333 (2)	I	Reporting Person's Children

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Odell Lawrence P.O. BOX 9146 SAN JUAN, PR 00908-0146			EVP and General Counsel	

Signatures

/s/Lawrence Odell	10/17/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Salary stock issued bi-weekly as a portion of the reporting person's salary compensation under the First BanCorp 2008 Omnibus Incentive Plan, as amended. Salary stock is fully vested on the date of grant. The number of shares represented by this award was determined by dividing the dollar value of the award granted to the reporting person by $4.58 (the closing price of the Issuer's common stock as quoted on the NYSE on October 15, 2014, the last trading day of the pay period). The shares reported as disposed of were withheld for taxes.

(2) 1,333 shares were acquired for the benefit of the reporting person's children.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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;border-right:1pt none #D9D9D9 ;padding:0pt;">

Loans are carried at their principal amount outstanding, net of charge-offs, unamortized fees and direct loan origination costs. Loan balances are charged to the Allowance for Loan Losses ("Allowance") when management believes that collection of principal is unlikely. Interest income on loans is accrued and recognized on the principal amount outstanding except for loans in a nonaccrual status. All classes of loans are placed on nonaccrual and considered impaired when management believes doubt exists

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as to the collectability of the interest or principal. Cash payments received on nonaccrual loans are directly applied to the principal balance. Generally, a loan may be returned to accrual status when the delinquent principal and interest are brought current in accordance with the terms of the loan agreement. Additionally, certain ongoing performance criteria, which generally includes a performance period of six months, must be met in order for a loan to be returned to accrual status. Loans are reported as past due when installment payments, interest payments, or maturity payments are past due based on contractual terms.

Nonaccrual loans totaled $5.9 million, $7.4 million and $9.6 million at June 30, 2012, December 31, 2011, and June 30, 2011, respectively. Nonaccrual loans at the periods indicated, by segment are presented below:

	June 30, 2012	December 31, 2011	June 30, 2011
	(In Thousands)		
Commercial	$ 2,169	$ 3,360	$ 4,218
Real estate construction	843	2,355	2,033
Real estate term	2,602	1,477	3,094
Home equity lines and other consumer	308	169	286
Total	$ 5,922	$ 7,361	$ 9,631

Past due loans and nonaccrual loans at the periods indicated are presented below by loan class:

	30-59 Days Past Due Still Accruing	60-89 Days Past Due Still Accruing	Greater Than 90 Days Still Accruing	Nonaccrual	Total Past Due	Current	Total Financing Receivables
	(In Thousands)						
June 30, 2012							
Risk Code 1 - Excellent	$ -	$ -	$ -	$ -	$ -	$ 1,394	$ 1,394
Risk Code 2 - Good	-	-	-	-	-	125,627	125,627
Risk Code 3 - Satisfactory	111	-	-	-	111	494,593	494,704
Risk Code 4 - Watch	3,037	-	-	-	3,037	7,530	10,567
Risk Code 5 - Special Mention	-	-	-	148	148	13,016	13,164
Risk Code 6 - Substandard	54	-	91	5,179	5,324	8,732	14,056
Risk Code 7 - Doubtful	-	-	-	595	595	-	595
Subtotal	$ 3,202	$ -	$ 91	$ 5,922	$ 9,215	$ 650,892	$ 660,107
Less: Unearned origination fees, net of origination costs							(3,257)
							$ 656,850

December 31, 2011							
Risk Code 1 - Excellent	$ -	$ -	$ -	$ -	$ -	$ 1,115	$ 1,115
Risk Code 2 - Good	-	-	-	-	-	121,781	121,781
Risk Code 3 - Satisfactory	-	-	-	-	-	477,074	477,074
Risk Code 4 - Watch	387	170	-	-	557	13,654	14,211
Risk Code 5 - Special Mention	86	-	-	170	256	13,118	13,374
Risk Code 6 - Substandard	-	21	-	6,076	6,097	13,798	19,895
Risk Code 7 - Doubtful	2	-	-	1,115	1,117	(2)	1,115
Subtotal	$ 475	$ 191	$ -	$ 7,361	$ 8,027	$ 640,538	$ 648,565
Less: Unearned origination fees, net of origination costs							(3,003)
							$ 645,562
June 30, 2011							
Risk Code 1 - Excellent	$ -	$ -	$ -	$ -	$ -	$ 1,429	$ 1,429
Risk Code 2 - Good	-	-	-	-	-	134,375	134,375
Risk Code 3 - Satisfactory	-	-	-	-	-	444,218	444,218
Risk Code 4 - Watch	99	22	-	-	121	15,630	15,751
Risk Code 5 - Special Mention	240	443	225	-	908	13,682	14,590
Risk Code 6 - Substandard	1,247	-	-	9,163	10,410	15,713	26,123
Risk Code 7 - Doubtful	-	-	-	468	468	1	469
Subtotal	$ 1,586	$ 465	$ 225	$ 9,631	$ 11,907	$ 625,048	$ 636,955
Less: Unearned origination fees, net of origination costs							(2,825)
							$ 634,130

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The Company considers a loan to be impaired when it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan agreement. Once a loan is determined to be impaired, the impairment is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, except that if the loan is collateral dependent, the impairment is measured by using the fair value of the loan's collateral. Nonperforming loans greater than $50,000 are individually evaluated for impairment based upon the borrower's overall financial condition, resources, and payment record, and the prospects for support from any financially responsible guarantors.

At June 30, 2012, December 31, 2011 and June 30, 2011, the recorded investment in loans that are considered to be impaired was $14.2 million, $9.5 million, and $12.7 million, respectively. The following table presents information about impaired loans by class as of the periods indicated:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
June 30, 2012					
With no related allowance recorded					
Commercial - risk code 4 watch	$ 192	$ 192	$ -	$ 260	$ 7
Commercial - risk code 5 special mention	294	294	-	285	11
Commercial - risk code 6 substandard	1,559	2,203	-	1,822	6
Commercial - risk code 8 loss	-	224	-	112	-
Real estate construction - risk code 3 satisfactory	2,827	2,827	-	2,900	134
Real estate term - risk code 5 special mention	1,074	1,152	-	1,068	32
Real estate term - risk code 6 substandard	4,035	4,035	-	4,071	163
Home equity lines and other consumer - risk code 4 watch	94	94	-	96	3
Home equity lines and other consumer - risk code 6 substandard	113	113	-	118	4
	$ 10,188	$ 11,134	$ -	$ 10,732	$ 360
With an allowance recorded					
Commercial - risk code 6 substandard	$ 265	$ 265	$ 141	$ 280	$ -
Commercial - risk code 7 doubtful	423	423	401	434	-
Real estate construction - risk code 6 substandard	843	843	263	924	-
Real estate term - risk code 6 substandard	2,078	2,358	61	2,398	-
Real estate term - risk code 7 doubtful	172	446	6	309	-
Home equity lines and other consumer - risk code 6 substandard	227	227	49	228	-
	$ 4,008	$ 4,562	$ 921	$ 4,573	$ -
Total					
Commercial - risk code 4 watch	$ 192	$ 192	$ -	$ 260	$ 7
Commercial - risk code 5 special mention	294	294	-	285	11
Commercial - risk code 6 substandard	1,824	2,468	141	2,102	6

Commercial - risk code 7 doubtful	423	423	401	434	-
Commercial - risk code 8 loss	-	224	-	112	-
Real estate construction - risk code 3 satisfactory	2,827	2,827	-	2,900	134
Real estate construction - risk code 6 substandard	843	843	263	924	-
Real estate term - risk code 5 special mention	1,074	1,152	-	1,068	32
Real estate term - risk code 6 substandard	6,113	6,393	61	6,469	163
Real estate term - risk code 7 doubtful	172	446	6	309	-
Home equity lines and other consumer - risk code 4 watch	94	94	-	96	3
Home equity lines and other consumer - risk code 6 substandard	340	340	49	346	4
	$ 14,196	$ 15,696	$ 921	$ 15,305	$ 360
December 31, 2011					
With no related allowance recorded					
Commercial - risk code 5 special mention	$ 327	$ 327	$ -	$ 430	$ 23
Commercial - risk code 6 substandard	2,166	2,810	-	2,380	5
Real estate construction - risk code 6 substandard	1,349	1,527	-	1,463	-
Real estate term - risk code 5 special mention	170	248	-	193	-
Real estate term - risk code 6 substandard	2,455	2,545	-	2,371	102
Home equity lines and other consumer - risk code 5 special mention	97	97	-	49	5
Home equity lines and other consumer - risk code 6 substandard	52	52	-	53	-
	$ 6,616	$ 7,606	$ -	$ 6,939	$ 135
With an allowance recorded					
Commercial - risk code 6 substandard	$ 511	$ 511	$ 44	$ 687	$ -
Commercial - risk code 7 doubtful	669	669	576	707	-
Real estate construction - risk code 6 substandard	1,006	1,006	494	1,024	-
Real estate term - risk code 6 substandard	204	204	5	215	-
Real estate term - risk code 7 doubtful	446	446	62	447	-
	$ 2,836	$ 2,836	$ 1,181	$ 3,080	$ -
Total					
Commercial - risk code 5 special mention	$ 327	$ 327	$ -	$ 430	$ 23
Commercial - risk code 6 substandard	2,677	3,321	44	3,067	5
Commercial - risk code 7 doubtful	669	669	576	707	-
Real estate construction - risk code 6 substandard	2,355	2,533	494	2,487	-
Real estate term - risk code 5 special mention	170	248	-	193	-
Real estate term - risk code 6 substandard	2,659	2,749	5	2,586	102
Real estate term - risk code 7 doubtful	446	446	62	447	-
Home equity lines and other consumer - risk code 5 special mention	97	97	-	49	5
Home equity lines and other consumer - risk code 6 substandard	52	52	-	53	-
	$ 9,452	$ 10,442	$ 1,181	$ 10,019	$ 135
June 30, 2011					
With no related allowance recorded					
Commercial - risk code 5 special mention	$ 3,327	$ 3,925	$ -	$ 3,423	$ 17
Commercial - risk code 6 substandard	552	552	-	596	19
Real estate construction - risk code 6 substandard	1,381	1,460	-	1,407	9

Real estate term - risk code 6 substandard		4,688		4,778		-		4,718		42
Home equity lines and other consumer - risk code 6 substandard		209		209		-		163		2
	$	10,157	$	10,924	$	-	$	10,307	$	89
With an allowance recorded										
Commercial - risk code 6 Substandard	$	499	$	499	$	183	$	678	$	-
Commercial - risk code 7 doubtful		465		465		456		475		-
Real estate construction - risk code 6 substandard		1,568		1,613		57		1,573		-
Real estate term - risk code 6 Substandard		-		-		-		-		-
Home equity lines and other consumer - risk code 6 Substandard		-		-		-		-		-
	$	2,532	$	2,577	$	696	$	2,726	$	-
Total										
Commercial - risk code 5 special mention	$	3,327	$	3,925	$	-	$	3,423	$	17
Commercial - risk code 6 substandard		1,051		1,051		183		1,274		19
Commercial - risk code 7 doubtful		465	-	465	-	456	-	475	-	-
Real estate construction - risk code 6 substandard		2,949		3,073		57		2,980		9
Real estate term - risk code 6 substandard		4,688		4,778		-		4,718		42
Home equity lines and other consumer - risk code 6 substandard		209		209		-		163		2
	$	12,689	$	13,501	$	696	$	13,033	$	89

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The unpaid principal balance included in the table above represents the recorded investment at the dates indicated, plus amounts charged off for book purposes.

Loans classified as troubled debt restructurings totaled $12.1 million, $4.5 million, and $3.7 million at June 30, 2012, December 31, 2011, and June 30, 2011, respectively. A troubled debt restructuring is a loan to a borrower that is experiencing financial difficulty that has been modified from its original terms and conditions in such a way that the Company is granting the borrower a concession of some kind. The Company has granted a variety of concessions to borrowers in the form of loan modifications. The modifications granted can generally be described in the following categories:

Rate Modification: A modification in which the interest rate is changed.

Term Modification: A modification in which the maturity date, timing of payments, or frequency of payments is changed.

Payment Modification: A modification in which the dollar amount of the payment is changed, or in which a loan is converted to interest only payments for a period of time are included in this category.

Combination Modification: Any other type of modification, including the use of multiple categories above.

The following table presents newly restructured loans that occurred during the six months ended June 30, 2012:

	June 30, 2012		
	Accrual Status	Nonaccrual Status	Total Modifications
New Troubled Debt Restructurings	(In Thousands)		
Commercial risk code 5 - special mention	$ 107	$ -	$ 107
Commercial risk code 6 - substandard	85	-	85
Real estate construction risk code 3 - satisfactory	2,827	-	2,827
Real estate construction risk code 6 - substandard		843	843
Real estate term risk code 5 - special mention	397	-	397
Real estate term risk code 6 - substandard	1,886	2,077	3,963
Subtotal	$ 5,302	$ 2,920	$ 8,222
Existing Troubled Debt Restructurings	2,840	1,067	3,907
Total	$ 8,142	$ 3,987	$ 12,129

The following table presents newly restructured loans that occurred during the six months ended June 30, 2012 by concession (terms modified):

	June 30, 2012					
	Number of Contracts	Rate Modification	Term Modification	Payment Modification	Combination Modification	Total Modifications
Pre-Modification Outstanding Recorded Investment:			(In Thousands)			
Commercial risk code 5 - special mention	1	$ -	$ 108	$ -	$ -	$ 108
Commercial risk code 6 - substandard	1	-	86	-	-	86
Real estate construction risk code 3 - satisfactory	1	-	-		2,827	2,827
Real estate construction risk code 6 - substandard	1	-	1,015	-	-	1,015
Real estate term risk code 5 - special mention	1	-	-	-	403	403
Real estate term risk code 6 - substandard	3	-	-	2,589	1,886	4,475
Total	8	$ -	$ 1,209	$ 2,589	$ 5,116	$ 8,914
Post-Modification Outstanding Recorded Investment:						
Commercial risk code 5 - special mention	1	$ -	$ 107	$ -	$ -	$ 107
Commercial risk code 6 - substandard	1	-	85	-	-	85
Real estate construction risk code 3 - satisfactory	1	-	-	-	2,827	2,827
Real estate construction risk code 6 - substandard	1	-	843	-	-	843
Real estate term risk code 5 - special mention	1	-	-	-	397	397
Real estate term risk code 6 - substandard	3	-	-	2,077	1,886	3,963
Total	8	$ -	$ 1,035	$ 2,077	$ 5,110	$ 8,222

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The following table presents TDRs that occurred during the last twelve months that have defaulted in 2012. These loans are past due, and they are nonaccrual loans:

Troubled Debt Restructurings that Subsequently Defaulted:	Number of Contracts (In Thousands)	June 30, 2012 Recorded Investment	June 30, 2011 Recorded Investment
Commercial risk code 5 - special mention	1	$ 192	$ -
Commercial risk code 6 - substandard	2	478	-
Commercial risk code 7 - doubtful	1	216	-
Real estate construction risk code 6 - substandard	1	842	-
Real estate term risk code 6 - substandard	1	881	-
Home equity lines and other consumer risk code 5 - special mention	1	94	-
Total	7	$ 2,703	$ -

The Company had no commitments to extend additional credit to borrowers owing receivables whose terms have been modified in troubled debt restructurings. All troubled debt restructurings are also classified as impaired loans and are included in the loans individually evaluated for impairment in the calculation of the Allowance. There were two charge offs totaling $280,000 in the six months ended June 30, 2012 on loans that were later classified as troubled debt restructurings in the real estate term category. Six troubled debt restructurings with a total recorded investment of $3.5 million had a specific impairment amount totaling $815,000 at June 30, 2012.

7. Allowance for Loan Losses

The following tables detail activity in the Allowance for the periods indicated:

Three Months Ended June 30,	Commercial (In Thousands)	Real estate construction	Real estate term	Home equity lines and other consumer	Unallocated	Total
2012						
Balance, beginning of period	$ 6,083	$ 1,218	$ 5,197	$ 599	$ 3,191	$ 16,288
Charge-Offs	-	-	(127)	-	-	(127)
Recoveries	223	12	-	5	-	240
Provision	880	22	323	270	(1,406)	89
Balance, end of period	$ 7,186	$ 1,252	$ 5,393	$ 874	$ 1,785	$ 16,490

Balance, end of period: Individually evaluated for impairment	$ 542	$ 263	$ 67	$ 49	$ -	$ 921
Balance, end of period: Collectively evaluated for impairment	$ 6,644	$ 989	$ 5,326	$ 825	$ 1,785	$ 15,569
2011						
Balance, beginning of period	$ 6,138	$ 1,876	$ 4,305	$ 601	$ 2,219	$ 15,139
Charge-Offs	(91)	-	(90)	(65)	-	(246)
Recoveries	109	12	-	10	-	131
Provision	547	(256)	755	373	(869)	550
Balance, end of period	$ 6,703	$ 1,632	$ 4,970	$ 919	$ 1,350	$ 15,574
Balance, end of period: Individually evaluated for impairment	$ 513	$ 183	$ 0	$ 0	$ -	$ 696
Balance, end of period: Collectively evaluated for impairment	$ 6,190	$ 1,449	$ 4,970	$ 919	$ 1,350	$ 14,878

Six Months Ended June 30,	Commercial	Real estate construction	Real estate term	Home equity lines and other consumer	Unallocated	Total
	(In Thousands)					
2012						
Balance, beginning of period	$ 6,783	$ 1,143	$ 5,529	$ 792	$ 2,256	$ 16,503
Charge-Offs	(231)	-	(553)	-	-	(784)
Recoveries	572	12	-	9	-	593
Provision	62	97	417	73	(471)	178
Balance, end of period	$ 7,186	$ 1,252	$ 5,393	$ 874	$ 1,785	$ 16,490
Balance, end of period: Individually evaluated for impairment	$ 542	$ 263	$ 67	$ 49	$ -	$ 921
Balance, end of period: Collectively evaluated for impairment	$ 6,644	$ 989	$ 5,326	$ 825	$ 1,785	$ 15,569
2011						
Balance, beginning of period	$ 6,374	$ 1,035	$ 4,270	$ 741	$ 1,986	$ 14,406
Charge-Offs	(564)	-	(90)	(65)	-	(719)
Recoveries	699	13	53	23	-	788
Provision	194	584	737	220	(636)	1,099
Balance, end of period	$ 6,703	$ 1,632	$ 4,970	$ 919	$ 1,350	$ 15,574

Balance, end of period: Individually evaluated for impairment	$ 513	$ 183	$ 0	$ 0	$ -	$ 696
Balance, end of period: Collectively evaluated for impairment	$ 6,190	$ 1,449	$ 4,970	$ 919	$ 1,350	$ 14,878

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The following is a detail of the recorded investment in the loan portfolio, segregated by amounts evaluated individually or collectively in the Allowance at the periods indicated:

	Commercial	Real estate construction	Real estate term	Home equity lines and other consumer	Total
	(In Thousands)				
June 30, 2012					
Balance, end of period	$ 240,395	$ 40,922	$ 340,530	$ 38,260	$ 660,107
Balance, end of period: Individually evaluated for impairment	$ 2,733	$ 3,670	$ 7,359	$ 434	$ 14,196
Balance, end of period: Collectively evaluated for impairment	$ 237,662	$ 37,252	$ 333,171	$ 37,826	$ 645,911
June 30, 2011					
Balance, end of period	$ 232,765	$ 47,639	$ 314,093	$ 42,458	$ 636,955
Balance, end of period: Individually evaluated for impairment	$ 4,843	$ 2,949	$ 4,688	$ 209	$ 12,689
Balance, end of period: Collectively evaluated for impairment	$ 227,922	$ 44,690	$ 309,405	$ 42,249	$ 624,266

The following represents the balance of the Allowance for the periods indicated segregated by segment and class:

	Total	Commercial	Real estate construction	Real estate term	Home equity lines and other consumer	Unallocated
		(In Thousands)				
June 30, 2012						
Individually evaluated for impairment:						
Risk Code 6 - Substandard	$ 515	$ 141	$ -	$ 325	$ 49	$ -
Risk Code 7 - Doubtful	406	400	-	6	-	-

Collectively evaluated for impairment:						
Risk Code 2 - Good	14	8	-	6		
Risk Code 3 - Satisfactory	11,364	4,888	1,065	4,845	566	-
Risk Code 4 - Watch	413	139	10	16	248	-
Risk Code 5 - Special Mention	1,630	1,584	6	32	8	-
Risk Code 6 - Substandard	363	26	171	163	3	-
Risk Code 7 - Doubtful	-	-	-	-	-	-
Unallocated	1,785	-	-	-	-	1,785
	$ 16,490	$ 7,186	$ 1,252	$ 5,393	$ 874	$ 1,785
June 30, 2011						
Individually evaluated for impairment:						
Risk Code 6 - Substandard	$ 240	$ 57	$ 183	$ -	$ -	$ -
Risk Code 7 - Doubtful	456	456	-	-	-	-
Collectively evaluated for impairment:						
Risk Code 3 - Satisfactory	9,512	3,809	1,041	4,094	568	-
Risk Code 4 - Watch	513	143	68	13	289	-
Risk Code 5 - Special Mention	2,271	2,180	-	31	60	-
Risk Code 6 - Substandard	1,232	58	340	832	2	-
Risk Code 7 - Doubtful	-	-	-	-	-	-
Unallocated	1,350	-	-	-	-	1,350
	$ 15,574	$ 6,703	$ 1,632	$ 4,970	$ 919	$ 1,350

At June 30, 2012, the Company's ratio of nonperforming loans compared to portfolio loans was 0.92%. The Company's ratio of Allowance compared to portfolio loans at June 30, 2012 was 2.51%.

8. Goodwill and Other Intangibles

The Company performs goodwill impairment testing annually in accordance with the policy described in Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2011. There was no indication of impairment as of June 30, 2012. The Company continues to monitor the Company's goodwill for potential impairment on an ongoing basis. No assurance can be given that there will not be an impairment charge to earnings during 2012 for goodwill impairment, if, for example, our stock price declines and trades at a significant discount to its book value, although there are many qualitative and quantitative factors that we analyze in determining the impairment of goodwill.

9. Deposit Activities

Total deposits at June 30, 2012, December 31, 2011 and June 30, 2011 were $894.8 million, $911.2 million and $884.2 million, respectively. The only deposit category with stated maturity dates is certificates of deposit. At June 30, 2012, the Company had $106.1 million in certificates of deposit as compared to certificates of deposit of $108.7 million and $128.8 million, for the periods ending December 31, 2011 and June 30, 2011, respectively. At June 30, 2012, $73.9 million, or 70%, of the Company's certificates of deposits are scheduled to mature over the next 12 months as compared to $75.1 million, or 69%, of total certificates of deposit at December 31, 2011, and $89.2 million, or 69%, of total certificates of deposit at June 30, 2011.

10. Stock Incentive Plan

The Company adopted the 2010 Stock Option Plan ("2010 Plan") following shareholder approval of the 2010 Plan at the 2010 Annual Meeting. Subsequent to the adoption of the 2010 Plan, no additional grants may be issued under the prior plans. The 2010 Plan provides for grants of up to 348,232 shares, which includes any shares subject to stock awards under the previous stock option plans.

Stock Options: Under the 2010 Plan and previous plans, certain key employees have been granted the option to purchase set amounts of common stock at the market price on the day the option was granted. Optionees, at their own discretion, may cover the cost of exercise through the exchange at the then fair value of already owned shares of the

Company's stock. Options are granted for a 10-year period and vest on a pro rata basis over the initial three years from grant.

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The Company measures the fair value of each stock option at the date of grant using the Black-Scholes option pricing model. For the quarters ended June 30, 2012 and 2011, the Company recognized $15,000 and $17,000, respectively, in stock option compensation expense as a component of salaries and other personnel expense. For the six months ended June 30, 2012 and 2011, the Company recognized $30,000 and $34,000, respectively, in stock option compensation expense as a component of salaries and other personnel expense.

Proceeds from the exercise of stock options in the three months ended June 30, 2012 and 2011, were $94,000 and $103,000, respectively. The Company withheld $98,000 and $103,000 to pay for stock option exercises or income taxes that resulted from the exercise of stock options in the three months ended June 30, 2012 and 2011, respectively. Proceeds from the exercise of stock options in the six months ended June 30, 2012 and 2011, were $158,000 and $179,000, respectively. The Company withheld $161,000, and $179,000 to pay for stock option exercises or income taxes that resulted from the exercise of stock options in the six months ended June 30, 2012 and 2011, respectively.

Restricted Stock Units: The Company grants restricted stock units to certain key employees periodically. Recipients of restricted stock units do not pay any cash consideration to the Company for the shares and receive all dividends with respect to such shares when the shares vest. Restricted stock units cliff vest at the end of a three-year time period. For the three months ended June 30, 2012 and 2011, the Company recognized $98,000 and $112,000, respectively, in restricted stock unit compensation expense as a component of salaries and other personnel expense. For the six months ended June 30, 2012 and 2011, the Company recognized $196,000 and $229,000, respectively, in restricted stock unit compensation expense as a component of salaries and other personnel expense.

11. Fair Value of Assets and Liabilities

The Company groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuation is based upon quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's estimation of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The following methods and assumptions were used to estimate fair value disclosures. All financial instruments are held for other than trading purposes.

Cash and cash equivalents: Due to the short term nature of these instruments, the carrying amounts reported in the balance sheet represent their fair values.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Investments in Federal Home Loan Bank stock are recorded at cost, which also represents fair value.

Loans held for sale: Due to the short term nature of these instruments, the carrying amounts reported in the balance sheet represent their fair values.

Loans: Fair value adjustments for loans are mainly related to credit risk, interest rate risk, required equity return, and liquidity risk. Credit risk is primarily addressed in the financial statements through the Allowance (see Note 7). Loans are valued using a discounted cash flow methodology and are pooled based on type of interest rate (fixed or adjustable) and maturity. A discount rate was developed based on the relative risk of the cash flows, taking into account the maturity of the loans and liquidity risk. Impaired loans are carried at fair value. Specific valuation allowances are included in the Allowance.

Purchased receivables: Fair values for purchased receivables are based on their carrying amounts due to their short duration and repricing frequency.

Accrued interest receivable: Due to the short term nature of these instruments, the carrying amounts reported in the balance sheet represent their fair values.

Deposits: The fair values of demand and savings deposits are equal to the carrying amount at the reporting date. The carrying amount for variable-rate time deposits approximate their fair value. Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies currently offered interest rates to a schedule of aggregate expected monthly maturities of time deposits.

Accrued interest payable: Due to the short term nature of these instruments, the carrying amounts reported in the balance sheet represent their fair values.

Securities sold under repurchase agreements: Fair values for securities sold under repurchase agreements are based on their carrying amounts due to their short duration and repricing frequency.

Borrowings: Due to the short term nature of these instruments, the carrying amount of short-term borrowings reported in the balance sheet approximate the fair value. Fair values for fixed-rate long-term borrowings are estimated using a discounted cash flow calculation that applies currently offered interest rates to a schedule of aggregate expected monthly payments.

Junior subordinated debentures: Fair value adjustments for junior subordinated debentures are based on discounted cash flows to maturity using current interest rates for similar financial instruments. Management utilized a market approach to determine the appropriate discount rate for junior subordinated debentures.

Assets subject to nonrecurring adjustment to fair value: The Company is also required to measure certain assets such as equity method investments, goodwill, intangible assets, impaired loans, and other real estate owned ("OREO") at fair value on a nonrecurring basis in accordance with GAAP. Any nonrecurring adjustments to fair value usually result from the write down of individual assets.

The Company uses either in-house evaluations or external appraisals to estimate the fair value of OREO and impaired loans as of each reporting date. In-house appraisals are considered Level 3 inputs and external appraisals are considered Level 2 inputs. The Company's determination of which method to use is based upon several factors. The Company takes into account compliance with legal and regulatory guidelines, the amount of the loan, the size of the assets, the location and type of property to be valued and how critical the timing of completion of the analysis is to the assessment of value. Those factors are balanced with the level of internal expertise, internal experience and market information available, versus external expertise available such as qualified appraisers, brokers, auctioneers and equipment specialists.

The Company uses external sources to estimate fair value for projects that are not fully constructed as of the date of valuation. These projects are generally valued as if complete, with an appropriate allowance for cost of completion, including contingencies developed from external sources such as vendors, engineers and contractors. The Company believes that recording other real estate owned that is not fully constructed based on as if complete values is more appropriate than recording other real estate owned that is not fully constructed using as is values. We concluded that as is complete values are appropriate for these types of projects based on the accounting guidance for capitalization of project costs and subsequent measurement of the value of real estate. GAAP specifically states that estimates and cost allocations must be reviewed at the end of each reporting period and reallocated based on revised estimates. The Company adjusts the carrying value of other real estate owned in accordance with this guidance for increases in estimated cost to complete that exceed the fair value of the real estate at the end of each reporting period.

Commitments to extend credit and standby letters of credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counterparties at the reporting date.

Limitations: Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Estimated fair values as of the periods indicated are as follows:

	June 30, 2012		December 31, 2011		June 30, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)					
Financial assets:						
Level 1 inputs:						
Cash, due from banks and deposits in other banks	$ 110,704	$ 110,704	$ 91,530	$ 91,530	$ 143,831	$ 143,831
Level 2 inputs:						
Investment securities	194,851	195,093	227,905	228,163	188,020	188,216
Accrued interest receivable	2,801	2,801	2,898	2,898	2,745	2,745
Level 3 inputs:						
Loans and loans held for sale, net	662,989	655,950	656,881	649,907	618,556	615,464
Purchased receivables	23,650	23,650	30,209	30,209	14,743	14,743

Financial liabilities:						
Level 2 inputs:						
Deposits	$ 894,773	$ 894,358	$ 911,248	$ 910,927	$ 884,170	$ 883,317
Securities sold under repurchase agreements	15,265	15,265	16,348	16,348	11,616	11,616
Borrowings	4,553	4,193	4,626	4,066	4,696	3,993
Junior subordinated debentures	18,558	17,620	18,558	17,356	18,558	15,106
Accrued interest payable	50	50	52	52	239	239
Unrecognized financial instruments:						
Commitments to extend credit(1)	$ 223,832	$ 2,238	$ 173,834	$ 1,738	$ 204,899	$ 2,049
Standby letters of credit(1)	21,484	215	16,172	162	18,240	182

(1) Carrying amounts reflect the notional amount of credit exposure under these financial instruments.

The following table sets forth the balances as of the periods indicated of assets measured at fair value on a recurring basis:

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June 30, 2012	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)			
Available for sale securities				
U.S. Treasury and government sponsored entities	$ 119,503	$ -	$ 119,503	$ -
Municipal securities	19,668	-	19,668	-
U.S. Agency mortgage-backed securities	50	-	50	-
Corporate bonds	46,847	-	46,847	-
Preferred stock	3,179	-	3,179	-
Total	$ 189,247	$ -	$ 189,247	$