Territorial Bancorp Inc.
Form 10-Q
November 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period ended September 30, 2011

or

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

For transition period from to

Commission File Number 1-34403

TERRITORIAL BANCORP INC.

(Exact Name of Registrant as Specified in Charter)

Maryland	**26-4674701**
(State or Other Jurisdiction	**(I.R.S. Employer**
of Incorporation)	**Identification No.)**
1132 Bishop Street, Suite 2200, Honolulu, Hawaii	**96813**
(Address of Principal Executive Offices)	**(Zip Code)**

(808) 946-1400

Registrant s telephone number, including area code

Not Applicable

(Former name or former address, if changed since last report)

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

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

Large accelerated filer	¨	Accelerated filer	x
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 x.

Indicate the number of shares outstanding of each of the Issuer s classes of common stock as of the latest practicable date.

11,044,031 shares of Common Stock, par value $0.01 per share, were issued and outstanding as of October 31, 2011.

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TERRITORIAL BANCORP INC.

Form 10-Q Quarterly Report

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PART I

ITEM 1. FINANCIAL STATEMENTS

TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except share data)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 132,448	$ 194,435
Investment securities available for sale	0	15,010
Investment securities held to maturity, at amortized cost (fair value of $694,996 and $546,844 at September 30, 2011 and December 31, 2010, respectively)	658,574	530,555
Federal Home Loan Bank stock, at cost	12,348	12,348
Loans held for sale	2,987	3,234
Loans receivable, net	662,734	641,790
Accrued interest receivable	4,882	4,536
Premises and equipment, net	5,564	5,426
Real estate owned	162	0
Bank-owned life insurance	29,991	29,266
Deferred income taxes receivable	1,029	22
Prepaid expenses and other assets	5,247	6,790
Total assets	$ 1,515,966	$ 1,443,412
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Deposits	$ 1,139,317	$ 1,076,470
Advances from the Federal Home Loan Bank	20,000	10,000
Securities sold under agreements to repurchase	120,200	105,200
Accounts payable and accrued expenses	19,727	20,430
Current income taxes payable	416	577
Advance payments by borrowers for taxes and insurance	2,088	3,376
Total liabilities	1,301,748	1,216,053
Commitments and contingencies		
Stockholders Equity		
Preferred stock, $.01 par value; authorized 50,000,000 shares, no shares issued or outstanding	0	0
Common stock, $.01 par value; authorized 100,000,000 shares; issued and outstanding 11,124,553 and 12,177,418 shares at September 30, 2011 and December 31, 2010, respectively	111	122
Additional paid-in capital	98,842	119,153
Unearned ESOP shares	(8,441)	(8,808)
Retained earnings	126,022	119,397
Accumulated other comprehensive loss	(2,316)	(2,505)

Total stockholders equity	214,218	227,359
Total liabilities and stockholders equity	$ 1,515,966	$ 1,443,412

See accompanying notes to consolidated financial statements.

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TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income (Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Interest and dividend income:				
Investment securities	$ 6,907	$ 6,371	$ 20,167	$ 19,819
Loans	8,798	8,907	26,444	26,018
Other investments	85	115	258	290
Total interest and dividend income	15,790	15,393	46,869	46,127
Interest expense:				
Deposits	1,700	2,555	5,109	8,484
Advances from the Federal Home Loan Bank	105	54	295	99
Securities sold under agreements to repurchase	1,067	1,070	3,153	3,211
Total interest expense	2,872	3,679	8,557	11,794
Net interest income	12,918	11,714	38,312	34,333
Provision (reversal of allowance) for loan losses	(39)	118	83	276
Net interest income after provision for loan losses	12,957	11,596	38,229	34,057
Non-interest income:				
Total other-than-temporary impairment losses	0	0	0	(3,510)
Portion of loss recognized in other comprehensive income (before taxes)	0	0	0	1,106
Net other-than-temporary impairment losses	0	0	0	(2,404)
Service fees on loan and deposit accounts	534	546	1,690	1,834
Income on bank-owned life insurance	245	256	725	765
Gain on sale of investment securities	74	0	140	350
Gain on sale of loans	138	165	374	420
Other	177	76	588	224
Total non-interest income	1,168	1,043	3,517	1,189
Non-interest expense:				
Salaries and employee benefits	6,017	4,526	16,630	13,533
Occupancy	1,267	1,146	3,714	3,428
Equipment	792	734	2,366	2,184
Federal deposit insurance premiums	191	308	678	898
Other general and administrative expenses	954	952	2,887	2,843
Total non-interest expense	9,221	7,666	26,275	22,886

Income before income taxes		4,904		4,973		15,471		12,360
Income taxes		1,918		1,839		6,100		4,530
Net income	$	2,986	$	3,134	$	9,371	$	7,830
Basic earnings per share	$	0.28	$	0.28	$	0.85	$	0.69
Diluted earnings per share	$	0.28	$	0.28	$	0.84	$	0.69
Cash dividends declared per common share	$	0.09	$	0.07	$	0.25	$	0.17
Basic weighted average shares outstanding		10,659,532		11,334,058		10,969,320		11,321,912
Diluted weighted average shares outstanding		10,835,649		11,344,622		11,117,444		11,356,737

See accompanying notes to consolidated financial statements.

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TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

and Comprehensive Income (Unaudited)

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive (Loss)/Income	Total Stockholders Equity
Balances at December 31, 2009	$ 122	118,823	(9,297)	111,082	(1,059)	219,671
Comprehensive income:						
Net income	0	0	0	7,830	0	7,830
Other comprehensive loss, net of tax:						
Investment securities:						
Noncredit related losses on securities not expected to be sold, net of taxes of $427	0	0	0	0	(679)	(679)
Total comprehensive income	0	0	0	0	0	7,151
Cash dividends declared	0	0	0	(1,922)	0	(1,922)
Stock compensation expense	0	233	0	0	0	233
Allocation of 36,699 ESOP shares	0	318	367	0	0	685
Balances at September 30, 2010	$ 122	119,374	(8,930)	116,990	(1,738)	225,818
Balances at December 31, 2010	$ 122	119,153	(8,808)	119,397	(2,505)	227,359
Comprehensive income:						
Net income	0	0	0	9,371	0	9,371
Other comprehensive loss, net of tax:						
Investment securities:						
Change in unrealized loss on securities, net of taxes of $119	0	0	0	0	189	189
Total comprehensive income						9,560
Cash dividends declared	0	0	0	(2,746)	0	(2,746)
Stock compensation expense	1	2,790	0	0	0	2,791
Allocation of 36,699 ESOP shares	0	362	367	0	0	729
Repurchase of 1,202,471 shares of company stock	(12)	(23,463)	0	0	0	(23,475)
Balances at September 30, 2011	$ 111	98,842	(8,441)	126,022	(2,316)	214,218

See accompanying notes to consolidated financial statements.

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TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net income	$ 9,371	$ 7,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	83	276
Depreciation and amortization	835	681
Deferred income tax benefit	(1,126)	(1,315)
Amortization of fees, discounts, and premiums	(44)	50
Origination of loans held for sale	(34,600)	(31,686)
Proceeds from sales of loans held for sale	35,221	31,161
Gain on sale of loans, net	(374)	(420)
Net gain on sale of real estate owned	0	(1)
Other-than-temporary impairment loss on investment	0	2,404
Purchases of investment securities held for trading	(36,171)	(18,143)
Proceeds from sale of investment securities held for trading	36,311	18,244
Gain on sale of investment securities held for trading	(140)	(101)
Gain on sale of investment securities available for sale	0	(249)
Net (gain) loss on sale of premises and equipment	(5)	59
ESOP expense	729	685
Share-based compensation expense	2,791	233
(Increase) decrease in accrued interest receivable	(346)	43
Net increase in bank-owned life insurance	(725)	(765)
Net decrease in prepaid expenses and other assets	1,543	457
Net decrease in accounts payable and accrued expenses	(703)	(1,007)
Net decrease in income taxes payable	(161)	(174)
Net cash provided by operating activities	12,489	8,262
Cash flows from investing activities:		
Purchases of investment securities held to maturity	(211,257)	(81,730)
Purchases of investment securities available for sale	0	(49,206)
Principal repayments on investment securities held to maturity	97,289	104,872
Principal repayments on investment securities available for sale	525	90
Proceeds from sale of investment securities available for sale	0	49,365
Loan originations, net of principal repayments on loans receivable	(20,403)	(38,556)
Proceeds from sale of real estate owned	0	160
Proceeds from disposals of premises and equipment	5	0
Purchases of premises and equipment	(973)	(996)
Net cash used in investing activities	(134,814)	(16,001)

(Continued)

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TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from financing activities:		
Net increase in deposits	$ 62,847	$ 64,226
Proceeds from advances from the Federal Home Loan Bank	10,000	10,000
Proceeds from securities sold under agreements to repurchase	47,000	1,136
Repayments of securities sold under agreements to repurchase	(32,000)	(26,136)
Purchases of Fed Funds	10	10
Sales of Fed Funds	(10)	(10)
Net decrease in advance payments by borrowers for taxes and insurance	(1,288)	(716)
Repurchases of company stock	(23,475)	0
Cash dividends paid	(2,746)	(1,922)
Net cash provided by financing activities	60,338	46,588
Net increase (decrease) in cash and cash equivalents	(61,987)	38,849
Cash and cash equivalents at beginning of the period	194,435	135,953
Cash and cash equivalents at end of the period	$ 132,448	$ 174,802
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest on deposits and borrowings	$ 8,531	$ 11,917
Income taxes	7,388	6,019
Supplemental disclosure of noncash investing activities:		
Loans transferred to real estate owned	$ 162	$ 0

See accompanying notes to consolidated financial statements.

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TERRITORIAL BANCORP INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited consolidated financial statements of Territorial Bancorp Inc. have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. These interim condensed consolidated financial statements and notes should be read in conjunction with Territorial Bancorp Inc. s consolidated financial statements and notes thereto filed as part of the Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, all adjustments necessary for a fair presentation have been made and include all normal recurring adjustments. Interim results of operations are not necessarily indicative of results to be expected for the year.

(2) Organization

On November 4, 2008, the Board of Directors of Territorial Mutual Holding Company approved a plan of conversion and reorganization under which Territorial Mutual Holding Company would convert from a mutual holding company to a stock holding company. The conversion to a stock holding company was approved by the depositors and borrowers of Territorial Savings Bank and the Office of Thrift Supervision (OTS) and included the filing of a registration statement with the U.S. Securities and Exchange Commission. Upon the completion of the conversion and reorganization on July 10, 2009, Territorial Mutual Holding Company and Territorial Savings Group, Inc. ceased to exist as separate legal entities and Territorial Bancorp Inc. became the holding company for Territorial Savings Bank. A total of 12,233,125 shares were issued in the conversion at $10 per share, raising $122.3 million of gross proceeds. $3.7 million of conversion expenses were offset against the gross proceeds. Territorial Bancorp Inc. s common stock began trading on the NASDAQ Global Select Market under the symbol TBNK on July 13, 2009.

Upon completion of the conversion and reorganization, a special liquidation account was established in an amount equal to the total equity of Territorial Mutual Holding Company as of December 31, 2008. The liquidation account is to provide eligible account holders and supplemental eligible account holders who maintain their deposit accounts with Territorial Savings Bank after the conversion with a liquidation interest in the unlikely event of the complete liquidation of Territorial Savings Bank after the conversion. The liquidation account will be reduced annually to the extent that eligible account holders and supplemental eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder s or supplemental eligible account holder s interest in the liquidation account. In the event of a complete liquidation of Territorial Savings Bank, and only in such event, each account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the adjusted qualifying account balances then held.

(3) Recently Adopted Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) amended the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification (ASC). The amendment requires disclosures about the significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers, and requires the reconciliation of activity in Level 3 fair value measurements be made on a gross basis. The amendment also clarifies the level of

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disaggregation required in disclosures and the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3 items. The part of the amendment related to the reconciliation of Level 3 activity is effective for interim and annual periods beginning after December 15, 2010, and was adopted by the Company on January 1, 2011. The remaining parts of the amendment were effective for interim and annual periods beginning after December 15, 2009, and were adopted by the Company on January 1, 2010. The Fair Value of Financial Instruments footnote has been updated to include the revised disclosures.

In April 2011, the FASB amended the Receivables topic of the FASB ASC. The amendment helps creditors determine whether a troubled debt restructuring has occurred by clarifying whether a restructuring constitutes a concession and whether the debtor is experiencing financial difficulties. The amendment also requires disclosures related to troubled debt restructurings that were initially effective for periods ending after December 15, 2010, but deferred to make the effective date concurrent with this amendment. The amendment is effective for the first interim or annual period beginning on or after June 15, 2011, and was adopted by the Company on July 1, 2011. The adoption did not have a material effect on its consolidated financial statements.

In April 2011, the FASB amended the Transfers and Servicing topic of the FASB ASC. The amendment modifies the criteria used to determine whether a repurchase agreement is accounted for as a sale or as a secured borrowing. The amendment is effective for interim or annual periods beginning on or after December 15, 2011. Early adoption is not permitted. The Company does not expect the adoption of this amendment to have any effect on its consolidated financial statements.

In May 2011, the FASB amended the Fair Value Measurement topic of the FASB ASC. The amendment results in common fair value measurement and disclosure requirements in U.S. generally accepted accounting principles and International Financial Reporting Standards. The amendment both clarifies the intent about existing fair value measurements as well as changes the principle or requirement for measuring fair value or disclosing fair value information. The amendment is effective for interim or annual periods beginning after December 15, 2011. Early application is not permitted. The Company does not expect the adoption of this amendment to have a material effect on its consolidated financial statements.

In June 2011, the FASB amended the Comprehensive Income topic of the FASB ASC. The amendment eliminates the option of presenting components of other comprehensive income as part of the statement of changes in stockholders equity. Non-owner changes in stockholders equity must be presented either in a continuous statement of comprehensive income or in two separate but consecutive statements. The amendment is effective for interim or annual periods beginning after December 15, 2011, with early adoption permitted. The adoption of this amendment will affect the location of disclosures related to other comprehensive income, but the Company does not expect any other material effect on its consolidated financial statements.

(4) Cash and Cash Equivalents

The table below presents the balances of cash and cash equivalents:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Cash and due from banks	$ 9,266	$ 8,827
Interest-earning deposits in other banks	123,182	185,608
Cash and cash equivalents	$ 132,448	$ 194,435

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(5) Investment Securities

The amortized cost and fair values of investment securities are as follows:

(Dollars in thousands)	Amortized cost	Gross unrealized Gains	Gross unrealized Losses	Estimated fair value
September 30, 2011:				
Held to maturity:				
U.S. government-sponsored mortgage-backed securities	$ 658,542	36,324	(38)	$ 694,828
Trust preferred securities	32	136	0	168
Total	$ 658,574	36,460	(38)	$ 694,996
December 31, 2010:				
Held to maturity:				
U.S. government-sponsored mortgage-backed securities	$ 530,523	18,191	(1,998)	$ 546,716
Trust preferred securities	32	96	0	128
Total	$ 530,555	18,287	(1,998)	$ 546,844
Available for sale:				
U.S. government-sponsored mortgage-backed securities	$ 15,540	0	(530)	$ 15,010
Total	$ 15,540	0	(530)	$ 15,010

$15.0 million of U.S. government-sponsored mortgage-backed securities were reclassified from available-for-sale to held-to-maturity during the three months ended June 30, 2011. Management considers the held-to-maturity classification of these securities to be appropriate as the Company has the positive intent and ability to hold these securities to maturity.

The amortized cost and estimated fair value of investment securities at September 30, 2011 are shown below. Incorporated in the maturity schedule are mortgage-backed and trust preferred securities, which are allocated using the contractual maturity as a basis. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Amortized cost	Estimated fair value
Held to maturity:		
Due after 5 years through 10 years	$ 8,018	$ 8,278
Due after 10 years	650,556	686,718
Total	$ 658,574	$ 694,996

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Realized gains and losses and the proceeds from sales of securities available for sale and trading are shown in the table below. All sales of securities were U.S. government-sponsored mortgage-backed securities.

(Dollars in thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Proceeds from sales	$ 16,445	$ 0	$ 36,311	$ 67,609
Gross gains	74	0	140	350
Gross losses	0	0	0	0

Investment securities with carrying values of $296.2 million at September 30, 2011 were pledged to secure public deposits, securities sold under agreements to repurchase and transaction clearing accounts.

Provided below is a summary of investment securities which were in an unrealized loss position at September 30, 2011 and December 31, 2010. The Company has the ability to hold these securities until such time as the value recovers or the securities mature.

	Less than 12 months		12 months or longer			Total	
Description of securities (Dollars in thousands)	**Fair value**	**Unrealized losses**	**Fair value**	**Unrealized losses**	**Number of securities**	**Fair value**	**Unrealized losses**
September 30, 2011:							
Mortgage-backed securities	$ 2,599	23	676	15	9	3,275	38
Total	$ 2,599	23	676	15	9	3,275	38
December 31, 2010:							
Mortgage-backed securities	$ 98,524	2,480	2,962	48	17	101,486	2,528
Total	$ 98,524	2,480	2,962	48	17	101,486	2,528

Trust Preferred Securities. At September 30, 2011, the Company owns two trust preferred securities, PreTSL XXIII and XXIV, with a carrying value of $32,000. The difference between the carrying value of $32,000 and the remaining amortized cost basis of $1.1 million is included as a component of accumulated other comprehensive loss, net of taxes, and is related to non-credit factors such as the trust preferred securities market being inactive. The trust preferred securities represent investments in a pool of debt obligations issued primarily by holding companies for Federal Deposit Insurance Corporation-insured financial institutions. All of these securities are classified in the Bank s held-to-maturity investment portfolio.

The trust preferred securities market is considered to be inactive as there were only five transactions in the last 21 months in similar tranches to the securities owned by the Company. The

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Company used a discounted cash flow model to determine whether these securities are other-than-temporarily impaired. The assumptions used in preparing the discounted cash flow model include the following: estimated discount rates, estimated deferral and default rates on collateral, and estimated cash flows.

Based on the Company s review, the Company s investment in trust preferred securities did not incur additional impairment during the quarter ending September 30, 2011 as the present value of cash flows exceed the amortized cost basis of $1.1 million.

At September 30, 2011, PreTSL XXIII and XXIV are rated C by Fitch.

It is reasonably possible that the fair values of the trust preferred securities could decline in the near term if the overall economy and the financial condition of some of the issuers continue to deteriorate and the liquidity of these securities remains low. As a result, there is a risk that the Company s amortized cost basis of $1.1 million on its trust preferred securities could be other-than-temporarily impaired in the near term. The impairment could be material to the Company s consolidated statements of income.

The table below provides a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold:

(Dollars in thousands)	2011	2010
Balance at January 1	$ 5,885	$ 3,481
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	0	2,404
Balance at September 30	$ 5,885	$ 5,885

The table below shows the components of comprehensive loss, net of taxes, resulting from other-than-temporarily impaired securities:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Non-credit losses on other-than-temporarily impaired securities	$ 679	$ 679

(6) Loans Receivable

The components of loans receivable are as follows:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Real estate loans:		
First mortgages:		
One- to four-family residential	$ 626,719	$ 604,456
Multi-family residential	6,214	5,408
Construction, commercial, and other	14,993	14,412
Home equity loans and lines of credit	17,826	20,064
Total real estate loans	665,752	644,340
Other loans:		
Loans on deposit accounts	737	895

Consumer and other loans	4,787	4,740
Total other loans	5,524	5,635
Less:		
Net unearned fees and discounts	(5,767)	(5,585)
Undisbursed loan funds	(1,223)	(1,112)
Allowance for loan losses	(1,552)	(1,488)
	(8,542)	(8,185)
Loans receivable, net	$ 662,734	$ 641,790

The activity in the allowance for loan losses on loans receivable is as follows:

(Dollars in thousands)	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Balance, beginning of period	$ 1,592	$ 1,737	$ 1,488	$ 1,681
Provision (reversal of allowance) for loan losses	(39)	118	83	276
	1,553	1,855	1,571	1,957
Charge-offs	(7)	(378)	(62)	(501)
Recoveries	6	94	43	115
Net charge-offs	(1)	(284)	(19)	(386)
Balance, end of period	$ 1,552	$ 1,571	$ 1,552	$ 1,571

The table below presents the activity in the allowance for loan losses by portfolio segment:

(Dollars in thousands)	Residential Mortgage	Construction Commercial and Other Mortgage Loans	Home Equity and Lines of Credit	Consumer and Other	Unallocated	Totals
Three months ended September 30, 2011:						
Balance, beginning of period	$ 615	$ 390	$ 277	$ 193	$ 117	$ 1,592
Provision (reversal of allowance) for loan losses	(13)	(32)	(9)	15	0	(39)
	602	358	268	208	117	1,553
Charge-offs	0	0	0	(7)	0	(7)
Recoveries	2	0	0	4	0	6
Net charge-offs	2	0	0	(3)	0	(1)
Balance, end of period	$ 604	$ 358	$ 268	$ 205	$ 117	$ 1,552
Nine months ended September 30, 2011:						
Balance, beginning of period	$ 583	$ 277	$ 305	$ 208	$ 115	$ 1,488
Provision (reversal of allowance) for loan losses	23	81	(37)	14	2	83
	606	358	268	222	117	1,571
Charge-offs	(27)	0	0	(35)	0	(62)
Recoveries	25	0	0	18	0	43
Net charge-offs	(2)	0	0	(17)	0	(19)

Balance, end of period	$ 604	$ 358	$ 268	$ 205	$ 117	$ 1,552

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The table below presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method:

(Dollars in thousands)	Residential Mortgage	Construction Commercial and Other Mortgage Loans	Home Equity and Lines of Credit	Consumer and Other	Unallocated	Totals
September 30, 2011:						
Allowance for loan losses:						
Ending allowance balance:						
Individually evaluated for impairment	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collectively evaluated for impairment	604	358	268	205	117	1,552
Total ending allowance balance	$ 604	$ 358	$ 268	$ 205	$ 117	$ 1,552
Loans:						
Ending loan balance:						
Individually evaluated for impairment	$ 4,980	$ 0	$ 0	$ 53	$ 0	$ 5,033
Collectively evaluated for impairment	622,288	13,656	17,838	5,471	0	659,253
Total ending loan balance	$ 627,268	$ 13,656	$ 17,838	$ 5,524	$ 0	$ 664,286
December 31, 2010:						
Allowance for loan losses:						
Ending allowance balance:						
Individually evaluated for impairment	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Collectively evaluated for impairment	583	277	305	208	115	1,488
Total ending allowance balance	$ 583	$ 277	$ 305	$ 208	$ 115	$ 1,488
Loans:						
Ending loan balance:						
Individually evaluated for impairment	$ 3,401	$ 2	$ 0	$ 5	$ 0	$ 3,408
Collectively evaluated for impairment	600,981	13,185	20,079	5,625	0	639,870
Total ending loan balance	$ 604,382	$ 13,187	$ 20,079	$ 5,630	$ 0	$ 643,278

The table below presents the balance of impaired loans and the related amount of allocated loan loss allowances:

(Dollars in thousands)	September 30, 2011	December 31, 2010
Loans with no allocated allowance for loan losses	$ 5,033	$ 3,408
Loans with allocated allowance for loan losses	0	0
Total impaired loans	$ 5,033	$ 3,408
Amount of allocated loan loss allowance	$ 0	$ 0

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The table below presents the balance of impaired loans individually evaluated for impairment by class of loans:

(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance
September 30, 2011:		
With no related allowance recorded:		
One- to four-family residential mortgages	$ 4,980	$ 5,113
Consumer and other	53	53
Total	$ 5,033	$ 5,166
December 31, 2010:		
With no related allowance recorded:		
One- to four-family residential mortgages	$ 3,401	$ 3,413
Construction, commercial and other mortgages	2	2
Consumer and other	5	5
Total	$ 3,408	$ 3,420

The table below presents the average recorded investment and interest income recognized on impaired loans by class of loans:

	For the three months ended September 30		For the nine months ended September 30	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
2011:				
With no related allowance recorded:				
One- to four-family residential mortgages	$ 4,292	$ 40	$ 4,982	$ 108
Consumer and other	29	0	54	0
Total	$ 4,321	$ 40	$ 5,036	$ 108
2010:				
With no related allowance recorded:				
One- to four-family residential mortgages	$ 2,911	$ 35	$ 3,018	$ 98
Construction, commercial and other mortgages	97	0	26	0
Consumer and other	5	0	150	0
Total	$ 3,013	$ 35	$ 3,194	$ 98

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There were no loans individually evaluated for impairment with a related allowance for loan loss as of September 30, 2011 or December 31, 2010.

Impaired loans at September 30, 2011 and December 31, 2010 amounted to $5.0 million and $3.4 million, respectively, and included all nonaccrual and restructured loans. During the nine months ended September 30, 2011, the average recorded investment in impaired loans was $5.0 million and interest income recognized on impaired loans was $108,000. During the nine months ended September 30, 2010, the average recorded investment in impaired loans was $3.2 million and interest income recognized on impaired loans was $98,000.

The table below presents the aging of loans and accrual status by class of loans as of September 30, 2011 and December 31, 2010:

(Dollars in thousands)	30 59 Days Past Due	60 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total Loans	Nonaccrual Loans	Loans More Than 90 Days Past Due and Still Accruing
September 30, 2011:								
One- to four family residential mortgages	$ 629	$ 403	$ 2,384	$ 3,416	$ 617,680	$ 621,096	$ 2,384	$ 0
Multi-family residential mortgages								