First Financial Northwest, Inc.
Form 10-Q
May 09, 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 March 31, 2011

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: 001-33652

FIRST FINANCIAL NORTHWEST, INC.
(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	26-0610707 (I.R.S. Employer Identification Number)
201 Wells Avenue South, Renton, Washington (Address of principal executive offices)	98057 (Zip Code)
Registrant’s telephone number, including area code:	(425) 255-4400

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [ ] No [ ]

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

Large accelerated filer [ ] Accelerated filer [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: As of May 6, 2011, 18,805,168 shares of the issuer's common stock, $0.01 par value per share, were outstanding.

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Item 1. Financial Statements

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Dollars in thousands, except share data)
(Unaudited)

Assets	March 31, 2011	December 31, 2010
Cash on hand and in banks	$ 4,869	$ 7,466
Interest-bearing deposits	159,126	90,961
Investments available for sale, at fair value	148,230	164,603
Loans receivable, net of allowance of $20,250 and $22,534	796,354	856,456
Premises and equipment, net	19,585	19,829
Federal Home Loan Bank stock, at cost	7,413	7,413
Accrued interest receivable	4,339	4,686
Federal income tax receivable	6,346	5,916
Other real estate owned	31,266	30,102
Prepaid expenses and other assets	6,210	6,226
Total assets	$ 1,183,738	$ 1,193,658
Liabilities and Stockholders' Equity		
Interest-bearing deposits	$ 901,408	$ 911,526
Noninterest bearing deposits	4,818	8,700
Advances from the Federal Home Loan Bank	93,066	93,066
Advance payments from borrowers for taxes and insurance	4,293	2,256
Accrued interest payable	230	214
Other liabilities	3,408	3,418
Total liabilities	1,007,223	1,019,180
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $0.01 par value; authorized 10,000,000 shares, no shares issued or outstanding	—	—
Common stock, $0.01 par value; authorized 90,000,000 shares; issued and outstanding 18,805,168 shares at March 31, 2011 and December 31, 2010	188	188
Additional paid-in capital	187,707	187,371
Retained earnings (accumulated deficit), substantially restricted	1,129	(305)
Accumulated other comprehensive income, net of tax	469	484
Unearned Employee Stock Ownership Plan (ESOP) shares	(12,978)	(13,260)
Total stockholders' equity	176,515	174,478

Total liabilities and stockholders' equity	$ 1,183,738	$ 1,193,658

See accompanying notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES
Consolidated Income Statements
(Dollars in thousands, except share data)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Interest income		
Loans, including fees	$ 12,428	$ 14,594
Investments available for sale	1,205	1,007
Cash on hand and in banks	76	61
Total interest income	$ 13,709	$ 15,662
Interest expense		
Deposits	4,513	6,571
Federal Home Loan Bank advances	576	1,023
Total interest expense	$ 5,089	$ 7,594
Net interest income	8,620	8,068
Provision for loan losses	1,200	13,000
Net interest income (loss) after provision for loan losses	$ 7,420	$ (4,932)
Noninterest income		
Net gain on sale of investments	511	-
Other	85	46
Total noninterest income	$ 596	$ 46
Noninterest expense		
Salaries and employee benefits	3,289	3,189
Occupancy and equipment	402	425
Professional fees	480	459
Data processing	209	170
Loss (gain) on sale of OREO property, net	(626)	437
OREO market value adjustments	628	2,271
OREO related expenses, net	850	702
FDIC/OTS assessments	710	580
Insurance and bond premiums	247	149
Marketing	61	43
Other general and administrative	332	442
Total noninterest expense	$ 6,582	$ 8,867
Income (loss) before provision for federal income taxes	1,434	(13,753)
Provision for federal income taxes	-	3,999
Net income (loss)	$ 1,434	$ (17,752)
Basic earnings (loss) per share	$ 0.08	$ (1.02)

Diluted earnings (loss) per share	$	0.08	$	(1.02	)

See accompanying notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity and Comprehensive Income
For the Three Months Ended March 31, 2011
(Dollars in thousands, except share data)
(Unaudited)

	Shares	Common	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income, net of tax	Unearned ESOP Shares	Total Stockholders Equity
Balances at December 31, 2010	18,805,168	$ 188	$ 187,371	$ (305)	$ 484	$ (13,260)	$ 174,478
Comprehensive income:							
Net income	—	—	—	1,434	—	—	1,434
Change in fair value of investments available for sale	—	—	—	—	(15)	—	(15)
Total comprehensive income							1,419
Compensation related to stock options and restricted stock awards	—	—	473	—	—	—	473
Allocation of 28,213 ESOP shares	—	—	(137)	—	—	282	145
Balances at March 31, 2011	18,805,168	$ 188	$ 187,707	$ 1,129	$ 469	$ (12,978)	$ 176,515

See accompanying notes to consolidated financial statements.

FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2011	2010
Cash flows from operating activities:		
Net income (loss)	$ 1,434	$ (17,752)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loan losses	1,200	13,000
OREO market value adjustments	628	2,271
Loss (gain) on sale of OREO property, net	(626)	437
Depreciation of premises and equipment	269	254
Net amortization of premiums and discounts on investments	691	250
ESOP expense	145	186
Compensation expense related to stock options and restricted stock awards	473	497
Net realized gain on investments available for sale	(511)	—
Deferred federal income taxes	430	6,661
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	16	(54)
Federal income taxes, net	(430)	(2,661)
Accrued interest receivable	347	164
Accrued interest payable	16	(55)
Other liabilities	(10)	(871)
Net cash provided by operating activities	$ 4,072	$ 2,327
Cash flows from investing activities:		
Proceeds from sales of investments	9,701	—
Capitalized improvements in OREO	(88)	—
Proceeds from sales of OREO properties	9,199	3,031
Principal repayments on investments	10,350	6,657
Purchases of investments	(4,303)	(18,936)
Net (increase) decrease in loans receivable	48,625	(5,000)
Purchases of premises and equipment	(25)	(1,122)
Net cash provided (used) by investing activities	$ 73,459	$ (15,370)
Balance, carried forward	$ 77,531	$ (13,043)

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FIRST FINANCIAL NORTHWEST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Balance, brought forward	$77,531	$(13,043)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(14,000)	23,167
Advances from the Federal Home Loan Bank	-	50,000
Repayments of advances from the Federal Home Loan Bank	-	(50,000)
Net increase in advance payments from borrowers for taxes and insurance	2,037	2,132
Repurchase and retirement of common stock	-	(106)
Dividends paid	-	(1,421)
Net cash provided (used) by financing activities	$(11,963)	$23,772
Net increase in cash	65,568	10,729
Cash and cash equivalents:		
Beginning of period	98,427	104,970
End of period	$163,995	$115,699
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$5,073	$7,649
Noncash transactions:		
Loans, net of deferred loan fees and allowance for loan losses transferred to OREO	$10,277	$14,404

See accompanying notes to consolidated financial statements.

Note 1 – Description of Business

First Financial Northwest, Inc. ("First Financial Northwest" or the "Company"), a Washington corporation, was formed on June 1, 2007 for the purpose of becoming the holding company for First Savings Bank Northwest ("First Savings Bank" or "the Bank") in connection with the conversion from a mutual holding company structure to a stock holding company structure. First Financial Northwest's business activities generally are limited to passive investment activities and oversight of its investment in First Savings Bank. Accordingly, the information presented in the consolidated financial statements and related data, relates primarily to First Savings Bank. First Financial Northwest is a savings and loan holding company and is subject to regulation by the Office of Thrift Supervision ("OTS"). First Savings Bank is regulated by the Federal Deposit Insurance Corporation ("FDIC") and the Washington State Department of Financial Institutions ("DFI").

First Savings Bank is a community-based savings bank primarily serving King and to a lesser extent, Pierce, Snohomish and Kitsap counties, Washington through our full-service banking office located in Renton, Washington. First Savings Bank's business consists of attracting deposits from the public and utilizing these deposits to originate one-to-four family, multifamily, commercial real estate, business, consumer and to a lesser extent, construction/land development loans.

Note 2 – Regulatory Items

On April 14, 2010, in connection with the most recent examination of the holding company by the OTS, members of the Board of Directors of First Financial Northwest entered into an informal supervisory agreement or Memorandum of Understanding ("MOU"). Under the terms of the MOU, the Company has agreed, among other things, to provide notice to and obtain a written non-objection from the OTS prior to the Company (a) declaring a dividend or redeeming any capital stock; and (b) incurring, issuing, renewing or repurchasing any new debt. Further, in connection with a prior examination of the Bank by the FDIC and DFI, the FDIC has notified us that we must obtain a written non-objection from the FDIC before engaging in any transaction that would materially change the balance sheet composition (including growth in total assets of five percent or more), significantly change funding sources (including brokered deposits) or declare or pay cash dividends. In addition, both the Company and the Bank must obtain prior regulatory approval before adding any new director or senior executive officer or changing the responsibilities of any current senior executive officer or pay pursuant to or by entering into certain severance and other forms of compensation agreements.

The Bank entered into a Stipulation to the Issuance of a Consent Order ("Order") with the FDIC and the DFI which became effective on September 24, 2010. Under the terms of the Order, the Bank cannot declare dividends or repurchase stock without the prior written approval of the FDIC. Other material provisions of the Order require the Bank to:

- Maintain and preserve qualified management;
- Increase the Board of Directors' participation in the Bank's affairs;
- Obtain an independent study of management and the personnel structure of the Bank;
- Maintain specified Capital levels;
- Eliminate loans classified as "Loss" at its regulatory examination, and reduce the loans classified as "Doubtful" and "Substandard" as a percent of capital;
- Revise its policy with respect to the allowance for loan losses;
- Not extend additional credit to borrowers whose loan had been classified as "Loss" and is uncollected;
- Revise its lending and collection policies and practices;
- Develop a plan to reduce the amount of commercial real estate loans;

- Enhance its written funds management and liquidity policy;
- Develop a three-year strategic plan;
- Not solicit brokered deposits and comply with certain deposit rate restrictions;
- Eliminate and correct all violations of laws; and

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- Prepare and submit progress reports to the FDIC and DFI.

The Order required that a number of items be completed over various time frames. We believe we have complied with each item set forth in the Order in advance of all required due dates and we have submitted the appropriate documentation to our regulators.

The Bank's Tier 1 capital ratio was 12.13% and our total risk-based capital ratio was 21.30% at March 31, 2011 which exceeded the requirements of the Order of 10% and 12%, respectively.

Adversely classified assets as a percent of Tier 1 capital plus the allowance for loan losses was 128% at the beginning of 2010. The Order requires this ratio to be below 65% by March 2011 for the adversely classified assets identified during the most recent examination. As of March 31, 2011, we have achieved this target stipulated in the Order.

The Order also requires that the Bank develop a written plan to systematically reduce the amount of loans to borrowers in the commercial real estate loan category. At March 31, 2010, the Bank's commercial real estate loans represented 334% of its risk-based capital and its construction/land development loans equaled 115% of risk-based capital. As of March 31, 2011, the Bank's concentration in commercial real estate loans has been reduced to 265% of its risk-based capital and its construction/land development loan portfolio has been reduced to 51% of risk-based capital.

A copy of the Order is attached to the Form 8-K that we filed with the Securities and Exchange Commission ("SEC") on September 27, 2010. The Order will remain in effect until modified or terminated by the FDIC and the DFI.

Note 3 – Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the SEC. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial statements in accordance with GAAP have been included. All significant intercompany balances and transactions between the Company and its subsidiaries have been eliminated in consolidation. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. In preparing the unaudited consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the allowance for loan losses, other real estate owned ("OREO"), deferred tax assets and the fair value of financial instruments.

Certain amounts in the unaudited consolidated financial statements for prior periods have been reclassified to conform to the current unaudited financial statement presentation.

Note 4 – Recently Issued Accounting Pronouncements

In January 2011, the FASB issued ASU No. 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. This ASU temporarily delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the Board time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. Accordingly, the Company has not included the disclosures deferred by this ASU.

In April 2011, the FASB issued ASU No. 2011-02, A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring. The Update provides additional guidance relating to when creditors should classify loan modifications as troubled debt restructurings. The ASU also ends the deferral issued in January 2010 of the disclosures about troubled debt restructurings required by ASU No. 2010-20. The provisions of ASU No. 2011-02 and the disclosure requirements of ASU No. 2010-20 are effective for the Company's interim reporting period ending September 30, 2011. The guidance applies retrospectively to restructurings occurring on or after January 1, 2011. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

Note 5 – Investments

Investment securities available for sale are summarized as follows:

	March 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Mortgage-backed investments:				
Fannie Mae	$ 103,102	$ 1,254	$ (296)	$ 104,060
Freddie Mac	31,230	430	(107)	31,553
Ginnie Mae	8,871	-	(111)	8,760
Municipal bonds	2,394	-	(464)	1,930
U.S. Government agencies	1,805	122	-	1,927
	$ 147,402	$ 1,806	$ (978)	$ 148,230

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Mortgage-backed investments:				
Fannie Mae	$ 109,134	$ 1,291	$ (281)	$ 110,144
Freddie Mac	40,454	860	(165)	41,149
Ginnie Mae	9,542	-	(98)	9,444
Municipal bonds	2,395	-	(473)	1,922
U.S. Government agencies	1,805	139	-	1,944
	$ 163,330	$ 2,290	$ (1,017)	$ 164,603

The following table summarizes the aggregate fair value and gross unrealized loss by length of time those investments have been continuously in an unrealized loss position:

	March 31, 2011					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed investments:			(In thousands)			
Fannie Mae	$ 48,959	$ (296)	$ -	$ -	$ 48,959	$ (296)
Freddie Mac	11,895	(107)	-	-	11,895	(107)
Ginnie Mae	8,760	(111)	-	-	8,760	(111)
Municipal bonds	-	-	1,893	(464)	1,893	(464)
	$ 69,614	$ (514)	$ 1,893	$ (464)	$ 71,507	$ (978)

	December 31, 2010					
	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Mortgage-backed investments:			(In thousands)			
Fannie Mae	$ 39,801	$ (281)	$ -	$ -	$ 39,801	$ (281)
Freddie Mac	15,232	(165)	-	-	15,232	(165)
Ginnie Mae	5,193	(98)	-	-	5,193	(98)
Municipal bonds	-	-	1,885	(473)	1,885	(473)
	$ 60,226	$ (544)	$ 1,885	$ (473)	$ 62,111	$ (1,017)

On a quarterly basis, management makes an assessment to determine whether there have been any events or economic circumstances to indicate that a security on which there is an unrealized loss is impaired on an other-than-temporary basis. We consider many factors including the severity and duration of the impairment, recent events specific to the issuer or industry, and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be an other-than-temporary impairment (“OTTI”) are written down to fair value. For equity securities, the write-down is recorded as a realized loss in noninterest income on our Consolidated Income Statement. For debt securities, if we intend to sell the security or it is likely that we will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If we do not intend to sell the security and it is not likely that we will be required to sell the security but we do not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings. The credit loss on a security is measured as the difference between the amortized cost basis and the present value of the cash flows expected to be collected. Projected cash flows are discounted by the original or current effective interest rate depending on the nature of the security being measured for potential OTTI. The remaining impairment related to all other factors, the difference between the present value of the cash flows expected to be collected and fair value, is recognized as a charge to other comprehensive income (“OCI”). Impairment losses related to all other factors are presented as separate categories within OCI. For the quarter ended March 31, 2011, we did not have any OTTI losses on investments.

The amortized cost and estimated fair value of investments available for sale at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Investments not due at a single maturity date, primarily mortgage-backed investments, are shown separately.

	March 31, 2011	
	Amortized Cost	Fair Value
	(In thousands)	
Due within one year	$ -	$ -
Due after one year through five years	501	550
Due after five years through ten years	503	487
Due after ten years	3,195	2,820
	4,199	3,857
Mortgage-backed investments	143,203	144,373
	$ 147,402	$ 148,230

We sold $9.7 million of investments during the three months ended March 31, 2011, resulting in a gross gain of $511,000.

Note 6 - Loans Receivable

Loans receivable are summarized as follows:

	March 31, 2011			December 31, 2010		
	Amount	Percent		Amount	Percent	
	(Dollars in thousands)					
One-to-four family residential (1):						
Permanent	$ 375,894	45.59	%	$ 393,334	44.08	%
Construction	-	-		5,356	0.60	
	$ 375,894	45.59	%	$ 398,690	44.68	%
Multifamily:						
Permanent	126,120	15.30		140,762	15.77	
Construction	3,024	0.37		4,114	0.46	
	$ 129,144	15.67	%	$ 144,876	16.23	%
Commercial real estate:						
Permanent	227,202	27.56		237,708	26.64	
Construction	26,861	3.26		28,362	3.18	
Land	4,419	0.54		6,643	0.75	
	$ 258,482	31.36	%	$ 272,713	30.57	%
Construction/land development:						
One-to-four family residential	17,643	2.14		26,848	3.01	
Multifamily	882	0.11		1,283	0.14	
Commercial	1,104	0.13		1,108	0.12	

Land development		23,490	2.85			27,262	3.06	
	$	43,119	5.23	%	$	56,501	6.33	%
Business		1,026	0.12			479	0.05	
Consumer		16,767	2.03			19,127	2.14	
Total loans	$	824,432	100.00	%	$	892,386	100.00	%
Less:								
Loans in process		5,633				10,975		
Deferred loan fees, net		2,195				2,421		
Allowance for loan losses		20,250				22,534		
Loans receivable, net	$	796,354			$	856,456		

(1) Includes $166.2 million and $173.4 million of non-owner occupied loans at March 31, 2011 and December 31, 2010, respectively.

At March 31, 2011, there were no loans classified as held for sale.

A summary of changes in the allowance for loan and lease losses ("ALLL") for the three months ended March 31, 2011 and 2010 are as follows:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Balance at the beginning of the period	$ 22,534	$ 33,039
Provision for loan losses	1,200	13,000
Charge-offs	(3,675)	(9,682)
Recoveries	191	122
Balance at the end of the period	$ 20,250	$ 36,479

The following tables represents a summary of our ALLL and loan portfolio by loan type and impairment method at March 31, 2011 and December 31, 2010.

	March 31, 2011						
	One-to-Four Family Residential	Multi-family	Commercial Real Estate	Construction/ Land Development	Business	Consumer	Total
ALLL:				(In thousands)			
Beginning balance	$8,302	$1,893	$ 6,742	$ 5,151	$7	$439	$22,534
Charge-offs	(585)	(26)	(2,080)	(926)	-	(58)	(3,675)
Recoveries	5	-	-	185	-	1	191
Provision	34	(121)	2,613	(1,343)	6	11	1,200
Ending balance	$7,756	$1,746	$ 7,275	$ 3,067	$13	$393	$20,250
General reserve	$6,596	$1,684	$ 5,351	$ 1,483	$13	$298	$15,425
Specific reserve	$1,160	$62	$ 1,924	$ 1,584	$-	$95	$4,825
Loans (1):							
Loans	$375,858	$128,678	$ 255,532	$ 40,938	$1,026	$16,767	$818,799
General reserve (2)	$307,401	$125,470	$ 234,006	$ 17,453	$1,026	$16,552	$701,908
Specific reserve (3)	$68,457	$3,208	$ 21,526	$ 23,485	$-	$215	$116,891

(1) Net of undisbursed funds
(2) Loans collectively evaluated for impairment
(3) Loans individually evaluated for impairment

December 31, 2010

	One-to-Four Family Residential	Multi-family	Commercial Real Estate	Construction/ Land Development	Business	Consumer	Total
ALLL:				(In thousands)			
Beginning balance	$11,130	$1,896	$ 6,422	$ 13,255	$6	$	