FIRST MID ILLINOIS BANCSHARES INC
Form 10-Q
November 07, 2013

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, 2013
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 0-13368

FIRST MID-ILLINOIS BANCSHARES, INC.
(Exact name of Registrant as specified in its charter)

Delaware	37-1103704
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
1421 Charleston Avenue, Mattoon, Illinois	61938
(Address of principal executive offices)	(Zip code)

(217) 234-7454
(Registrant's telephone number, including area code)

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 website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, 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. (Check one):

Large accelerated filer [ ]	Accelerated filer [X]

Non-accelerated filer [ ] Smaller reporting company [ ]
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

As of November 7, 2013,5,924,626 common shares, $4.00 par value, were outstanding.

PART I

ITEM 1. FINANCIAL STATEMENTS
First Mid-Illinois Bancshares, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share data)

	(Unaudited) September 30, 2013	December 31, 2012
Assets		
Cash and due from banks:		
Non-interest bearing	$31,447	$38,110
Interest bearing	35	24,103
Federal funds sold	497	20,499
Cash and cash equivalents	31,979	82,712
Certificates of deposit investments	—	6,665
Investment securities:		
Available-for-sale, at fair value	500,304	508,309
Loans held for sale	1,101	212
Loans	941,990	910,853
Less allowance for loan losses	(12,977)	(11,776)
Net loans	929,013	899,077
Interest receivable	6,888	6,775
Other real estate owned	430	1,187
Premises and equipment, net	28,828	29,670
Goodwill, net	25,753	25,753
Intangible assets, net	2,650	3,161
Other assets	19,511	14,511
Total assets	$1,546,457	$1,578,032
Liabilities and Stockholders' Equity		
Deposits:		
Non-interest bearing	$224,732	$263,838
Interest bearing	1,039,209	1,010,227
Total deposits	1,263,941	1,274,065
Securities sold under agreements to repurchase	78,114	113,484
Interest payable	254	341
FHLB borrowings	20,000	5,000
Other borrowings	5,000	—
Junior subordinated debentures	20,620	20,620
Other liabilities	7,939	7,835
Total liabilities	1,395,868	1,421,345
Stockholders' Equity:		
Convertible preferred stock, no par value; authorized 1,000,000 shares; issued 10,427 shares in 2013 and 2012	52,035	52,035
Common stock, $4 par value; authorized 18,000,000 shares; issued 7,743,254 shares in 2013 and 7,682,535 shares in 2012	30,973	30,730
Additional paid-in capital	32,963	31,685
Retained earnings	85,529	78,986
Deferred compensation	2,909	2,953
Accumulated other comprehensive income (loss)	(6,922)	4,544

Less treasury stock at cost, 1,824,648 shares in 2013 and 1,711,646 shares in 2012	(46,898)	(44,246)
Total stockholders’ equity	150,589	156,687
Total liabilities and stockholders’ equity	$1,546,457	$1,578,032

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid-Illinois Bancshares, Inc.
Condensed Consolidated Statements of Income (unaudited)

(In thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest income:				
Interest and fees on loans	$10,546	$10,993	$31,371	$32,863
Interest on investment securities	2,896	2,938	8,435	8,893
Interest on certificates of deposit investments	1	12	14	46
Interest on federal funds sold	—	7	6	35
Interest on deposits with other financial institutions	3	8	28	27
Total interest income	13,446	13,958	39,854	41,864
Interest expense:				
Interest on deposits	611	1,115	2,071	3,845
Interest on securities sold under agreements to repurchase	9	25	34	100
Interest on FHLB borrowings	67	66	183	244
Interest on federal funds purchased	5	—	6	—
Interest on other borrowings	—	—	—	326
Interest on subordinated debentures	132	142	393	428
Total interest expense	824	1,348	2,687	4,943
Net interest income	12,622	12,610	37,167	36,921
Provision for loan losses	975	720	1,707	1,751
Net interest income after provision for loan losses	11,647	11,890	35,460	35,170
Other income:				
Trust revenues	777	759	2,476	2,371
Brokerage commissions	201	184	590	494
Insurance commissions	421	392	1,317	1,476
Service charges	1,265	1,248	3,620	3,537
Securities gains, net	1,456	110	2,291	933
Total other-than-temporary impairment recoveries (losses)	—	127	—	127
Portion of loss recognized in other comprehensive loss	—	—	—	—
Other-than-temporary impairment recoveries (losses) recognized in earnings	—	127	—	127
Mortgage banking revenue, net	235	475	826	1,038
ATM / debit card revenue	989	852	2,819	2,543
Other	353	376	1,022	1,081
Total other income	5,697	4,523	14,961	13,600
Other expense:				
Salaries and employee benefits	6,267	5,914	18,036	17,437
Net occupancy and equipment expense	2,067	2,028	6,212	6,042
Net other real estate owned expense	23	59	185	357
FDIC insurance	197	202	632	665
Amortization of intangible assets	170	179	511	603
Stationery and supplies	175	134	437	445
Legal and professional	459	557	1,621	1,665
Marketing and donations	314	138	821	689
Other	1,410	1,351	4,157	4,058
Total other expense	11,082	10,562	32,612	31,961
Income before income taxes	6,262	5,851	17,809	16,809

Income taxes	2,352	2,204	6,706	6,293
Net income	3,910	3,647	11,103	10,516
Dividends on preferred shares	1,104	1,104	3,313	3,148
Net income available to common stockholders	$2,806	$2,543	$7,790	$7,368

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First Mid-Illinois Bancshares, Inc.
Condensed Consolidated Statements of Income (unaudited) (continued)

(In thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Per share data:				
Basic net income per common share available to common stockholders	0.47	0.42	1.31	1.22
Diluted net income per common share available to common stockholders	0.47	0.42	1.31	1.22
Cash dividends declared per common share	—	—	0.21	0.21

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See accompanying notes to unaudited condensed consolidated financial statements.

First Mid-Illinois Bancshares, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income	$3,910	$3,647	$11,103	$10,516
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on available-for-sale securities, net of taxes of $(329) and $(1,066) for three months ended September 30, 2013 and 2012, respectively and $6,432 and $(1,796) for nine months ended September 30 2013 and 2012, respectively.	516	1,669	(10,068)	2,813
Less: reclassification adjustment for realized gains included in net income net of taxes of $567 and $43 for three months ended September 30, 2013 and 2012, respectively and $893 and $364 for nine months ended September 30, 2013 and 2012, respectively.	(889)	(67)	(1,398)	(569)
Other comprehensive income (loss), net of taxes	(373)	1,602	(11,466)	2,244
Comprehensive income (loss)	$3,537	$5,249	$(363)	$12,760

See accompanying notes to unaudited condensed consolidated financial statements.

First Mid-Illinois Bancshares, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)	Nine months ended September 30,	
(In thousands)	2013	2012
Cash flows from operating activities:		
Net income	$11,103	$10,516
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,707	1,751
Depreciation, amortization and accretion, net	3,625	4,084
Stock-based compensation expense	248	173
Gains on investment securities, net	(2,291)	(933)
Other-than-temporary impairment (recoveries) losses recognized in earnings	—	(127)
Losses on sales of other real property owned, net	67	257
Loss on write down of fixed assets	33	19
Gains on sale of loans held for sale, net	(791)	(954)
Increase in accrued interest receivable	(113)	(273)
Decrease in accrued interest payable	(87)	(125)
Origination of loans held for sale	(56,796)	(67,545)
Proceeds from sale of loans held for sale	56,698	68,155
(Increase) decrease in other assets	2,395	(220)
Decrease in other liabilities	(1,129)	(106)
Net cash provided by operating activities	14,669	14,672
Cash flows from investing activities:		
Proceeds from maturities of certificates of deposit investments	6,665	11,143
Purchases of certificates of deposit investments	—	(6,416)
Proceeds from sales of securities available-for-sale	69,665	30,500
Proceeds from maturities of securities held-to-maturity	—	51
Proceeds from maturities of securities available-for-sale	124,700	195,136
Purchases of securities available-for-sale	(204,091)	(269,317)
Net increase in loans	(32,402)	(40,759)
Purchases of premises and equipment	(1,041)	(1,164)
Proceeds from sales of other real property owned	1,449	3,830
Net cash used in investing activities	(35,055)	(76,996)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(10,124)	69,934
Increase in Federal funds purchased	5,000	—
Decrease in repurchase agreements	(35,370)	(20,510)
Proceeds from FHLB advances	36,000	
Repayment of FHLB advances	(21,000)	(10,000)
Repayment of other borrowings	—	(8,250)
Proceeds from issuance of common stock	717	819
Proceeds from issuance of preferred stock	—	8,250
Purchase of treasury stock	(2,614)	(1,637)
Dividends paid on preferred stock	(2,026)	(1,766)
Dividends paid on common stock	(930)	(1,890)
Net cash (used in) provided by financing activities	(30,347)	34,950
Decrease in cash and cash equivalents	(50,733)	(27,374)
Cash and cash equivalents at beginning of period	82,712	73,102
Cash and cash equivalents at end of period	$31,979	$45,728

First Mid-Illinois Bancshares, Inc.

Condensed Consolidated Statements of Cash Flows (unaudited) (continued)	Nine months ended September 30,	
(In thousands)	2013	2012
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$2,774	$5,068
Income taxes	6,857	6,378
Supplemental disclosures of noncash investing and financing activities		
Loans transferred to other real estate owned	759	584
Dividends reinvested in common stock	499	747
Net tax benefit related to option and deferred compensation plans	103	102

See accompanying notes to unaudited condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 -- Basis of Accounting and Consolidation

The unaudited condensed consolidated financial statements include the accounts of First Mid-Illinois Bancshares, Inc. ("Company") and its wholly-owned subsidiaries: First Mid-Illinois Bank & Trust, N.A. ("First Mid Bank"), Mid-Illinois Data Services, Inc. ("MIDS") and The Checkley Agency, Inc. doing business as First Mid Insurance Group ("First Mid Insurance"). All significant intercompany balances and transactions have been eliminated in consolidation. The financial information reflects all adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods ended September 30, 2013 and 2012, and all such adjustments are of a normal recurring nature. Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the September 30, 2013 presentation and there was no impact on net income or stockholders' equity. The results of the interim period ended September 30, 2013 are not necessarily indicative of the results expected for the year ending December 31, 2013. The Company operates as a one-segment entity for financial reporting purposes.

The 2012 year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and do not include all of the information required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements and related footnote disclosures although the Company believes that the disclosures made are adequate to make the information not misleading. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2012 Annual Report on Form 10-K.

Website

The Company maintains a website at www.firstmid.com. All periodic and current reports of the Company and amendments to these reports filed with the Securities and Exchange Commission ("SEC") can be accessed, free of charge, through this website as soon as reasonably practicable after these materials are filed with the SEC.

Stock Plans

At the Annual Meeting of Stockholders held May 23, 2007, the stockholders approved the First Mid-Illinois Bancshares, Inc. 2007 Stock Incentive Plan ("SI Plan"). The SI Plan was implemented to succeed the Company's 1997 Stock Incentive Plan, which had a ten-year term that expired October 21, 2007. The SI Plan is intended to provide a means whereby directors, employees, consultants and advisors of the Company and its subsidiaries may sustain a sense of proprietorship and personal involvement in the continued development and financial success of the Company and its subsidiaries, thereby advancing the interests of the Company and its stockholders. Accordingly, directors and selected employees, consultants and advisors may be provided the opportunity to acquire shares of common stock of the Company on the terms and conditions established in the SI Plan.

On September 27, 2011, the Board of Directors passed a resolution relating to the SI Plan whereby they authorized and approved the Executive Long-Term Incentive Plan ("LTIP"). The LTIP was implemented to provide methodology for granting Stock Awards and Stock Unit Awards to select senior executives of the Company or any Subsidiary.

A maximum of 300,000 shares of common stock may be issued under the SI Plan. As of September 30, 2013, the Company had awarded 59,500 shares as stock options under the SI plan. There were no stock options awarded in 2013 or 2012. The Company awarded 16,182 shares and 15,162 shares during 2013 and 2012, respectively, as 50% Stock Awards and 50% Stock Unit Awards under the SI plan.

Convertible Preferred Stock

Series B Convertible Preferred Stock. During 2009, the Company sold to certain accredited investors including directors, executive officers, and certain major customers and holders of the Company's common stock, $24,635,000, in the aggregate, of a newly authorized series of its preferred stock designated as Series B 9% Non-Cumulative Perpetual Convertible Preferred Stock (the "Series B Preferred Stock"). The Series B Preferred Stock had an issue price of $5,000 per share and no par value per share. The Series B Preferred Stock was issued in a private placement exempt from registration pursuant to Regulation D of the Securities Act of 1933, as amended.

The Series B Preferred Stock pays non-cumulative dividends semiannually in arrears, when, as and if authorized by the Board of Directors of the Company, at a rate of 9% per year. Holders of the Series B Preferred Stock will have no voting rights, except with respect to certain fundamental changes in the terms of the Series B Preferred Stock and certain other matters. In addition, if dividends on the Series B Preferred Stock are not paid in full for four dividend periods, whether consecutive or not, the holders of the Series B Preferred Stock, acting as a class with any other of the Company's securities having similar voting rights, will have the right to elect two directors to the Company's Board of Directors. The terms of office of these directors will end when the Company has paid or set aside for payment full semi-annual dividends for four consecutive dividend periods.

Each share of the Series B Preferred Stock may be converted at any time at the option of the holder into shares of the Company's common stock. The number of shares of common stock into which each share of the Series B Preferred Stock is convertible is the $5,000 liquidation preference per share divided by the Conversion Price initially set at $21.94. The Conversion Price is subject to adjustment from time to time pursuant to the terms of the Certificate of Designation (the "Series B Certificate of Designation"). If at the time of conversion, there are any authorized, declared and unpaid dividends with respect to a converted share of Series B Preferred Stock, the holder will receive cash in lieu of the dividends, and a holder will receive cash in lieu of fractional shares of common stock following conversion.

After November 16, 2014, the Company may, at its option but subject to the Company's receipt of any required prior approvals from the Board of Governors of the Federal Reserve System or any other regulatory authority, redeem the Series B Preferred Stock. Any redemption will be in exchange for cash in the amount of $5,000 per share, plus any authorized, declared and unpaid dividends, without accumulation of any undeclared dividends.

The Company also has the right at any time on or after November 16, 2014 to require the conversion of all (but not less than all) of the Series B Preferred Stock into shares of common stock if, on the date notice of mandatory conversion is given to holders, the book value of the Company's common stock equals or exceeds 115% of the book value of the Company's common stock at September 30, 2008. "Book value of the Company's common stock" at any date means the result of dividing the Company's total common stockholders' equity at that date, determined in accordance with U.S. generally accepted accounting principles, by the number of shares of common stock then outstanding, net of any shares held in the treasury. The book value of the Company's common stock at September 30, 2008 was $13.03, and 115% of this amount is approximately $14.98. The book value of the Company's common stock at September 30, 2013 was $16.51.

Pursuant to Section 3(j) of the Series B Certification of Designation, the conversion price for the Series B Preferred Stock, which was initially set at $21.94, was required to be adjusted if, among other things, the initial conversion price of any subsequently issued series of preferred stock was lower than the then current conversion price of the Series B Preferred Stock. As a result of the Series C Preferred Stock (see below) having an initial conversion price of less than $21.94, the conversion price of the Series B Preferred Stock was adjusted pursuant to the terms of the Series B Certificate of Designation based on the amount of Series C Preferred Stock sold on February 11, 2011, March 2, 2011, May 13, 2011 and June 28, 2012. The new conversion price of the Series B Preferred Stock, certified by the Company's accountant pursuant to Section 3(j) of the Series B Certificate of Designation, is $21.62.

Series C Convertible Preferred Stock. On February 11, 2011, the Company accepted from certain accredited investors, including directors, executive officers, and certain major customers and holders of the Company's common stock (collectively, the "Investors"), subscriptions for the purchase of $27,500,000, in the aggregate, of a newly authorized series of preferred stock designated as Series C 8% Non-Cumulative Perpetual Convertible Preferred Stock (the "Series C Preferred Stock"). As of February 11, 2011, $11,010,000 of the Series C Preferred Stock had been issued and sold by the Company to certain Investors. On March 2, 2011, three investors subsequently completed the required bank regulatory process and an additional $2,750,000 of Series C Preferred Stock was issued and sold by the

Company to these investors. On May 13, 2011, four additional investors received the required bank regulatory approval and an additional $5,490,000 of Series C Preferred Stock was issued and sold by the Company to these investors. On June 28, 2012, the final $8,250,000 of the Company's Series C Preferred Stock was issued and sold by the Company to Investors following their receipt of the required bank regulatory approval, for a total of $27,500,000 of outstanding Series C Preferred Stock. All of the Series C Preferred Stock subscribed for by investors has been issued.

The Series C Preferred Stock has an issue price of $5,000 per share and no par value per share. The Series C Preferred Stock was issued in a private placement exempt from registration pursuant to Regulation D of the Securities Act of 1933, as amended.

The Series C Preferred Stock pays non-cumulative dividends semiannually in arrears, when, as and if authorized by the Board of Directors of the Company, at a rate of 8% per year. Holders of the Series C Preferred Stock will have no voting rights, except with respect to certain fundamental changes in the terms of the Series C Preferred Stock and certain other matters. In addition, if dividends on the Series C Preferred Stock are not paid in full for four dividend periods, whether consecutive or not, the holders of the Series C Preferred Stock, acting as a class with any other of the Company's securities having similar voting rights, including the Company's Series B Preferred Stock, will have the right to elect two directors to the Company's Board of Directors. The terms of office of these directors will end when the Company has paid or set aside for payment full semi-annual dividends for four consecutive dividend periods.

Each share of the Series C Preferred Stock may be converted at any time at the option of the holder into shares of the Company's common stock. The number of shares of common stock into which each share of the Series C Preferred Stock is convertible is the $5,000 liquidation preference per share divided by the Conversion Price of $20.29. The Conversion Price is subject to adjustment from time to time pursuant to the terms of the Series C Certificate of Designation. If at the time of conversion, there are any authorized, declared and unpaid dividends with respect to a converted share of Series C Preferred Stock, the holder will receive cash in lieu of the dividends, and a holder will receive cash in lieu of fractional shares of common stock following conversion.

After May 13, 2016 the Company may, at its option but subject to the Company's receipt of any required prior approvals from the Board of Governors of the Federal Reserve System or any other regulatory authority, redeem the Series C Preferred Stock. Any redemption will be in exchange for cash in the amount of $5,000 per share, plus any authorized, declared and unpaid dividends, without accumulation of any undeclared dividends.

The Company also has the right at any time after May 13, 2016 to require the conversion of all (but not less than all) of the Series C Preferred Stock into shares of common stock if, on the date notice of mandatory conversion is given to holders, (a) the tangible book value per share of the Company's common stock equals or exceeds 115% of the tangible book value per share of the Company's common stock at December 31, 2010, and (b) the NASDAQ Bank Index (denoted by CBNK:IND) equals or exceeds 115% of the NASDAQ Bank Index at December 31, 2010. "Tangible book value per share of our common stock" at any date means the result of dividing the Company's total common stockholders equity at that date, less the amount of goodwill and intangible assets, determined in accordance with U.S. generally accepted accounting principles, by the number of shares of common stock then outstanding, net of any shares held in the treasury. The tangible book value of the Company's common stock at December 31, 2010 was $9.38, and 115% of this amount is approximately $10.79. The NASDAQ Bank Index value at December 31, 2010 was 1,847.35 and 115% of this amount is approximately 2,124.45. The tangible book value of the Company's common stock at September 30, 2013 was $11.75 and the NASDAQ Bank Index value at September 30, 2013 was 2,325.20.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income included in stockholders' equity as of September 30, 2013 and December 31, 2012 are as follows (in thousands):

	Unrealized Gain (Loss) on Available for Sale Securities	Securities with Other-Than-Temporary Impairment Losses	Total
September 30, 2013			
Net unrealized losses on securities available-for-sale	$(7,866)	$ —	$(7,866)
Securities with other-than-temporary impairment losses	—	(3,478)	(3,478)
Tax benefit	3,066	1,356	4,422
Balance at September 30, 2013	$(4,800)	$ (2,122)	$(6,922)

December 31, 2012			
Net unrealized gains on securities available-for-sale	$11,836	$—	$11,836
Securities with other-than-temporary impairment losses	—	(4,389)	(4,389)
Tax benefit (expense)	(4,614)	1,711	(2,903)
Balance at December 31, 2012	$7,222	$(2,678)	$4,544

Amounts reclassified from accumulated other comprehensive income and the affected line items in the statements of income during the nine months ended September 30, 2013 and 2012, were as follows (in thousands):

	Amounts Reclassified from Other Comprehensive Income		Affected Line Item in the Statements of Income
	2013	2012	
Unrealized gains on available-for-sale securities	$2,291	933	Securities gains, net
			(Total reclassified amount before tax)
	(893)	(364)	Tax expense
Total reclassifications out of accumulated other comprehensive income	$1,398	$569	Net reclassified amount

See “Note 3 – Investment Securities” for more detailed information regarding unrealized losses on available-for-sale securities.

Adoption of New Accounting Guidance

ASU 2013-02 - Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. In February 2013, the FASB issued ASU 2013-02 which requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and to present either on the face of the statement where net income is presented, or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. The amendments were effective for annual and interim reporting periods beginning on or after December 15, 2012. The adoption of this guidance did not have a material impact on the Company’s financial statements.

Note 2 -- Earnings Per Share

Basic net income per common share available to common stockholders is calculated as net income less preferred stock dividends divided by the weighted average number of common shares outstanding. Diluted net income per common share available to common stockholders is computed using the weighted average number of common shares outstanding, increased by the assumed conversion of the Company’s convertible preferred stock and the Company’s stock options, unless anti-dilutive.

The components of basic and diluted net income per common share available to common stockholders for the three and nine-month periods ended September 30, 2013 and 2012 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Basic Net Income per Common Share Available to Common Stockholders:				
Net income	$3,910,000	$3,647,000	$11,103,000	$10,516,000
Preferred stock dividends	(1,104,000)	(1,104,000)	(3,313,000)	(3,148,000)
Net income available to common stockholders	$2,806,000	$2,543,000	$7,790,000	$7,368,000
Weighted average common shares outstanding	5,935,383	6,030,053	5,947,476	6,025,255
Basic earnings per common share	$0.47	$0.42	$1.31	$1.22
Diluted Net Income per Common Share Available to Common Stockholders:				
Net income available to common stockholders	$2,806,000	$2,543,000	$7,790,000	$7,368,000
Effect of assumed preferred stock conversion	—		—	—
Net income applicable to diluted earnings per share	$2,806,000	$2,543,000	$7,790,000	$7,368,000
Weighted average common shares outstanding	5,935,383	6,030,053	5,947,476	6,025,255
Dilutive potential common shares:				
Assumed conversion of stock options	2,151	10,954	2,864	5,355
Restricted stock awarded	9,329	135	9,329	275
Assumed conversion of preferred stock	—	—	—	—
Dilutive potential common shares	11,480	11,089	12,193	5,630
Diluted weighted average common shares outstanding	5,946,863	6,041,142	5,959,669	6,030,885
Diluted earnings per common share	$0.47	$0.42	$1.31	$1.22

The following shares were not considered in computing diluted earnings per share for the three and nine-month periods ended September 30, 2013 and 2012 because they were anti-dilutive:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Stock options to purchase shares of common stock	130,500	108,125	130,500	108,125
Average dilutive potential common shares associated with convertible preferred stock	2,494,801	2,490,079	2,494,801	2,222,967

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Note 3 -- Investment Securities

The amortized cost, gross unrealized gains and losses and estimated fair values for available-for-sale and held-to-maturity securities by major security type at September 30, 2013 and December 31, 2012 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
September 30, 2013				
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. government corporations & agencies	$198,037	$163	$(6,708)	$191,492
Obligations of states and political subdivisions	65,175	1,154	(1,652)	64,677
Mortgage-backed securities: GSE residential	238,749	2,836	(3,689)	237,896
Trust preferred securities	3,652	—	(3,478)	174
Other securities	6,035	40	(10)	6,065
Total available-for-sale	$511,648	$4,193	$(15,537)	$500,304
December 31, 2012				
Available-for-sale:				
U.S. Treasury securities and obligations of U.S. government corporations & agencies	$180,851	$1,321	$(3)	$182,169
Obligations of states and political subdivisions	53,064	3,163	(20)	56,207
Mortgage-backed securities: GSE residential	252,310	7,162	(12)	259,460
Trust preferred securities	4,974	—	(4,389)	585
Other securities	9,663	225	—	9,888
Total available-for-sale	$500,862	$11,871	$(4,424)	$508,309

The trust preferred securities represent one trust preferred pooled security issued by First Tennessee Financial ("FTN"). The unrealized loss of this security, which has maturity of twenty-four years, is primarily due to its long-term nature, a lack of demand or inactive market for the security, and concerns regarding the underlying financial institutions that have issued the trust preferred security. See the heading "Trust Preferred Securities" for further information regarding this security.

Realized gains and losses resulting from sales of securities were as follows during the nine months ended September 30, 2013 and 2012 (in thousands):

	September 30, 2013	September 30, 2012
Gross gains	$2,452	$933
Gross losses	(161)	—

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The following table indicates the expected maturities of investment securities classified as available-for-sale and held-to-maturity, presented at fair value, at September 30, 2013 and the weighted average yield for each range of maturities (dollars in thousands):

	One year or less	After 1 through 5 years	After 5 through 10 years	After ten years	Total
Available-for-sale:					
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$153,175	$38,317	$—	$—	$191,492
Obligations of state and political subdivisions	1,467	31,028	29,279	2,903	64,677
Mortgage-backed securities: GSE residential	1,661	115,843	120,392	—	237,896
Trust preferred securities	—	—	—	174	174
Other securities	2,005	—	3,990	70	6,065
Total investments	$158,308	$185,188	$153,661	$3,147	$500,304
Weighted average yield	1.59 %	2.81 %	2.44 %	1.98 %	2.29 %
Full tax-equivalent yield	1.62 %	3.27 %	2.91 %	3.03 %	2.63 %

The weighted average yields are calculated on the basis of the amortized cost and effective yields weighted for the scheduled maturity of each security. Tax-equivalent yields have been calculated using a 35% tax rate. With the exception of obligations of the U.S. Treasury and other U.S. government agencies and corporations, there were no investment securities of any single issuer, the book value of which exceeded 10% of stockholders' equity at September 30, 2013.

Investment securities carried at approximately $263 million and $267 million at September 30, 2013 and December 31, 2012, respectively, were pledged to secure public deposits and repurchase agreements and for other purposes as permitted or required by law.

The following table presents the aging of gross unrealized losses and fair value by investment category as of September 30, 2013 and December 31, 2012 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2013						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$176,440	$(6,708)	$—	$—	$176,440	$(6,708)
Obligations of states and political subdivisions	28,440	(1,652)	—	—	28,440	(1,652)
Mortgage-backed securities: GSE residential	119,910	(3,689)	—	—	119,910	(3,689)
Trust preferred securities	—	—	174	(3,478)	174	(3,478)
Other securities	3,990	(10)	—	—	3,990	(10)
Total	$328,780	$(12,059)	$174	$(3,478)	$328,954	$(15,537)
December 31, 2012						
U.S. Treasury securities and obligations of U.S. government corporations and agencies	$10,997	$(3)	$—	$—	$10,997	$(3)
Obligations of states and political subdivisions	1,969	(20)	—	—	1,969	(20)
Mortgage-backed securities: GSE residential	697	(12)	—	—	697	(12)
Trust preferred securities	—	—	585	(4,389)	585	(4,389)
Other securities	—	—	—	—	—	—
Total	$13,663	$(35)	$585	$(4,389)	$14,248	$(4,424)

U.S. Treasury Securities and Obligations of U.S. Government Corporations and Agencies. At September 30, 2013 and December 31, 2012, there were no U.S. Treasury securities and obligations of U.S. government corporations and agencies in a continuous unrealized loss position for twelve months or more.

Obligations of states and political subdivisions. At September 30, 2013 and December 31, 2012, there were no obligations of states and political subdivisions in a continuous unrealized loss position for twelve months or more.

Mortgage-backed Securities: GSE Residential. At September 30, 2013 and December 31, 2012, there were no mortgage-backed securities in a continuous unrealized loss position for twelve months or more.

Trust Preferred Securities. At September 30, 2013, there was one trust preferred security with a fair value of $174,000 and unrealized losses of $3,478,000 in a continuous unrealized loss position for twelve months or more. At December 31, 2012, there were three trust preferred securities with a fair value of $585,000 and unrealized losses of $4,389,000 in a continuous unrealized loss position for twelve months or more. These unrealized losses were primarily due to the long-term nature of the trust preferred securities, a lack of demand or inactive market for these securities, the impending change to the regulatory treatment of these securities, and concerns regarding the underlying financial institutions that have issued the trust preferred securities. On July 22, 2013 the Company sold 2 of its trust preferred securities and the net proceeds exceeded the aggregate book value of these securities by approximately $1.4

million.

The Company recorded no other-than-temporary impairment (OTTI) for these securities during 2013 or 2012. Because it is not more-likely-than-not that the Company will be required to sell the remaining security before recovery of its new, lower amortized cost basis, which may be maturity, the Company does not consider the remainder of the investment to be other-than-temporarily impaired at September 30, 2013. However, future downgrades or additional deferrals and defaults in this security, could result in additional OTTI and consequently, have a material impact on future earnings.

Following are the details for the currently impaired trust preferred security (in thousands):

	Book Value	Market Value	Unrealized Gains (Losses)	Other-than-temporary Impairment Recorded To-date
PreTSL XXVIII	3,652	174	(3,478)	1,111

Other securities. At September 30, 2013 and December 31, 2012, there were no corporate bonds in a continuous unrealized loss position for twelve months or more.

The Company does not believe any other individual unrealized loss as of September 30, 2013 represents OTTI. However, given the continued disruption in the financial markets, the Company may be required to recognize OTTI losses in future periods with respect to its available for sale investment securities portfolio. The amount and timing of any additional OTTI will depend on the decline in the underlying cash flows of the securities. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in the period the other-than-temporary impairment is identified.

Other-than-temporary Impairment. Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses debt and equity securities impairment model.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether OTTI has occurred. Economic models are used to determine whether OTTI has occurred on these securities. While all securities are considered, the securities primarily impacted by OTTI testing are pooled trust preferred securities. For each pooled trust preferred security in the investment portfolio, an extensive, regular review is conducted to determine if any additional OTTI has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary. The most significant inputs are prepayments, defaults and loss severity.

These pooled trust preferred securities relate to trust preferred securities issued by financial institutions. The pools typically consist of financial institutions throughout the United States. Other inputs to the economic models may include the actual collateral attributes, which include credit ratings and other performance indicators of the underlying financial institutions including profitability, capital ratios, and asset quality.

To determine if the unrealized losses for pooled trust preferred securities is other-than-temporary, the Company considers the impact of each of these inputs. The Company considers the likelihood that issuers will prepay their securities. During the third quarter of 2010, the Dodd-Frank Act eliminated Tier 1 capital treatment for trust preferred securities issued by holding companies with consolidated assets greater than $15 billion. As a result, issuers may prepay their securities which reduces the amount of expected cash flows. Additionally, the Company projects total estimated defaults of the underlying assets (financial institutions) and multiplies that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss. The

Company also evaluates the current credit enhancement underlying the security to determine the impact on cash flows. If the Company determines that a given pooled trust preferred security position will be subject to a write-down or loss, the Company records the expected credit loss as a charge to earnings.

Credit Losses Recognized on Investments. As described above, some of the Company's investments in trust preferred securities have experienced fair value deterioration due to credit losses but are not otherwise other-than-temporarily impaired. The following table provides information about those trust preferred securities for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income (loss) for the nine months ended September 30, 2013 and 2012 (in thousands).

	Accumulated Credit Losses	
	September 30, 2013	September 30, 2012
Credit losses on trust preferred securities held		
Beginning of period	$3,989	$4,116
Additions related to OTTI losses not previously recognized	—	—
Reductions due to sales / (recoveries)	(2,878)	(127)
Reductions due to change in intent or likelihood of sale	—	—
Additions related to increases in previously recognized OTTI losses	—	—
Reductions due to increases in expected cash flows	—	—
End of period	$1,111	$3,989

On July 22, 2013, the Company sold two of its trust preferred securities (PreTSL I and PreTSL II). This sale resulted in recovery of all of the book value of these securities. The net proceeds exceeded the aggregate book value of these securities by approximately $1.4 million and this amount was recorded as a security gain during the third quarter of 2013.

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Note 4 – Loans and Allowance for Loan Losses

Loans are stated at the principal amount outstanding net of unearned discounts, unearned income and allowance for loan losses. Unearned income includes deferred loan origination fees reduced by loan origination costs and is amortized to interest income over the life of the related loan using methods that approximated the effective interest rate method. Interest on substantially all loans is credited to income based on the principal amount outstanding. A summary of loans at September 30, 2013 and December 31, 2012 follows (in thousands):

	September 30, 2013	December 31, 2012
Construction and land development	$20,058	$31,341
Agricultural real estate	101,832	86,256
1-4 Family residential properties	188,256	186,205
Multifamily residential properties	42,342	44,863
Commercial real estate	343,404	317,321
Loans secured by real estate	695,892	665,986
Agricultural loans	60,512	60,948
Commercial and industrial loans	159,608	160,193
Consumer loans	15,296	16,264
All other loans	11,215	8,206
Gross loans	942,523	911,597
Less:		
Net deferred loan fees, premiums and discounts	533	744
Allowance for loan losses	12,977	11,776
Net loans	$929,013	$899,077

Loans expected to be sold are classified as held for sale in the consolidated financial statements and are recorded at the lower of aggregate cost or market value, taking into consideration future commitments to sell the loans. These loans are primarily for 1-4 family residential properties. The balance of loans held for sale, excluded from the balances above, were $1,101,000 and $212,000 at September 30, 2013 and December 31, 2012, respectively.

Most of the Company's business activities are with customers located within central Illinois. At September 30, 2013, the Company's loan portfolio included $162.3 million of loans to borrowers whose businesses are directly related to agriculture. Of this amount, $135.6 million was concentrated in other grain farming. Total loans to borrowers whose businesses are directly related to agriculture increased $15.1 million from $147.2 million at December 31, 2012 while loans concentrated in other grain farming increased $11.2 million from $124.4 million at December 31, 2012 due to seasonal paydowns based upon timing of cash flow requirements. While the Company adheres to sound underwriting practices, including collateralization of loans, any extended period of low commodity prices, drought conditions, significantly reduced yields on crops and/or reduced levels of government assistance to the agricultural industry could result in an increase in the level of problem agriculture loans and potentially result in loan losses within the agricultural portfolio.

In addition, the Company has $45.2 million of loans to motels and hotels. The performance of these loans is dependent on borrower specific issues as well as the general level of business and personal travel within the region. While the Company adheres to sound underwriting standards, a prolonged period of reduced business or personal travel could result in an increase in nonperforming loans to this business segment and potentially in loan losses. The Company also has $98.5 million of loans to lessors of non-residential buildings and $56.4 million of loans to lessors of residential buildings and dwellings.

The structure of the Company’s loan approval process is based on progressively larger lending authorities granted to individual loan officers, loan committees, and ultimately the Board of Directors. Outstanding balances to one borrower or affiliated borrowers are limited by federal regulation; however, limits well below the regulatory thresholds are generally observed. The vast majority of the Company’s loans are to businesses located in the geographic market areas served by the Company’s branch bank system. Additionally, a significant portion of the collateral securing the loans in the portfolio is located within the Company’s primary geographic footprint. In general, the Company adheres to loan underwriting standards consistent with industry guidelines for all loan segments.

The Company's lending can be summarized into the following primary areas:

Commercial Real Estate Loans. Commercial real estate loans are generally comprised of loans to small business entities to purchase or expand structures in which the business operations are housed, loans to owners of real estate who lease space to non-related commercial entities, loans for construction and land development, loans to hotel operators, and loans to owners of multi-family residential structures, such as apartment buildings. Commercial real estate loans are underwritten based on historical and projected cash flows of the borrower and secondarily on the underlying real estate pledged as collateral on the debt. For the various types of commercial real estate loans, minimum criteria have been established within the Company's loan policy regarding debt service coverage while maximum limits on loan-to-value and amortization periods have been defined. Maximum loan-to-value ratios range from 65% to 80% depending upon the type of real estate collateral, while the desired minimum debt coverage ratio is 1.20x. Amortization periods for commercial real estate loans are generally limited to twenty years. The Company's commercial real estate portfolio is well below the thresholds that would designate a concentration in commercial real estate lending, as established by the federal banking regulators.

Commercial and Industrial Loans. Commercial and industrial loans are primarily comprised of working capital loans used to purchase inventory and fund accounts receivable that are secured by business assets other than real estate. These loans are generally written for one year or less. Also, equipment financing is provided to businesses with these loans generally limited to 80% of the value of the collateral and amortization periods limited to seven years. Commercial loans are often accompanied by a personal guaranty of the principal owners of a business. Like commercial real estate loans, the underlying cash flow of the business is the primary consideration in the underwriting process. The financial condition of commercial borrowers is monitored at least annually with the type of financial information required determined by the size of the relationship. Measures employed by the Company for businesses with higher risk profiles include the use of government-assisted lending programs through the Small Business Administration and U.S. Department of Agriculture.

Agricultural and Agricultural Real Estate Loans. Agricultural loans are generally comprised of seasonal operating lines to cash grain farmers to plant and harvest corn and soybeans and term loans to fund the purchase of equipment. Agricultural real estate loans are primarily comprised of loans for the purchase of farmland. Specific underwriting standards have been established for agricultural-related loans including the establishment of projections for each operating year based on industry developed estimates of farm input costs and expected commodity yields and prices. Operating lines are typically written for one year and secured by the crop. Loan-to-value ratios on loans secured by farmland generally do not exceed 65% and have amortization periods limited to twenty five years. Federal government-assistance lending programs through the Farm Service Agency are used to mitigate the level of credit risk when deemed appropriate.

Residential Real Estate Loans. Residential real estate loans generally include loans for the purchase or refinance of residential real estate properties consisting of one-to-four units and home equity loans and lines of credit. The Company sells the vast majority of its long-term fixed rate residential real estate loans to secondary market investors. The Company also releases the servicing of these loans upon sale. The Company retains all residential real estate loans with balloon payment features. Balloon periods are limited to five years. Residential real estate loans are typically underwritten to conform to industry standards including criteria for maximum debt-to-income and loan-to-value ratios as well as minimum credit scores. Loans secured by first liens on residential real estate held in the portfolio typically do not exceed 80% of the value of the collateral and have amortization periods of twenty five years or less. The Company does not originate subprime mortgage loans.

Consumer Loans. Consumer loans are primarily comprised of loans to individuals for personal and household purposes such as the purchase of an automobile or other living expenses. Minimum underwriting criteria have been established that consider credit score, debt-to-income ratio, employment history, and collateral coverage. Typically, consumer loans are set up on monthly payments with amortization periods based on the type and age of the collateral.

Other Loans. Other loans consist primarily of loans to municipalities to support community projects such as infrastructure improvements or equipment purchases. Underwriting guidelines for these loans are consistent with those established for commercial loans with the additional repayment source of the taxing authority of the municipality.

Allowance for Loan Losses

The allowance for loan losses represents the Company’s best estimate of the reserve necessary to adequately account for probable losses existing in the current portfolio. The provision for loan losses is the charge against current earnings that is determined by the Company as the amount needed to maintain an adequate allowance for loan losses.

In determining the adequacy of the allowance for loan losses, and therefore the provision to be charged to current earnings, the Company relies predominantly on a disciplined credit review and approval process that extends to the full range of the Company's credit exposure. The review process is directed by the overall lending policy and is intended to identify, at the earliest possible stage, borrowers who might be facing financial difficulty. Once identified, the magnitude of exposure to individual borrowers is quantified in the form of specific allocations of the allowance for loan losses. The Company considers collateral values and guarantees in the determination of such specific allocations. Additional factors considered by the Company in evaluating the overall adequacy of the allowance include historical net loan losses, the level and composition of nonaccrual, past due and troubled debt restructurings, trends in volumes and terms of loans, effects of changes in risk selection and underwriting standards or lending practices, lending staff changes, concentrations of credit, industry conditions and the current economic conditions in the region where the Company operates.

The Company estimates the appropriate level of allowance for loan losses by separately evaluating large impaired loans, large adversely classified loans and nonimpaired loans.

Impaired loans
The Company individually evaluates certain loans for impairment. In general, these loans have been internally identified via the Company's loan grading system as credits requiring management's attention due to underlying problems in the borrower's business or collateral concerns. This evaluation considers expected future cash flows, the value of collateral and also other factors that may impact the borrower's ability to make payments when due. For loans greater than $100,000 in the commercial, commercial real estate, agricultural, agricultural real estate segments, impairment is individually measured each quarter using one of three alternatives: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price, if available; or (3) the fair value of the collateral less costs to sell for collateral dependent loans and loans for which foreclosure is deemed to be probable. A specific allowance is assigned when expected cash flows or collateral do not justify the carrying amount of the loan. The carrying value of the loan reflects reductions from prior charge-offs.

Adversely classified loans
A detailed analysis is also performed on each adversely classified (substandard or doubtful rated) borrower with an aggregate, outstanding balance of $100,000 or more. This analysis includes commercial, commercial real estate, agricultural, and agricultural real estate borrowers who are not currently identified as impaired but pose sufficient risk to warrant in-depth review. Estimated collateral shortfalls are then calculated with allocations for each loan segment based on the five-year historical average of collateral shortfalls adjusted for environmental factors including changes in economic conditions, changes in credit policies or underwriting standards, and changes in the level of credit risk associated with specific industries and markets. Because the economic and business climate in any given industry or market, and its impact on any given borrower, can change rapidly, the risk profile of the loan portfolio is periodically assessed and adjusted when appropriate. Consumer loans are evaluated for adverse classification based primarily on the Uniform Retail Credit Classification and Account Management Policy established by the federal banking regulators. Classification standards are generally based on delinquency status, collateral coverage, bankruptcy and the presence of fraud.

Non-classified and Watch loans
For loans, in all segments of the portfolio, that are considered to possess levels of risk commensurate with a pass rating, management establishes base loss estimations which are derived from historical loss experience. Use of a five-year historical loss period eliminates the effect of any significant losses that can be attributed to a single event or borrower during a given reporting period. The base loss estimations for each loan segment are adjusted after consideration of several environmental factors influencing the level of credit risk in the portfolio. In addition, loans rated as watch are further segregated in the commercial / commercial real estate and agricultural / agricultural real estate segments. These loans possess potential weaknesses that, if unchecked, may result in deterioration to the point

of becoming a problem asset. Due to the elevated risk inherent in these loans, an allocation of twice the adjusted base loss estimation of the applicable loan segment is determined appropriate.

Due to weakened economic conditions during recent years, the Company established allocations for each of the loan segments at levels above the base loss estimations. Some of the economic factors included the potential for reduced cash flow for commercial operating loans from reduction in sales or increased operating costs, decreased occupancy rates for commercial buildings, reduced levels of home sales for commercial land developments, the uncertainty regarding grain prices and increased operating costs for farmers, and increased levels of unemployment and bankruptcy impacting consumer’s ability to pay. Each of these economic uncertainties was taken into consideration in developing the level of the reserve. The Company has not materially changed any aspect of its overall approach in the determination of the allowance for loan losses. However, on an on-going basis the Company continues to refine the methods used in determining management’s best estimate of the allowance for loan losses.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method for the three and nine-months ended September 30, 2013 and 2012 and for the year ended December 31, 2012 (in thousands):

	Commercial/ Commercial Real Estate	Agricultural/ Agricultural Real Estate	Residential Real Estate	Consumer	Unallocated	Total
Three months ended September 30, 2013						
Allowance for loan losses:						
Balance, beginning of period	$9,304	$414	$793	$397	$1,223	$12,131
Provision charged to expense	1,475	43	17	50	(610)	975
Losses charged off	(184)	—	(18)	(72)	—	(274)
Recoveries	108	3	2	32	—	145
Balance, end of period	$10,703	$460	$794	$407	$613	$12,977
Ending balance:						
Individually evaluated for impairment	$540	$—	$—	$—	$—	$540
Collectively evaluated for impairment	$10,163	$460	$794	$407	$613	$12,437
Three months ended September 30, 2012						