

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,179	\$ 2,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Origination of loans for sale	(34,846)	(49,670)
Sale of loans originated for sale	36,303	49,449
Depreciation and amortization, net of accretion	2,034	1,457
Deferred tax benefit	(988)	(454)
Impairment of land held for future expansion	190	—
Amortization of mortgage servicing rights	113	144
Equity in loss on investment in limited partnership, net of interest received	151	151
Stock-based compensation expense	36	40
Net gains on sales and calls of securities	(913)	(736)
Net gains on sale of loans	(1,263)	(1,139)
Net losses due to other-than-temporary impairment of securities	128	136
Net losses on foreclosed real estate	381	161
Provision for loan losses	5,570	8,540
Net change in:		
Interest receivable	287	282
Other assets	1,459	(4,485)
Cash value of bank owned life insurance	(403)	(407)
Accrued expenses and other liabilities	1,063	(4,710)
Total adjustments	9,302	(1,241)
Net cash — operating activities	14,481	1,247
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and paydowns of securities available-for-sale	33,376	21,178
Proceeds from sales of securities available-for-sale	18,951	29,933
Purchase of securities available-for-sale	(69,832)	(64,566)
Purchase of securities held-to-maturity	—	(3,860)
Proceeds from maturities and paydowns of securities held-to-maturity	1,135	2,790
Proceeds from sale of loans transferred to held-for-sale	5,356	10,651
Loan participations purchased	(967)	—
Net change in loans receivable	29,368	8,744
Proceeds from sale of Federal Home Loan Bank stock	269	—
Purchase of premises and equipment, net	(1,702)	(1,929)
Proceeds from sale of foreclosed real estate, net	3,990	390
Net cash — investing activities	19,944	3,331
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in deposits	(20,256)	12,379
Proceeds from FHLB advances	13,000	8,000
Repayment of FHLB advances	(22,000)	(16,000)
Change in other borrowed funds	(5,404)	(3,773)
Proceeds from issuance of common stock	—	6
Proceeds from sale of treasury stock	151	141
Dividends paid	(2,200)	(3,405)
Net cash — financing activities	(36,709)	(2,652)
Net change in cash and cash equivalents	(2,284)	1,926
Cash and cash equivalents at beginning of period	13,222	11,296
Cash and cash equivalents at end of period	\$ 10,938	\$ 13,222
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 5,058	\$ 8,947
Income taxes	\$ 1,753	\$ 990
SUPPLEMENTAL NONCASH INFORMATION:		
Transfers from loans to foreclosed real estate	\$ 3,922	\$ 3,763
Transfers from loans to loans held-for-sale	\$ 5,126	\$ 10,497
Transfers from premises and equipment to other assets	\$ 340	\$ —

See accompanying notes to consolidated financial statements.