Noninterest Expense

(Dollars in thousands)	Year ended December 31 2011	2010	2009
Salaries and benefits	$ 8,167	$ 7,402	$ 7,120
Net occupancy and equipment	1,404	1,450	1,500
Professional fees	735	702	799
FDIC and other regulatory assessments	792	1,092	1,322
Other real estate owned, net	2,007	1,378	43
Prepayment penalty on long-term debt	—	679	—
Other	3,252	3,190	3,150
Total noninterest expense	$ 16,357	$ 15,893	$ 13,934

2011 vs. 2010 comparison

Salaries and benefits expense was $8.2 million in 2011, compared to $7.4 million in 2010. The increase in 2011 when compared to 2010 was primarily due to increased costs related to salaries, bonus compensation, and group medical insurance. No cash bonuses were accrued for Company or Bank officers in 2010.

FDIC and other regulatory assessments expense was $0.8 million in 2011, compared to $1.1 million in 2010. The decrease in 2011 when compared to 2010 was primarily due to the FDIC redefining the deposit insurance assessment base effective April 1, 2011. Most FDIC insured institutions with less than $10 billion in assets experienced a reduction in their FDIC deposit insurance assessments during 2011.

Other real estate owned expense, net was $2.0 million in 2011, compared to $1.4 million in 2010. Approximately $2.0 million and $1.3 million of other real estate owned expense, net, in 2011 and 2010, respectively, related to realized holding losses due to reduced valuations of certain OREO properties. These properties could also be subject to future valuation adjustments as a result of updated appraisal information and further deterioration in real estate values, thus causing additional fluctuations in other real estate owned expense, net. Also, the Company will continue to incur expenses associated with maintenance costs and property taxes associated with these assets. In 2011, rental income on OREO properties largely offset these costs.

The Company incurred no prepayment penalties on long-term debt in 2011, compared to $0.7 million in 2010. In 2010, the Company repaid $10.0 million of securities sold under agreements to repurchase prior to their maturity that had been included in long-term debt. In January 2012, the Company repaid $38.0 million of FHLB advances with a weighted average rate of 4.26% and a weighted average duration of 2.6 years. Accordingly, the Company will incur approximately $3.7 million in prepayment penalties on long-term debt in 2012 related to the repayment of these FHLB advances.

2010 vs. 2009 comparison

Salaries and benefits expense was $7.4 million in 2010, compared to $7.1 million in 2009. The increase in 2010 when compared to 2009 was primarily due to increased salaries expense and group medical insurance costs. No cash bonuses were accrued for Company or Bank officers in 2010 or 2009.

FDIC and other regulatory assessments expense was $1.1 million in 2010, compared to $1.3 million in 2009. The decrease in 2010 when compared to 2009 was primarily due to the impact of the $0.4 million special assessment from the FDIC included in FDIC and other regulatory assessments expense in 2009.

Other real estate owned expense, net increased by $1.3 million in 2010 when compared to 2009. The increase was primarily due to write-downs of the carrying value of certain foreclosed properties due to deterioration in real estate values.

Prepayment penalties on long-term debt were approximately $0.7 million during 2010 compared to nil during 2009. As part of its strategy to reduce wholesale funding and interest expense, the Company repaid $10.0 million of securities sold under agreements to repurchase prior to their maturity that had been included in long-term debt during 2010.