

A summary of the Bancorp's stock option activity for 2010 and 2009 follows:

	<i>Shares</i>	<i>Weighted Average Exercise Price</i>	<i>Weighted Average Remaining Contractual Term</i>	<i>Aggregate Intrinsic Value</i>
Outstanding at January 1, 2009.....	70,597	\$ 23.56		
Granted.....	—	—		
Exercised	(200)	20.50		
Forfeited or expired	(4,650)	21.73		
Outstanding at end of year	<u>65,747</u>	<u>\$ 23.69</u>	<u>2.2</u>	<u>\$ —</u>
Vested or expected to vest	<u>65,747</u>	<u>\$ 23.69</u>	<u>2.2</u>	<u>\$ —</u>
Exercisable at December 31, 2009.....	<u>64,747</u>	<u>\$ 23.62</u>	<u>2.1</u>	<u>\$ —</u>
Outstanding at January 1, 2010.....	65,747	\$ 23.69	2.2	\$ —
Granted.....	—	—		
Exercised	—	—		
Forfeited or expired	(16,500)	21.98		
Outstanding at end of year	<u>49,247</u>	<u>\$ 24.27</u>	<u>1.7</u>	<u>\$ —</u>
Vested or expected to vest	<u>49,247</u>	<u>\$ 24.27</u>	<u>1.7</u>	<u>\$ —</u>
Exercisable at December 31, 2010.....	<u>48,247</u>	<u>\$ 24.18</u>	<u>1.6</u>	<u>\$ —</u>

As of December 31, 2010, there was \$2,000 of total unrecognized compensation costs related to nonvested incentive stock options granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.2 years.

Restricted stock awards are generally granted with an award price equal to the market price of the Bancorp's common stock on the award date. Restricted stock awards have been issued with a five year vesting period. Forfeiture provisions exist for personnel that separate employment before the vesting period expires. Compensation expense related to restricted stock awards are recognized over the vesting period. Total compensation cost that has been charged against income for those plans was \$35,000 and \$39,000 for 2010 and 2009, respectively.

A summary of changes in the Bancorp's nonvested restricted stock for 2010 and 2009 follows:

<i>Nonvested Shares</i>	<i>Shares</i>	<i>Weighted Average Grant Date Fair Value</i>
Nonvested at January 1, 2009	7,550	\$ 30.14
Granted.....	2,500	18.95
Vested	(1,800)	30.50
Forfeited	(700)	27.93
Nonvested at December 31, 2009	<u>7,550</u>	<u>\$ 26.55</u>
Granted.....	300	16.75
Vested	(250)	35.50
Forfeited	(850)	26.76
Nonvested at December 31, 2010	<u>6,750</u>	<u>\$ 25.72</u>

As of December 31, 2010, there was \$64,000 of total unrecognized compensation cost related to nonvested restricted shares granted under the Plan. The cost is expected to be recognized over a weighted-average period of 2.1 years.

NOTE 13 - Earnings Per Common Share

A reconciliation of the numerators and denominators of the basic earnings per common share and diluted earnings per common share computations for 2010 and 2009 is presented below.

	<i>2010</i>	<i>2009</i>
Basic earnings per common share:		
Net income available to common stockholders...	<u>\$ 5,178,547</u>	<u>\$ 2,487,851</u>
Weighted-average common shares outstanding.....	<u>2,823,599</u>	<u>2,814,488</u>
Basic earnings per common share	<u>\$ 1.83</u>	<u>\$ 0.88</u>
Diluted earnings per common share:		
Net income available to common stockholders	<u>\$ 5,178,547</u>	<u>\$ 2,487,851</u>
Weighted-average common shares outstanding.....	<u>2,823,599</u>	<u>2,814,488</u>
Add: dilutive effect of assumed stock option exercises and restricted stock	<u>—</u>	<u>—</u>
Weighted-average common and dilutive potential common shares outstanding	<u>2,823,599</u>	<u>2,814,488</u>
Diluted earnings per common share.....	<u>\$ 1.83</u>	<u>\$ 0.88</u>

There were 49,247 and 65,747 anti-dilutive shares outstanding at December 31, 2010 and 2009, respectively.

NOTE 14 - Related Party Transactions

The Bancorp had aggregate loans outstanding to directors and executive officers (with individual balances exceeding \$120,000) of \$7,951,000 at December 31, 2010 and \$9,825,000 at December 31, 2009. For the year ended December 31, 2010, the following activity occurred on these loans:

	<i>(Dollars in thousands)</i>
Aggregate balance at the beginning of the year.....	\$ 9,825
New loans	1,133
Repayments	<u>(3,007)</u>
Aggregate balance at the end of the year.....	<u>\$ 7,951</u>

Deposits from directors and executive officers were \$1,900,000 and \$1,700,000 at December 31, 2010 and 2009, respectively.