S Y BANCORP INC
Form 10-Q
May 09, 2007

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, 2007

OR

o **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 **1-13661**

S.Y. BANCORP, INC.
(Exact name of registrant as specified in its charter)

Kentucky	**61-1137529**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1040 East Main Street, Louisville, Kentucky 40206
(Address of principal executive offices including zip code)

(502) 582-2571
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

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 o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o **Accelerated filer x** **Non-accelerated filer o**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.).
Yes o No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common Stock, no par value 14,347,907
Shares issued and outstanding at May 3, 2007

S.Y. BANCORP, INC. AND SUBSIDIARY

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of S.Y. Bancorp, Inc. and Subsidiary, Stock Yards Bank & Trust Company, are submitted herewith:

Unaudited Condensed Consolidated Balance Sheets March 31, 2007 and December 31, 2006

Unaudited Condensed Consolidated Statements of Income for the three months ended March 31, 2007 and 2006

Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2007 and 2006

Unaudited Condensed Consolidated Statement of Changes in Stockholders Equity for the three months ended March 31, 2007

Unaudited Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2007 and 2006

Notes to Unaudited Condensed Consolidated Financial Statements

Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures about Market Risk
Item 4.	Controls and Procedures
PART II OTHER INFORMATION	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
Item 6.	Exhibits

S.Y. BANCORP, INC. AND SUBSIDIARY

Condensed Consolidated Balance Sheets

March 31, 2007 and December 31, 2006

(In thousands, except share data)

	(Unaudited) March 31, 2007	December 31, 2006
Assets		
Cash and due from banks	$ 35,308	$ 44,007
Federal funds sold	28,566	15,671
Mortgage loans held for sale	5,659	4,035
Securities available for sale (amortized cost of $127,119 in 2007 and $146,859 in 2006)	126,287	145,695
Securities held to maturity (approximate fair value of $2,325 in 2007 and $3,159 in 2006)	2,319	3,148
Federal Home Loan Bank stock	3,650	3,591
Loans	1,149,940	1,148,954
Less allowance for loan losses	12,183	12,203
Net loans	1,137,757	1,136,751
Premises and equipment, net	24,675	24,823
Accrued interest receivable and other assets	50,143	48,600
Total assets	$ 1,414,364	$ 1,426,321
Liabilities and Stockholders Equity		
Deposits:		
Non-interest bearing	$ 174,383	$ 179,657
Interest bearing	935,395	923,585
Total deposits	1,109,778	1,103,242
Securities sold under agreements to repurchase and federal funds purchased	75,648	84,313
Other short-term borrowings	30	734
Accrued interest payable and other liabilities	38,642	40,468
Federal Home Loan Bank advances	50,000	60,000
Subordinated debentures	90	120
Total liabilities	1,274,188	1,288,877
Stockholders equity:		
Preferred stock, no par value. Authorized 1,000,000 shares; no shares issued or outstanding		
Common stock, no par value. Authorized 20,000,000 shares; issued and outstanding 14,373,087 and 14,400,420 shares in 2007 and 2006, respectively	8,789	8,878
Additional paid-in capital	26,841	27,703
Retained earnings	105,348	101,876
Accumulated other comprehensive loss	(802)	(1,013)
Total stockholders equity	140,176	137,444
Total liabilities and stockholders equity	$ 1,414,364	$ 1,426,321

See accompanying notes to unaudited condensed consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statements of Income
For the three months ended March 31, 2007 and 2006
(In thousands, except per share data)

	2007	2006
Interest income:		
Loans	$ 20,631	$ 18,457
Federal funds sold	437	420
Mortgage loans held for sale	47	60
Securities taxable	1,207	1,095
Securities tax-exempt	284	295
Total interest income	22,606	20,327
Interest expense		
Deposits	7,908	6,071
Securities sold under agreements to repurchase and federal funds purchased	632	469
Other short-term borrowings		10
Federal Home Loan Bank advances	650	338
Subordinated debentures	2	466
Total interest expense	9,192	7,354
Net interest income	13,414	12,973
Provision for loan losses	780	350
Net interest income after provision for loan losses	12,634	12,623
Non-interest income:		
Investment management and trust services	3,197	2,787
Service charges on deposit accounts	2,018	2,129
Bankcard transaction revenue	542	469
Gains on sales of mortgage loans held for sale	256	305
Gains on sales of securities available for sale		
Brokerage commissions and fees	493	525
Other	650	698
Total non-interest income	7,156	6,913
Non-interest expenses:		
Salaries and employee benefits	6,607	6,952
Net occupancy expense	890	862
Data processing expense	1,015	991
Furniture and equipment expense	292	305
State bank taxes	178	383
Other	2,392	2,285
Total non-interest expenses	11,374	11,778
Income before income taxes	8,416	7,758
Income tax expense	2,712	2,438
Net income	$ 5,704	$ 5,320
Net income per share:		
Basic	$ 0.40	$ 0.37
Diluted	0.39	0.36
Average common shares:		
Basic	14,389	14,504
Diluted	14,642	14,749

See accompanying notes to unaudited condensed consolidated financial statements

S.Y. BANCORP, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2007 and 2006

(In thousands)

	2007	2006
Operating activities:		
Net income	$ 5,704	$ 5,320
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	780	350
Depreciation, amortization and accretion, net	709	793
Provision for deferred income taxes (benefit)	(221)	202
Gain on sales of securities available for sale		
Gains on sales of mortgage loans held for sale	(256)	(304)
Origination of mortgage loans held for sale	(15,751)	(22,848)
Proceeds from sale of mortgage loans held for sale	14,383	26,402
Loss on the sale of premises and equipment		13
Bank owned life insurance	236	218
(Gain) loss on the sale of other real estate	(2)	(7)
Stock compensation expense	53	174
Excess tax benefits from share-based compensation arrangements	(5)	(77)
Increase in accrued interest receivable and other assets	(3,293)	(2,200)
Increase (decrease) in accrued interest payable and other liabilities	(1,593)	(3,066)
Net cash provided by operating activities	744	4,970
Investing activities:		
Purchases of securities available for sale	(59)	(38,517)
Proceeds from maturities of securities available for sale	19,742	27,998
Proceeds from maturities of securities held to maturity	826	527
Net increase in loans	(1,143)	(7,291)
Purchases of premises and equipment	(560)	(582)
Proceeds from sales of other real estate	752	566
Net cash provided by (used in) investing activities	19,558	(17,299)
Financing activities:		
Net increase in deposits	6,536	43,259
Net decrease in securities sold under agreements to repurchase and federal funds purchased	(8,665)	(2,152)
Net decrease in other short-term borrowings	(704)	(2,007)
Proceeds of Federal Home Loan Bank advances		
Repayments of Federal Home Loan Bank advances	(10,000)	(10,000)
Repayments of subordinated debentures	(30)	(30)
Issuance of common stock for options and dividend reinvestment plan	251	283
Excess tax benefits from share-based compensation arrangements	5	77
Common stock repurchases	(1,334)	(834)
Cash dividends paid	(2,165)	(1,802)
Net cash provided by (used in) financing activities	(16,106)	26,794
Net increase in cash and cash equivalents	4,196	14,465
Cash and cash equivalents at beginning of period	59,678	44,039
Cash and cash equivalents at end of period	$ 63,874	$ 58,504
Supplemental cash flow information:		
Income tax payments	$	$
Cash paid for interest	9,314	7,388
Supplemental non-cash activity:		
Transfers from loans to other real estate owned	$ 643	$

See accompanying notes to unaudited condensed consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statement of Changes in Stockholders Equity

For the three months ended March 31, 2007

(In thousands, except per share data)

	Common stock Number of shares	**Amount**	**Additional Paid in Capital**	**Retained earnings**	**Accumulated other comprehensive loss**	**Total**
Balance December 31, 2006	14,400	$ 8,878	$ 27,703	$ 101,876	$ (1,013)	$ 137,444
Net income				5,704		5,704
Change in accumulated other comprehensive loss, net of tax					211	211
Stock compensation expense			53			53
Stock issued for stock options exercised and employee benefit plans	20	69	187			256
Stock issued for non-vested restricted stock	3	9	65	(74)		
Cash dividends, $0.15 per share				(2,158)		(2,158)
Shares repurchased	(50)	(167)	(1,167)			(1,334)
Balance March 31, 2007	14,373	$ 8,789	$ 26,841	$ 105,348	$ (802)	$ 140,176

See accompanying notes to unaudited condensed consolidated financial statements.

5

S.Y. BANCORP, INC. AND SUBSIDIARY

Unaudited Condensed Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2007 and 2006

(In thousands)

	2007	2006
Net income	$ 5,704	$ 5,320
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities available for sale:		
Unrealized holding gains (losses) arising during the period (net of tax of $114 and ($292), respectively)	211	(543)
Other comprehensive income (loss)	211	(543)
Comprehensive income	$ 5,915	$ 4,777

See accompanying notes to unaudited condensed consolidated financial statements.

S.Y. BANCORP, INC. AND SUBSIDIARY
Notes to Unaudited Condensed Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The consolidated financial statements of S.Y. Bancorp, Inc. (Bancorp) and its subsidiary reflect all adjustments (consisting only of adjustments of a normal recurring nature) which are, in the opinion of management, necessary for a fair presentation of financial condition and results of operations for the interim periods.

The consolidated financial statements include the accounts of S.Y. Bancorp, Inc. and its wholly-owned subsidiary, Stock Yards Bank & Trust Company (Bank). Significant intercompany transactions and accounts have been eliminated in consolidation. Certain prior-period amounts have been reclassified to conform with current presentation.

A description of other significant accounting policies is presented in the notes to the Consolidated Financial Statements for the year ended December 31, 2006 included in S.Y. Bancorp, Inc. s Annual Report on Form 10-K. Certain reclassifications have been made in the prior year financial statements to conform to current year classifications.

Interim results for the three month period ended March 31, 2007 are not necessarily indicative of the results for the entire year.

(a) Critical Accounting Policies

Management has identified the accounting policy related to the allowance for loan losses as critical to the understanding of Bancorp s results of operations and discussed this conclusion with the Audit Committee of the board of directors. Since the application of this policy requires significant management assumptions and estimates, it could result in materially different amounts to be reported if conditions or underlying circumstances were to change. Assumptions include many factors such as changes in borrowers financial condition which can change quickly or historical loss ratios related to certain loan portfolios which may or may not be indicative of future losses. To the extent that management s assumptions prove incorrect, the results from operations could be materially affected by a higher or lower provision for loan losses. The accounting policy related to the allowance for loan losses is applicable to the commercial banking segment of Bancorp.

Additionally, management has identified the accounting policy related to accounting for income taxes as critical to the understanding of Bancorp s results of operations and discussed this conclusion with the Audit Committee of the board of directors. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity s financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in Bancorp s financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences, including the effects of periodic IRS and state agency examinations, could materially impact Bancorp s financial position and its results from operations.

(b) Securities

Unrealized losses on Bancorp s bond portfolio have not been recognized in income because the bonds are of high credit quality, management has the intent and the ability to hold for the foreseeable future, and the decline in fair values is largely due to an increase in prevailing interest rates since the purchase date. The fair value is expected to recover as the securities reach their maturity date and/or interest rates decline. Bonds with unrecognized unrealized losses consist of 69 and 67 separate investment positions as of March 31, 2007 and 2006, respectively that are not considered other-than-temporarily impaired.

(c) Stock-Based Compensation

On January 1, 2006, Bancorp adopted the modified version of prospective application of Statement of Financial Statement No. 123 (R) Share-based Payment , (SFAS No. 123R). Under this method, the fair value of all new and modified awards granted subsequent to the date of adoption will be recognized as compensation expense, net of estimated forfeitures. Further, the fair value of any unvested awards at the date of adoption will be recognized as compensation expense, net of estimated forfeitures.

Bancorp s 1995 Stock Incentive Plan expired in 2005; however, options granted under this plan expire as late as 2015. The 2005 Stock Incentive Plan reserved 735,000 shares of common stock for issuance of stock based awards. As of March 31, 2007, there were 394,664 shares available for future awards. Options granted have been subject to a vesting schedule of 20% per year except for those granted to certain executive officers which vest six months after grant date. All outstanding options were granted at an exercise price equal to the market value of common stock at the time of grant and expire ten years after the grant date.

The fair value of Bancorp s stock options is estimated at the date of grant using the Black-Scholes option pricing model, a leading formula for calculating the value of stock options. This model requires the input of subjective assumptions, changes to which can materially affect the fair value estimate. As a result of applying the provisions of SFAS No. 123R, Bancorp recognized for the three months ended March 31, 2007 and 2006, within salaries and employee benefits in the unaudited condensed consolidated income statements, stock-based compensation expense of $53,000 and $174,000 before income taxes and a deferred tax benefit of $19,000 and $61,000 resulting in a reduction of net income of $34,000 and $113,000, or $0.00 and $0.01 per basic and diluted shares, respectively. Bancorp expects to record an additional $402,000 of compensation expense in 2007 for outstanding stock options. As of March 31, 2007 Bancorp has $1,461,000 of unrecognized stock-based compensation expense that will be recorded as compensation expense over the next 4.75 years, the weighted-average remaining life of these options.

In accordance with the Financial Accounting Standards Board Staff Position SFAS No. 123R 3, Transition Election to Accounting for the Tax Effects of Share-Based Payment Awards , Bancorp has elected the alternative transition method to calculate the beginning balance of the pool of excess tax benefits. The beginning balance of excess tax benefits was calculated as the sum of all net increases in additional paid-in-capital related to tax benefits from stock-based employee compensation, less the incremental stock-based after-tax compensation costs that would have been recognized if the fair value recognition provisions of SFAS No. 123 had been used to account for stock-based compensation costs.

SFAS No. 123R requires the cash flows resulting from excess tax deductions related to the compensation costs recognized for the share-based awards be classified as financing cash inflows. Cash flows provided by financing activities relating to excess tax benefits from share-based compensation arrangements increased by $5,000 and $77,000 and cash flows used in operating activities decreased by $5,000 and $77,000 for the three months ended March 31, 2007 and 2006, respectively. Bancorp received cash of $251,000 and $283,000 from the exercise of options during the first three months of 2007 and 2006, respectively.

Under SFAS No. 123R, Bancorp is required to reduce future stock-based compensation expense by estimated forfeitures at the grant date. These forfeiture estimates are based on historical experience.

The following assumptions were used in option valuations:

	2007		**2006**	
Dividend yield	1.81	%	1.63	%
Expected volatility	14.49		16.53	
Risk free interest rate	4.69		4.42	
Forfeitures	5.55		5.69	
Expected life of options (in years)	7.7		7.7	

The expected life of options is based on actual experience of past like-term options. All outstanding options have a 10-year contractual term. Bancorp evaluated historical exercise and post-vesting termination behavior when determining the expected life of 7.7 years for options granted during the first three months of 2007 and 2006.

The dividend yield and expected volatility are based on historical information corresponding to the expected life of options granted. The expected volatility is the volatility of the underlying shares for the expected term on a quarterly basis.

The risk free interest rate is the implied yield currently available on U. S. Treasury issues with a remaining term equal to the expected life of the options.

A summary of stock option activity and related information for the three months ended March 31, 2007 follows. The number of options and aggregate intrinsic value are stated in thousands of dollars.

(In thousands, except per share data)	**Options**	**Exercise Price**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value**	**Weighted Average Fair Value**	**Weighted Average Remaining Contractual Life**
At December 31, 2006						
Vested and exercisable	818	$ 6.90-$24.07	$ 17.13	$ 14,009	$ 3.64	
Unvested	139	18.05-24.07	23.89	3,322	5.76	
Total outstanding	957	6.90-24.07	18.12	17,331	3.95	
Granted	152	26.83	26.83	3,323	6.14	
Exercised	(20)	6.90-22.81	12.45	(311)	2.45	
Forfeited	(3)	24.07	24.07	(63)	5.81	
At March 31, 2007						
Vested and exercisable	824	9.64-24.07	17.47	14,396	3.74	5.57
Unvested	262	18.05-26.83	25.57	6,688	5.97	9.4
Total outstanding	1,086	9.64-26.83	19.42	21,084	4.28	6.49
Vested during quarter	26	24.07	24.07	638	5.81	

On February 20, 2007, Bancorp granted 151,550 options to purchase common stock shares at the current market price of $26.83 and a fair value of $6.14. These options were awarded to employees and will primarily vest 20% per year over the next five years. Of these options, 36,500 were granted to certain executive officers and will vest six months from the date of grant. All options expire ten years from the date of grant.

Also, on February 20, 2007, Bancorp adopted a restricted stock program under the terms of the Company s 2005 Incentive Stock Plan. Bancorp granted 2,775 shares of common stock at the current market price of $26.83. Shares were granted to executive officers and will vest one-third per year over the next three years. Certain other officers received grants vesting over two to five years.

(2) Allowance for Loan Losses

An analysis of the changes in the allowance for loan losses for the three months ended March 31 follows (in thousands):

	2007	**2006**
Beginning balance January 1,	$ 12,203	$ 12,035
Provision for loan losses	780	350
Loans charged off	(1,049)	(490)
Recoveries	249	170
Ending balance March 31,	$ 12,183	$ 12,065

(3) Federal Home Loan Bank Advances

Under a blanket collateral agreement with the Federal Home Loan Bank of Cincinnati and secured by certain residential real estate loans, the Bank has outstanding borrowings of $50,000,000 via two separate fixed rate, non-callable advances of $20,000,000 and $30,000,000, which are due in October of 2008 and November of 2009, respectively, with a weighted average rate of 4.94%. Interest payments are due monthly, with principal due at maturity.

(4) Intangible Assets

Statement of Financial Accounting Standards No. 142, Goodwill and Intangible Assets (SFAS No. 142), requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. Annual evaluations have resulted in no charges for impairment. Bancorp currently has goodwill from the acquisition of a bank in southern Indiana in the amount of $682,000. This goodwill is assigned to the commercial banking segment of Bancorp.

(5) Defined Benefit Retirement Plan

The Bank sponsors an unfunded, non-qualified, defined benefit retirement plan for certain key officers. Benefits vest based on years of service. The Bank does not make contributions to this plan. Information about the components of the net periodic benefit cost of the defined benefit plan follows:

	Three months ended March 31	
	2007	**2006**
Components of net periodic benefit cost:		
Service cost	$	$
Interest cost	28	29
Expected return on plan assets		
Amortization of prior service cost		
Amortization of the net loss	7	7
Net periodic benefit cost	$ 35	$ 36

(6) Commitments to Extend Credit

As of March 31, 2007, Bancorp had various commitments outstanding that arose in the normal course of business, including standby letters of credit and commitments to extend credit, which are properly not reflected in the financial statements. In management s opinion, commitments to extend credit of $418,230,000, and standby letters of credit of $14,643,000, represent normal banking transactions, and no significant losses are anticipated to result from these commitments as of March 31, 2007. Commitments to extend credit were $359,070,000, and letters of credit were $17,044,000, as of December 31, 2006. Bancorp s exposure to credit loss in the event of nonperformance by the other party to these commitments is represented by the contractual amount of these instruments. Bancorp uses the same credit and collateral policies in making commitments and conditional guarantees as for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Commitments to extend credit are primarily made up of commercial lines of credit, construction and development loans and home equity credit lines. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Bancorp evaluates each customer s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Bancorp upon extension of credit, is based on management s credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, income-producing commercial properties, residential properties and other real estate under development.

Standby letters of credit and financial guarantees written are conditional commitments issued by Bancorp to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support private borrowing arrangements.

(7) Preferred Stock

At Bancorp s annual meeting of shareholders held in April 2003, the shareholders approved an amendment to the Articles of Incorporation to create a class of preferred stock and authorize 1,000,000 shares of this preferred stock with no par value. The relative rights, preferences and other terms of this stock or any series within the class will be determined by the Board of Directors prior to any issuance. Some of this preferred stock will be used in connection with a shareholders rights plan upon the occurrence of certain triggering events. None of this stock had been issued as of March 31, 2007.

(8) Net Income Per Share

The following table reflects, for the three months ended March 31, 2007 and 2006, net income (the numerator) and average shares outstanding (the denominator) for the basic and diluted net income per share computations (in thousands except per share data):

	Three months ended March 31	
	2007	**2006**
Net income, basic and diluted	$ 5,704	$ 5,320
Average shares outstanding	14,389	14,504
Effect of dilutive securities	253	245
Average shares outstanding including dilutive securities	14,642	14,749
Net income per share, basic	$ 0.40	$ 0.37
Net income per share, diluted	$ 0.39	$ 0.36

(9) Segments

The Bank s, and thus Bancorp s, principal activities include commercial banking and investment management and trust. Commercial banking provides a full range of loan and deposit products to individual consumers and businesses. Commercial banking also includes the Bank s mortgage banking and brokerage activity. Investment management and trust provides wealth management services including investment management, trust and estate administration, and retirement plan services.

The financial information for each business segment reflects that which is specifically identifiable or allocated based on an internal allocation method. Principally, all of the net assets of Bancorp are involved in the commercial banking segment. Income taxes are allocated based on the effective federal tax rate. The measurement of the performance of the business segments is based on the management structure of the Bank and is not necessarily comparable with similar information for any other financial institution. The information presented is also not necessarily indicative of the segments operations, if they were independent entities.

Selected financial information by business segment for the three months ended March 31, 2007 and 2006 follows:

	Three months ended March 31	
	2007	**2006**
	(In thousands)	
Net interest income:		
Commercial banking	$ 13,402	$ 12,983
Investment management and trust	12	(10)
Total	$ 13,414	$ 12,973
Provision for loan losses:		
Commercial banking	$ 780	$ 350
Investment management and trust		
Total	$ 780	$ 350
Non-interest income:		
Commercial banking	$ 3,959	$ 4,126
Investment management and trust	3,197	2,787
Total	$ 7,156	$ 6,913
Non-interest expense:		