

COMMERCEFIRST BANCORP INC

Form 425

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News release

FOR IMMEDIATE RELEASE

SANDY SPRING BANCORP REPORTS FOURTH QUARTER PROFIT OF

\$7.3 MILLION; NET INCOME FOR 2011 WAS \$34.1 MILLION, UP 45% OVER 2010

OLNEY, MARYLAND, January 26, 2012 — Sandy Spring Bancorp, Inc., (Nasdaq-SASR) the parent company of Sandy Spring Bank, today announced net income for the fourth quarter of 2011 of \$7.3 million (\$.30 per diluted share) compared to net income of \$8.3 million (\$0.34 per diluted share) for the fourth quarter of 2010 and net income of \$11.3 million (\$0.47 per diluted share) for the previous quarter of 2011. The provision for loan and lease losses for the fourth quarter of 2011 was a charge of \$2.3 million compared to a charge of \$2.3 million for the fourth quarter of 2010 and a credit of \$3.5 million for the third quarter of 2011.

Net income for the year ended December 31, 2011 totaled \$34.1 million (\$1.41 per diluted share), up 45% compared to net income of \$23.5 million (\$1.05 per diluted share) for the prior year. The provision for loan and lease losses for the year ended December 31, 2011 was a charge of \$1.4 million for 2011 compared to a charge of \$25.9 million for 2010.

“We are very pleased to report another quarter of increased loan growth even in the face of volatile financial markets and continued uneven economic conditions on both a regional and national level. This organic loan growth is an especially encouraging prospect in view of the anticipated infusion of additional quality loans in the coming year from our recently announced acquisition of CommerceFirst Bank,” said Daniel J. Schrider, President and Chief Executive Officer. “We have proactively managed our funding costs to improve the mix of lower cost transaction accounts as

compared to other higher cost funding sources.

“The higher levels of core deposits and wealth management revenues are strong indicators of our success in building long term customer relationships that are centered on a consistent unique and positive experience for each of our clients,” reiterated Schrider. “This is evidence of the resiliency of our business model, especially during such a competitive and prolonged tough economic climate.”

Fourth Quarter Highlights:

Total loans reflected a second straight quarterly increase due primarily to growth in commercial business, ADC loans and residential construction loans. New commercial loan originations totaled \$269 million for the year compared to \$112 million for the prior year.

Non-performing loans declined to \$79.1 million at December 31, 2011 compared to \$88.1 million at December 31, 2010 and \$82.8 million at September 30, 2011. The coverage ratio of the allowance for loan and lease losses to non-performing loans decreased to 62% at December 31, 2011 compared to a ratio of 71% at December 31, 2010 and 60% at September 30, 2011.

The net interest margin declined to 3.51% for the fourth quarter of 2011, compared to 3.61% for the fourth quarter of 2010 and 3.53% for the third quarter of 2011.

Revenue from wealth management services, which includes fees from trust and investment management and sales of investment products, increased 7% for the fourth quarter of 2011 compared to the fourth quarter of 2010 due to growth in average assets under management resulting primarily from adding new clients and market conditions that permitted more favorable returns.

Review of Balance Sheet and Credit Quality

Comparing December 31, 2011 balances to December 31, 2010, total assets increased 5% to \$3.7 billion. Total loans and leases increased 4% to \$2.2 billion compared to the prior year end. The increase in loans for the year was due primarily to growth in the commercial loan portfolio, most of which occurred during the last quarter of the year. During the current quarter, total loans increased 4% compared to balances at September 30, 2011.

Customer funding sources, which include deposits and other short-term borrowings from customers, increased 3% compared to December 31, 2010. This increase was due largely to a 15% increase in noninterest-bearing and interest-bearing checking accounts which more than offset a 7% reduction in certificates of deposit, which declined as a result of continuing rate reductions reflecting the Company's net interest margin strategy. Growth in checking accounts was the main driver in the increase in core deposits due to clients' emphasis on safety and liquidity.

Tangible common equity totaled \$351.3 million at December 31, 2011 compared to \$326.8 million at December 31, 2010 resulting in an increase in the ratio of tangible common equity to tangible assets from 9.51% at December 31, 2010 to 9.68% at December 31, 2011. This increase was due primarily to net income earned during the period. At December 31, 2011, the Company had a total risk-based capital ratio of 15.83%, a tier 1 risk-based capital ratio of 14.57% and a tier 1 leverage ratio of 10.84%.

Non-performing assets totaled \$83.6 million at December 31, 2011 compared to \$97.7 million at December 31, 2010 and \$90.8 million at September 30, 2011. Overall credit quality continued to improve as a result of resolution of existing problem credits and limited migration of new credits to non-performing status.

The provision for loan and lease losses was a charge of \$2.3 million for both the fourth quarter of 2011 and the fourth quarter of 2010 and a credit of \$3.5 million for the third quarter of 2011. The increase in the provision for the fourth quarter of 2011 compared to the prior quarter was due to a combination of factors including an increase in outstanding loan balances during the fourth quarter and specific reserves on several commercial loan credits.

Loan charge-offs, net of recoveries, totaled \$2.6 million for the fourth quarter of 2011 compared to net charge-offs of \$7.5 million for the fourth quarter of 2010 and net charge-offs of \$2.0 million for the third quarter of 2011. The allowance for loan and lease losses represented 2.21% of outstanding loans and leases and 62% of non-performing loans at December 31, 2011 compared to 2.88% of outstanding loans and leases and 71% of non-performing loans at December 31, 2010 and 2.32% of outstanding loans and leases and 60% of non-performing loans at September 30, 2011. Non-performing loans includes accruing loans 90 days or more past due and restructured loans.

Income Statement Review

Net interest income for the fourth quarter of 2011 decreased by \$0.5 million or 2% compared to the fourth quarter of 2010 due primarily to a decrease in interest income resulting from lower average overall earning asset yields. This decline in interest income was somewhat offset by a decrease in interest expense as average rates paid on deposit products decreased, although at a slower pace, together with a planned run-off in average deposits. These factors resulted in a decline in the net interest margin to 3.51% for the fourth quarter of 2011 compared to 3.61% for the fourth quarter of 2010.

Non-interest income decreased \$0.3 million or 3% to \$11.4 million for the fourth quarter of 2011 compared to \$11.7 million for the fourth quarter of 2010. This decrease was due primarily to a decline of \$0.3 million or 24% in other non-interest income due to lower commercial loan fees. In addition, income from mortgage banking activities decreased \$0.1 million or 10% due to lower origination and sale volume compared to the fourth quarter of 2010. These decreases were largely offset by an increase in trust and investment management fees of \$0.3 million or 11% due primarily to higher average assets under management and an increase in insurance agency commissions of \$0.1 million or 10% due to higher income from commercial lines.

Non-interest expenses were \$27.3 million for the fourth quarter of 2011 compared to \$26.2 million in the fourth quarter of 2010, an increase of \$1.1 million or 4%. This increase was driven by an increase of \$1.4 million or 10% in salaries and benefits expense due to higher salary and incentive compensation expenses. This increase was partially offset by a decrease of \$0.4 million or 37% in FDIC insurance premiums.

Net interest income for the year ended December 31, 2011 decreased by \$2.7 million or 2% compared to 2010 as a result of a decline in interest income due mainly to lower average loan balances and record low market interest rates. The impact of an \$8.9 million decline in interest income was substantially mitigated by a \$6.2 million decline in interest expense as average rates paid on deposit products decreased, although at a slower pace. This resulted in a net interest margin of 3.57% for 2011 compared to 3.60% for 2010.

Non-interest income totaled \$43.5 million for the year ended December 31, 2011 as compared to \$43.8 million for the prior year. Deposit service charges declined \$0.8 million or 8% as a result of the impact of recently enacted legislation on overdraft fees while income from mortgage banking activities decreased \$0.4 million or 12% due to lower gains on sales resulting from declines in both rates and volumes. Trust and investment management fees increased \$1.7 million or 16% primarily due to growth in average assets under management. Fees on sales of investment products increased \$0.3 million or 8% due primarily to an increase in managed assets. These increases in asset management fee income substantially offset the erosion experienced in deposit service fee income. Visa check fees increased \$0.3 million or 9% due to a continued increase in the volume of electronic transactions.

Non-interest expenses were \$105.1 million for the year ended December 31, 2011 compared to \$100.9 million for 2010, an increase of \$4.2 million or 4%. Salaries and benefits expense increased \$4.2 million or 7% due primarily to higher salary and incentive compensation expenses. Other non-interest expenses increased \$1.3 million or 8% due largely to losses on sales of other real estate owned and loan work out expenses. These increases were partially offset by a decrease of \$1.3 million or 29% in FDIC insurance premiums.

Additional Information For Shareholders

In connection with the proposed merger transaction, Sandy Spring Bancorp will file with the Securities and Exchange Commission a Registration Statement on Form S-4 that will include a Proxy Statement of CommerceFirst Bancorp and a Prospectus of Sandy Spring Bancorp, as well as other relevant documents concerning the proposed transaction. **Shareholders are urged to read the Registration Statement and the Proxy Statement/Prospectus regarding the merger when it becomes available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information.**

A free copy of the Proxy Statement/Prospectus, as well as other filings containing information about Sandy Spring Bancorp and CommerceFirst Bancorp, may be obtained at the SEC's Internet site (<http://www.sec.gov>). You will also be able to obtain these documents, free of charge, from Sandy Spring Bancorp at www.sandyspringbank.com under the tab "Investor Relations," within the section "News & Media" and then under the heading "Documents" or from CommerceFirst Bancorp by accessing CommerceFirst Bancorp's website at www.commerce1st.com under the tab "About Us," within the section "Investor Relations" and then under the heading "CommerceFirst Bancorp Security and Exchange Commission (SEC) Filings."

Sandy Spring Bancorp and CommerceFirst Bancorp and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of CommerceFirst Bancorp in connection with the proposed merger. Information about the directors and executive officers of Sandy Spring Bancorp is set forth in the proxy statement for Sandy Spring Bancorp's 2011 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 28, 2011. Information about the directors and executive officers of CommerceFirst Bancorp is set forth in the proxy statement for CommerceFirst Bancorp's 2011 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 16, 2011. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger when it becomes available. Free copies of this document may be obtained as described in the preceding paragraph.

Conference Call

The Company's management will host a conference call to discuss its fourth quarter and full year results today at 2:00 P.M. (ET). A live Web cast of the conference call is available through the Investor Relations' section of the Sandy Spring Web site at www.sandyspringbank.com. Participants may call 1-877-317-6789. A password is not necessary. Visitors to the Web site are advised to log on 10 minutes ahead of the scheduled start of the call. An internet-based replay will be available at the Web site until 9:00 am (ET) February 27, 2012. A replay of the teleconference will be available through the same time period by calling 1-877-344-7529 under conference call number 10008474.

About Sandy Spring Bancorp/Sandy Spring Bank

With \$3.7 billion in assets, Sandy Spring Bancorp is the holding company for Sandy Spring Bank and its principal subsidiaries, Sandy Spring Insurance Corporation and West Financial Services, Inc. Sandy Spring Bancorp is the largest publicly traded banking company headquartered and operating in Maryland. Sandy Spring is a community banking organization that focuses its lending and other services on businesses and consumers in the local market area. Independent and community-oriented, Sandy Spring Bank was founded in 1868 and offers a broad range of commercial banking, retail banking and trust services through 43 community offices in Anne Arundel, Carroll, Frederick, Howard, Montgomery, and Prince George's counties in Maryland, and Arlington, Fairfax and Loudoun counties in Virginia. Through its subsidiaries, Sandy Spring Bank also offers a comprehensive menu of insurance and investment management services. Visit www.sandyspringbank.com to locate an ATM near you or for more information about Sandy Spring Bank.

For additional information or questions, please contact:

Daniel J. Schrider, President & Chief Executive Officer, or

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Sandy Spring Bancorp

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Forward-Looking Statements

Sandy Spring Bancorp makes forward-looking statements in this news release and in the conference call regarding this news release. These forward-looking statements may include: statements of goals, intentions, earnings expectations, and other expectations; estimates of risks and of future costs and benefits; assessments of probable loan and lease losses; assessments of market risk; and statements of the ability to achieve financial and other goals.

Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project” and other similar words and expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made. Sandy Spring Bancorp does not assume any duty and does not undertake to update its forward-looking statements. Because forward-looking statements are subject to assumptions and uncertainties, actual results or future events could differ, possibly materially, from those that Sandy Spring Bancorp anticipated in its forward-looking statements and future results could differ materially from historical performance.

Sandy Spring Bancorp’s forward-looking statements are subject to the following principal risks and uncertainties: general economic conditions and trends, either nationally or locally; conditions in the securities markets; changes in interest rates; changes in deposit flows, and in the demand for deposit, loan, and investment products and other financial services; changes in real estate values; changes in the quality or composition of the Company’s loan or investment portfolios; changes in competitive pressures among financial institutions or from non-financial institutions; the Company’s ability to retain key members of management; changes in legislation, regulations, and policies; and a variety of other matters which, by their nature, are subject to significant uncertainties. Sandy Spring Bancorp provides greater detail regarding some of these factors in its Form 10-K for the year ended December 31, 2010, including in the Risk Factors section of that report, and in its other SEC reports. Sandy Spring Bancorp’s forward-looking statements may also be subject to other risks and uncertainties, including those that it may discuss elsewhere in this news release or in its filings with the SEC, accessible on the SEC’s Web site at www.sec.gov.

Sandy Spring Bancorp, Inc. and Subsidiaries

FINANCIAL HIGHLIGHTS - UNAUDITED

| (Dollars in thousands, except per share data) | Three Months Ended | | % Change | Twelve Months Ended | | % Change |
|---|--------------------|-------------------|----------|---------------------|-------------------|----------|
| | December 31, 2011 | December 31, 2010 | | December 31, 2011 | December 31, 2010 | |
| Results of Operations: | | | | | | |
| Net interest income | \$28,452 | \$28,953 | (2)% | \$112,946 | \$115,607 | (2)% |
| Provision for loan and lease losses | 2,282 | 2,323 | (2) | 1,428 | 25,908 | (94) |
| Non-interest income | 11,370 | 11,722 | (3) | 43,500 | 43,782 | (1) |
| Non-interest expenses | 27,323 | 26,201 | 4 | 105,071 | 100,912 | 4 |
| Income before income taxes | 10,217 | 12,151 | (16) | 49,947 | 32,569 | 53 |
| Net income | 7,258 | 8,276 | (12) | 34,102 | 23,520 | 45 |
| Net income available to common stockholders | \$7,258 | \$6,604 | 10 | \$34,102 | \$17,371 | 96 |
| Return on average assets (1) | 0.79 | % 0.73 | % | 0.95 | % 0.48 | % |
| Return on average common equity (1) | 6.54 | % 6.34 | % | 8.07 | % 4.56 | % |

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| | | | | | | | | |
|---|-------------|---|-------------|-------|-------------|---|-------------|------|
| Net interest margin | 3.51 | % | 3.61 | % | 3.57 | % | 3.60 | % |
| Efficiency ratio - GAAP (3) | 68.61 | % | 64.42 | % | 67.16 | % | 63.31 | % |
| Efficiency ratio - Non-GAAP (3) | 65.10 | % | 61.85 | % | 63.75 | % | 60.36 | % |
| Per share data: | | | | | | | | |
| Basic net income | \$0.30 | | \$0.34 | (12)% | \$1.42 | | \$1.05 | 35 % |
| Basic net income per common share | 0.30 | | 0.27 | 11 | 1.42 | | 0.78 | 82 |
| Diluted net income | 0.30 | | 0.34 | (12) | 1.41 | | 1.05 | 34 |
| Diluted net income per common share | 0.30 | | 0.27 | 11 | 1.41 | | 0.78 | 81 |
| Average fully diluted shares | 24,141,084 | | 24,087,482 | — | 24,149,205 | | 22,380,135 | 8 |
| Dividends declared per common share | 0.10 | | 0.01 | — | 0.34 | | 0.04 | — |
| Book value per common share | 18.52 | | 16.95 | 9 | 18.52 | | 16.95 | 9 |
| Tangible book value per common share | 14.58 | | 13.59 | 7 | 14.58 | | 13.59 | 7 |
| Outstanding Common Shares | 24,091,042 | | 24,046,627 | — | 24,091,042 | | 24,046,627 | — |
| Financial Condition at period-end: | | | | | | | | |
| Investment securities | \$1,164,699 | | \$1,042,943 | 12 % | \$1,164,699 | | \$1,042,943 | 12 % |
| Loans and leases | 2,239,692 | | 2,156,232 | 4 | 2,239,692 | | 2,156,232 | 4 |
| Interest-earning assets | 3,452,214 | | 3,240,313 | 7 | 3,452,214 | | 3,240,313 | 7 |
| Assets | 3,711,370 | | 3,519,388 | 5 | 3,711,370 | | 3,519,388 | 5 |
| Deposits | 2,656,520 | | 2,549,872 | 4 | 2,656,520 | | 2,549,872 | 4 |
| Interest-bearing liabilities | 2,590,164 | | 2,520,061 | 3 | 2,590,164 | | 2,520,061 | 3 |
| Stockholders' equity | 446,109 | | 407,569 | 9 | 446,109 | | 407,569 | 9 |
| Capital ratios: | | | | | | | | |
| Tier 1 leverage | 10.84 | % | 10.30 | % | 10.84 | % | 10.30 | % |
| Tier 1 capital to risk-weighted assets | 14.57 | % | 14.11 | % | 14.57 | % | 14.11 | % |
| Total regulatory capital to risk-weighted assets | 15.83 | % | 15.37 | % | 15.83 | % | 15.37 | % |
| Tangible common equity to tangible assets (4) | 9.68 | % | 9.51 | % | 9.68 | % | 9.51 | % |
| Average equity to average assets | 12.07 | % | 12.41 | % | 11.80 | % | 12.21 | % |
| Credit quality ratios: | | | | | | | | |
| Allowance for loan and lease losses to loans and leases | 2.21 | % | 2.88 | % | 2.21 | % | 2.88 | % |
| Non-performing loans to total loans | 3.53 | % | 4.08 | % | 3.53 | % | 4.08 | % |
| Non-performing assets to total assets | 2.25 | % | 2.78 | % | 2.25 | % | 2.78 | % |
| Allowance for loan and lease losses to non-performing loans | 62.46 | % | 70.57 | % | 62.46 | % | 70.57 | % |
| Annualized net charge-offs to average loans and leases (2) | 0.47 | % | 1.37 | % | 0.66 | % | 1.27 | % |

(1) Calculation utilizes net income available to common stockholders.

(2) Calculation utilizes average loans and leases, excluding residential mortgage loans held-for-sale.

The GAAP efficiency ratio is non-interest expenses divided by net interest income plus non-interest income from the Consolidated Statements of Income. The traditional, non-GAAP efficiency ratio excludes intangible asset (3) amortization from non-interest expense; securities gains (losses) from non-interest income; OTTI; and adds the tax-equivalent adjustment to net interest income. See the Reconciliation Table included with these Financial Highlights.

The tangible common equity to tangible assets ratio is a non-GAAP ratio that divides assets excluding intangible (4) assets into stockholders' equity after deducting intangible assets, other comprehensive losses and preferred stock. See the Reconciliation Table included with these Financial Highlights.

Sandy Spring Bancorp, Inc. and Subsidiaries

RECONCILIATION TABLE - UNAUDITED

| (Dollars in thousands) | Three Months Ended | | Twelve Months Ended | |
|--|----------------------|-------------|----------------------|-------------|
| | December 31, 2011 | 2010 | December 31, 2011 | 2010 |
| GAAP efficiency ratio: | | | | |
| Non-interest expenses | \$27,323 | \$26,201 | \$105,071 | \$100,912 |
| Net interest income plus non-interest income | \$39,822 | \$40,675 | \$156,446 | \$159,389 |
| Efficiency ratio—GAAP | 68.61 | % 64.42 | % 67.16 | % 63.31 |
| Non-GAAP efficiency ratio: | | | | |
| Non-interest expenses | \$27,323 | \$26,201 | \$105,071 | \$100,912 |
| Less non-GAAP adjustment: | | | | |
| Amortization of intangible assets | 461 | 472 | 1,845 | 1,959 |
| Non-interest expenses as adjusted | \$26,862 | \$25,729 | \$103,226 | \$98,953 |
| Net interest income plus non-interest income | \$39,822 | \$40,675 | \$156,446 | \$159,389 |
| Plus non-GAAP adjustment: | | | | |
| Tax-equivalent income | 1,448 | 1,352 | 5,602 | 4,836 |
| Less non-GAAP adjustments: | | | | |
| Securities gains | 9 | 473 | 292 | 796 |
| OTTI recognized in earnings | — | (43) | (160) | (512) |
| Net interest income plus non-interest income - as adjusted | \$41,261 | \$41,597 | \$161,916 | \$163,941 |
| Efficiency ratio—Non-GAAP | 65.10 | % 61.85 | % 63.75 | % 60.36 |
| Tangible common equity ratio: | | | | |
| Total stockholders' equity | \$446,109 | \$407,569 | \$446,109 | \$407,569 |
| Accumulated other comprehensive income | (13,248) | 2,620 | (13,248) | 2,620 |
| Goodwill | (76,816) | (76,816) | (76,816) | (76,816) |
| Other intangible assets, net | (4,734) | (6,578) | (4,734) | (6,578) |
| Tangible common equity | \$351,311 | \$326,795 | \$351,311 | \$326,795 |
| Total assets | \$3,711,370 | \$3,519,388 | \$3,711,370 | \$3,519,388 |
| Goodwill | (76,816) | (76,816) | (76,816) | (76,816) |
| Other intangible assets, net | (4,734) | (6,578) | (4,734) | (6,578) |
| Tangible assets | \$3,629,820 | \$3,435,994 | \$3,629,820 | \$3,435,994 |
| Tangible common equity ratio | 9.68 | % 9.51 | % 9.68 | % 9.51 |
| Outstanding Common Shares | 24,091,042 | 24,046,627 | 24,091,042 | 24,046,627 |
| Tangible book value per common share | \$14.58 | \$13.59 | \$14.58 | \$13.59 |

Sandy Spring Bancorp, Inc. and Subsidiaries**CONDENSED CONSOLIDATED STATEMENTS OF CONDITION - UNAUDITED**

| (Dollars in thousands) | December 31, | |
|--|--------------|-------------|
| | 2011 | 2010 |
| Assets | | |
| Cash and due from banks | \$49,832 | \$44,696 |
| Federal funds sold | 1,006 | 1,813 |
| Interest-bearing deposits with banks | 21,476 | 16,608 |
| Cash and cash equivalents | 72,314 | 63,117 |
| Residential mortgage loans held for sale (at fair value) | 25,341 | 22,717 |
| Investments available-for-sale (at fair value) | 951,301 | 907,283 |
| Investments held-to-maturity — fair value of \$184,167 and \$104,124 at December 31, 2011 and December 31, 2010, respectively | 178,465 | 101,590 |
| Other equity securities | 34,933 | 34,070 |
| Total loans and leases | 2,239,692 | 2,156,232 |
| Less: allowance for loan and lease losses | (49,426) | (62,135) |
| Net loans and leases | 2,190,266 | 2,094,097 |
| Premises and equipment, net | 48,483 | 49,004 |
| Other real estate owned | 4,431 | 9,493 |
| Accrued interest receivable | 12,898 | 12,570 |
| Goodwill | 76,816 | 76,816 |
| Other intangible assets, net | 4,734 | 6,578 |
| Other assets | 111,388 | 142,053 |
| Total assets | \$3,711,370 | \$3,519,388 |
| Liabilities | | |
| Noninterest-bearing deposits | \$650,377 | \$566,812 |
| Interest-bearing deposits | 2,006,143 | 1,983,060 |
| Total deposits | 2,656,520 | 2,549,872 |
| Securities sold under retail repurchase agreements and federal funds purchased | 143,613 | 96,243 |
| Advances from FHLB | 405,408 | 405,758 |
| Subordinated debentures | 35,000 | 35,000 |
| Accrued interest payable and other liabilities | 24,720 | 24,946 |
| Total liabilities | 3,265,261 | 3,111,819 |
| Stockholders' Equity | | |
| Common stock — par value \$1.00; shares authorized 50,000,000; shares issued and outstanding 24,091,042 and 24,046,627 at December 31, 2011 and 2010, respectively | 24,091 | 24,047 |
| Warrants | — | 3,699 |
| Additional paid in capital | 177,828 | 177,344 |
| Retained earnings | 230,942 | 205,099 |
| Accumulated other comprehensive income (loss) | 13,248 | (2,620) |
| Total stockholders' equity | 446,109 | 407,569 |
| Total liabilities and stockholders' equity | \$3,711,370 | \$3,519,388 |

Sandy Spring Bancorp, Inc. and Subsidiaries**CONDENSED CONSOLIDATED STATEMENTS OF INCOME - UNAUDITED**

| (Dollars in thousands, except per share data) | Three Months Ended | | Twelve Months Ended | |
|---|----------------------|----------|----------------------|-----------|
| | December 31, 2011 | 2010 | December 31, 2011 | 2010 |
| Interest Income: | | | | |
| Interest and fees on loans and leases | \$26,758 | \$28,047 | \$107,355 | \$115,789 |
| Interest on loans held for sale | 189 | 213 | 577 | 534 |
| Interest on deposits with banks | 15 | 19 | 77 | 177 |
| Interest and dividends on investment securities: | | | | |
| Taxable | 5,314 | 5,984 | 22,096 | 24,624 |
| Exempt from federal income taxes | 2,431 | 1,850 | 9,363 | 7,222 |
| Interest on federal funds sold | 1 | 1 | 2 | 3 |
| Total interest income | 34,708 | 36,114 | 139,470 | 148,349 |
| Interest Expense: | | | | |
| Interest on deposits | 2,329 | 3,193 | 11,002 | 16,934 |
| Interest on retail repurchase agreements and federal funds purchased | 57 | 71 | 212 | 269 |
| Interest on advances from FHLB | 3,628 | 3,650 | 14,397 | 14,599 |
| Interest on subordinated debt | 242 | 247 | 913 | 940 |
| Total interest expense | 6,256 | 7,161 | 26,524 | 32,742 |
| Net interest income | 28,452 | 28,953 | 112,946 | 115,607 |
| Provision for loan and lease losses | 2,282 | 2,323 | 1,428 | 25,908 |
| Net interest income after provision for loan and lease losses | 26,170 | 26,630 | 111,518 | 89,699 |
| Non-interest Income: | | | | |
| Investment securities gains | 9 | 473 | 292 | 796 |
| Total other-than-temporary impairment ("OTTI") losses | - | (337) | (178) | (1,505) |
| Portion of OTTI losses recognized in other comprehensive income, before taxes | - | 294 | 18 | 993 |
| Net OTTI recognized in earnings | - | (43) | (160) | (512) |
| Service charges on deposit accounts | 2,394 | 2,342 | 9,527 | 10,326 |
| Mortgage banking activities | 824 | 914 | 3,228 | 3,664 |
| Fees on sales of investment products | 935 | 974 | 3,703 | 3,438 |
| Trust and investment management fees | 3,106 | 2,799 | 11,943 | 10,287 |
| Insurance agency commissions | 1,473 | 1,334 | 4,650 | 5,229 |
| Income from bank owned life insurance | 674 | 695 | 2,636 | 2,800 |
| Visa check fees | 927 | 887 | 3,637 | 3,325 |
| Other income | 1,028 | 1,347 | 4,044 | 4,429 |
| Total non-interest income | 11,370 | 11,722 | 43,500 | 43,782 |
| Non-interest Expenses: | | | | |
| Salaries and employee benefits | 15,433 | 14,077 | 59,625 | 55,470 |
| Occupancy expense of premises | 2,802 | 2,852 | 11,519 | 11,477 |
| Equipment expenses | 1,292 | 1,153 | 4,705 | 4,808 |

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| | | | | |
|--|---------|---------|----------|----------|
| Marketing | 727 | 681 | 2,389 | 2,359 |
| Outside data services | 1,092 | 985 | 4,159 | 3,992 |
| FDIC insurance | 698 | 1,114 | 3,187 | 4,497 |
| Amortization of intangible assets | 461 | 472 | 1,845 | 1,959 |
| Other expenses | 4,818 | 4,867 | 17,642 | 16,350 |
| Total non-interest expenses | 27,323 | 26,201 | 105,071 | 100,912 |
| Income before income taxes | 10,217 | 12,151 | 49,947 | 32,569 |
| Income tax expense | 2,959 | 3,875 | 15,845 | 9,049 |
| Net income | \$7,258 | \$8,276 | \$34,102 | \$23,520 |
| Preferred stock dividends and discount accretion | — | 1,672 | — | 6,149 |
| Net income available to common stockholders | \$7,258 | \$6,604 | \$34,102 | \$17,371 |
| Net Income Per Share Amounts: | | | | |
| Basic net income per share | \$0.30 | \$0.34 | \$1.42 | \$1.05 |
| Basic net income per common share | 0.30 | 0.27 | 1.42 | 0.78 |
| Diluted net income per share | \$0.30 | \$0.34 | \$1.41 | \$1.05 |
| Diluted net income per common share | 0.30 | 0.27 | 1.41 | 0.78 |
| Dividends declared per common share | \$0.10 | \$0.01 | \$0.34 | \$0.04 |

Sandy Spring Bancorp, Inc. and Subsidiaries

HISTORICAL TRENDS - QUARTERLY FINANCIAL DATA - UNAUDITED

| | 2011 | | | | 2010 | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| (Dollars in thousands, except per share data) | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Profitability for the quarter: | | | | | | | | |
| Tax-equivalent interest income | \$36,156 | \$36,424 | \$36,435 | \$36,057 | \$37,466 | \$37,466 | \$37,466 | \$37,466 |
| Interest expense | 6,256 | 6,674 | 6,854 | 6,740 | 7,161 | 7,161 | 7,161 | 7,161 |
| Tax-equivalent net interest income | 29,900 | 29,750 | 29,581 | 29,317 | 30,305 | 30,305 | 30,305 | 30,305 |
| Tax-equivalent adjustment | 1,448 | 1,420 | 1,427 | 1,307 | 1,352 | 1,352 | 1,352 | 1,352 |
| Provision for loan and lease losses | 2,282 | (3,520) | 1,151 | 1,515 | 2,323 | 2,323 | 2,323 | 2,323 |
| Non-interest income | 11,370 | 11,336 | 10,802 | 9,992 | 11,722 | 11,722 | 11,722 | 11,722 |
| Non-interest expenses | 27,323 | 25,848 | 25,838 | 26,062 | 26,201 | 26,201 | 26,201 | 26,201 |
| Income (loss) before income taxes | 10,217 | 17,338 | 11,967 | 10,425 | 12,151 | 12,151 | 12,151 | 12,151 |
| Income (loss) tax expense | 2,959 | 6,081 | 3,671 | 3,134 | 3,875 | 3,875 | 3,875 | 3,875 |
| Net income | 7,258 | 11,257 | 8,296 | 7,291 | 8,276 | 8,276 | 8,276 | 8,276 |
| Net income (loss) available to common stockholders | \$7,258 | \$11,257 | \$8,296 | \$7,291 | \$6,604 | \$6,604 | \$6,604 | \$6,604 |
| Financial ratios: | | | | | | | | |
| Return on average assets | 0.79 | % 1.24 | % 0.93 | % 0.84 | % 0.73 | % 0.73 | % 0.73 | % 0.73 |
| Return on average common equity | 6.54 | % 10.42 | % 8.03 | % 7.26 | % 6.34 | % 6.34 | % 6.34 | % 6.34 |
| Return on average tangible common equity | 8.04 | % 12.90 | % 10.03 | % 9.13 | % 9.06 | % 9.06 | % 9.06 | % 9.06 |
| Net interest margin | 3.51 | % 3.53 | % 3.58 | % 3.65 | % 3.61 | % 3.61 | % 3.61 | % 3.61 |
| Efficiency ratio - GAAP (1) | 68.61 | % 65.16 | % 66.33 | % 68.58 | % 64.42 | % 64.42 | % 64.42 | % 64.42 |
| Efficiency ratio - Non-GAAP (1) | 65.10 | % 62.02 | % 62.82 | % 65.09 | % 61.85 | % 61.85 | % 61.85 | % 61.85 |
| Per share data: | | | | | | | | |
| Basic net income per share | \$0.30 | \$0.47 | \$0.34 | \$0.30 | \$0.34 | \$0.34 | \$0.34 | \$0.34 |
| Basic net income (loss) per common share | 0.30 | 0.47 | 0.34 | 0.30 | 0.27 | 0.27 | 0.27 | 0.27 |
| Diluted net income per share | 0.30 | 0.47 | 0.34 | 0.30 | 0.34 | 0.34 | 0.34 | 0.34 |
| Diluted net income (loss) per common share | 0.30 | 0.47 | 0.34 | 0.30 | 0.27 | 0.27 | 0.27 | 0.27 |
| Average fully diluted shares | 24,141,084 | 24,142,137 | 24,130,357 | 24,115,906 | 24,087,482 | 24,087,482 | 24,087,482 | 24,087,482 |
| Dividends declared per common share | \$0.10 | \$0.08 | \$0.08 | \$0.08 | \$0.01 | \$0.01 | \$0.01 | \$0.01 |
| Non-interest income: | | | | | | | | |
| Securities gains | \$9 | \$231 | \$32 | \$20 | \$473 | \$473 | \$473 | \$473 |
| Net OTTI recognized in earnings | - | (76) | (43) | (41) | (43) | (43) | (43) | (43) |
| Service charges on deposit accounts | 2,394 | 2,444 | 2,437 | 2,252 | 2,342 | 2,342 | 2,342 | 2,342 |
| Mortgage banking activities | 824 | 1,141 | 808 | 455 | 914 | 914 | 914 | 914 |
| Fees on sales of investment products | 935 | 905 | 1,005 | 858 | 974 | 974 | 974 | 974 |
| Trust and investment management fees | 3,106 | 3,032 | 3,018 | 2,787 | 2,799 | 2,799 | 2,799 | 2,799 |
| Insurance agency commissions | 1,473 | 1,044 | 953 | 1,180 | 1,334 | 1,334 | 1,334 | 1,334 |
| Income from bank owned life insurance | 674 | 662 | 654 | 646 | 695 | 695 | 695 | 695 |
| Visa check fees | 927 | 927 | 949 | 834 | 887 | 887 | 887 | 887 |
| Other income | 1,028 | 1,026 | 989 | 1,001 | 1,347 | 1,347 | 1,347 | 1,347 |

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| | | | | | | |
|-----------------------------------|----------|----------|----------|----------|----------|----|
| Total non-interest income | \$11,370 | \$11,336 | \$10,801 | \$9,992 | \$11,722 | \$ |
| Non-interest expense: | | | | | | |
| Salaries and employee benefits | \$15,433 | \$14,892 | \$14,676 | \$14,624 | \$14,077 | \$ |
| Occupancy expense of premises | 2,802 | 2,784 | 2,790 | 3,143 | 2,852 | |
| Equipment expenses | 1,292 | 1,143 | 1,128 | 1,142 | 1,153 | |
| Marketing | 727 | 468 | 709 | 485 | 681 | |
| Outside data services | 1,092 | 1,073 | 999 | 995 | 985 | |
| FDIC insurance | 698 | 709 | 736 | 1,044 | 1,114 | |
| Amortization of intangible assets | 461 | 461 | 462 | 461 | 472 | |
| Professional fees | 1,414 | 1,314 | 1,088 | 1,126 | 1,842 | |
| Other real estate owned expenses | 604 | 383 | 726 | 699 | 443 | |
| Other expenses | 2,800 | 2,621 | 2,524 | 2,343 | 2,582 | |
| Total non-interest expense | \$27,323 | \$25,848 | \$25,838 | \$26,062 | \$26,201 | \$ |

(1) The GAAP efficiency ratio is non-interest expenses divided by net interest income plus non-interest income from the Consolidated Statements of Income. The traditional, non-GAAP efficiency ratio excludes intangible asset amortization from non-interest expense; excludes securities gains; OTTI losses from non-interest income; and adds the tax-equivalent adjustment to net interest income. See the Reconciliation Table included with these Financial Highlights.

Sandy Spring Bancorp, Inc. and Subsidiaries

HISTORICAL TRENDS - QUARTERLY FINANCIAL DATA - UNAUDITED

| (Dollars in thousands) | 2011 | | | | 2010 | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| Balance sheets at quarter end: | | | | | | | |
| Residential mortgage loans | \$448,662 | \$440,606 | \$445,605 | \$444,519 | \$436,534 | \$442,723 | \$458,502 |
| Residential construction loans | 108,699 | 90,727 | 81,425 | 84,939 | 91,273 | 92,485 | 86,393 |
| Commercial ADC loans | 160,946 | 141,576 | 149,215 | 151,135 | 151,061 | 153,139 | 155,751 |
| Commercial investor real estate loans | 371,948 | 357,358 | 353,749 | 355,967 | 327,782 | 335,426 | 328,244 |
| Commercial owner occupied real estate loans | 522,076 | 519,837 | 511,271 | 509,215 | 503,286 | 511,453 | 511,673 |
| Commercial business loans | 260,327 | 226,528 | 225,624 | 231,448 | 250,255 | 240,671 | 263,886 |
| Leasing | 6,954 | 8,484 | 10,200 | 12,477 | 15,551 | 17,895 | 20,823 |
| Consumer loans | 360,080 | 360,287 | 360,831 | 360,349 | 380,490 | 391,415 | 393,560 |
| Total loans and leases | 2,239,692 | 2,145,403 | 2,137,920 | 2,150,049 | 2,156,232 | 2,185,207 | 2,218,831 |
| Allowance for loan and lease losses | (49,426) | (49,720) | (55,246) | (58,918) | (62,135) | (67,282) | (71,377) |
| Investment securities | 1,164,699 | 1,174,180 | 1,128,589 | 1,087,620 | 1,042,943 | 1,099,518 | 1,062,541 |
| Interest-earning assets | 3,452,214 | 3,370,360 | 3,322,317 | 3,283,819 | 3,240,313 | 3,343,173 | 3,437,731 |
| Total assets | 3,711,370 | 3,626,043 | 3,612,013 | 3,549,533 | 3,519,388 | 3,606,617 | 3,701,151 |
| Noninterest-bearing demand deposits | 650,377 | 643,169 | 648,605 | 619,905 | 566,812 | 580,309 | 593,007 |
| Total deposits | 2,656,520 | 2,640,324 | 2,657,861 | 2,599,634 | 2,549,872 | 2,585,496 | 2,659,934 |
| Customer repurchase agreements | 63,613 | 79,529 | 65,214 | 75,516 | 86,243 | 97,884 | 86,062 |
| Total interest-bearing liabilities | 2,590,164 | 2,517,180 | 2,515,053 | 2,495,916 | 2,520,061 | 2,547,334 | 2,597,441 |
| Total stockholders' equity | 446,109 | 440,791 | 423,984 | 409,076 | 407,569 | 451,717 | 483,681 |

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Quarterly average
balance sheets:

| | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|
| Residential mortgage loans | \$463,754 | \$453,645 | \$455,803 | \$458,329 | \$461,700 | \$466,437 | \$467,970 |
| Residential construction loans | 99,983 | 89,128 | 84,144 | 85,891 | 92,033 | 87,522 | 85,617 |
| Commercial ADC loans | 153,598 | 145,835 | 149,773 | 149,071 | 155,795 | 154,863 | 165,510 |
| Commercial investor real estate loans | 353,975 | 350,925 | 352,668 | 340,008 | 330,717 | 335,279 | 324,717 |
| Commercial owner occupied real estate loans | 521,212 | 515,185 | 509,273 | 500,875 | 505,248 | 512,370 | 512,997 |
| Commercial business loans | 231,773 | 225,041 | 225,646 | 236,949 | 240,083 | 253,058 | 271,839 |
| Leasing | 7,671 | 9,269 | 11,154 | 14,009 | 16,562 | 19,295 | 22,329 |
| Consumer loans | 361,888 | 360,875 | 362,098 | 367,261 | 387,375 | 393,491 | 395,833 |
| Total loans and leases | 2,193,854 | 2,149,903 | 2,150,559 | 2,152,393 | 2,189,513 | 2,222,315 | 2,246,800 |
| Investment securities | 1,173,418 | 1,168,712 | 1,121,325 | 1,054,740 | 1,112,128 | 1,058,175 | 1,013,750 |
| Total earning assets | 3,392,773 | 3,355,937 | 3,305,059 | 3,237,556 | 3,332,705 | 3,360,758 | 3,379,380 |
| Total assets | 3,647,291 | 3,610,219 | 3,566,278 | 3,500,807 | 3,594,812 | 3,620,881 | 3,645,090 |
| Noninterest-bearing demand deposits | 655,381 | 631,192 | 607,092 | 582,441 | 587,570 | 568,835 | 547,245 |
| Total deposits | 2,658,676 | 2,640,729 | 2,607,854 | 2,548,117 | 2,584,025 | 2,607,190 | 2,612,600 |
| Customer repurchase agreements | 74,267 | 72,646 | 70,313 | 79,067 | 92,049 | 87,927 | 85,178 |
| Total interest-bearing liabilities | 2,525,128 | 2,524,728 | 2,519,114 | 2,485,451 | 2,534,716 | 2,571,000 | 2,596,350 |
| Total stockholders' equity | 440,154 | 428,511 | 414,624 | 407,007 | 446,256 | 455,101 | 475,521 |
| Capital measures: | | | | | | | |
| Average equity to average assets | 12.07 | % 11.87 | % 11.63 | % 11.63 | % 12.41 | % 12.57 | % 13.05 |
| Tier 1 leverage | 10.84 | % 10.79 | % 10.64 | % 10.63 | % 10.30 | % 11.15 | % 12.00 |
| Tier 1 capital to risk-weighted assets | 14.57 | % 14.96 | % 14.75 | % 14.21 | % 14.11 | % 15.29 | % 16.50 |
| Total regulatory capital to risk-weighted assets | 15.83 | % 16.21 | % 16.01 | % 15.48 | % 15.37 | % 16.56 | % 17.77 |
| Book value per common share | \$18.52 | \$18.31 | \$17.58 | \$16.99 | \$16.95 | \$17.14 | \$16.80 |
| Outstanding common shares | 24,091,042 | 24,079,204 | 24,095,123 | 24,084,423 | 24,046,627 | 24,006,748 | 23,998,900 |

Sandy Spring Bancorp, Inc. and Subsidiaries

LOAN PORTFOLIO QUALITY DETAIL - UNAUDITED

| (dollars in thousands) | 2011 December 31, | September 30, | June 30, | March 31, | 2010 December 31, | September 30, | June 30, | March 31, |
|---|----------------------|---------------|----------|-----------|----------------------|---------------|----------|-----------|
| Non-Performing Assets: | | | | | | | | |
| Loans and leases 90 days past due: | | | | | | | | |
| Commercial business | \$- | \$- | \$- | \$- | \$19 | \$56 | \$357 | \$3,829 |
| Commercial real estate: | | | | | | | | |
| Commercial AD&C | - | - | - | - | - | - | - | - |
| Commercial investor real estate | - | - | - | - | - | 944 | - | - |
| Commercial owner occupied real estate | - | - | - | - | - | 317 | 160 | - |
| Leasing | 2 | 63 | 20 | 24 | 407 | 409 | 582 | 163 |
| Consumer | 165 | 373 | 337 | 169 | 182 | 550 | 745 | 848 |
| Residential real estate: | | | | | | | | |
| Residential mortgage | 167 | 2,291 | 3,820 | 4,616 | 9,871 | 12,545 | 18,131 | 16,879 |
| Residential construction | 243 | - | - | 2,367 | 3,675 | 3,447 | 4,251 | 3,366 |
| Total loans and leases 90 days past due | 577 | 2,727 | 4,177 | 7,176 | 14,154 | 18,268 | 24,226 | 25,085 |
| Non-accrual loans and leases: | | | | | | | | |
| Commercial business | 7,226 | 8,038 | 8,288 | 9,649 | 7,938 | 10,747 | 14,512 | 17,600 |
| Commercial real estate: | | | | | | | | |
| Commercial AD&C | 18,702 | 24,481 | 26,133 | 28,310 | 30,417 | 44,175 | 47,341 | 72,021 |
| Commercial investor real estate | 16,963 | 16,118 | 2,975 | 2,519 | 1,753 | 1,160 | 1,160 | 1,171 |
| Commercial owner occupied real estate | 14,709 | 11,847 | 13,019 | 12,304 | 11,781 | 10,197 | 11,620 | 9,327 |
| Leasing | 853 | 956 | 1,017 | 1,529 | 1,887 | 1,903 | 1,621 | 1,472 |
| Consumer | 1,786 | 1,478 | 590 | 720 | 300 | 20 | 227 | 604 |
| Residential real estate: | | | | | | | | |
| Residential mortgage | 5,722 | 6,081 | 6,295 | 6,652 | 3,946 | 2,149 | 3,011 | 4,120 |
| Residential construction | 5,719 | 5,034 | 5,701 | 5,222 | 5,305 | 3,525 | 4,395 | 4,404 |
| Total non-accrual loans and lease | 71,680 | 74,033 | 64,018 | 66,905 | 63,327 | 73,876 | 83,887 | 110,719 |
| Total restructured loans - accruing | 6,881 | 6,088 | 8,299 | 14,266 | 10,571 | 1,199 | 1,199 | 682 |
| Total non-performing loans and leases | 79,138 | 82,848 | 76,494 | 88,347 | 88,052 | 93,343 | 109,312 | 136,486 |
| Other assets and real estate owned (OREO) | 4,431 | 7,938 | 6,951 | 7,960 | 9,493 | 10,011 | 8,730 | 6,796 |
| Other assets owned | - | - | - | - | 200 | 200 | - | - |

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| Total non-performing assets | \$83,569 | \$90,786 | \$83,445 | \$96,307 | \$97,745 | \$103,554 | \$118,042 | \$143,282 |
|---|------------------------|---------------|----------|-----------|--------------|---------------|-----------|-----------|
| | For the quarter ended, | | | | | | | |
| | December 31, | September 30, | June 30, | March 31, | December 31, | September 30, | June 30, | March 31, |
| (dollars in thousands) | 2011 | 2011 | 2011 | 2011 | 2010 | 2010 | 2010 | 2010 |
| Analysis of non-accrual loan and lease activity | | | | | | | | |
| Balance at beginning of period | \$74,033 | \$64,018 | \$66,905 | \$63,327 | \$73,876 | \$83,887 | \$110,719 | \$111,181 |
| Non-accrual balances transferred to OREO | (511) | (142) | (791) | (535) | (222) | (1,119) | (540) | (1,982) |
| Non-accrual balances charged-off | (2,758) | (1,375) | (2,112) | (2,701) | (7,288) | (3,664) | (4,599) | (8,642) |
| Net payments or draws | (6,724) | (4,839) | (8,016) | (2,531) | (16,191) | (4,288) | (25,043) | (2,179) |
| Loans placed on non-accrual | 8,640 | 17,226 | 8,032 | 9,526 | 13,152 | 2,656 | 5,640 | 12,537 |
| Non-accrual loans brought current | (1,000) | (855) | - | (181) | - | (3,596) | (2,290) | (196) |
| Balance at end of period | \$71,680 | \$74,033 | \$64,018 | \$66,905 | \$63,327 | \$73,876 | \$83,887 | \$110,719 |
| Analysis of Allowance for Loan Losses: | | | | | | | | |
| Balance at beginning of period | \$49,720 | \$55,246 | \$58,918 | \$62,135 | \$67,282 | \$71,377 | \$69,575 | \$64,559 |
| Provision for loan and lease losses | 2,282 | (3,520) | 1,151 | 1,515 | 2,323 | 2,453 | 6,107 | 15,025 |
| Less loans charged-off, net of recoveries: | | | | | | | | |
| Commercial business | (65) | 397 | 769 | 790 | 1,651 | 1,469 | (1,325) | 2,395 |
| Commercial real estate: | | | | | | | | |
| Commercial AD&C | 275 | 151 | 253 | (137) | 2,990 | 1,923 | 2,656 | 4,914 |

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| | | | | | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Commercial investor real estate | 335 | 30 | 504 | (4) | 231 | (1) | - | - |
| Commercial owner occupied real estate | 329 | 45 | 113 | - | 464 | 164 | 515 | 544 |
| Leasing | 181 | 85 | 455 | 333 | 3 | - | 98 | 2 |
| Consumer Residential real estate: | 352 | 375 | 713 | 1,091 | 610 | 642 | 947 | 1,072 |
| Residential mortgage | 792 | 751 | 1,319 | 2,095 | 1,396 | 2,170 | 1,333 | 793 |
| Residential construction | 377 | 172 | 697 | 564 | 125 | 181 | 81 | 289 |
| Net charge-offs | 2,576 | 2,006 | 4,823 | 4,732 | 7,470 | 6,548 | 4,305 | 10,009 |
| Balance at end of period | \$49,426 | \$49,720 | \$55,246 | \$58,918 | \$62,135 | \$67,282 | \$71,377 | \$69,575 |

Asset Quality

Ratios:

| | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Non-performing loans to total loans | 3.53 % | 3.86 % | 3.58 % | 4.11 % | 4.08 % | 4.27 % | 4.93 % | 6.05 % |
| Non-performing assets to total assets | 2.25 % | 2.50 % | 2.31 % | 2.71 % | 2.78 % | 2.87 % | 3.19 % | 3.90 % |
| Allowance for loan losses to loans | 2.21 % | 2.32 % | 2.58 % | 2.74 % | 2.88 % | 3.08 % | 3.22 % | 3.08 % |
| Allowance for loan losses to non-performing loans | 62.46 % | 60.01 % | 72.22 % | 66.69 % | 70.57 % | 72.08 % | 65.30 % | 50.98 % |
| Net charge-offs in quarter to average loans | 0.47 % | 0.37 % | 0.90 % | 0.89 % | 1.37 % | 1.18 % | 0.77 % | 1.78 % |

Sandy Spring Bancorp, Inc. and Subsidiaries**CONSOLIDATED AVERAGE BALANCES, YIELDS AND RATES - UNAUDITED**

| | Three Months Ended December 31, 2011 | | 2010 | | | | | |
|---|---|-----------------|-------------------------------------|---------------------|-----------------|-------------------------------------|---|--|
| | Average Balances | (1) Interest | Annualized Average Yield/Rate | Average Balances | (1) Interest | Annualized Average Yield/Rate | | |
| (Dollars in thousands and tax-equivalent) | | | | | | | | |
| <u>Assets</u> | | | | | | | | |
| Residential mortgage loans (3) | \$463,754 | \$5,224 | 4.53 | % \$461,700 | \$5,849 | 5.09 | % | |
| Residential construction loans | 99,983 | 962 | 3.82 | 92,033 | 993 | 4.28 | | |
| Commercial ADC loans | 153,598 | 2,006 | 5.18 | 155,795 | 1,809 | 4.61 | | |
| Commercial investor real estate loans | 353,975 | 4,977 | 5.53 | 330,717 | 4,956 | 5.95 | | |
| Commercial owner occupied real estate loans | 521,212 | 7,511 | 5.75 | 505,248 | 7,572 | 5.95 | | |
| Commercial business loans | 231,773 | 2,851 | 4.88 | 240,084 | 3,080 | 5.33 | | |
| Leasing | 7,671 | 131 | 6.83 | 16,561 | 275 | 6.66 | | |
| Consumer loans | 361,888 | 3,285 | 3.62 | 387,375 | 3,726 | 3.84 | | |
| Total loans and leases (2) | 2,193,854 | 26,947 | 4.89 | 2,189,513 | 28,260 | 5.13 | | |
| Taxable securities | 902,211 | 5,661 | 2.51 | 934,784 | 6,403 | 2.68 | | |
| Tax-exempt securities (4) | 271,207 | 3,532 | 5.21 | 177,344 | 2,783 | 6.28 | | |
| Interest-bearing deposits with banks | 24,374 | 15 | 0.25 | 29,410 | 19 | 0.26 | | |
| Federal funds sold | 1,127 | 1 | 0.12 | 1,654 | 1 | 0.18 | | |
| Total interest-earning assets | 3,392,773 | 36,156 | 4.24 | 3,332,705 | 37,466 | 4.46 | | |
| Less: allowance for loan and lease losses | (51,126) | | | (67,164) | | | | |
| Cash and due from banks | 46,121 | | | 45,042 | | | | |
| Premises and equipment, net | 48,800 | | | 48,326 | | | | |
| Other assets | 210,723 | | | 235,903 | | | | |
| Total assets | \$3,647,291 | | | \$3,594,812 | | | | |
| <u>Liabilities and Stockholders' Equity</u> | | | | | | | | |
| Interest-bearing demand deposits | \$352,244 | 86 | 0.10 | % \$302,401 | 68 | 0.09 | % | |
| Regular savings deposits | 188,877 | 41 | 0.09 | 169,021 | 36 | 0.08 | | |
| Money market savings deposits | 871,923 | 682 | 0.31 | 882,323 | 1,009 | 0.45 | | |
| Time deposits | 590,250 | 1,520 | 1.02 | 642,710 | 2,080 | 1.28 | | |
| Total interest-bearing deposits | 2,003,294 | 2,329 | 0.46 | 1,996,455 | 3,193 | 0.63 | | |
| Other borrowings | 81,387 | 57 | 0.27 | 96,016 | 71 | 0.30 | | |
| Advances from FHLB | 405,447 | 3,628 | 3.55 | 407,245 | 3,650 | 3.56 | | |
| Subordinated debentures | 35,000 | 242 | 2.77 | 35,000 | 247 | 2.82 | | |
| Total interest-bearing liabilities | 2,525,128 | 6,256 | 0.98 | 2,534,716 | 7,161 | 1.12 | | |
| Noninterest-bearing demand deposits | 655,381 | | | 587,570 | | | | |
| Other liabilities | 26,628 | | | 26,270 | | | | |
| Stockholders' equity | 440,154 | | | 446,256 | | | | |

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| | | | | | | |
|--|-------------|------|---|-------------|------|---|
| Total liabilities and stockholders' equity | \$3,647,291 | | | \$3,594,812 | | |
| Net interest income and spread | \$29,900 | 3.26 | % | \$30,305 | 3.34 | % |
| Less: tax-equivalent adjustment | 1,448 | | | 1,352 | | |
| Net interest income | \$28,452 | | | \$28,953 | | |
| Interest income/earning assets | | 4.24 | % | | 4.46 | % |
| Interest expense/earning assets | | 0.73 | | | 0.85 | |
| Net interest margin | | 3.51 | % | | 3.61 | % |

Tax-equivalent income has been adjusted using the combined marginal federal and state rate of 39.88% for 2011 (1) and 2010. The annualized taxable-equivalent adjustments utilized in the above table to compute yields aggregated to \$1.4 million and \$1.4 million in 2011 and 2010, respectively.

(2) Non-accrual loans are included in the average balances.

(3) Includes residential mortgage loans held for sale. Home equity loans and lines are classified as consumer loans.

(4) Includes only investments that are exempt from federal taxes.

Sandy Spring Bancorp, Inc. and Subsidiaries**CONSOLIDATED AVERAGE BALANCES, YIELDS AND RATES - UNAUDITED**

| | Twelve Months Ended December 31, | | | | | |
|---|----------------------------------|----------|------------|-------------|----------|------------|
| | 2011 | | | 2010 | | |
| | Average | (1) | Annualized | Average | (1) | Annualized |
| (Dollars in thousands and tax-equivalent) | Balances | Interest | Yield/Rate | Balances | Interest | Yield/Rate |
| <u>Assets</u> | | | | | | |
| Residential mortgage loans (3) | \$457,886 | \$21,971 | 4.80 % | \$464,462 | \$24,838 | 5.35 % |
| Residential construction loans | 89,823 | 3,410 | 3.80 | 88,729 | 4,037 | 4.55 |
| Commercial ADC loans | 149,571 | 6,819 | 4.56 | 157,879 | 6,459 | 4.09 |
| Commercial investor real estate loans | 349,447 | 20,213 | 5.78 | 335,141 | 20,174 | 6.02 |
| Commercial owner occupied real estate loans | 511,692 | 30,197 | 5.90 | 512,008 | 30,820 | 6.02 |
| Commercial business loans | 229,825 | 11,344 | 4.94 | 264,281 | 13,329 | 5.04 |
| Leasing | 10,505 | 707 | 6.73 | 20,682 | 1,460 | 7.06 |
| Consumer loans | 363,010 | 13,271 | 3.68 | 393,703 | 15,206 | 3.88 |
| Total loans and leases (2) | 2,161,759 | 107,932 | 5.00 | 2,236,885 | 116,323 | 5.20 |
| Taxable securities | 885,023 | 23,471 | 2.65 | 875,292 | 25,630 | 2.93 |
| Tax-exempt securities (4) | 244,958 | 13,590 | 5.55 | 163,834 | 11,052 | 6.75 |
| Interest-bearing deposits with banks | 30,270 | 77 | 0.25 | 69,755 | 177 | 0.25 |
| Federal funds sold | 1,337 | 2 | 0.14 | 1,773 | 3 | 0.17 |
| Total interest-earning assets | 3,323,347 | 145,072 | 4.37 | 3,347,539 | 153,185 | 4.58 |
| Less: allowance for loan and lease losses | (56,770) | | | (69,393) | | |
| Cash and due from banks | 45,721 | | | 44,736 | | |
| Premises and equipment, net | 49,047 | | | 48,738 | | |
| Other assets | 220,221 | | | 241,368 | | |
| Total assets | \$3,581,566 | | | \$3,612,988 | | |
| <u>Liabilities and Stockholders' Equity</u> | | | | | | |
| Interest-bearing demand deposits | \$340,110 | 364 | 0.11 % | \$292,106 | 324 | 0.11 % |
| Regular savings deposits | 184,050 | 183 | 0.10 | 165,032 | 164 | 0.10 |
| Money market savings deposits | 859,608 | 3,547 | 0.41 | 890,187 | 5,015 | 0.56 |
| Time deposits | 611,192 | 6,908 | 1.13 | 706,487 | 11,431 | 1.62 |
| Total interest-bearing deposits | 1,994,960 | 11,002 | 0.55 | 2,053,812 | 16,934 | 0.82 |
| Other borrowings | 78,207 | 212 | 0.27 | 89,932 | 269 | 0.30 |
| Advances from FHLB | 405,577 | 14,397 | 3.55 | 409,697 | 14,599 | 3.56 |
| Subordinated debentures | 35,000 | 913 | 2.61 | 35,000 | 940 | 2.69 |
| Total interest-bearing liabilities | 2,513,744 | 26,524 | 1.06 | 2,588,441 | 32,742 | 1.27 |
| Noninterest-bearing demand deposits | 619,260 | | | 557,197 | | |

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| | | | | | | |
|--|-------------|------|---|-------------|------|---|
| Other liabilities | 25,881 | | | 26,155 | | |
| Stockholders' equity | 422,681 | | | 441,195 | | |
| Total liabilities and stockholders' equity | \$3,581,566 | | | \$3,612,988 | | |
| Net interest income and spread | \$118,548 | 3.31 | % | \$120,443 | 3.31 | % |
| Less: tax-equivalent adjustment | 5,602 | | | 4,836 | | |
| Net interest income | \$112,946 | | | \$115,607 | | |
| Interest income/earning assets | | 4.37 | % | | 4.58 | % |
| Interest expense/earning assets | | 0.80 | | | 0.98 | |
| Net interest margin | | 3.57 | % | | 3.60 | % |

Tax-equivalent income has been adjusted using the combined marginal federal and state rate of 39.88% for 2011 (1) and 2010. The annualized taxable-equivalent adjustments utilized in the above table to compute yields aggregated to \$5.6 million and \$4.8 million in 2011 and 2010, respectively.

(2) Non-accrual loans are included in the average balances.

(3) Includes residential mortgage loans held for sale. Home equity loans and lines are classified as consumer loans.

(4) Includes only investments that are exempt from federal taxes.