JUNIATA VALLEY FINANCIAL CORP
Form 10-Q
November 09, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934**

For the quarterly period ended September 30, 2011

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 000-13232

Juniata Valley Financial Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania	23-2235254
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Bridge and Main Streets, Mifflintown, Pennsylvania	17059
(Address of principal executive offices)	(Zip Code)

(717) 436-8211

(Registrant s telephone number, including area code)

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. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class	Outstanding as of November 9, 2011

Common Stock ($1.00 par value)	4,236,168 shares

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Financial Condition
(Unaudited, in thousands, except share data)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 10,254	$ 12,758
Interest bearing deposits with banks	1,116	218
Federal funds sold	6,500	12,300
Cash and cash equivalents	17,870	25,276
Interest bearing time deposits with banks	1,096	1,345
Securities available for sale	112,355	79,923
Restricted investment in Federal Home Loan Bank (FHLB) stock	1,790	2,088
Investment in unconsolidated subsidiary	3,734	3,550
Total loans, net of unearned interest	292,353	298,102
Less: Allowance for loan losses	(2,907)	(2,824)
Total loans, net of allowance for loan losses	289,446	295,278
Premises and equipment, net	6,788	7,067
Other real estate owned	212	412
Bank owned life insurance and annuities	13,962	13,568
Core deposit intangible	220	254
Goodwill	2,046	2,046
Accrued interest receivable and other assets	5,321	4,946
Total assets	$ 454,840	$ 435,753
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 64,006	$ 60,696
Interest bearing	331,105	316,094
Total deposits	395,111	376,790
Securities sold under agreements to repurchase	3,057	3,314
Other interest bearing liabilities	1,222	1,200
Accrued interest payable and other liabilities	4,551	4,473
Total liabilities	403,941	385,777
Stockholders Equity:		
Preferred stock, no par value:		

Authorized 500,000 shares, none issued				
Common stock, par value $1.00 per share:				
Authorized 20,000,000 shares				
Issued 4,745,826 shares				
Outstanding				
4,236,168 shares at September 30, 2011;				
4,257,765 shares at December 31, 2010		4,746		4,746
Surplus		18,363		18,354
Retained earnings		38,696		37,868
Accumulated other comprehensive loss		(1,018)		(1,465)
Cost of common stock in Treasury:				
509,658 shares at September 30, 2011;				
488,061 shares at December 31, 2010		(9,888)		(9,527)
Total stockholders equity		50,899		49,976
Total liabilities and stockholders equity	$	454,840	$	435,753

See accompanying notes to consolidated financial statements.

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Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Income
(Unaudited)
(in thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Interest income:				
Loans, including fees	$ 4,401	$ 4,824	$ 13,477	$ 14,756
Taxable securities	328	257	894	753
Tax-exempt securities	222	245	689	784
Federal funds sold	1	3	5	7
Other interest income	8	10	23	29
Total interest income	4,960	5,339	15,088	16,329
Interest expense:				
Deposits	1,162	1,288	3,528	4,154
Securities sold under agreements to repurchase	1	1	2	2
Short-term borrowings				1
Long-term debt		29		99
Other interest bearing liabilities	6	2	20	9
Total interest expense	1,169	1,320	3,550	4,265
Net interest income	3,791	4,019	11,538	12,064
Provision for loan losses	60	70	264	637
Net interest income after provision for loan losses	3,731	3,949	11,274	11,427
Noninterest income:				
Trust fees	109	90	316	300
Customer service fees	354	335	1,015	1,104
Earnings on bank-owned life insurance and annuities	123	133	366	393
Commissions from sales of non-deposit products	53	80	221	301
Income from unconsolidated subsidiary	66	60	197	179
Securities impairment charge		(40)		(40)
Gain on sales or calls of securities		4	6	31
Gain on sales of other real estate owned	14	30	28	36
Other noninterest income	300	244	895	679
Total noninterest income	1,019	936	3,044	2,983
Noninterest expense:				
Employee compensation expense	1,318	1,232	3,910	3,826
Employee benefits	334	363	1,158	1,182

Occupancy	236	243	731	692
Equipment	138	148	439	403
Data processing expense	336	366	995	1,077
Director compensation	74	88	221	261
Professional fees	111	128	341	357
Taxes, other than income	123	124	374	379
FDIC Insurance premiums	73	138	291	435
Amortization of intangibles	12	11	34	34
Other noninterest expense	368	317	1,106	956
Total noninterest expense	3,123	3,158	9,600	9,602
Income before income taxes	1,627	1,727	4,718	4,808
Provision for income taxes	413	442	1,174	1,197
Net income	$ 1,214	$ 1,285	$ 3,544	$ 3,611
Earnings per share				
Basic	$ 0.29	$ 0.30	$ 0.84	$ 0.84
Diluted	$ 0.29	$ 0.30	$ 0.83	$ 0.84
Cash dividends declared per share	$ 0.22	$ 0.21	$ 0.64	$ 0.61
Weighted average basic shares outstanding	4,236,168	4,283,024	4,243,273	4,307,417
Weighted average diluted shares outstanding	4,239,872	4,286,350	4,246,533	4,310,989

See accompanying notes to consolidated financial statements.

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Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Changes in Stockholders Equity
(Unaudited)
(in thousands, except share data)

Nine Months Ended September 30, 2011

	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
Balance at January 1, 2011	4,257,765	$ 4,746	$ 18,354	$ 37,868	$ (1,465)	$ (9,527)	$ 49,976
Comprehensive income:							
Net income				3,544			3,544
Change in unrealized gains on securities available for sale, net of reclassification adjustment and tax effects					369		369
Defined benefit retirement plan adjustments, net of tax effects					78		78
Total comprehensive income							3,991
Cash dividends at $0.64 per share				(2,716)			(2,716)
Stock-based compensation activity			19				19
Purchase of treasury stock	(24,500)					(417)	(417)
Treasury stock issued for stock option and stock purchase plans	2,903		(10)			56	46
Balance at September 30, 2011	4,236,168	$ 4,746	$ 18,363	$ 38,696	$ (1,018)	$ (9,888)	$ 50,899

Nine Months Ended September 30, 2010

	Number of Shares Outstanding	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders Equity
Balance at January 1, 2010	4,337,587	$ 4,746	$ 18,315	$ 36,478	$ (805)	$ (8,131)	$ 50,603
Comprehensive income:							
Net income				3,611			3,611
Change in unrealized gains on securities available for sale, net of reclassification adjustment and tax effects					178		178
Defined benefit retirement plan adjustments, net of tax effects					63		63

Total comprehensive income							3,852
Cash dividends at $0.61 per share				(2,627)			(2,627)
Stock-based compensation activity			36				36
Purchase of treasury stock, at cost	(66,400)					(1,171)	(1,171)
Treasury stock issued for stock option and stock purchase plans	4,078		(19)			80	61
Balance at September 30, 2010	4,275,265	$ 4,746	$ 18,332	$ 37,462	$ (564)	$ (9,222)	$ 50,754

See accompanying notes to consolidated financial statements.

Juniata Valley Financial Corp. and Subsidiary
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2011	**2010**
Operating activities:		
Net income	$ 3,544	$ 3,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	264	637
Depreciation	447	406
Net amortization of securities premiums	271	216
Amortization of core deposit intangible	34	34
Net amortization of loan origination costs	33	17
Deferral of net loan costs	8	35
Securities impairment charge		40
Net realized gains on sales or calls of securities	(6)	(31)
Gains on sales of other real estate owned	(28)	(36)
Earnings on bank owned life insurance and annuities	(366)	(393)
Deferred income tax expense	45	15
Equity in earnings of unconsolidated subsidiary, net of dividends of $19 and $28	(178)	(151)
Stock-based compensation expense	19	36
Decrease (increase) in accrued interest receivable and other assets	(538)	559
Increase (decrease) in accrued interest payable and other liabilities	118	(74)
Net cash provided by operating activities	3,667	4,921
Investing activities:		
Purchases of:		
Securities available for sale	(76,365)	(39,157)
Premises and equipment	(168)	(704)
Bank owned life insurance and annuities	(66)	(66)
Proceeds from:		
Maturities and calls of and principal repayments on securities available for sale	44,218	37,636
Redemption of FHLB stock	298	
Bank owned life insurance and annuities	20	50
Sale of other real estate owned	479	747
Sale of other assets	9	11
Net decrease in interest-bearing time deposits	249	75
Net decrease in loans receivable	5,276	6,043
Net cash provided by (used in) investing activities	(26,050)	4,635
Financing activities:		

Net increase (decrease) in deposits		18,321		(4,849)
Net decrease in securities sold under agreements to repurchase		(257)		(332)
Repayment of long-term debt				(5,000)
Cash dividends		(2,716)		(2,627)
Purchase of treasury stock		(417)		(1,171)
Treasury stock issued for employee stock plans		46		61
Net cash provided by (used in) financing activities		14,977		(13,918)
Net decrease in cash and cash equivalents		(7,406)		(4,362)
Cash and cash equivalents at beginning of period		25,276		19,895
Cash and cash equivalents at end of period	$	17,870	$	15,533
Supplemental information:				
Interest paid	$	3,512	$	4,358
Income taxes paid	$	1,075	$	1,145
Supplemental schedule of noncash investing and financing activities:				
Transfer of loans to other real estate owned	$	251	$	730
Transfer of loans to repossessed assets	$	9	$	

See accompanying notes to consolidated financial statements.

Juniata Valley Financial Corp. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 Basis of Presentation and Accounting Policies

The financial information includes the accounts of Juniata Valley Financial Corp. (the Corporation) and its wholly owned subsidiary, The Juniata Valley Bank (the Bank). All significant intercompany accounts and transactions have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (U.S. GAAP) for complete financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included. For comparative purposes, whenever necessary, the 2010 balances have been reclassified to conform to the 2011 presentation. Such reclassifications, if any, had no impact on net income. Operating results for the three and nine-month periods ended September 30, 2011, are not necessarily indicative of the results for the year ended December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in Juniata Valley Financial Corp. s Annual Report on Form 10-K for the year ended December 31, 2010.

The Corporation has evaluated events and transactions occurring subsequent to the balance sheet date of September 30, 2011 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

NOTE 2 Recent Accounting Pronouncements

ASU 2011-08

In September, 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, *Testing Goodwill for Impairment.* The purpose of this ASU is to simplify how entities test goodwill for impairment by adding a new first step to the preexisting goodwill impairment test under Accounting Standards Codification (ASC) Topic 350, *Intangibles Goodwill and other.* This amendment gives the entity the option to first assess a variety of qualitative factors such as economic conditions, cash flows, and competition to determine whether it was more likely than not that the fair value of goodwill has fallen below its carrying value. If the entity determines that it is not likely that the fair value has fallen below its carrying value, then the entity will not have to complete the original two-step test under Topic 350. The amendments in this ASU are effective for impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Corporation is evaluating the impact of this ASU on its consolidated financial statements.

ASU 2011-05

The provisions of this ASU amend FASB ASC Topic 220, *Comprehensive Income*, to facilitate the continued alignment of U.S. GAAP with International Accounting Standards. The ASU prohibits the presentation of the components of comprehensive income in the statement of stockholder s equity. Reporting entities are allowed to present either: a statement of comprehensive income, which reports both net income and other comprehensive income; or separate but consecutive statements of net income and other comprehensive income. Under previous GAAP, any of the three presentations was acceptable. Regardless of the presentation selected, the reporting entity is required to present all reclassifications between other comprehensive and net income on the face of the new statement or statements. The provisions of this ASU are effective for fiscal years and interim periods beginning after December 15, 2011 for public entities. For nonpublic entities, the provisions are effective for fiscal years ending after December 15, 2012, and for interim and annual periods thereafter. As the two remaining options for presentation existed prior to the issuance of this ASU, early adoption is permitted. This guidance will not have an impact on the Corporation s consolidated financial position or results of operations.

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ASU 2011-04

This ASU amends FASB ASC Topic 820, *Fair Value Measurements*, to bring U.S. GAAP for fair value measurements in line with International Accounting Standards. The ASU clarifies existing guidance for items such as: the application of the highest and best use concept to non-financial assets and liabilities; the application of fair value measurement to financial instruments classified in a reporting entity s stockholder s equity; and disclosure requirements regarding quantitative information about unobservable inputs used in the fair value measurements of level 3 assets. The ASU also creates an exception to Topic 820 for entities which carry financial instruments within a portfolio or group, under which the entity is now permitted to base the price used for fair valuation upon a price that would be received to sell the net asset position or transfer a net liability position in an orderly transaction. The ASU also allows for the application of premiums and discounts in a fair value measurement if the financial instrument is categorized in level 2 or 3 of the fair value hierarchy. Lastly, the ASU contains new disclosure requirements regarding fair value amounts categorized as level 3 in the fair value hierarchy such as: disclosure of the valuation process used; effects of and relationships between unobservable inputs; usage of nonfinancial assets for purposes other than their highest and best use when that is the basis of the disclosed fair value; and categorization by level of items disclosed at fair value, but not measured at fair value for financial statement purposes. For public entities, this ASU is effective for interim and annual periods beginning after December 15, 2011. For nonpublic entities, the ASU is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. This guidance will not have a significant impact on the Corporation s consolidated financial position or results of operations.

ASU 2011-03

The FASB has issued this ASU to clarify the accounting principles applied to repurchase agreements, as set forth by FASB ASC Topic 860, *Transfers and Servicing*. This ASU, entitled *Reconsideration of Effective Control for Repurchase Agreements*, amends one of three criteria used to determine whether or not a transfer of assets may be treated as a sale by the transferor. Under Topic 860, the transferor may not maintain effective control over the transferred assets in order to qualify as a sale. This ASU eliminates the criteria under which the transferor must retain collateral sufficient to repurchase or redeem the collateral on substantially agreed upon terms as a method of maintaining effective control. This ASU is effective for both public and nonpublic entities for interim and annual reporting periods beginning on or after December 15, 2011, and requires prospective application to transactions or modifications of transactions which occur on or after the effective date. Early adoption is not permitted. This guidance will not have a significant impact on the Corporation s consolidated financial position or results of operations.

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NOTE 3 Comprehensive Income

U.S. GAAP requires that recognized revenue, expenses, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and the liability associated with defined benefit plans, are reported as a separate component of the equity section of the consolidated statements of financial condition, such items, along with net income, are components of comprehensive income.

The components of comprehensive income and related tax effects are as follows (in thousands):

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Before Tax Amount	Tax Expense	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	$ 1,627	$ 413	$ 1,214	$ 1,727	$ 442	$ 1,285
Other comprehensive income:						
Unrealized gains (losses) on available for sale securities:						
Unrealized gains (losses) arising during the period	147	50	97	(25)	(9)	(16)
Unrealized gains from unconsolidated subsidiary	1		1	1		1
Less reclassification adjustment for:						
gains included in net income				(4)	(1)	(3)
securities impairment charge				40	14	26
Change in pension liability	40	14	26	32	11	21
Other comprehensive income	188	64	124	44	15	29
Total comprehensive income	$ 1,815	$ 477	$ 1,338	$ 1,771	$ 457	$ 1,314

	Nine Months Ended September 30, 2011			Nine Ended September 30, 2010		
	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount	Before Tax Amount	Tax Expense or (Benefit)	Net-of-Tax Amount
Net income	$ 4,718	$ 1,174	$ 3,544	$ 4,808	$ 1,197	$ 3,611
Other comprehensive income:						
Unrealized gains on available for sale securities:						
Unrealized gains arising during the period	556	189	367	239	81	158
Unrealized gains from unconsolidated subsidiary	6		6	14		14

Less reclassification adjustment for:						
gains included in net income	(6)	(2)	(4)	(31)	(11)	(20)
securities impairment charge				40	14	26
Change in pension liability	118	40	78	96	33	63
Other comprehensive income	674	227	447	358	117	241
Total comprehensive income	$ 5,392	$ 1,401	$ 3,991	$ 5,166	$ 1,314	$ 3,852

Components of accumulated other comprehensive loss, net of tax consist of the following (in thousands):

	9/30/2011	12/31/2010
Unrealized gains on available for sale securities	$ 768	$ 399
Unrecognized expense for defined benefit pension	(1,786)	(1,864)
Accumulated other comprehensive loss	$ (1,018)	$ (1,465)

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NOTE 4 Earnings per Share
The following table sets forth the computation of basic and diluted earnings per share:
(Amounts, except earnings per share, in thousands)

	Three Months Ended September 30, 2011		Three Months Ended September 30, 2010	
Net income	$	1,214	$	1,285
Weighted-average common shares outstanding		4,236		4,283
Basic earnings per share	$	0.29	$	0.30
Weighted-average common shares outstanding		4,236		4,283
Common stock equivalents due to effect of stock options		4		3
Total weighted-average common shares and equivalents		4,240		4,286
Diluted earnings per share	$	0.29	$	0.30

	Nine Months Ended September 30, 2011		Nine Months Ended September 30, 2010	
Net income	$	3,544	$	3,611
Weighted-average common shares outstanding		4,243		4,307
Basic earnings per share	$	0.84	$	0.84
Weighted-average common shares outstanding		4,243		4,307
Common stock equivalents due to effect of stock options		3		4
Total weighted-average common shares and equivalents		4,246		4,311

Diluted earnings per share	$ 0.83	$ 0.84

NOTE 5 Commitments, Contingent Liabilities and Guarantees

In the ordinary course of business, the Corporation makes commitments to extend credit to its customers through letters of credit, loan commitments and lines of credit. At September 30, 2011, the Corporation had $41,793,000 outstanding in loan commitments and other unused lines of credit extended to its customers as compared to $37,466,000 at December 31, 2010.

The Corporation does not issue any guarantees that would require liability recognition or disclosure, other than its letters of credit. Letters of credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Generally, letters of credit have expiration dates within one year of issuance. The credit risk involved in issuing letters of credit is essentially the same as the risks that are involved in extending loan facilities to customers. The Corporation generally holds collateral and/or personal guarantees supporting these commitments. The Corporation had outstanding $551,000 and $845,000 of letters of credit commitments as of September 30, 2011 and December 31, 2010, respectively. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The current amount of the liability as of September 30, 2011 for payments under letters of credit issued was not material. Because these instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk.

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NOTE 6 Defined Benefit Retirement Plan

The Corporation had a defined benefit retirement plan covering substantially all of its employees, prior to January 1, 2008. Effective January 1, 2008, the plan was amended to close the plan to new entrants. The benefits under the plan are based on years of service and the employees compensation. The Corporation s funding policy allows contributions annually up to the maximum amount that can be deducted for federal income taxes purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Corporation has made no contributions in the first nine months of 2011 and does not expect to contribute to the defined benefit plan in the remainder of 2011. Pension expense included the following components for the three and nine month periods ended September 30, 2011 and 2010:

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Components of net periodic pension cost				
Service cost	$ 48	$ 47	$ 144	$ 140
Interest cost	119	118	358	354
Expected return on plan assets	(158)	(144)	(474)	(431)
Additional recognized amounts	38	32	114	96
Net periodic pension cost	$ 47	$ 53	$ 142	$ 159

NOTE 7 Acquisition

In 2006, the Corporation acquired a branch office in Richfield, PA. The acquisition included real estate, deposits and loans. The assets and liabilities of the acquired business were recorded on the consolidated statement of financial condition at their estimated fair values as of September 8, 2006, and their results of operations have been included in the consolidated statements of income since such date.

Included in the purchase price of the branch was goodwill and core deposit intangible of $2,046,000 and $449,000, respectively. The core deposit intangible is being amortized over a ten-year period on a straight line basis. During the first nine months of 2011 and 2010, amortization expense was $34,000. Accumulated amortization of core deposit intangible through September 30, 2011 was $229,000. The goodwill is not amortized, but is measured annually for impairment or more frequently if certain events occur which might indicate goodwill has been impaired. There was no impairment of goodwill during the nine month periods ended September 30, 2011 or 2010.

NOTE 8 Investment in Unconsolidated Subsidiary

The Corporation owns 39.16% of the outstanding common stock of The First National Bank of Liverpool (FNBL), Liverpool, PA. This investment is accounted for under the equity method of accounting. The investment is being carried at $3,734,000 as of September 30, 2011. The Corporation increases its investment in FNBL for its share of earnings and decreases its investment by any dividends received from FNBL. A loss in value of the investment which is other than a temporary decline will be recognized. Evidence of a loss in value might include, but would not necessarily be limited to, absence of an ability to recover the carrying amount of the investment or inability of FNBL to sustain an earnings capacity which would justify the carrying amount of the investment.

NOTE 9 Securities

ASC Topic 320, *Investments Debt and Equity Securities*, clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment. For equity securities, consideration is given to management s intention and ability to hold the securities until recovery of unrealized losses in assessing potential other-than-temporary

impairment. More specifically, considerations used to determine other-than-temporary impairment status for individual equity holdings include the length of time the stock has remained in an unrealized loss position, the percentage of unrealized loss compared to the carrying cost of the stock, dividend reduction or suspension, market analyst reviews and expectations, and other pertinent developments that would affect expectations for recovery or further decline.

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In instances when a determination is made that an other-than-temporary impairment exists and the investor does not intend to sell the debt security and it is not more likely than not that it will be required to sell the debt security prior to its anticipated recovery, the other-than-temporary impairment is separated into the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and the amount of the total other-than-temporary impaired related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

The Corporation s investment portfolio includes primarily bonds issued by U.S. Government sponsored agencies (approximately 59%) and municipalities (approximately 37%) as of September 30, 2011. Most of the municipal bonds are general obligation bonds with maturities or pre-refunding dates within 5 years. The remaining 4% of the portfolio includes mortgage-backed securities issued by Government-sponsored agencies and backed by residential mortgages, corporate notes and a group of equity investments in other financial institutions. The amortized cost and fair value of securities as of September 30, 2011 and December 31, 2010, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities because the securities may be called or prepaid with or without prepayment penalties.

	September 30, 2011			
Securities Available for Sale Type and maturity	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and corporations				
Within one year	$ 1,928	$ 1,953	$ 25	$
After one year but within five years	50,659	51,204	601	(56)
After five years but within ten years	13,497	13,522	40	(15)
	66,084	66,679	666	(71)
Obligations of state and political subdivisions				
Within one year	11,179	11,235	56	
After one year but within five years	25,315	25,779	479	(15)
After five years but within ten years	4,150	4,273	132	(9)
	40,644	41,287	667	(24)
Corporate notes				
After one year but within five years	1,000	1,011	11	
	1,000	1,011	11	
Mortgage-backed securities	2,497	2,583	86	
Equity securities	985	795	54	(244)
Total	$ 111,210	$ 112,355	$ 1,484	$ (339)

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Securities Available for Sale Type and maturity	December 31, 2010 Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and corporations				
After one year but within five years	$ 34,607	$ 34,783	$ 348	$ (172)
After five years but within ten years	3,000	2,913		(87)
	37,607	37,696	348	(259)
Obligations of state and political subdivisions				
Within one year	12,219	12,390	175	(4)
After one year but within five years	24,493	24,877	488	(104)
After five years but within ten years	1,826	1,626		(200)
	38,538	38,893	663	(308)
Corporate notes				
After one year but within five years	1,000	1,028	28	
	1,000	1,028	28	
Mortgage-backed securities	1,246	1,345	99	
Equity securities	935	961	106	(80)
Total	$ 79,326	$ 79,923	$ 1,244	$ (647)

The following table shows gross unrealized losses and fair value, aggregated by category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2011 and December 31, 2010 (in thousands):

	Unrealized Losses at September 30, 2011 Less Than 12 Months Fair Value	Unrealized Losses	12 Months or More Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. Government agencies and corporations	$ 18,429	$ (71)	$	$	$ 18,429	$ (71)
Obligations of state and political subdivisions	3,114	(24)			3,114	(24)
Debt securities	21,543	(95)			21,543	(95)
Equity securities	388	(124)	225	(120)	613	(244)

Total temporarily impaired securities	$	21,931	$	(219)	$	225	$	(120)	$	22,156	$	(339)

	Unrealized Losses at December 31, 2010											
	Less Than 12 Months				12 Months or More				Total			
	Fair Value		Unrealized Losses		Fair Value		Unrealized Losses		Fair Value		Unrealized Losses	
U.S. Treasury securities and obligations of U.S. Government agencies and corporations	$	17,859	$	(259)	$		$		$	17,859	$	(259)
Obligations of state and political subdivisions		9,719		(304)		881		(4)		10,600		(308)
Debt securities		27,578		(563)		881		(4)		28,459		(567)
Equity securities		389		(5)		270		(75)		659		(80)
Total temporarily impaired securities	$	27,967	$	(568)	$	1,151	$	(79)	$	29,118	$	(647)

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The unrealized losses noted above are considered to be temporary impairments. There are 24 debt securities that were in an unrealized loss position on September 30, 2011, but none that have had unrealized losses for more than 12 months. We believe that the decline in the value of our debt securities is due only to interest rate fluctuations, rather than erosion of quality. As a result, we also believe that the payment of contractual cash flows, including principal repayment, is not at risk. As management does not intend to sell the securities, does not believe the Corporation will be required to sell the securities before recovery and expects to recover the entire amortized cost basis, none of the debt securities are deemed to be other-than-temporarily impaired.

Equity securities owned by the Corporation consist of common stock of various financial services providers (Bank Stocks) and are evaluated quarterly for evidence of other-than-temporary impairment. There were 14 equity securities that were in an unrealized loss position on September 30, 2011, and six of those that comprise a group of securities with unrealized losses for 12 months or more. Individually, none of these six have significant unrealized losses. Management has identified no new other-than-temporary impairment as of September 30, 2011 in the equity portfolio.

Certain obligations of the U.S. Government and state and political subdivisions are pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law. The fair value of the pledged assets amounted to $30,152,000 and $31,951,000 at September 30, 2011 and December 31, 2010, respectively.

In addition to cash received from the scheduled maturities of securities, some investment securities available for sale are sold at current market values during the course of normal operations, and some securities are called pursuant to call features built into the bonds. Following is a summary of proceeds received from all investment securities transactions, and the resulting realized gains and losses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Gross proceeds from sales of securities	$	$	$	$
Securities available for sale:				
Gross realized gains from called securities	$	$ 4	$ 6	$ 31
Gross realized losses				

NOTE 10 Loans and Related Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at the outstanding unpaid principal balances, net of any deferred fees or costs, unearned income and the allowance for loan losses. Interest income on all loans, other than nonaccrual loans, is accrued over the term of the loans based on the amount of principal outstanding. Unearned income is amortized to income over the life of the loans, using the interest method.

The loan portfolio is segmented into commercial and consumer loans. These broad categories are further disaggregated into classes of loans used for analysis and reporting. Classes consist of (1) commercial, financial and agricultural, (2) commercial real estate, (3) real estate construction, (4) residential mortgage loans, (5) home equity loans, (6) obligations of states and political subdivisions and (7) personal loans.

Loans on which the accrual of interest has been discontinued are designated as non-accrual loans. Accrual of interest on loans is discontinued when the contractual payment of principal or interest has become 90 days past due or reasonable doubt exists as to the full, timely collection of principal or interest. However, it is the Corporation s policy to continue to accrue interest on loans over 90 days past due as long as they are (1) guaranteed or well secured and (2) there is an effective means of collection. When a loan is placed on non-accrual status, all unpaid interest credited to income in the current year is reversed against current period income and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management s judgment as to the collectability of principal. Generally, accruals are resumed on loans only when the obligation is brought fully current with respect to interest and principal, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

The Corporation s intent is to hold loans in the portfolio until maturity. At the time the Corporation s intent is no longer to hold loans to maturity based on asset/liability management practices, the Corporation transfers loans from its portfolio to held for sale at fair value. Any write-down recorded upon transfer is charged against the allowance for loan losses. Any write-downs recorded after the initial transfers are recorded as a charge to other non-interest expense. Gains or losses recognized upon sale are included in other non-interest income.

The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses represents management s estimate of losses inherent in the loan portfolio as of the balance sheet date and is recorded as a reduction to loans. The reserve for unfunded lending commitments represents management s estimate of losses inherent in its unfunded lending commitments and is recorded in other liabilities on the consolidated balance sheet, when necessary. The allowance for loan losses is increased by the provision for loan losses, and decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

For financial reporting purposes, the provision for loan losses charged to current operating income is based on management s estimates, and actual losses may vary from estimates. These estimates are reviewed and adjusted at least quarterly and are reported in earnings in the periods in which they become known. The loan loss provision for federal income tax purposes is based on current income tax regulations, which allow for deductions equal to net charge-offs.

Loans included in any class are considered for charge-off when:

(1) principal or interest has been in default for 120 days or more and for which no payment has been received during the previous four months;
(2) all collateral securing the loan has been liquidated and a deficiency balance remains;
(3) a bankruptcy notice is received for an unsecured loan;
(4) a confirming loss has occurred; or
(5) the loan is deemed to be uncollectible for any other reason.

The allowance for loan losses is maintained at a level considered adequate to offset probable losses on the Corporation s existing loans. The analysis of the allowance for loan losses relies heavily on changes in observable trends that may indicate potential credit weaknesses. Management s periodic evaluation of the adequacy of the allowance is based on the Bank s past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Corporation s allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management s comprehensive analysis of the loan portfolio, management believes the level of the allowance for loan losses as of September 30, 2011 to be adequate.

There are two components of the allowance: a specific component for loans that are deemed to be impaired; and a general component for contingencies.

A large commercial loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. (A large loan, or group of like-loans within one relationship, is defined as a commercial/business loan with an aggregate outstanding balance in excess of $150,000, or any other loan that management deems of similar characteristics inherent to the deficiencies of an impaired large loan by definition.) Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loans and the borrower, including the length of the delay, the reasons for the delay, the borrower s prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan s effective interest rate, the loan s obtainable market price or the fair value of the collateral if the loan is collateral dependent. The estimated fair values of substantially all of the Corporation s impaired loans are measured based on the estimated fair value of the loan s collateral. For commercial loans secured with real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include the estimated costs to sell the property. For commercial loans secured by non-real estate collateral, estimated fair values are determined based on the borrower s financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets. For such loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The Bank generally does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are subject to a restructuring agreement.

Loans whose terms are modified are classified as troubled debt restructurings if the Corporation grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a below-market-rate reduction in interest rate or an extension of a loan s stated maturity date. Nonaccrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for a period of time after modification. Loans classified as troubled debt restructurings are designated as impaired.

The component of the allowance for contingencies relates to other loans that have been segmented into risk rated categories. The borrower s overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated quarterly or when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management s close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have one or more well-defined weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis or current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass. Specific reserves may be established for larger, individual classified loans as a result of this evaluation, as discussed above. Remaining loans are categorized into large groups of smaller balance homogeneous loans and are collectively evaluated for impairment. This computation is generally based on historical loss experience adjusted for qualitative factors. The historical loss experience is averaged over a ten-year period for each of the portfolio segments. The

ten-year timeframe was selected in order to capture activity over a wide range of economic conditions and has been consistently used for the past five years. The qualitative risk factors are reviewed for relevancy each quarter and include:

1. National, regional and local economic and business conditions as well as the condition of various market segments, including the underlying collateral for collateral dependent loans;
2. Nature and volume of the portfolio and terms of loans;
3. Experience, ability and depth of lending and credit management and staff;
4. Volume and severity of past due, classified and nonaccrual loans as well as other loan modifications;
5. Existence and effect of any concentrations of credit and changes in the level of such concentrations; and
6. Effect of external factors, including competition.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management s best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

Commercial, Financial and Agricultural Lending - The Corporation originates commercial, financial and agricultural loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is shorter or does not exceed the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

Commercial loans are generally secured with short-term assets, however, in many cases, additional collateral, such as real estate is provided as additional security for the loan. Loan-to-value maximum values have been established by the Corporation and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

In underwriting commercial loans, an analysis of the borrower s character, capacity to repay the loan, the adequacy of the borrower s capital and collateral, as well as an evaluation of conditions affecting the borrower, is performed. Analysis of the borrower s past, present and future cash flows is also an important aspect of the Corporation s analysis. Concentration analysis assists in identifying industry specific risk inherent in commercial, financial and agricultural lending. Mitigants include the identification of secondary and tertiary sources of repayment and appropriate increases in oversight.

Commercial loans generally present a higher level of risk than certain other types of loans due primarily to the effect of general economic conditions.

Commercial Real Estate Lending - The Corporation engages in commercial real estate lending in its primary market area and surrounding areas. The Corporation s commercial loan portfolio is secured primarily by residential housing, raw land and hotels. Generally, commercial real estate loans have terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the property and are typically secured by personal guarantees of the borrowers.

As economic conditions deteriorate, the Corporation reduces its exposure in real estate segments with higher risk characteristics. In underwriting these loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower s credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Corporation are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

Real Estate Construction Lending - The Corporation engages in real estate construction lending in its primary market area and surrounding areas. The Corporation s real estate construction lending consists of commercial and residential site development loans, as well as commercial building construction and residential housing construction loans.

The Corporation s commercial real estate construction loans are generally secured with the subject property and advances are made in conformity with a pre-determined draw schedule supported by independent inspections. Terms of construction loans depend on the specifics of the project, such as estimated absorption rates, estimated time to complete, etc.

In underwriting commercial real estate construction loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower s credit history, the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc. Appraisals on properties securing commercial real estate loans originated by the Corporation are performed by independent appraisers.

Real estate construction loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the difficulty of estimating total construction costs.

Residential Mortgage Lending - One- to four-family residential mortgage loan originations are generated by the Corporation s marketing efforts, its present customers, walk-in customers and referrals. These loans originate primarily within the Corporation s market area or with customers primarily from the market area.

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The Corporation offers fixed-rate and adjustable rate mortgage loans with terms up to a maximum of 25-years for both permanent structures and those under construction. The Corporation s one- to four-family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation s residential mortgage loans originate with a loan-to-value of 80% or less.

In underwriting one-to-four family residential real estate loans, the Corporation evaluates the borrower s ability to make monthly payments, the borrower s repayment history and the value of the property securing the loan. Properties securing real estate loans made by the Corporation are appraised by independent fee appraisers. The Corporation generally requires borrowers to obtain an attorney s title opinion or title insurance, and fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation does not engage in sub-prime residential mortgage originations.

Residential mortgage loans generally present a lower level of risk than certain other types of consumer loans because they are secured by the borrower s primary residence.

Home Equity Installment and Line of Credit Lending - The Corporation originates home equity installment loans and home equity lines of credit primarily within the Corporation s market area or with customers primarily from the market area.

Home equity installment loans are secured by the borrower s primary residence with a maximum loan-to-value of 80% and a maximum term of 15 years.

Home equity lines of credit are secured by the borrower s primary residence with a maximum loan-to-value of 90% and a maximum term of 20 years.

In underwriting home equity lines of credit, a thorough analysis of the borrower s ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower s employment history, current financial conditions, and credit background. The analysis is based primarily on the customer s ability to repay and secondarily on the collateral or security.

Home equity loans generally present a lower level of risk than certain other types of consumer loans because they are secured by the borrower s primary residence.

Obligations of States and Political Subdivisions - The Corporation lends to local municipalities and other tax-exempt organizations. These loans are primarily tax-anticipation notes and as such carry little risk. Historically, the Corporation has never incurred a loss on any loan of this type.

Personal Lending The Corporation offers a variety of secured and unsecured personal loans, including vehicle, mobile homes and loans secured by savings deposits, as well as other types of personal loans.

Personal loan terms vary according to the type and value of collateral and creditworthiness of the borrower. In underwriting personal loans, a thorough analysis of the borrower s ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower s employment history, current financial conditions, and credit background.

Personal loans may entail greater credit risk than do residential mortgage loans, particularly in the case of personal loans which are unsecured or are secured by rapidly depreciable assets, such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted personal loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, personal loan collections are dependent on the borrower s continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

The following tables present the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Corporation s internal risk rating system as of September 30, 2011 and December 31, 2010 (in thousands).

As of September 30, 2011	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial and agricultural	$ 17,905	$ 1,535	$ 345	$	$ 19,785
Real estate commercial	47,519	9,660	2,475		59,654
Real estate construction	9,065	6,088	720	1,150	17,023
Real estate mortgage	126,890	7,653	4,833	1,440	140,816
Home equity	38,216	516	279	133	39,144
Obligations of states and political subdivisions	8,738				8,738
Personal	7,168	19	6		7,193
Total	$ 255,501	$ 25,471	$ 8,658	$ 2,723	$ 292,353

As of December 31, 2010	Pass	Special Mention	Substandard	Doubtful	Total
Commercial, financial and agricultural	$ 12,557	$ 5,732	$ 1,316	$ 306	$ 19,911
Real estate commercial	44,935	6,405	4,365	600	56,305
Real estate construction	13,067			189	13,256
Real estate mortgage	129,954	8,284	5,142	1,226	144,606
Home equity	45,255	431	666		46,352
Obligations of states and political subdivisions	8,984				8,984
Personal	8,473	211	4		8,688
Total	$ 263,225	$ 21,063	$ 11,493	$ 2,321	$ 298,102

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The Corporation has certain loans in its portfolio that are considered to be impaired. It is the policy of the Corporation to recognize income on impaired loans that have been transferred to nonaccrual status on a cash basis, only to the extent that it exceeds principal balance recovery. Until an impaired loan is placed on nonaccrual status, income is recognized on the accrual basis. Collateral analysis is performed on each impaired loan at least quarterly and results are used to determine if a specific reserve is necessary to adjust the carrying value of each individual loan down to the estimated fair value. Generally, specific reserves are carried against impaired loans rather than recording partial charge-offs until termination of the credit is scheduled through liquidation of the collateral or foreclosure. In the case of liquidation, sales agreements are used to determine the loss. In the case of a foreclosure, professional appraisals of collateral, discounted for expected closing costs, are used to determine the charge-off amount. The following tables summarize information regarding impaired loans by portfolio class as of September 30, 2011 and December 31, 2010 (in thousands):

	As of September 30, 2011			As of December 31, 2010		
Impaired loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Commercial, financial and agricultural	$ 256	$ 274	$	$ 309	$ 309	$
Real estate commercial	2,339	2,339		2,395	2,395	
Real estate construction	720	720		250	250	
Real estate mortgage	2,007	2,007		2,652	2,652	
With an allowance recorded:						
Real estate construction	$ 1,150	$ 1,150	$ 343	$ 900	$ 900	$ 235
Real estate mortgage	1,049	1,049	325	1,237	1,237	335
Total:						
Commercial, financial and agricultural	$ 256	$ 274	$	$ 309	$ 309	$
Real estate commercial	2,339	2,339		2,395	2,395	
Real estate construction	1,870	1,870	343	1,150	1,150	235
Real estate mortgage	3,056	3,056	325	3,889	3,889	335
	$ 7,521	$ 7,539	$ 668	$ 7,743	$ 7,743	$ 570

Average recorded investment of impaired loans and related interest income recognized for the three and nine months ended September 30, 2011 are summarized as follows (in thousands):

	Three Months Ended September 30, 2011			Nine Months Ended September 30, 2011		
Impaired loans	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income
With no related allowance recorded:						
	$ 265	$ 4	$	$ 282	$ 14	$

Commercial, financial and agricultural						
Real estate commercial	2,331	29		2,357	97	2
Real estate construction	360	36		305	36	
Real estate mortgage	2,009	5		2,118	18	3
With an allowance recorded:						
Real estate construction	$ 1,150	$	$	$ 1,025	$	$
Real estate mortgage	1,049			1,143		
Total:						
Commercial, financial and agricultural	$ 265	$ 4	$	$ 282	$ 14	$
Real estate commercial	2,331	29		2,357	97	2
Real estate construction	1,510	36		1,330	36	
Real estate mortgage	3,058	5		3,261	18	3
	$ 7,164	$ 74	$	$ 7,230	$ 165	$ 5

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The following table presents nonaccrual loans by classes of the loan portfolio as of September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011	December 31, 2010
Nonaccrual loans:		
Commercial, financial and agricultural	$ 49	$ 246
Real estate commercial	472	478
Real estate construction	1,150	1,150
Real estate mortgage	4,586	3,564
Home equity	333	524
Personal	4	2
Total	$ 6,594	$ 5,964

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a payment is past due. The following tables present the classes of the loan portfolio summarized by the past due status as of September 30, 2011 and December 31, 2010 (in thousands):
As of September 30, 2011

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Loans Past Due greater than 90 Days and Accruing
Commercial, financial and agricultural	$ 10	$ 12	$ 33	$ 55	$ 19,730	$ 19,785	$
Real estate commercial	418	1,162	667	2,247	57,407	59,654	196
Real estate construction	198	935	1,150	2,283	14,740	17,023	
Real estate mortgage	1,298	3,634	4,900	9,832	130,984	140,816	905
Home equity	898	56	472	1,426	37,718	39,144	198
Obligations of states and political subdivisions					8,738	8,738	
Personal	46	14	6	66	7,127	7,193	2
Total	$ 2,868	$ 5,813	$ 7,228	$ 15,909	$ 276,444	$ 292,353	$ 1,301

As of December 31, 2010

Loans Past

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Due greater than 90 Days and Accruing
Commercial, financial and agricultural	$ 293	$ 272	$ 228	$ 793	$ 19,118	$ 19,911	$
Real estate commercial	1,195	627	720	2,542	53,763	56,305	242
Real estate construction	20	207	1,150	1,377	11,879	13,256	
Real estate mortgage	260	4,832	3,465	8,557	136,049	144,606	590
Home equity	737	318	466	1,521	44,831	46,352	167
Obligations of states and political subdivisions					8,984	8,984	
Personal	110	15	10	135	8,553	8,688	8
Total	$ 2,615	$ 6,271	$ 6,039	$ 14,925	$ 283,177	$ 298,102	$ 1,007

The following tables summarize the activity by segments of the allowance for loan losses, segregated into the amount required for loans individually evaluated for impairment and the amount required for loans collectively evaluated for impairment for the three and nine months ended September 30, 2011 and as of September 30, 2011 and December 31, 2010 (in thousands):

	Commercial, financial and agricultural	Real estate commercial	Real estate construction	Real estate mortgage	Home equity	Personal	Total
Allowance for loan losses:							
Beginning Balance, July 1, 2011	$ 145	$ 459	$ 431	$ 1,452	$ 332	$ 62	$ 2,881
Charge-offs	(4)			(35)		(7)	(46)
Recoveries	1				9	2	12
Provisions	19	9	27	30	(26)	1	60
Ending balance	$ 161	$ 468	$ 458	$ 1,447	$ 315	$ 58	$ 2,907
Beginning Balance, January 1, 2011	$ 163	$ 442	$ 336	$ 1,421	$ 389	$ 73	$ 2,824
Charge-offs	(13)			(163)	(15)	(11)	(202)
Recoveries	1				9	11	21
Provisions	10	26	122	189	(68)	(15)	264
Ending balance	$ 161	$ 468	$ 458	$ 1,447	$ 315	$ 58	$ 2,907

As of September 30, 2011

	Commercial, financial and agricultural	Real estate commercial	Real estate construction	Real estate mortgage	Home equity	Obligations of states and political subdivisions	Personal	Total
Allowance for loan losses:								
Ending balance	$ 161	$ 468	$ 458	$ 1,447	$ 315	$	$ 58	$ 2,907
Ending balance: individually evaluated for impairment	$	$	$ 343	$ 325	$	$	$	$ 668
Ending balance: collectively evaluted for	$ 161	$ 468	$ 115	$ 1,122	$ 315	$	$ 58	$ 2,239

impairment								
Loans, net of unearned interest:								
Ending balance	$ 19,785	$ 59,654	$ 17,023	$ 140,816	$ 39,144	$ 8,738	$ 7,193	$ 292,353
Ending balance: individually evaluted for impairment	$ 256	$ 2,339	$ 1,870	$ 3,056	$	$	$	$ 7,521
Ending balance: collectively evaluated for impairment	$ 19,529	$ 57,315	$ 15,153	$ 137,760	$ 39,144	$ 8,738	$ 7,193	$ 284,832

As of December 31, 2010

	Commercial, financial and agricultural	Real estate commercial	Real estate construction	Real estate mortgage	Home equity	Obligations of states and political subdivisions	Personal	Total
Allowance for loan losses:								
Ending balance	$ 163	$ 442	$ 336	$ 1,421	$ 389	$	$ 73	$ 2,824
Ending balance: individually evaluated for impairment	$	$	$ 235	$ 335	$	$	$	$ 570
Ending balance: collectively evaluted for impairment	$ 163	$ 442	$ 101	$ 1,086	$ 389	$	$ 73	$ 2,254
Loans, net of unearned interest:								
Ending balance	$ 19,911	$ 56,305	$ 13,256	$ 144,606	$ 46,352	$ 8,984	$ 8,688	$ 298,102
Ending balance: individually evaluted for impairment	$ 309	$ 2,395	$ 1,150	$ 3,889	$	$	$	$ 7,743
Ending balance: collectively evaluated for impairment	$ 19,602	$ 53,910	$ 12,106	$ 140,717	$ 46,352	$ 8,984	$ 8,688	$ 290,359

As a result of adopting the amendments in ASU No. 2011-02, the Corporation reassessed all restructurings that occurred on or after January 1, 2011 for identification as troubled debt restructurings. The Corporation identified no loans for which the allowance for loan losses had previously been measured under a general allowance for credit losses methodology that are now considered troubled debt restructurings in accordance with ASU No. 2011-02, and as such, there are no retroactive disclosures required.

NOTE 11 Fair Value Measurements

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. Additional guidance is provided on determining when the volume and level of activity for the asset or liability has significantly decreased. The guidance also includes guidance on identifying circumstances when a transaction may not be considered orderly.

Fair value measurement and disclosure guidance provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed, and significant adjustments to the related prices may be necessary to estimate fair value in accordance with fair value measurement and disclosure guidance.

This guidance clarifies that, when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly and the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The guidance provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not to be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

Fair value measurement and disclosure guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the counter party s creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Corporation s valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Corporation s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available for Sale. Debt securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurement from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond s terms and conditions, among other things. Equity securities classified as available for sale are reported at fair value using Level 1 inputs.

Impaired Loans. Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on customized valuation criteria.

The following table summarizes financial assets and financial liabilities measured at fair value as of September 30, 2011 and December 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands). There were no transfers of assets between fair value Level 1 and Level 2 for the quarter ended September 30, 2011.

	September 30, 2011	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Other Unobservable Inputs
Measured at fair value on a recurring basis:				
Debt securities available-for-sale:				
U.S. Treasury securities and obligations of U.S. Government agencies and corporations	$ 66,679	$	$ 66,679	$
Obligations of state and political subdivisions	41,287		41,287	
Corporate notes	1,011		1,011	
Mortgage-backed securities	2,583		2,583	
Equity securities available-for-sale	795	795		
Measured at fair value on a non-recurring basis:				
Impaired loans	1,531			1,531

	December 31,	(Level 1) Quoted Prices in Active Markets for	(Level 2) Significant Other Observable	(Level 3) Significant Other Unobservable

	2010	Identical Assets	Inputs	Inputs
Measured at fair value on a recurring basis:				
Debt securities available-for-sale:				
U.S. Treasury securities and obligations of				
U.S. Government agencies and corporations	$ 37,696	$	$ 37,696	$
Obligations of state and political subdivisions	38,893		38,893	
Corporate notes	1,028		1,028	
Mortgage-backed securities	1,345		1,345	
Equity securities available-for-sale	961	961		
Measured at fair value on a non-recurring basis:				
Impaired loans	1,567			1,567

Fair Value of Financial Instruments

ASC Topic 825, *Financial Instruments*, requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements.

The estimated fair values of the Corporation s financial instruments are as follows (in thousands):

Financial Instruments

(in thousands)

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and due from banks	$ 10,254	$ 10,254	$ 12,758	$ 12,758
Interest bearing deposits with banks	1,116	1,116	218	218
Federal funds sold	6,500	6,500	12,300	12,300
Interest bearing time deposits with banks	1,096	1,097	1,345	1,360
Securities	112,355	112,355	79,923	79,923
Restricted investment in FHLB stock	1,790	1,790	2,088	2,088
Total loans, net of unearned interest	292,353	304,483	298,102	312,621
Accrued interest receivable	1,836	1,836	1,763	1,763
Financial liabilities:				
Non-interest bearing deposits	64,006	64,006	60,696	60,696
Interest bearing deposits	331,105	337,736	316,094	323,003
Securities sold under agreements to repurchase	3,057	3,057	3,314	3,314
Other interest bearing liabilities	1,222	1,228	1,200	1,202
Accrued interest payable	537	537	499	499
Off-balance sheet financial instruments:				
Commitments to extend credit				
Letters of credit				

Management uses its best judgment in estimating the fair value of the Corporation s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, the fair value estimates herein are not necessarily indicative of the amounts the Corporation could have realized in sales transactions on the dates indicated. The estimated fair value amounts have been measured as of their respective quarter ends and have not been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each quarter end.

The information presented above should not be interpreted as an estimate of the fair value of the entire Corporation since a fair value calculation is provided only for a limited portion of the Corporation s assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Corporation s disclosures and those of other companies may not be meaningful.

The following describes the estimated fair value of the Corporation s financial instruments as well as the significant methods and assumptions used to determine these estimated fair values.

Carrying values approximate fair value for cash and due from banks, interest-bearing demand deposits with other banks, federal funds sold, restricted stock in the Federal Home Loan Bank, interest receivable, non-interest bearing demand deposits, securities sold under agreements to repurchase, and interest payable.

Interest bearing time deposits with banks The estimated fair value is determined by discounting the contractual future cash flows, using the rates currently offered for deposits of similar remaining maturities.

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Securities Available for Sale Debt securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Corporation obtains fair value measurement from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond s terms and conditions, among other things. Equity securities classified as available for sale are reported at fair value using Level 1 inputs.

Loans For variable-rate loans that reprice frequently and which entail no significant changes in credit risk, carrying values approximated fair value. Substantially all commercial loans and real estate mortgages are variable rate loans. The fair value of other loans (i.e. consumer loans and fixed-rate real estate mortgages) are estimated by calculating the present value of the cash flow difference between the current rate and the market rate, for the average maturity, discounted quarterly at the market rate.

Fixed rate time deposits The estimated fair value is determined by discounting the contractual future cash flows, using the rates currently offered for deposits of similar remaining maturities.

Other interest bearing liabilities The fair values of other interest bearing liabilities are estimated using discounted cash flow analysis, based on incremental borrowing rates for similar types of borrowing arrangements.

Commitments to extend credit and letters of credit The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements:

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words believes, anticipates, contemplates, expects, and sim expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results, performance or achievements expressed or implied by such forward-looking statements to differ materially from those projected. Those risks and uncertainties include changes in interest rates and their impact on the level of deposits, loan demand and value of loan collateral, changes in the market value of the securities portfolio, increased competition from other financial institutions, governmental monetary policy, legislation and changes in banking regulations, changes in levels of FDIC deposit insurance premiums and assessments, risks associated with the effect of opening a new branch, the ability to control costs and expenses, and general economic conditions. The Corporation undertakes no obligation to update such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Critical Accounting Policies:

Disclosure of the Corporation s significant accounting policies is included in the notes to the consolidated financial statements of the Corporation s Annual Report on Form 10-K for the year ended December 31, 2010. Some of these policies require significant judgments, estimates, and assumptions to be made by management, most particularly in connection with determining the provision for loan losses and the appropriate level of the allowance for loan losses, as well as management s evaluation of the investment portfolio for other-than-temporary impairment. There have been no changes in critical accounting policies since December 31, 2010.

General:

The following discussion relates to the consolidated financial condition of the Corporation as of September 30, 2011, as compared to December 31, 2010, and the consolidated results of operations for the three and nine months ended September 30, 2011, compared to the same periods in 2010. This discussion should be read in conjunction with the interim consolidated financial statements and related notes included herein.

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Overview:

Juniata Valley Financial Corp. is a Pennsylvania corporation organized in 1983 to become the holding company of The Juniata Valley Bank. The Bank is a state-chartered bank headquartered in Mifflintown, Pennsylvania. Juniata Valley Financial Corp. and its subsidiary bank derive substantially all of their income from banking and bank-related services, including interest earned on residential real estate, commercial mortgage, commercial and consumer loans, interest earned on investment securities and fee income from deposit services and other financial services to its customers through 12 locations in central Pennsylvania. Juniata Valley Financial Corp. also owns 39.16% of the First National Bank of Liverpool (Liverpool), located in Liverpool, Pennsylvania. The Corporation accounts for Liverpool as an unconsolidated subsidiary using the equity method of accounting.

Financial Condition:

As of September 30, 2011, total assets increased by $19.1 million, or 4.4%, as compared to December 31, 2010. Deposits increased by $18.3 million, with interest-bearing deposits increasing by $15.0 million, and non-interest bearing deposits increasing by $3.3 million.

The table below shows changes in deposit volumes by type of deposit (in thousands of dollars) between December 31, 2010 and September 30, 2011.

	September 30, 2011	December 31, 2010	Change $	Change %
Deposits:				
Demand, non-interest bearing	$ 64,006	$ 60,696	$ 3,310	5.5%
NOW and money market	97,301	81,378	15,923	19.6%
Savings	50,660	47,112	3,548	7.5%
Time deposits, $100,000 and more	35,402	34,099	1,303	3.8%
Other time deposits	147,742	153,505	(5,763)	(3.8%)
Total deposits	$ 395,111	$ 376,790	$ 18,321	4.9%

Overall, total loans, net of unearned interest decreased by $5.7 million, between December 31, 2010 and September 30, 2011, as shown in the table below (in thousands of dollars). While total outstanding commercial loans became more heavily weighted in real estate collateralized loans, in total, commercial loans (including construction loans) grew by $7.0 million. This growth was offset by reductions of $12.5 million in consumer real estate and other personal loans and a reduction in loans to states and political subdivisions of $0.2 million.

	September 30, 2011	December 31, 2010	Change $	Change %
Loans:				
Commercial, financial and agricultural	$ 19,785	$ 19,911	$ (126)	(0.6%)
Real estate commercial	59,654	56,305	3,349	5.9%
Real estate construction	17,023	13,256	3,767	28.4%
Real estate mortgage	140,816	144,606	(3,790)	(2.6%)
Home equity	39,144	46,352	(7,208)	(15.6%)
Obligations of states and political subdivisions	8,738	8,984	(246)	(2.7%)
Personal	7,193	8,688	(1,495)	(17.2%)
Total loans	$ 292,353	$ 298,102	$ (5,749)	(1.9%)

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A summary of the activity in the allowance for loan losses for each of the nine-month periods ended September 30, 2011 and 2010 (in thousands) are presented below.

	Periods Ended September 30, 2011	2010
Balance of allowance January 1	$ 2,824	$ 2,719
Loans charged off	(202)	(556)
Recoveries of loans previously charged off	21	11
Net charge-offs	(181)	(545)
Provision for loan losses	264	637
Balance of allowance end of period	$ 2,907	$ 2,811
Ratio of net charge-offs during period to average loans outstanding	0.06%	0.18%

As of September 30, 2011, the Corporation evaluated its large commercial loan relationships and other significant loans for impairment. Of the nine loan relationships considered to be impaired, there are two loan relationships with respect to which management determined that it is probable that principal and interest will not be collected in full. One loan relationship has an aggregate outstanding balance of $1,949,000. The amount of impairment estimated for these collateral-dependent loans included in the loan relationship is $570,000, and a specific allocation has been included within the loan loss reserve for these loans, adjusting the carrying value of these loans to the fair value of $1,379,000. The second loan relationship has an aggregate outstanding balance of $250,000, with the amount of the impairment measured at $98,000. Management believes that the specific reserves carried are adequate to cover potential future losses related to these relationships. Other loans evaluated for impairment have an aggregate outstanding balance of $5,322,000, but it has been determined that there is sufficient collateral to expect full repayment, and no impairment charge has been recorded. Otherwise, there are no material loans classified for regulatory purposes as loss, doubtful, substandard, or special mention which management expects to significantly impact future operating results, liquidity or capital resources. Following is a summary of the Bank s non-performing loans on September 30, 2011 as compared to December 31, 2010.

(Dollar amounts in thousands)

	September 30, 2011	December 31, 2010
Non-performing loans		
Nonaccrual loans	$ 6,594	$ 5,964
Accruing loans past due 90 days or more	1,301	1,007
Restructured loans		
Total	$ 7,895	$ 6,971
Average loans outstanding	$ 293,855	$ 307,228

Ratio of non-performing loans to average loans outstanding	2.69%	2.27%

Stockholders equity increased by $923,000, or 1.9%, from December 31, 2010 to September 30, 2011. Net income of $3,544,000 increased stockholders equity, while dividends paid of $2,716,000 and cash used to purchase Corporation stock into treasury of $417,000 reduced the Corporation s capital position. The Corporation repurchased stock into treasury pursuant to its stock repurchase program. During the first nine months of 2011, the Corporation purchased 24,500 shares and re-issued 2,903 shares pursuant to the Employee Stock Purchase Plan and the Stock Option Plan. Securities available for sale increased in market value, representing an increase to equity of $369,000, net of taxes, while accounting for stock-based compensation activity increased equity by $19,000. An adjustment of $78,000 was made to equity to record the amortization of net periodic pension costs of the Corporation s defined benefit retirement plan.

Management is not aware of any current recommendations of applicable regulatory authorities that, if implemented, would have a material effect on the Corporation s liquidity, capital resources or operations.

Subsequent to September 30, 2011, the following events took place:

On October 18, 2011, the Board of Directors declared a regular cash dividend for the third quarter of 2011 of $0.22 per share to shareholders of record on November 15, 2011, payable on December 1, 2011.

Comparison of the Three Months Ended September 30, 2011 and 2010

Operations Overview:

Net income for the third quarter of 2011 was $1,214,000, a decrease of $71,000, or 5.5%, compared to the third quarter of 2010. Basic and diluted earnings per share, at $0.29 in the third quarter of 2011, were 3.3% lower than in the same quarter in 2010. Annualized return on average equity for the third quarter in 2011 was 9.57%, compared to the ratio for the same period in the prior year of 10.15%, a decrease of 58 basis points. For the quarter ended September 30, annualized return on average assets was 1.07% in 2011, versus 1.16% in 2010.

Presented below are selected key ratios for the two periods:

	Three Months Ended September 30,	
	2011	2010
Return on average assets (annualized)	1.07%	1.16%
Return on average equity (annualized)	9.57%	10.15%
Average equity to average assets	11.20%	11.48%
Non-interest income, excluding securities gains and impairment charges, as a percentage of average assets (annualized)	0.90%	0.88%
Non-interest expense as a percentage of average assets (annualized)	2.76%	2.86%

The discussion that follows explains changes in the components of net income when comparing the third quarter of 2011 with the third quarter of 2010.

Net Interest Income:

Net interest income was $3,791,000 for the third quarter of 2011, as compared to $4,019,000 in the same quarter in 2010. Average earning assets grew by 2.9%, while the net interest margin on a fully tax equivalent basis decreased by 33 basis points.

Interest on loans decreased $423,000, or 8.8%, in the third quarter of 2011 as compared to the same period in 2010. An average weighted yield decrease of 27 basis points lowered interest income by approximately $159,000, with the remaining decrease attributable to a lower volume of loans.

Interest earned on investment securities and money market investments increased $44,000 in the third quarter of 2011 as compared to the third quarter of 2010, with average balances increasing $25.8 million during the period. The yield on money market investments (federal funds and interest bearing deposits) decreased by 5 basis points in the third quarter of 2011 as compared to the third quarter of 2010, due to the reduction in rates earned on interest bearing balances with other financial institutions. Likewise, the overall pre-tax yield on the investment securities portfolio decreased during that same timeframe by 48 basis points.

Average interest-bearing deposits increased by $8.4 million, while average non-interest bearing deposits grew by $3.9 million. This increase in deposits, in addition to the low general rate environment, contributed to the reduction in the cost to fund earning assets, which was reduced by 18 basis points, to 1.12%, in the third quarter of 2011.

Total average earning assets during the third quarter of 2011 were $415.0 million, compared to $403.4 million during the third quarter of 2010, yielding 4.77% in 2011 versus 5.28% in 2010. Funding costs for the earning assets were 1.12% and 1.30% for the third quarters of 2011 and 2010, respectively. Net interest margin on a fully tax-equivalent basis for the third quarter of 2011 was 3.83%. For the same period in 2010, the fully-tax equivalent net interest margin was 4.16%.

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Provision for Loan Losses:
In the third quarter of 2011, the provision for loan losses was $60,000, as compared to a provision of $70,000 in the third quarter of 2010. Management regularly reviews the adequacy of the loan loss reserve and makes assessments as to specific loan impairment, historical charge-off expectations, general economic conditions in the Bank s market area, specific loan quality and other factors. The decreased provision was primarily the result of analysis of the values of collateral securing non-performing and impaired loans as well as the reduction in overall outstanding loan balances.
Non-interest Income:
Non-interest income in the third quarter of 2011 was $1,019,000, compared to $936,000 in the third quarter of 2010. Trust fee income was $19,000, or 21.1%, greater in the third quarter of 2011 as compared to the third quarter of 2010, while commissions from sales of non-deposit products in the third quarter of 2011 were $27,000, or 33.8% lower than in the same quarter of the previous year.
Customer service fees increased by $19,000, or 5.7%, in the third quarter of 2011 compared to the same period in 2010 primarily due to increased customer activity.
There were no net gains resulting from calls of investment securities in the third quarter of 2011, as compared to a $4,000 gain during the same period one year earlier. An increase in fees derived from electronic payment activity through the use of debit cards was primarily responsible for the $56,000 increase in other noninterest income in the third quarter of 2011 compared to the third quarter of 2010. In the third quarter of 2010, a securities impairment charge of $40,000 was recorded to write down the carrying value of one equity investment. No securities impairment was recorded in the third quarter of 2011.
As a percentage of average assets, annualized non-interest income, exclusive of net gains on the sale of securities and impairment charges, was 0.90% in the third quarter of 2011 as compared to 0.88% in the third quarter of 2010.
Non-interest Expense:
Total non-interest expense was $3,123,000 in the third quarter of 2011, a decrease of $35,000, or 1.1%, as compared to the third quarter of 2010.
Employee compensation expense and employee benefits combined for a total of $1,652,000 in the third quarter of 2011, representing an increase in expense of $57,000 when compared to the third quarter of 2010. Staffing increases, coupled with increased costs for medical insurance, were responsible for the variance. Occupancy and equipment expense decreased by a combined total of $17,000, or 4.3%, in the third quarter of 2011 as compared to the third quarter of 2010, due to utility costs, fixed asset additions and facilities maintenance. Data processing expenses in the third quarter of 2011 were less than in the third quarter of 2010 by $30,000, resulting from cost benefits realized from the major data processing conversion that took place in the second quarter of 2010. Professional fees were 13.3%, or $17,000, less in the third quarter of 2011 as compared to the third quarter of 2010, due to fees incurred in the 2010 period for consulting services that occur infrequently. FDIC insurance premiums decreased by $65,000 as a result of the re-formulation of assessments by the FDIC, beginning in the second quarter of 2011, effectively reducing costs for well-capitalized banks. The increase in other noninterest expense of $51,000 was primarily due to increased costs associated with assets in foreclosure.
As a percentage of average assets, annualized non-interest expense was 2.76% in the third quarter of 2011 as compared to 2.86% in the comparative quarter in 2010.

Provision for income taxes:

Income tax expense in the third quarter of 2011 was $29,000, or 6.6%, lower than in the same time period in 2010. The effective tax rate in the third quarter of 2011 was 25.4% versus 25.6% in 2010.

Comparison of the Nine Months Ended September 30, 2011 and 2010

Operations Overview:

Net income for the first nine months of 2011 was $3,544,000, a decrease of $67,000, or 1.9%, compared to the first nine months of 2010. Basic earnings per share for the first nine months of 2011, at $0.84, was unchanged from the same period in 2010, while fully diluted earnings per share, at $0.83, was $0.01 less in the 2011 period. Annualized return on average equity for the first nine months in 2011 was 9.40%, compared to the ratio for the same period in the prior year of 9.50%, a decrease of 1.1%. For the nine months ended September 30, annualized return on average assets was 1.06% in 2011, versus 1.10% in 2010.

Presented below are selected key ratios for the two periods:

	Nine Months Ended September 30,	
	2011	2010
Return on average assets (annualized)	1.06%	1.10%
Return on average equity (annualized)	9.40%	9.50%
Average equity to average assets	11.25%	11.53%
Non-interest income, excluding securities gains and impairment charges, as a percentage of average assets (annualized)	0.91%	0.91%
Non-interest expense as a percentage of average assets (annualized)	2.87%	2.91%

The discussion that follows explains changes in the components of net income when comparing the first nine months of 2011 with the first nine months of 2010.

Net Interest Income:

Net interest income was $11,538,000 for the first nine months of 2011, as compared to $12,064,000 in the same period in 2010. Average earning assets grew by 1.9%, while the net interest margin on a fully tax equivalent basis decreased by 26 basis points.

Interest on loans decreased $1,279,000, or 8.7%, in the first nine months of 2011 as compared to the same period in 2010. An average weighted yield decrease of 52 basis points lowered interest income by approximately $304,000, with the remaining decrease attributable to a lower volume of loans.

Interest earned on investment securities and money market investments increased $38,000 in the first nine months of 2011 as compared to 2010, with average balances increasing $22.9 million during the period. The yield on money market investments (federal funds and interest bearing deposits) decreased by 11 basis points in the first nine months of 2011 as compared to the first nine months of 2010, due to the reduction in rates earned on interest bearing balances with other financial institutions. Likewise, the overall pre-tax yield on the investment securities portfolio decreased during that same timeframe by 52 basis points.

Average interest-bearing deposits increased by $5.7 million, while average non-interest bearing deposits grew by $5.3 million. Increases in deposits, in addition to the lower general rate environment, contributed to the reduction in the cost to fund earning assets, which was reduced by 26 basis points, to 1.17%, in the first nine months of 2011.

Total average earning assets during the first nine months of 2011 were $407.3 million, compared to $399.9 million during the first nine months of 2010, yielding 4.94% in 2011 versus 5.45% in 2010. Funding costs for the earning assets were 1.17% and 1.43% for the first nine months of 2011 and 2010, respectively. Net interest margin on a fully tax-equivalent basis for the first nine months of 2011 was 3.96%. For the same period in 2010, the fully-tax equivalent net interest margin was 4.22%.

Provision for Loan Losses:

In the first nine months of 2011, the provision for loan losses was $264,000, as compared to a provision of $637,000 in the first nine months of 2010. Management regularly reviews the adequacy of the loan loss reserve and makes assessments as to specific loan impairment, historical charge-off expectations, general economic conditions in the Bank s market area, specific loan quality and other factors. The decreased provision was primarily the result of analysis of the values of collateral securing non-performing and impaired loans as well as the reduction in overall outstanding loan balances.

Non-interest Income:

Non-interest income in the first nine months of 2011 was $3,044,000, $61,000 higher than the $2,983,000 recorded in the first nine months of 2010.

Trust fee income was $16,000, or 5.3%, higher in the first nine months of 2011 as compared to the first nine months of 2010 due primarily to the increase in estate fees. Commissions from sales of non-deposit products in the first nine months of 2011 were $80,000, or 26.6%, less than in the same period of the previous year.

Customer service fees declined by $89,000, or 8.1%, in the first nine months of 2011 compared to the same period in 2010 as a direct result of regulations enacted in July of 2010 that restrict banks from charging certain fees for services provided to customers that overdraw deposit accounts.

Net gains resulting from securities calls were $6,000 in the first nine months of 2011 versus $31,000 in the first nine months of 2010. Sales of properties carried as other real estate generated net gains of $28,000 in the first nine months of 2011, as compared to a net gain of $36,000 during the same period one year earlier. An increase in fees derived from electronic payment activity through the use of debit cards was primarily responsible for the increase in other noninterest income in the first nine months of 2011 compared to the first nine months of 2010. Income recorded from the equity investment in an unconsolidated subsidiary was $18,000 higher in the current year nine month period than in the previous year to date. In the third quarter of 2010, a securities impairment charge of $40,000 was recorded to write down the carrying value of one equity investment. No securities impairment was recorded in the first nine months of 2011.

As a percentage of average assets, annualized non-interest income, exclusive of net gains on the sale of securities and impairment charges, was 0.91% in the first nine months of both 2011 and 2010.

Non-interest Expense:

Total non-interest expense decreased a total of $2,000 in the first nine months of 2011 as compared to 2010.

Employee compensation expense and employee benefits combined for a total of $5,068,000 in the first nine months of 2011, representing an increase of $60,000, or 1.2%, over the first nine months of 2010. Occupancy and equipment expense increased by a combined total of $75,000, or 6.8%, in the first nine months of 2011 as compared to the first nine months of 2010, due to higher utility costs, fixed asset additions and facilities maintenance. Data processing expenses in the first nine months of 2011 were less than in the first nine months of 2010 by $82,000, resulting from cost benefits realized from the major data processing conversion that took place in the second quarter of 2010. Director compensation was $40,000, or 15.3%, less in the first nine months of 2011 as compared to the first nine months of 2010, due to a reduction in the number of Corporation directors through retirement. FDIC insurance premiums decreased by $144,000 as a result of the re-formulation of assessments by the FDIC, beginning in the second quarter of 2011, effectively reducing costs for well-capitalized banks. The increase in other noninterest expense of $150,000 was partially due to a loss from a single incident of fraud. Steps have been taken to safeguard against such fraud going forward. Other noninterest expense was further increased by higher costs associated with assets in foreclosure proceedings.

As a percentage of average assets, annualized non-interest expense was 2.87% in the first nine months of 2011 as compared to 2.91% in the same period of 2010, a decrease of 4 basis points.

Provision for income taxes:

Income tax expense in the first nine months of 2011 was $23,000, or 1.9%, lower than in the same time period in 2010. The effective tax rate in the first nine months of 2011 and 2010 was 24.9%.

Liquidity:

The objective of liquidity management is to ensure that sufficient funding is available, at a reasonable cost, to meet the ongoing operational cash needs of the Corporation and to take advantage of income producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of the Corporation to maintain a high level of liquidity in all economic environments. Principal sources of asset liquidity are provided by securities maturing in one year or less, other short-term investments such as federal funds sold and cash and due from banks. Liability liquidity, which is more difficult to measure, can be met by attracting deposits and maintaining the core deposit base. The Corporation is a member of the Federal Home Loan Bank of Pittsburgh for the purpose of providing short-term liquidity when other sources are unable to fill these needs. During the first nine months of 2011, there were no borrowings from the Federal Home Loan Bank. As of September 30, 2011, the Corporation had no long-term debt and had unused borrowing capacity with the Federal Home Loan Bank of $121 million.

Funding derived from securities sold under agreements to repurchase (accounted for as collateralized financing transactions) is available through corporate cash management accounts for business customers. This product gives the Corporation the ability to pay interest on corporate checking accounts.

In view of the sources previously mentioned, management believes that the Corporation s liquidity is capable of providing the funds needed to meet loan demand.

Off-Balance Sheet Arrangements:

The Corporation s consolidated financial statements do not reflect various off-balance sheet arrangements that are made in the normal course of business, which may involve some liquidity risk, credit risk, and interest rate risk. These commitments consist mainly of loans approved but not yet funded, unused lines of credit and outstanding letters of credit. These commitments were made using the same credit standards as 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 commitment terms. Letters of credit are conditional commitments issued to guarantee the financial performance obligation of a customer to a third party. Unused commitments and letters of credit at September 30, 2011 were $41,793,000 and $551,000, respectively. Because these instruments have fixed maturity dates, and because many of them will expire without being drawn upon, they do not generally present any significant liquidity risk to the Corporation. Management believes that any amounts actually drawn upon can be funded in the normal course of operations. The Corporation has no investment in or financial relationship with any unconsolidated entities that are reasonably likely to have a material effect on liquidity or the availability of capital resources.

Interest Rate Sensitivity:

Interest rate sensitivity management is the responsibility of the Asset/Liability Management Committee. This process involves the development and implementation of strategies to maximize net interest margin, while minimizing the earnings risk associated with changing interest rates. Traditional gap analysis identifies the maturity and re-pricing terms of all assets and liabilities. A simulation analysis is used to assess earnings and capital at risk from movements in interest rates. See Item 3 for a description of the complete simulation process and results.

Capital Adequacy:

Bank regulatory authorities in the United States issue risk-based capital standards. These capital standards relate a banking company s capital to the risk profile of its assets and provide the basis by which all banking companies and banks are evaluated in terms of capital adequacy. The risk-based capital standards require all banks to have Tier 1 capital of at least 4% and total capital, including Tier 1 capital, of at least 8% of risk-adjusted assets. Tier 1 capital includes common stockholders equity and qualifying perpetual preferred stock together with related surpluses and retained earnings. Total capital is comprised of Tier 1 capital, limited life preferred stock, qualifying debt instruments, and the reserves for possible loan losses. Banking regulators have also issued leverage ratio requirements. The leverage ratio requirement is measured as the ratio of Tier 1 capital to adjusted average assets. At September 30, 2011, the Bank exceeded the regulatory requirements to be considered a well capitalized financial institution, i.e., a leverage ratio exceeding 5%, Tier 1 capital exceeding 6% and total capital exceeding 10%.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to economic loss that arises from changes in the values of certain financial instruments. The types of market risk exposures generally faced by financial institutions include equity market price risk, interest rate risk, foreign currency risk and commodity price risk. Due to the nature of its operations, only equity market price risk and interest rate risk are significant to the Corporation.

Equity market price risk is the risk that changes in the values of equity investments could have a material impact on the financial position or results of operations of the Corporation. The Corporation s equity investments consist of common stocks of publicly traded financial institutions.

Recent declines and volatility in the values of financial institution stocks have significantly reduced the likelihood of realizing significant gains in the near-term. Although the Corporation has realized occasional gains from this portfolio in the past, the primary objective of the portfolio is to achieve value appreciation in the long term while earning consistent attractive after-tax yields from dividends. The carrying value of the financial institutions stocks accounted for 0.2% of the Corporation s total assets as of September 30, 2011. Management performs an impairment analysis on the entire investment portfolio, including the financial institutions stocks, on a quarterly basis. For the nine months ended September 30, 2011, no other-than-temporary impairment was identified. There is no assurance that further declines in market values of the common stock portfolio in the future will not result in other-than-temporary impairment charges, depending upon facts and circumstances present.

The equity investments in the Corporation s portfolio had an adjusted cost basis of approximately $985,000 and a fair value of $795,000 at September 30, 2011. Net unrealized losses in this portfolio were approximately $190,000 at September 30, 2011.

In addition to its equity portfolio, the Corporation s investment management and trust services revenue could be impacted by fluctuations in the securities markets. A portion of the Corporation s trust revenue is based on the value of the underlying investment portfolios. If securities values decline, the Corporation s trust revenue could be negatively impacted.

Interest rate risk creates exposure in two primary areas. First, changes in rates have an impact on the Corporation s liquidity position and could affect its ability to meet obligations and continue to grow. Second, movements in interest rates can create fluctuations in the Corporation s net interest income and changes in the economic value of equity.

The primary objective of the Corporation s asset-liability management process is to maximize current and future net interest income within acceptable levels of interest rate risk while satisfying liquidity and capital requirements. Management recognizes that a certain amount of interest rate risk is inherent, appropriate and necessary to ensure profitability. A simulation analysis is used to assess earnings and capital at risk from movements in interest rates. The model considers three major factors of (1) volume differences, (2) repricing differences, and (3) timing in its income simulation. As of the most recent model run, data was disseminated into appropriate repricing buckets, based upon the static position at that time. The interest-earning assets and interest-bearing liabilities were assigned a multiplier to simulate how much that particular balance sheet item would re-price when interest rates change. Finally, the estimated timing effect of rate changes is applied, and the net interest income effect is determined on a static basis (as if no other factors were present). As the table below indicates, based upon rate shock simulations on a static basis, the Corporation s balance sheet is relatively rate-neutral as rates decline. Each 100 basis point increase results in approximately $402,000 decline in net interest income in the static environment. This negative effect of rising rates is offset to a large degree by the positive effect of imbedded options that include loans floating above their floors and likely internal deposit pricing strategies. After applying the effects of options, over a one-year period, the net effect of an immediate 100, 200, 300 and 400 basis point rate increase would change net interest income by $(46,000), $(78,000), $(1,052,000) and $(1,176,000), respectively. Rate shock modeling was done for a declining rate of 25 basis points only, as the federal funds target rate currently is between zero and 0.25%. As the table below indicates, the net effect of interest rate risk on net interest income is essentially neutral in a rising rate environment through a 200 basis point increase. Juniata s rate risk policies provide for maximum limits on net interest income that can be at risk for 100 through 400 basis point changes in interest rates.

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Effect of Interest Rate Risk on Net Interest Income
(Dollars in thousands)

Change in Interest Rates (Basis Points)	Change in Net Interest Income Due to Interest Rate Risk (Static)	Change in Net Interest Income Due to Imbedded Options	Total Change in Net Interest Income
400	$ (1,605)	$ 429	$ (1,176)
300	(1,204)	152	(1,052)
200	(803)	725	(78)
100	(402)	356	(46)
0			
-25	100	(53)	47

The net interest income at risk position remained within the guidelines established by the Corporation s asset/liability policy.

No material change has been noted in the Bank s equity value at risk. Please refer to the Annual Report on Form 10-K as of December 31, 2010 for further discussion of this topic.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of September 30, 2011, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation s management, including the Corporation s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 (Exchange Act), Rule 13a-15(e). Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Corporation reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. These controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based upon that evaluation, the Corporation s Chief Executive Officer and Chief Financial Officer concluded that the Corporation s disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions, regardless of how remote.

Attached as Exhibits 31 and 32 to this quarterly report are certifications of the Chief Executive Officer and the Chief Financial Officer required in accordance with Rule 13a-14(a) of the Exchange Act. This portion of the Corporation s quarterly report includes the information concerning the controls evaluation referred to in the certifications and should be read in conjunction with the certifications for a more complete understanding of the topics presented.

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Changes in Internal Control Over Financial Reporting

There were no significant changes in the Corporation s internal control over financial reporting during the fiscal quarter ended September 30, 2011, that has materially affected, or is reasonably likely to materially affect, the internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the opinion of management of the Corporation, there are no legal proceedings pending to which the Corporation or its subsidiary is a party or to which its property is subject, which, if determined adversely to the Corporation or its subsidiary, would be material in relation to the Corporation s or its subsidiary s financial condition. There are no proceedings pending other than ordinary routine litigation incident to the business of the Corporation or its subsidiary. In addition, no material proceedings are pending or are known to be threatened or contemplated against the Corporation or its subsidiary by government authorities.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors that were disclosed in the Corporation s Annual Report on Form 10-K for the year ended December 31, 2010.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information on repurchases by the Corporation of its common stock in each month of the quarter ended September 30, 2011:

Period	**Total Number of Shares Purchased**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)**
July 1-31, 2011		$		97,536
August 1-31, 2011				97,536
September 1-30, 2011				97,536
Totals				97,536

(1) On March 23, 2001, the Corporation announced plans to buy back 100,000 (200,000 on a post-split basis) shares of its common stock. There is no expiration date to this buyback plan, but subsequent to the initial plan, the Board of Directors authorized the repurchase of 400,000 additional shares in 2005 and then authorized 200,000 additional shares in September of 2008. As of November 8, 2011, the number of shares that may yet be purchased under the program was 97,536. No repurchase plan or program expired during the period covered by the table. The Corporation has no stock repurchase plan or program that it has determined to terminate prior to expiration or under which it does not intend to make further purchases.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

Item 4. (Removed and Reserved)

Item 5. OTHER INFORMATION

None

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Item 6. EXHIBITS

3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 4.1 to the Corporation s Form S-3 Registration Statement No. 333-129023 filed with the SEC on October 14, 2005)
3.2	Bylaws (incorporated by reference to Exhibit 3.2 to the Corporation s report on Form 8-K filed with the SEC on December 21, 2007)
10.1	2004 Executive Annual Incentive Plan (incorporated by reference to Exhibit 10.15 to the Corporation s report on Form 10-K filed with the SEC on March 16, 2005)
10.2	Exhibits A-B to 2004 Executive Annual Incentive Plan (incorporated by reference to Exhibit 10.1 to the Corporation s report on Form 8-K filed with the SEC on March 9, 2011)
31.1	Rule 13a 14(a)/15d 14(a) Certification of President and Chief Executive Officer
31.2	Rule 13a 14(a)/15d 14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of President and Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.LAB**	XBRL Taxonomy Extension Label Linkbase
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF**	XBRL Taxonomy Extension Definition Linkbase

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Juniata Valley Financial Corp.
(Registrant)

Date 11-09-2011 By /s/ Marcie A. Barber

Marcie A. Barber, President and
Chief Executive Officer
(Principal Executive Officer)

Date 11-09-2011 By /s/ JoAnn N. McMinn

JoAnn N. McMinn, Chief Financial

Officer (Principal Accounting
Officer and Principal Financial Officer)