QUAINT OAK BANCORP INC
Form 10-K
March 30, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

[X] Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 2011

or

[ ] 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: 000-52694

# QUAINT OAK BANCORP, INC.

(Exact name of Registrant as specified in its charter)

| | |
|---|---|
| Pennsylvania | 35-2293957 |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification Number) |
| 501 Knowles Avenue, Southampton, Pennsylvania | 18966 |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's telephone number, including area code: (215) 364-4059

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value per share
Title of Class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES [ ] NO [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES [ ] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | [ ] | Accelerated filer | [ ] |
| Non-accelerated filer | [ ] | Smaller reporting company | [X] |
| (Do not check if a smaller reporting company) | | | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES [ ] NO [X]

The aggregate market value of the Common Stock held by non-affiliates of the Registrant based on a closing price of $9.60 on June 30, 2011, the last day of the Registrant's second quarter was $6,934,858 (992,126 shares outstanding less 269,745 shares held by affiliates at $9.60 per share). Shares of Common Stock held by each executive officer and director and certain employee stock ownership plans have been excluded from the calculation since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock outstanding as of March 27, 2012: 987,126

DOCUMENTS INCORPORATED BY REFERENCE

Set forth below are the documents incorporated by reference and the part of the Form 10-K into which the document is incorporated:

(1) Portions of the Annual Report to Stockholders for the year ended December 31, 2011 are incorporated by reference into Part II, Items 6-8 and Part IV, Item 15 of this Form 10-K.

(2) Portions of the definitive Proxy Statement for the 2011 Annual Meeting of Stockholders are incorporated by reference into Part III, Items 10-14 of this Form 10-K.

QUAINT OAK BANCORP, INC.

2011 ANNUAL REPORT ON FORM 10-K

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Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward looking statements (as defined in the Securities Exchange Act of 1934 and the regulations thereunder). Forward looking statements are not historical facts but instead represent only the beliefs, expectations or opinions of Quaint Oak Bancorp and its management regarding future events, many of which, by their nature, are inherently uncertain. Forward looking statements may be identified by the use of such words as: "believe", "expect", "anticipate", "intend", "plan", "estimate", or words of similar meaning, or future or conditional terms such as "will", "would", "should", "could", "may", "likely", "probably", or "possibly." Forward looking statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks, uncertainties and assumption, many of which are difficult to predict and generally are beyond the control of Quaint Oak Bancorp and its management, that could cause actual results to differ materially from those expressed in, or implied or projected by, forward looking statements. The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward looking statements: (1) economic and competitive conditions which could affect the volume of loan originations, deposit flows and real estate values; (2) the levels of non-interest income and expense and the amount of loan losses; (3) competitive pressure among depository institutions increasing significantly; (4) changes in the interest rate environment causing reduced interest margins; (5) general economic conditions, either nationally or in the markets in which Quaint Oak Bancorp is or will be doing business, being less favorable than expected;(6) political and social unrest, including acts of war or terrorism; or (7) legislation or changes in regulatory requirements adversely affecting the business in which Quaint Oak Bancorp is or will be engaged. Quaint Oak Bancorp undertakes no obligation to update these forward looking statements to reflect events or circumstances that occur after the date on which such statements were made.

As used in this report the terms "we," "us," and “our” refer to Quaint Oak Bancorp, a Pennsylvania corporation, or Quaint Oak Bank, a Pennsylvania chartered savings bank and wholly owned subsidiary of Quaint Oak Bancorp, as the context requires. In addition, unless the context otherwise requires, references to the operations of Quaint Oak Bancorp include the operations of Quaint Oak Bank and its subsidiary companies.

## PART I

### Item 1. Business.

General

Quaint Oak Bancorp, a Pennsylvania corporation headquartered in Southampton, Pennsylvania, is the holding company for Quaint Oak Bank. Quaint Oak Bank, originally incorporated in 1926, converted from a Pennsylvania chartered building and loan association to a Pennsylvania chartered mutual savings bank named Quaint Oak Savings Bank in January 2000 and converted to a stock savings bank in July 2007. Quaint Oak Bank operates from its main office located in Bucks County, Pennsylvania and a branch office located in the Lehigh Valley area of Pennsylvania. Quaint Oak Bank through its subsidiary companies also conducts mortgage banking, real estate sales and title abstract businesses. As of December 31, 2011, Quaint Oak Bank’s primary market area includes Bucks County, Pennsylvania and, to a lesser extent, Montgomery, Philadelphia and Lehigh Counties of Pennsylvania. As of December 31, 2011, Quaint Oak Bancorp had $109.2 million of total assets, $88.5 million of deposits and $15.7 million of stockholders' equity. Quaint Oak Bancorp’s stockholders' equity constituted 14.4% of total assets as of December 31, 2011.

Quaint Oak Bank's primary business consists of attracting deposits from the general public through a variety of deposit programs and investing such deposits principally in residential, commercial real estate, multi-family and construction loans secured by property in our market area. Quaint Oak Bank also originates home equity loans and commercial lines of credit secured by residential properties in our lending area. To a lesser extent, Quaint Oak Bank offers mortgage banking, real estate sales and title abstract services through its subsidiary companies. Quaint Oak Bank serves its customers through its offices as well as through correspondence, telephone and on-line banking.

Deposits with Quaint Oak Bank are insured to the maximum extent provided by law through the Deposit Insurance Fund administered by the Federal Deposit Insurance Corporation ("FDIC"). Quaint Oak Bank is subject to examination and comprehensive regulation by the FDIC and the Pennsylvania Department of Banking. Quaint Oak Bancorp, which elected to be treated as a savings and loan holding company, is subject to examination and regulation by the Board of Governors of the Federal Reserve System (“Federal Reserve Board”). Quaint Oak Bank is also a member of the Federal Home Loan Bank of Pittsburgh ("FHLB of Pittsburgh" or "FHLB"), which is one of the 12 regional banks comprising the Federal Home Loan Bank System ("FHLB System"). Quaint Oak Bank is also subject to regulations of the Federal Reserve Board governing reserves required to be maintained against deposits and certain other matters.

Quaint Oak Bancorp’s principal executive offices are located at 501 Knowles Avenue, Southampton, Pennsylvania 18966 and its telephone number is (215) 364-4059.

Quaint Oak Bank's Lending Activities

General. At December 31, 2011, the net loan portfolio of Quaint Oak Bank amounted to $75.3 million, representing approximately 69.0% of its total assets at that date. The principal lending activity of Quaint Oak Bank is the origination of one-to-four family residential loans and commercial real estate loans, and to a lesser extent, multi-family residential loans, home equity loans, construction loans and commercial lines of credit. At December 31, 2011, one-to-four family residential loans amounted to $41.8 million, or 54.8% of its total loan portfolio of which $12.2 million or 15.9% consisted of owner occupied properties and $29.6 million or 38.9% consisted of non-owner occupied properties. At December 31, 2011, commercial real estate loans totaled $18.2 million, or 23.9% of its total loan portfolio. Construction loans totaled $5.3 million, or 6.9% of the total loan portfolio at December 31, 2011. Multi-family residential loans totaled $3.7 million, or 4.9% of the total loan portfolio at December 31, 2011. Home equity loans totaled $5.5 million, or 7.2% of the total loan portfolio at December 31, 2011. As part of our desire to diversify the loan portfolio, Quaint Oak Bank also offers commercial lines of credit, which amounted to $1.7 million, or 2.2% of the total loan portfolio at December 31, 2011.

The types of loans that Quaint Oak Bank may originate are subject to federal and state laws and regulations. Interest rates charged on loans are affected principally by the demand for such loans, the supply of money available for lending purposes and the rates offered by our competitors. These factors are, in turn, affected by general and economic conditions, the monetary policy of the federal government, including the Federal Reserve Board, legislative and tax policies, and governmental budgetary matters.

As a Pennsylvania-chartered savings bank, Quaint Oak Bank is not subject to a regulatory loan to one borrower limit. Our lending policy limits our loans to one borrower to an aggregate of 15% of the Bank’s capital which amounts to $2.1 million at December 31, 2011. At December 31, 2011, Quaint Oak Bank's five largest loans or groups of loans-to-one borrower, including related entities, were two totaling $1.2 million each, two totaling $1.1 million each and $1.0 million. The loans primarily consisted of one-to-four family non-owner occupied residential and commercial real estate loans. Each of Quaint Oak Bank's five largest loans or groups of loans was performing in accordance with its terms at December 31, 2011.

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Loan Portfolio Composition.  The following table shows the composition of our loan portfolio by type of loan at the dates indicated.

| | December 31, 2011 Amount | % | 2010 Amount | % |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Real estate loans: | | | | |
| One-to-four family residential: | | | | |
| Owner occupied | $ 12,153 | 15.9 % | $ 13,428 | 17.8 % |
| Non-owner occupied | 29,606 | 38.9 | 26,263 | 34.7 |
| Total one-to-four family residential loans | 41,759 | 54.8 | 39,691 | 52.5 |
| | | | | |
| Multi-family residential | 3,715 | 4.9 | 3,226 | 4.3 |
| Commercial real estate | 18,200 | 23.9 | 18,773 | 24.8 |
| Commercial lines of credit | 1,654 | 2.2 | 1,854 | 2.5 |
| Construction | 5,263 | 6.9 | 5,773 | 7.6 |
| Home equity loans | 5,491 | 7.2 | 6,181 | 8.2 |
| Total real estate loans | 76,082 | 99.9 | 75,498 | 99.9 |
| | | | | |
| Auto loans | 41 | - | 75 | 0.1 |
| Loans secured by deposits | 59 | 0.1 | 15 | - |
| Total loans | 76,182 | 100.0 % | 75,588 | 100.0 % |
| Less: | | | | |
| Deferred loan fees and costs | (38 ) | | (7 ) | |
| Allowance for loan losses | (805 ) | | (871 ) | |
| Net loans (1) | $ 75,339 | | $ 74,710 | |

(1) Does not include loans held for sale of $413,000 at December 31, 2011.

Origination of Loans.  The lending activities of Quaint Oak Bank are subject to the written underwriting standards and loan origination procedures established by the board of directors and management. Loan originations are obtained through a variety of sources, primarily consisting of referrals from brokers and existing customers. Written loan applications are taken by one of Quaint Oak Bank's loan officers. The loan officer also supervises the procurement of credit reports, appraisals and other documentation involved with a loan.  To ensure independence, loan officers with the responsibility for ordering appraisals and evaluations do not have the sole approval authority for granting a loan request.  As a matter of practice, Quaint Oak Bank obtains independent outside appraisals on substantially all of its loans which must conform to Quaint Oak Bank's appraisal requirements.  We may make an exception for loans submitted by licensed mortgage brokers or mortgage bankers placing loan applications.  Quaint Oak Bank also requires hazard insurance in order to protect the properties securing its real estate loans. Borrowers must obtain flood insurance policies when the property is in a flood hazard area.  An environmental questionnaire may be required on any property where an environmental issue is suspected.

All loans are presented to the loan committee for review.  Quaint Oak Bank's loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan and the value of the property that will secure the loan.  Loans over $750,000 must be approved by Quaint Oak Bank's loan committee, which currently consists of Messrs. Ager, Spink, Strong, Schulmeister and Phillips, who is Chairman.

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The following table shows our total loans originated and repaid during the periods indicated. We did not purchase any loans in 2011 or 2010. We sold $11.7 million of loans in 2011 and did not sell any loans in 2010.

| | Year Ended December 31, 2011 | Year Ended December 31, 2010 |
|---|---|---|
| | (In Thousands) | |
| Loan originations: | | |
| One-to-four family residential owner occupied (1) | $ 12,599 | $ 1,509 |
| One-to-four family residential non-owner occupied (2) | 6,651 | 3,444 |
| Multi-family residential | 893 | 313 |
| Commercial real estate and lines of credit | 1,329 | 6,043 |
| Construction | 6,839 | 8,179 |
| Home equity | 730 | 1,862 |
| Consumer non-real estate | 66 | 21 |
| Total loan originations | 29,107 | 21,371 |
| Loans sold | (11,702) | -- |
| Loan principal repayments | (15,153) | (18,653) |
| Total loans sold and principal repayments | (26,855) | (18,653) |
| Decreases due to other items, net (3) | (1,210) | (736) |
| Net increase in loan portfolio | $ 1,042 | $ 1,982 |

(1) Includes $10.9 million of loans originated for sale.
(2) Includes $1.2 million of loans originated for sale.
(3) Other items consist of loans transferred to other real estate owned, deferred fees and the allowance for loan losses.

Although Pennsylvania laws and regulations permit savings banks to originate loans secured by real estate located throughout the United States, Quaint Oak Bank concentrates its lending activity to its primary market area in Bucks and Montgomery Counties, Pennsylvania, northeast Philadelphia and the surrounding area and to a lesser extent, Lehigh Valley area of Pennsylvania.

Contractual Terms to Final Maturities. The following table shows the scheduled contractual maturities of our loans as of December 31, 2011, before giving effect to net items. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. The amounts shown below do not take into account loan prepayments.

| | 1-4 Family Residential Owner Occupied | 1-4 Family Residential Non-Owner Occupied | Multi-Family Residential | Commercial Real Estate and Lines of Credit | Construction | Home Equity | Consumer Non-Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| | | | (In Thousands) | | | | | |
| Amounts due after December | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 31, 2011 in: | | | | | | | | |
| One year or less | $ 1,541 | $ 3,338 | $ 887 | $ 5,162 | $ 4,696 | $ 1,411 | $ 22 | $ 17,057 |
| After one year through three years | 2,306 | 11,655 | 540 | 5,820 | 448 | 38 | 30 | 20,837 |
| After three years through five years | 1,535 | 719 | 460 | 1,245 | -- | 200 | 11 | 4,170 |
| After five years through ten years | 1,193 | 2,243 | 577 | 1,709 | 30 | 1,204 | 37 | 6,993 |
| After ten years through 15 years | 712 | 2,238 | 139 | 1,653 | -- | 2,538 | -- | 7,280 |
| After 15 years | 4,866 | 9,413 | 1,112 | 4,265 | 89 | 100 | -- | 19,845 |
| Total | $ 12,153 | $ 29,606 | $ 3,715 | $ 19,854 | $ 5,263 | $ 5,491 | $ 100 | $ 76,182 |

The following table shows the dollar amount of our loans at December 31, 2011 due after December 31, 2012 as shown in the preceding table, which have fixed interest rates or which have floating or adjustable interest rates.

| | Fixed-Rate | Floating or Adjustable-Rate | Total |
|---|---|---|---|
| | | (In Thousands) | |
| One-to-four family residential owner occupied | $10,565 | $ -- | $10,565 |
| One-to-four family residential non-owner occupied | 4,817 | 21,497 | 26,314 |
| Multi-family residential | 2,288 | 540 | 2,828 |
| Commercial real estate and lines of credit | 3,380 | 11,312 | 14,692 |
| Construction | 567 | -- | 567 |
| Home equity | 4,081 | -- | 4,081 |
| Consumer non-real estate | 78 | -- | 78 |
| Total | $25,776 | $ 33,349 | $59,125 |

Scheduled contractual maturities of loans do not necessarily reflect the actual expected term of the loan portfolio. The average life of mortgage loans is substantially less than their average contractual terms because of prepayments. The average life of mortgage loans tends to increase when current mortgage loan rates are higher than rates on existing mortgage loans and, conversely, decrease when rates on current mortgage loans are lower than existing mortgage loan rates (due to refinancing of adjustable-rate and fixed-rate loans at lower rates). Under the latter circumstance, the weighted average yield on loans decreases as higher yielding loans are repaid or refinanced at lower rates.

One-to-Four Family Residential Owner Occupied Real Estate Loans. As part of our strategy of diversifying our loan portfolio with higher yielding and shorter-term loan products, Quaint Oak Bank does not emphasize the origination of one-to-four family owner occupied residential loans to be held in our loan portfolio. At December 31, 2011, $12.2 million, or 15.9%, of our total loan portfolio, before net items, consisted of one-to-four family residential loans. All of these loans originated for portfolio have been originated with fixed rates of interest.

Quaint Oak Bank through its subsidiary, Quaint Oak Mortgage LLC, brokers and originates one-to-four family residential fixed and variable rate first mortgages with amortizing terms less than or equal to 30 years in accordance with secondary market standards. Loans originated by Quaint Oak Mortgage LLC are sold into the secondary market along with the loans' servicing rights. For the year ended December 31, 2011, loans originated for sale through Quaint Oak Mortgage LLC totaled $12.1 million and $11.7 million of these loans were sold in the secondary market. We did not sell any loans in 2010.

One-to-Four Family Residential Non-Owner Occupied Real Estate Loans. A significant part of Quaint Oak Bank's lending activity is the origination of loans secured by single-family residences for non-owner occupied properties. At December 31, 2011, $29.6 million, or 38.9%, of our total loan portfolio, before net items, consisted of one-to-four family residential non-owner occupied loans.

It is our policy to lend in a first lien position on non-owner occupied residential property with fixed and variable rates and terms up to 15 years or longer amortizations. Generally, such loans are originated at a fixed rate with a five year maturity. Such loans are generally limited to 80%, or less, of the appraised value, or sales price plus improvement costs of the secured real estate property.

Our guidelines for credit quality generally parallel the Fannie Mae and Freddie Mac secondary market guidelines including income ratios and credit scores.

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Multi-Family Residential Loans. Quaint Oak Bank originates loans for multi unit (five or more) residential properties. These loans are offered with fixed and adjustable interest rates and amortizations not to exceed 25 years. Generally, the loan-to-value ratio does not exceed 75%. These loans are underwritten with the same criteria and procedures as commercial real estate loans. At December 31, 2011, $3.7 million, or 4.9%, of our total loan portfolio, before net items, consisted of multi-family residential loans.

Commercial Real Estate Loans and Lines of Credit. Quaint Oak Bank also originates loans secured by commercial real estate. At December 31, 2011, $18.2 million, or 23.9% of our total loan portfolio consisted of commercial real estate loans and $1.7 million or 2.2% of our loan portfolio, before net items, consisted of commercial lines of credit. Although commercial real estate loans and lines of credit are generally considered to have greater credit risk than other certain types of loans, we intend to continue to originate such loans in our market area.

It is generally our policy to lend in a first lien position on real property occupied as a commercial business property or mixed use properties. However, in rare instances, we may take a second lien position if approved by the loan committee. Quaint Oak Bank offers fixed and variable rate mortgage loans with terms up to 15 years with longer amortizations. Commercial real estate loans are limited to 80%, or less, of the appraised value, or sales price plus improvement costs of the secured real estate property. Commercial real estate loans are presented to the loan committee for review and approval, including analysis of the creditworthiness of the borrower. The loan committee reviews the cash flows from the property to determine if the proceeds will adequately cover debt service. A Debt Service Coverage Ratio (DSCR) is calculated using gross income minus operating expenses vs. debt service. Quaint Oak Bank uses a DSCR of 1.10. We obtain copies of leases to document income. Assignments of rents and leases as well as the requirement to provide annual updates of financial information and rent rolls are included in the loan documentation.

Construction Loans. Our construction loans are generally granted for the purpose of building or renovating a single family residential home. We do not make construction loans for speculative development. Funds are advanced incrementally as work is completed. The borrower is required to make monthly interest payments. We do not fund an interest reserve. When the construction is finished, the amount of the outstanding loan is less than 75% of the completed value of the property. Quaint Oak Bank is paid in full when the borrower seeks permanent financing or the property is sold. At December 31, 2011, $5.3 million, or 6.9% of Quaint Oak Bank’s total loan portfolio, before net items, consisted of construction loans.

Home Equity Loans. Quaint Oak Bank is authorized to make loans for a wide variety of personal or consumer purposes. Quaint Oak Bank originates home equity loans in order to accommodate its customers and because such loans generally have shorter terms and higher interest rates than residential mortgage loans. At December 31, 2011, $5.5 million, or 7.2% of Quaint Oak Bank's total loan portfolio, before net items, consisted of home equity loans.

Consumer Non-Real Estate Loans. Quaint Oak Bank originates loans secured by savings accounts as well as auto loans. We do not actively solicit such loans but offer them as an accommodation to our existing customers.

Loan Origination and Other Fees. In addition to interest earned on loans, Quaint Oak Bank generally receives loan origination fees or "points" for originating loans. Loan points are a percentage of the principal amount of the mortgage loan and are charged to the borrower in connection with the origination of the loan. Such origination fees, net of certain direct loan origination costs, are deferred and recognized as an adjustment to the yield (interest income) of the related loans over the contractual life of the loans.

Asset Quality

General. Quaint Oak Bank's collection procedures provide that when a loan is 17 days past due, a telephone call is made to the borrower by a mortgage clerk. If the borrower misses a second payment date, an executive officer will contact the borrower to determine the reason for the delinquency and to work out a possible solution. Late charges will be assessed based on the number of days specified in the note beyond the due date. The Board of Directors is notified of all delinquencies thirty days past due. In most cases, deficiencies are cured promptly. While we generally prefer to work with borrowers to resolve such problems, we will institute foreclosure or other collection proceedings when necessary to minimize any potential loss.

Loans are placed on non-accrual status when management believes the probability of collection of interest is doubtful. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. Quaint Oak Bank generally discontinues the accrual of interest income when the loan becomes 90 days past due as to principal or interest unless the credit is well secured and we believe we will fully collect. There were $2.1 million and $984,000 of non-accrual loans at December 31, 2011 and December 31, 2010, respectively.

Real estate and other assets acquired by Quaint Oak Bank as a result of foreclosure or by deed-in-lieu of foreclosure are classified as real estate owned until sold. Real estate owned totaled $385,000 and $1.2 million at December 31, 2011 and 2010, respectively.

Delinquent Loans. The following table shows the delinquencies in our loan portfolio as of December 31, 2011.

| | December 31, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 30-89 Days Overdue | | | | 90 or More Days Overdue | | | |
| | Number of Loans | | Principal Balance | | Number of Loans | | Principal Balance | |
| | | | (Dollars in Thousands) | | | | | |
| One-to-four family residential-owner occupied | 4 | $ | 1,009 | | 1 | $ | 53 | |
| One-to-four family residential-non-owner occupied | 6 | | 407 | | 5 | | 369 | |
| Multi-family residential | -- | | -- | | 1 | | 201 | |
| Commercial real estate and lines of credit | 8 | | 1,154 | | 3 | | 407 | |
| Construction | 1 | | 80 | | -- | | -- | |
| Home equity | 7 | | 524 | | 6 | | 184 | |
| Consumer non-real estate | 1 | | 11 | | -- | | -- | |
| Total delinquent loans | 27 | $ | 3,185 | | 16 | $ | 1,214 | |
| Delinquent loans to total net loans | | | 4.23 | % | | | 1.61 | % |
| Delinquent loans to total loans | | | 4.18 | % | | | 1.59 | % |

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Non-Performing Assets. The following table shows the amounts of our non-performing assets (defined as non-accruing loans, accruing loans 90 days or more past due and other real estate owned) and troubled debt restructurings at the dates indicated.

| | December 31, 2011 | | 2010 | |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Non-accruing loans: | | | | |
| One-to-four family residential-owner occupied | $ 808 | | $ 539 | |
| One-to-four family residential-non-owner occupied | 624 | | 422 | |
| Commercial real estate and lines of credit | 427 | | -- | |
| Home equity | 256 | | 23 | |
| Total non-accruing loans | 2,115 | | 984 | |
| Accruing loans 90 days or more past due: | | | | |
| One-to-four family residential-owner occupied | 53 | | 61 | |
| One-to-four family residential-non-owner occupied | 369 | | 353 | |
| Multi-family residential | 201 | | -- | |
| Commercial real estate and lines of credit | 407 | | 108 | |
| Home equity | 184 | | -- | |
| Total accruing loans 90 days or more past due | 1,214 | | 522 | |
| Total non-performing loans (1) | 3,329 | | 1,506 | |
| Other real estate owned, net | 185 | | 1,191 | |
| Total non-performing assets | 3,514 | | 2,697 | |
| Troubled debt restructurings (2) | 492 | | 430 | |
| Total non-performing assets and troubled debt restructurings | $ 4,006 | | $ 3,127 | |
| Total non-performing loans as a percentage of loans, net | 4.42 | % | 2.02 | % |
| Total non-performing loans as a percentage of total assets | 3.05 | % | 1.48 | % |
| Total non-performing assets as a percentage of total assets | 3.22 | % | 2.64 | % |
| Total non-performing assets and troubled debt restructurings as a percentage of total assets | 3.67 | % | 3.06 | % |

(1) Non-performing loans consist of non-accruing loans plus accruing loans 90 days or more past due.
(2) Troubled debt restructurings not included in non-accruing loans and accruing loans 90 days or more past due.

At December 31, 2011 we had nine loans totaling $937,000 identified as troubled debt restructuring (TDRs) compared to five troubled debt restructurings at December 31, 2010 totaling $430,000. One of the TDRs at December 31, 2011 in the amount of $71,000 was on non-accrual status, six TDRs totaling $374,000 were 90 days or more past and accruing, one TDR in the amount of $182,000 was 30-89 days past due, and one TDR in the amount of $310,000 was current. All the Company’s TDRs as of December 31, 2011 have modifications with terms of interest-only payments for a period of six months. In some cases the modification terms may include a small payment of principal in addition to interest. The loans have continued to pay in accordance with their modified contractual terms, and based on the loan-to-value ratios of these loans, approximately $20,000 of the allowance for loan losses was allocated to these loans at December 31, 2011.

Classified Assets. Federal regulations require that each insured savings institution classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, federal examiners have authority to identify problem assets and, if appropriate, classify them. There are three classifications for problem assets: "substandard," "doubtful" and "loss." Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a higher possibility of loss. An asset classified loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. Another category designated "special mention" also must be established and maintained for assets which do not currently expose an insured institution to a sufficient degree of risk to warrant classification as substandard, doubtful or loss. Assets classified as substandard or doubtful require the institution to establish general allowances for loan losses. If an asset or portion thereof is classified as loss, the insured institution must either establish specific allowances for loan losses in the amount of 100% of the portion of the asset classified loss, or charge-off such amount. General loss allowances established to cover possible losses related to assets classified substandard or doubtful may be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses do not qualify as regulatory capital. Federal examiners may disagree with an insured institution's classifications and amounts reserved.

Allowance for Loan Losses. At December 31, 2011, Quaint Oak Bank's allowance for loan losses amounted to $805,000. The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Company'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.

While management believes that it determines the amount of the allowance based on the best information available at the time, the allowance will need to be adjusted as circumstances change and assumptions are updated. Future adjustments to the allowance could significantly affect net income.

The following table shows changes in our allowance for loan losses during the periods presented.

| | December 31, 2011 | | 2010 | |
|---|---|---|---|---|
| | (Dollars in Thousands) | | | |
| Total loans outstanding at end of period, net | $ 75,339 | | $ 74,710 | |
| | | | | |
| Average loans outstanding | $ 74,150 | | $ 73,994 | |
| | | | | |
| Allowance for loan losses, beginning of period | $ 871 | | $ 835 | |
| Provision for loan losses | 137 | | 114 | |
| Charge-offs: | | | | |
| One-to-four family residential-owner occupied | (93 | ) | -- | |
| One-to-four family residential non-owner occupied | (110 | ) | (78 | ) |
| Total charge-offs | (203 | ) | (78 | ) |
| Recoveries on loans previously charged off | -- | | -- | |
| Allowance for loan losses, end of period | $ 805 | | $ 871 | |
| | | | | |
| Allowance for loan losses as a percent of non-performing loans | 24.18 | % | 57.84 | % |
| | | | | |
| Ratio of net charge-offs during the period to average loans outstanding during the period | 0.27 | % | 0.11 | % |

The following table shows how our allowance for loan losses is allocated by loan class at each of the dates indicated.

| | December 31, | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Amount of Allowance | Loan Category as a % of Total Loans | Amount of Allowance | Loan Category as a % of Total Loans |
| | (Dollars in Thousands) | | | |
| One-to-four family residential owner occupied | $ 114 | 15.9 % | $ 185 | 17.8 % |
| One-to-four family residential non-owner occupied | 351 | 38.9 | 335 | 34.7 |
| Multi-family residential | 26 | 4.9 | 23 | 4.3 |
| Commercial real estate and lines of credit | 148 | 26.1 | 155 | 27.3 |
| Construction | 35 | 6.9 | 40 | 7.6 |
| Home equity | 83 | 7.2 | 92 | 8.2 |
| Consumer non-real estate | 1 | 0.1 | 1 | 0.1 |
| Unallocated | 47 | -- | 40 | -- |
| Total | $ 805 | 100.0 % | $ 871 | 100.0 % |

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For 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 general component covers pools of loans by loan class. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These significant factors may include changes in lending policies and procedures, changes in existing general economic and business conditions affecting our primary lending areas, credit quality trends, collateral value, loan volumes and concentrations, seasoning of the loan portfolio, recent loss experience in particular segments of the portfolio, duration of the current business cycle and bank regulatory examination results. The applied loss factors are reevaluated quarterly to ensure their relevance in the current economic environment. Residential mortgage lending generally entails a lower risk of default than other types of lending. Consumer loans and commercial real estate loans generally involve more risk of collectability because of the type and nature of the collateral and, in certain cases, the absence of collateral. It is the Company's policy to establish a specific reserve for loss on any delinquent loan when it determines that a loss is probable. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Investment Activities

General. We invest in securities pursuant to our investment policy, which has been approved by our Board of Directors. Our investment policy is reviewed annually by our Asset-Liability Committee (ALCO). All policy changes recommended by ALCO must be approved by the Board of Directors. ALCO is authorized by the Board to make investments consistent with the investment policy. While general investment strategies are developed and authorized by ALCO, the execution of specific actions rests with the President and Chief Executive Officer.

Our investment policy is designed primarily to manage the interest rate sensitivity of our assets and liabilities, to generate a favorable return without incurring undue interest rate and credit risk, to complement our lending activities and to provide and maintain liquidity.

Our securities are classified as available for sale, held to maturity, or trading, at the time of acquisition. Securities classified as held to maturity must be purchased with the intent and ability to hold that security until its final maturity and can be sold prior to maturity only under rare circumstances. Held to maturity securities are accounted for based upon the amortized cost of the security. Available for sale securities can be sold at any time based upon our needs or market conditions. Available for sale securities are accounted for at fair value, with unrealized gains and losses on these securities, net of income tax provisions, reflected in stockholders' equity as accumulated other comprehensive income. At December 31, 2011, we had $6.7 million of securities classified as available for sale, $3.9 million of securities classified as held to maturity and no securities classified as trading.

Federal Home Loan Bank (FHLB) stock is a restricted investment security, carried at cost. The purchase of FHLB stock provides banks with the right to be a member of the FHLB and to receive the products and services that the FHLB provides to member banking institutions. Unlike other types of stock, FHLB stock is acquired primarily for the right to receive advances from the FHLB, rather than for the purpose of maximizing dividends or stock growth. FHLB stock is an activity-based stock that is directly proportional to the volume of advances taken by a member institution. During the fourth quarter of 2008, the FHLB of Pittsburgh announced a decision to suspend the dividend on, and restrict the repurchase of, FHLB stock. As a result, we must continue to hold these securities, although we are not currently receiving a return for this investment. On October 29, 2010, the FHLB of Pittsburgh resumed the repurchase of capital stock. From October 29, 2010 through December 31, 2011 a total of 180,500 shares have been repurchased at $1.00 per share from Quaint Oak Bank. In February 2012, the FHLB of Pittsburgh repurchased 30,900 shares from Quaint Oak Bank at $1.00 per share and also announced a dividend of 0.10 percent annualized be calculated on stockholders' average capital stock held during the period October 1, 2011 to December 31, 2011. This dividend was paid in February 2012.

The following table sets forth our investment portfolio at carrying value as of the dates indicated.

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| | (In Thousands) | |
| Interest-earning time deposits with other financial institutions | $ 8,082 | $ 6,001 |
| U.S. Government agency obligations | 3,457 | 1,737 |
| Corporate bonds | 1,668 | -- |
| Short-term bond fund | 1,070 | 1,037 |
| Limited-term bond fund | 512 | 497 |
| Mortgage-backed securities | 3,888 | 5,406 |
| FHLB of Pittsburgh stock | 616 | 757 |
| Total | $ 19,293 | $ 15,435 |

The following table sets forth the amount of investment securities which mature during each of the periods indicated and the weighted average yields for each range of maturities at December 31, 2011.

| | Amounts at December 31, 2011 Which Mature In | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | One Year or Less | Weighted Average Yield | Over One Year Through Five Years | Weighted Average Yield | Over Five Years Through Ten Years | Weighted Average Yield | Over Ten Years | Weighted Average Yield |
| | | | | (Dollars in Thousands) | | | | |
| Interest-earning time deposits with other financial institutions | $3,058 | 1.54 % | $5,024 | 2.06 % | $ -- | -- % | $ -- | -- % |
| U.S. Government agency obligations | -- | -- | -- | -- | 3,457 | 1.05 % | -- | -- |
| Corporate bonds | -- | -- | 1,431 | 3.79 | 237 | 3.80 % | -- | -- |
| Mortgage-backed securities | -- | -- | -- | -- | -- | -- | 3,888 | 4.66 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total | $3,058 | 1.54 % | $6,455 | 2.46 % | $ 3,694 | 1.24 % | $ 3,888 | 4.66 % |

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Sources of Funds

General. Deposits are the primary source of Quaint Oak Bank's funds for lending and other investment purposes. In addition to deposits, principal and interest payments on loans are a source of funds. Loan payments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Borrowings may also be used on a short-term basis to compensate for reductions in the availability of funds from other sources and on a longer-term basis for general business purposes.

Deposits. Deposits are attracted by Quaint Oak Bank principally from southwestern Bucks and southeastern Montgomery Counties, northeast Philadelphia and Lehigh Valley areas of Pennsylvania. Deposit account terms vary, with the principal differences being the minimum balance required, the time periods the funds must remain on deposit, and the interest rate. Quaint Oak Bank does not offer transactional deposit accounts such as demand deposit or NOW accounts. Quaint Oak Bank does, however, offer an eSavings deposit account product. This account allows customers to earn money market rates on their funds. Withdrawals from this account are processed by electronic funds transfer through the Automatic Clearing House (ACH) to the customer's pre-authorized checking account. At December 31, 2011, the eSavings account deposits totaled $3.9 million.

Quaint Oak Bank has not solicited deposits from outside Pennsylvania or paid fees to brokers to solicit funds for deposit. At December 31, 2011, approximately 12% of Quaint Oak Bank's total deposits were held by customers outside the Commonwealth of Pennsylvania.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established on a periodic basis. Management determines the rates and terms based on rates paid by competitors, the need for funds or liquidity, growth goals and federal regulations. Management attempts to control the flow of deposits by pricing the accounts to remain generally competitive with other financial institutions in our market area.

The following table shows the distribution of, and certain other information relating to, our deposits by type of deposit, as of the dates indicated.

| | December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | | 2010 | | |
| | Amount | % | Amount | % | |
| | | (Dollars in Thousands) | | | |
| Certificate accounts: | | | | | |
| 0.00% - 0.99% | $ 8,279 | 9.3 % | $ 4,228 | 5.3 % | |
| 1.00% - 1.99% | 24,691 | 27.9 | 27,833 | 34.9 | |
| 2.00% - 2.99% | 26,277 | 29.7 | 17,569 | 22.1 | |
| 3.00% - 3.99% | 11,259 | 12.7 | 12,433 | 15.6 | |
| 4.00% - 4.99% | 4,130 | 4.7 | 5,250 | 6.6 | |
| 5.00% - 5.99% | 47 | 0.1 | 248 | 0.3 | |
| Total certificate accounts | 74,683 | 84.4 | 67,561 | 84.8 | |
| Transaction accounts: | | | | | |
| Passbook | 2,943 | 3.3 | 3,079 | 3.9 | |
| Statement savings accounts | 6,975 | 7.9 | 6,798 | 8.5 | |
| eSavings accounts | 3,924 | 4.4 | 2,253 | 2.8 | |
| Total transaction accounts | 13,842 | 15.6 | 12,130 | 15.2 | |
| Total deposits | $ 88,525 | 100.0 % | $ 79,691 | 100.0 % | |

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The following table shows the average balance of each type of deposit and the average rate paid on each type of deposit for the periods indicated.

| | Year Ended December 31, 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Average Balance | Interest Expense | Average Rate Paid | Average Balance | Interest Expense | Average Rate Paid |
| | (Dollars in Thousands) | | | | | |
| Passbook | $ 2,983 | $ 11 | 0.37 % | $ 3,217 | $ 18 | 0.56 % |
| Statement savings accounts | 6,931 | 44 | 0.63 | 6,702 | 67 | 1.00 |
| eSavings accounts | 2,861 | 28 | 0.98 | 1,913 | 22 | 1.15 |
| Certificates of deposit | 72,466 | 1,617 | 2.23 | 63,313 | 1,578 | 2.49 |
| Total interest-bearing deposits | 85,421 | 1,700 | 1.99 | 75,145 | 1,685 | 2.24 |
| Total deposits | $ 85,421 | $ 1,700 | 1.99 % | $ 75,145 | $ 1,685 | 2.24 % |

The following table shows our savings flows during the periods indicated.

| | Year Ended December 31, 2011 | 2010 |
|---|---|---|
| | (In Thousands) | |
| Total deposits | $ 25,565 | $ 30,695 |
| Total withdrawals | (18,428 ) | (20,941 ) |
| Interest credited | 1,697 | 1,685 |
| Total increase in deposits | $ 8,834 | $ 11,439 |

The following table presents, by various interest rate categories and maturities, the amount of certificates of deposit at December 31, 2011.

| | Balance at December 31, 2011 Maturing in the Twelve Months Ending December 31, | | | | |
|---|---|---|---|---|---|
| Certificates of Deposit | 2012 | 2013 | 2014 | Thereafter | Total |
| | | | (In Thousands) | | |
| 0.00% - 0.99 % | $ 8,079 | $ 200 | $ -- | $ -- | $ 8,279 |
| 1.00% - 1.99 % | 17,160 | 5,478 | 1,952 | 101 | 24,691 |
| 2.00% - 2.99 % | 8,495 | 3,826 | 3,269 | 10,687 | 26,277 |
| 3.00% - 3.99 % | 496 | 1,387 | 1,096 | 8,280 | 11,259 |
| 4.00% - 4.99 % | 1,130 | 2,986 | 14 | -- | 4,130 |
| % | -- | 47 | -- | -- | 47 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 5.00% - 5.99 | | | | | | | | | | |
| Total certificate accounts | $ | 35,360 | $ | 13,924 | $ | 6,331 | $ | 19,068 | $ | 74,683 |

The following table shows the maturities of our certificates of deposit of $100,000 or more at December 31, 2011 by time remaining to maturity.

| Quarter Ending: | | Amount | Weighted Average Rate | |
|---|---|---|---|---|
| | | (Dollars in Thousands) | | |
| March 31, 2012 | $ | 3,552 | 1.71 | % |
| June 30, 2012 | | 3,038 | 1.42 | |
| September 30, 2012 | | 2,572 | 1.47 | |
| December 31, 2012 | | 2,270 | 1.66 | |
| After December 31, 2012 | | 18,510 | 2.73 | |
| Total certificates of deposit with balances of $100,000 or more | $ | 29,942 | 2.29 | % |

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Borrowings. Quaint Oak Bank may obtain advances from the Federal Home Loan Bank of Pittsburgh upon the security of the common stock it owns in that bank and certain of its residential mortgage loans and mortgage-backed and other investment securities, provided certain standards related to creditworthiness have been met. These advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. Federal Home Loan Bank advances are generally available to meet seasonal and other withdrawals of deposit accounts and to permit increased lending.

As of December 31, 2011, Quaint Oak Bank was permitted to borrow up to an aggregate total of $42.0 million from the Federal Home Loan Bank of Pittsburgh. Quaint Oak Bank's Federal Home Loan Bank advances outstanding were $3.8 million and $5.6 million at December 31, 2011 and 2010, respectively. At present, however, we are reviewing our continued utilization of advances from the Federal Home Loan Bank as a source of funding based on a decision in 2008 by the Federal Home Loan Bank to suspend the dividend on, and restrict the repurchase of, Federal Home Loan Bank stock. The amount of Federal Home Loan Bank stock that a member institution is required to hold is directly proportional to the volume of advances taken by that institution. Should we decide to utilize sources of funding other than advances from the Federal Home Loan Bank, we believe that additional funding is available in the form of advances or repurchase agreements through various other sources. Quaint Oak Bank currently has two additional line of credit commitments with two different banks totaling $1.5 million. There were no borrowings under these lines of credit at December 31, 2011.

In June 2009, the Company borrowed $450,000 from a commercial bank to finance the purchase of a building in Allentown, Pennsylvania which serves as the offices for the three new active subsidiaries and a branch banking office which opened in February 2010. This loan was paid off on November 10, 2011. The loan had an interest rate of 5.75%, a maturity of July 1, 2014, and was amortizing over 180 months. The loan had a balance $403,000 at the time of payoff and $442,000 at December 31, 2010.

The following table shows certain information regarding our borrowings at or for the dates indicated:

| | At or For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | | 2011 | | | 2010 | |
| | (Dollars in Thousands) | | | | | |
| FHLB advances: | | | | | | |
| Average balance outstanding | $ | 4,631 | | $ | 6,246 | |
| Maximum amount outstanding at any month-end during the period | | 4,631 | | | 6,850 | |
| Balance outstanding at end of period | | 3,800 | | | 5,600 | |
| Average interest rate during the period | | 4.04 | % | | 3.92 | % |
| Weighted average interest rate at end of period | | 4.09 | % | | 3.95 | % |
| | | | | | | |
| Other borrowings: | | | | | | |
| Average balance outstanding | $ | 377 | | $ | 433 | |
| Maximum amount outstanding at any month-end during the period | | 423 | | | 442 | |
| Balance outstanding at end of period | | -- | | | 423 | |
| Average interest rate during the period | | 5.75 | % | | 5.75 | % |
| Weighted average interest rate at end of period | | -- | % | | 5.75 | % |

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Total Employees

Quaint Oak Bank had 19 full-time employees and one part-time employee at December 31, 2011. None of these employees are represented by a collective bargaining agreement, and Quaint Oak Bank believes that it enjoys good relations with its personnel.

Market Area

As of December 31, 2011, Quaint Oak Bank's primary market area for loans and deposits is in Southampton, Pennsylvania, particularly southwestern Bucks County, southeastern Montgomery County and northeast Philadelphia. In February 2010, the Bank also established a branch banking office in Allentown, Pennsylvania to serve the Lehigh Valley area. Quaint Oak Bank's operating strategy is based on strong personal service and operating efficiency.

Quaint Oak Bank is headquartered in Southampton in Bucks County, Pennsylvania. Bucks County lies north of Philadelphia, bordering Montgomery County on the west and New Jersey to the east. In recent years, population growth has been above Pennsylvania averages in both Bucks and Montgomery Counties. We expect population growth and new housing growth will likely remain above the state average in the near term. Income and wealth demographics in our market area are also above both national and Pennsylvania averages.

Competition

Quaint Oak Bank faces significant competition both in attracting deposits and in making loans. Its most direct competition for deposits has come historically from commercial banks, credit unions and other savings institutions located in its primary market area, including many large financial institutions which have greater financial and marketing resources available to them. In addition, Quaint Oak Bank faces significant competition for investors' funds from short-term money market securities, mutual funds and other corporate and government securities. Currently, Quaint Oak Bank must compete against a number of small community banks, three regional banks and four national banks in Bucks County. Also, given Quaint Oak Bank's operating strategies and reliance on savings accounts and certificates, Quaint Oak Bank also faces intense competition from the money market mutual funds and national savings products. Quaint Oak Bank does not rely upon any individual group or entity for a material portion of its deposits. The ability of Quaint Oak Bank to attract and retain deposits depends on its ability to generally provide a rate of return, liquidity and risk comparable to that offered by competing investment opportunities.

Quaint Oak Bank's competition for real estate loans comes principally from mortgage banking companies, commercial banks, other savings institutions and credit unions. Quaint Oak Bank competes for loan originations primarily through the interest rates and loan fees it charges, and the efficiency and quality of services it provides borrowers. Factors that affect competition include general and local economic conditions, current interest rate levels and volatility in the mortgage markets.

At June 30, 2011, the latest date for which information is available, the size of the market in Bucks County, Pennsylvania, as defined by total Federal Deposit Insurance Corporation insured deposits, was $14.9 billion, populated by 261 branch offices. Based on information available on the Federal Deposit Insurance Corporation's website at www.fdic.gov, commercial banks accounted for $12.1 billion of such deposits, served by 205 of the 261 branches. Savings institutions had the remaining 56 branches totaling $2.8 billion in deposits, or 18.7% of the market.

## REGULATION

### Recently Enacted Regulatory Reform

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act. The financial reform and consumer protection act imposes new restrictions and an expanded framework of regulatory oversight for financial institutions, including depository institutions. In addition, the new law changed the jurisdictions of existing bank regulatory agencies and in particular transferred the regulation of federal savings associations from the Office of Thrift Supervision to the Office of Comptroller of the Currency, effective July 21, 2011. At this time savings and loan holding companies became regulated by the Federal Reserve Board. The new law also established an independent federal consumer protection bureau within the Federal Reserve Board. The following discussion summarizes significant aspects of the new law that may affect Quaint Oak Bank and Quaint Oak Bancorp. Many regulations implementing these changes have not been promulgated, so we cannot determine the full impact on our business and operations at this time.

The following aspects of the financial reform and consumer protection act are related to the operations of Quaint Oak Bank:

- A new independent consumer financial protection bureau was established within the Federal Reserve Board, empowered to exercise broad regulatory, supervisory and enforcement authority with respect to both new and existing consumer financial protection laws. However, smaller financial institutions, like Quaint Oak Bank, are subject to the supervision and enforcement of their primary federal banking regulator with respect to the federal consumer financial protection laws.

- Tier 1 capital treatment for “hybrid” capital items like trust preferred securities is eliminated subject to various grandfathering and transition rules.

- The prohibition on payment of interest on demand deposits was repealed, effective July 21, 2011.

- Deposit insurance is permanently increased to $250,000 and unlimited deposit insurance for noninterest-bearing transaction accounts extended through the end of 2012.

- The deposit insurance assessment base calculation now equals the depository institution’s total assets minus the sum of its average tangible equity during the assessment period.

- The minimum reserve ratio of the Deposit Insurance Fund increased to 1.35 percent of estimated annual insured deposits or assessment base; however, the Federal Deposit Insurance Corporation is directed to “offset the effect” of the increased reserve ratio for insured depository institutions with total consolidated assets of less than $10 billion.

The following aspects of the financial reform and consumer protection act are related to the operations of Quaint Oak Bancorp:

- Authority over savings and loan holding companies was transferred to the Federal Reserve Board effective July 21, 2011.

- Leverage capital requirements and risk based capital requirements applicable to depository institutions and bank holding companies are extended to thrift holding companies. However, the Federal Reserve Board has not issued regulations that address the levels of these capital requirements and when they will apply to Quaint Oak Bancorp.

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- The Federal Deposit Insurance Act was amended to direct federal regulators to require depository institution holding companies to serve as a source of strength for their depository institution subsidiaries.

- The Securities and Exchange Commission is authorized to adopt rules requiring public companies to make their proxy materials available to shareholders for nomination of their own candidates for election to the board of directors.

- Public companies are now required, or for smaller companies such as Quaint Oak Bancorp will be required for meetings after January 21, 2013, to provide their shareholders with a non-binding vote: (i) at least once every three years on the compensation paid to executive officers, and (ii) at least once every six years on whether they should have a "say on pay" vote every one, two or three years.

- A separate, non-binding shareholder vote is now required, or for smaller companies such as Quaint Oak Bancorp will be required for meetings after January 21, 2013, regarding golden parachutes for named executive officers when a shareholder vote takes place on mergers, acquisitions, dispositions or other transactions that would trigger the parachute payments.

- Securities exchanges are now required to prohibit brokers from using their own discretion to vote shares not beneficially owned by them for certain "significant" matters, which include votes on the election of directors, executive compensation matters, and any other matter determined to be significant.

- Stock exchanges are prohibited from listing the securities of any issuer that does not have a policy providing for (i) disclosure of its policy on incentive compensation payable on the basis of financial information reportable under the securities laws, and (ii) the recovery from current or former executive officers, following an accounting restatement triggered by material noncompliance with securities law reporting requirements, of any incentive compensation paid erroneously during the three-year period preceding the date on which the restatement was required that exceeds the amount that would have been paid on the basis of the restated financial information.

- Disclosure in annual proxy materials will be required concerning the relationship between the executive compensation paid and the financial performance of the issuer.

- Item 402 of Regulation S-K will be amended to require companies to disclose the ratio of the Chief Executive Officer's annual total compensation to the median annual total compensation of all other employees.

- Smaller reporting companies are exempt from complying with the internal control auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

Regulation of Quaint Oak Bancorp

General. Quaint Oak Bancorp is subject to regulation as a savings and loan holding company under the Home Owners' Loan Act, as amended, because we made an election under Section 10(l) of the Home Owners' Loan Act to be treated as a "savings association" for purposes of Section 10 of the Home Owners' Loan Act. As a result, Quaint Oak Bancorp is currently regulated by the Federal Reserve Board and is subject to the regulations, examinations, supervision and reporting requirements relating to savings and loan holding companies. Quaint Oak Bancorp is also required to file certain reports with, and otherwise comply with the rules and regulations of, the Pennsylvania Department of Banking and the Securities and Exchange Commission. As a subsidiary of a savings and loan holding company, Quaint Oak Bank is subject to certain restrictions in its dealings with Quaint Oak Bancorp and affiliates thereof, including the Federal Reserve Board's qualified thrift lender requirement, dividend restrictions and transactions with affiliates regulations.

Restrictions Applicable to Quaint Oak Bancorp. As a non-grandfathered savings and loan holding company, Quaint Oak Bancorp is permitted to engage only in the following activities:

- furnishing or performing management services for a subsidiary savings institution;
- conducting an insurance agency or escrow business;
- holding, managing, or liquidating assets owned or acquired from a subsidiary savings institution;
- holding or managing properties used or occupied by a subsidiary savings institution;
- acting as trustee under a deed of trust;
- any other activity (i) that the Federal Reserve Board, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, unless the Federal Reserve Board, by regulation, prohibits or limits any such activity for savings and loan holding companies, or (ii) in which multiple savings and loan holding companies were authorized by regulation to directly engage in on March 5, 1987;
- purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock by such holding company is approved by the Federal Reserve Board; and
- any activity permissible for financial holding companies under section 4(k) of the Bank Holding Company Act.

Permissible activities which are deemed to be financial in nature or incidental thereto under section 4(k) of the Bank Holding Company Act include:

- lending, exchanging, transferring, investing for others, or safeguarding money or securities;
- insurance activities or providing and issuing annuities, and acting as principal, agent, or broker;

- financial, investment, or economic advisory services;
- issuing or selling instruments representing interests in pools of assets that a bank is permitted to hold directly;
- underwriting, dealing in, or making a market in securities;
- activities previously determined by the Federal Reserve Board to be closely related to banking;
- activities that bank holding companies are permitted to engage in outside of the U.S.; and
- portfolio investments made by an insurance company.

In addition, Quaint Oak Bancorp cannot be acquired unless the acquirer is engaged solely in financial activities or to acquire a company unless the company is engaged solely in financial activities.

If a savings and loan holding company acquires or merges with another holding company, the holding company acquired or the holding company resulting from such merger or acquisition may only invest in assets and engage in the activities listed above, and it has a period of two years to cease any non-conforming activities and divest any non-conforming investments. As of December 31, 2011, Quaint Oak Bancorp was not engaged in any non-conforming activities and it did not have any non-conforming investments.

If the subsidiary savings association fails to meet the Qualified Thrift Lender test set forth in Section 10(m) of the Home Owners' Loan Act, as discussed below, then the savings and loan holding company must register with the Federal Reserve Board as a bank holding company, unless the savings institution requalifies as a Qualified Thrift Lender within one year thereafter.

Qualified Thrift Lender Test. A savings association can comply with the Qualified Thrift Lender test by either meeting the Qualified Thrift Lender test set forth in the Home Owners' Loan Act and implementing regulations or qualifying as a domestic building and loan association as defined in Section 7701(a)(19) of the Internal Revenue Code of 1986, as amended. Currently the Qualified Thrift Lender test in the Home Owners' Loan Act requires that 65% of an institution’s portfolio assets (as defined) consist of certain housing and consumer-related assets on a monthly average basis in nine out of every twelve months. To be a Qualified Thrift Lender under the IRS test, the savings institution must meet the “business operations test” and a “60 percent assets test”, each defined in the Internal Revenue Code. A savings association subsidiary of a savings and loan holding company that does not comply with the Qualified Thrift Lender test is immediately subject to the following restrictions on its operations:

- the institution may not engage in any new activity or make any new investment, directly or indirectly, unless such activity or investment is permissible for both a national bank and a savings association;
- the branching powers of the institution shall be restricted to those of a national bank; and
- payment of dividends by the institution shall be subject to the rules regarding payment of dividends by a national bank and must be necessary to meet the obligations of its holding company.

Upon the expiration of three years from the date the institution ceases to meet the Qualified Thrift Lender test, it must cease any activity and not retain any investment not permissible for both a national bank and a savings association (subject to safety and soundness considerations). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, a savings institution not in compliance with the Qualified Thrift Lender test is also subject to an enforcement action for violation of the Home Owners' Loan Act, as amended.

Quaint Oak Bank believes that it meets the provisions of the Qualified Thrift Lender test and for the year ended December 31, 2011, 94% of its portfolio assets meet the requirements.

Limitations on Transactions with Affiliates. Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act as made applicable to savings associations by Section 11 of the Home Owners' Loan Act. An affiliate of a savings association includes any company or entity which controls the savings association or that is controlled by a company that controls the savings association. In a holding company context, the holding company of a savings association (such as Quaint Oak Bancorp) and any companies which are controlled by such holding company are affiliates of the savings association. Generally, Section 23A limits the extent to which the savings association or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such association's capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. Section 23B applies to "covered transactions" as well as certain other transactions and requires that all transactions be on terms substantially the same, or at least as favorable, to the savings association as those provided to a non-affiliate. The term "covered transaction" includes the making of loans to, purchase of assets from and issuance of a guarantee to an affiliate and similar transactions. Section 23B transactions also include the provision of services and the sale of assets by a savings association to an affiliate. In addition to the restrictions imposed by Sections 23A and 23B, Section 11 of the Home Owners' Loan Act prohibits a savings association from (i) making a loan or other extension of credit to an affiliate, except for any affiliate which engages only in certain activities which are permissible for bank holding companies, or (ii) purchasing or investing in any stocks, bonds, debentures, notes or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings association.

In addition, Sections 22(g) and (h) of the Federal Reserve Act as made applicable to savings associations by Section 11 of the Home Owners' Loan Act, place restrictions on loans to executive officers, directors and principal stockholders of the savings association and its affiliates. Under Section 22(h), loans to a director, an executive officer and to a greater than 10% stockholder of a savings association, and certain affiliated interests of either, may not exceed, together with all other outstanding loans to such person and affiliated interests, the savings association's loans to one borrower limit (generally equal to 15% of the association's unimpaired capital and surplus). Section 22(h) also requires that loans to directors, executive officers and principal stockholders be made on terms substantially the same as offered in comparable transactions to other persons unless the loans are made pursuant to a benefit or compensation program that (i) is widely available to employees of the association and (ii) does not give preference to any director, executive officer or principal stockholder, or certain affiliated interests of either, over other employees of the savings association. Section 22(h) also requires prior board approval for certain loans. In addition, the aggregate amount of extensions of credit by a savings association to all insiders cannot exceed the association's unimpaired capital and surplus. Furthermore, Section 22(g) places additional restrictions on loans to executive officers. As an insured state chartered savings bank, Quaint Oak Bank currently is subject to Sections 22(g) and (h) of the Federal Reserve Act and at December 31, 2011, was in compliance with the above restrictions.

Restrictions on Acquisitions. Except under limited circumstances, savings and loan holding companies are prohibited from acquiring, without prior approval of the Federal Reserve Board, (i) control of any other savings association or savings and loan holding company or substantially all the assets thereof or (ii) more than 5% of the voting shares of a savings association or holding company thereof which is not a subsidiary. Except with the prior approval of the Federal Reserve Board, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may acquire control of any savings association, other than a subsidiary savings association, or of any other savings and loan holding company.

The Federal Reserve Board may only approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings associations in more than one state if (i) the multiple savings and loan holding company involved controls a savings association which operated a home or branch office located in the state of the association to be acquired as of March 5, 1987; (ii) the acquirer is authorized to acquire control of the savings association pursuant to the emergency acquisition provisions of the Federal Deposit Insurance Act ; or (iii) the statutes of the state in which the association to be acquired is located specifically permit associations to be acquired by the state-chartered associations or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings associations).

Federal Securities Laws. Quaint Oak Bancorp's common stock is registered with the Securities and Exchange Commission under Section 12(g) of the Securities Exchange Act of 1934, as amended. Quaint Oak Bancorp is subject to information, proxy solicitation, insider trading restrictions, and other requirements under the Securities Exchange Act of 1934.

The Sarbanes-Oxley Act. As a public company, Quaint Oak Bancorp is subject to the Sarbanes-Oxley Act of 2002 which addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our principal executive officer and principal financial officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal control over financial reporting; and they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

Regulation of Quaint Oak Bank

Pennsylvania Banking Law. The Pennsylvania Banking Code contains detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers, employees and members, as well as corporate powers, savings and investment operations and other aspects of Quaint Oak Bank and its affairs. The Pennsylvania Banking Code delegates extensive rulemaking power and administrative discretion to the Pennsylvania Department of Banking so that the supervision and regulation of state-chartered savings banks may be flexible and readily responsive to changes in economic conditions and in savings and lending practices.

One of the purposes of the Pennsylvania Banking Code is to provide savings banks with the opportunity to be competitive with each other and with other financial institutions existing under other Pennsylvania laws and other state, federal and foreign laws. A Pennsylvania savings bank may locate or change the location of its principal place of business and establish an office anywhere in the Commonwealth, with the prior approval of the Pennsylvania Department of Banking.

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The Pennsylvania Department of Banking generally examines each savings bank not less frequently than once every two years. Although the Pennsylvania Department of Banking may accept the examinations and reports of the Federal Deposit Insurance Corporation in lieu of its own examination, the present practice is for the Pennsylvania Department of Banking to conduct individual examinations. The Pennsylvania Department of Banking may order any savings bank to discontinue any violation of law or unsafe or unsound business practice and may direct any director, trustee, officer, attorney or employee of a savings bank engaged in an objectionable activity, after the Pennsylvania Department of Banking has ordered the activity to be terminated, to show cause at a hearing before the Pennsylvania Department of Banking why such person should not be removed.

Insurance of Accounts. The deposits of Quaint Oak Bank are insured to the maximum extent permitted by the Deposit Insurance Fund, administered by the Federal Deposit Insurance Corporation, and are backed by the full faith and credit of the U.S. Government. As insurer, the Federal Deposit Insurance Corporation is authorized to conduct examinations of, and to require reporting by, insured institutions. It also may prohibit any insured institution from engaging in any activity determined by regulation or order to pose a serious threat to the Federal Deposit Insurance Corporation.

The recently enacted financial institution reform legislation permanently increased deposit insurance on most accounts to $250,000. In addition, pursuant to Section 13(c)(4)(G) of the Federal Deposit Insurance Act, the Federal Deposit Insurance Corporation has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction deposit accounts and to guarantee certain unsecured debt of financial institutions and their holding companies. Under the unsecured debt program, the FDIC's guarantee expires on the earlier of the maturity date of the debt or December 31, 2012. The unlimited deposit insurance for noninterest-bearing transaction accounts was extended by the Dodd-Frank Act through the end of 2012 for all insured institutions without a separate insurance assessment (but the cost of the additional insurance coverage will be considered under the risk-based assessment system).

The Federal Deposit Insurance Corporation's risk-based premium system provides for quarterly assessments. Each insured institution is placed in one of four risk categories based upon supervisory and capital evaluations. Within its risk category, an institution is assigned to an initial base assessment rate which is then adjusted to determine its final assessment rate based on its brokered deposits, secured liabilities and unsecured debt. The Federal Deposit Insurance Corporation recently amended its deposit insurance regulations (1) to change the assessment base for insurance from domestic deposits to average assets minus average tangible equity and (2) to lower overall assessment rates. The revised assessment rates are between 2.5 and 9 basis points for banks in the lower risk category and between 30 to 45 basis points for banks in the highest risk category. The amendments became effective for the quarter beginning April 1, 2011 with the new assessment methodology reflected in the premium invoices due September 30, 2011.

In addition, all institutions with deposits insured by the Federal Deposit Insurance Corporation are required to pay assessments to fund interest payments on bonds issued by the Financing Corporation, a mixed-ownership government corporation established to recapitalize a predecessor to the Deposit Insurance Fund. The assessment rate is adjusted quarterly. These assessments will continue until the Financing Corporation bonds mature in 2019.

The Federal Deposit Insurance Corporation may terminate the deposit insurance of any insured depository institution, including Quaint Oak Bank, if it determines after a hearing that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the Federal Deposit Insurance Corporation. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the Federal Deposit Insurance Corporation. Management is aware of no existing circumstances which would result in termination of Quaint Oak Bank's deposit insurance.

On November 12, 2009, the FDIC adopted regulations that required insured depository institutions to prepay on December 30, 2009 their estimated assessments for the fourth calendar quarter of 2009 through the fourth quarter of 2012. Under the prepaid assessment rule, we made a payment of $405,000 to the Federal Deposit Insurance Corporation on December 30, 2009, and recorded $356,000 of this payment as a prepaid expense. The prepaid balance will be reduced by the actual expense for our quarterly assessments, until the balance is exhausted. Depending on how our actual assessments compare to the estimated assessments, the prepaid balance may be exhausted earlier than or later than the planned three-year time period. The prepaid balance at December 31, 2011 was $180,000.

Capital Requirements. The Federal Deposit Insurance Corporation has promulgated regulations and adopted a statement of policy regarding the capital adequacy of state-chartered savings banks which, like Quaint Oak Bank, are not members of the Federal Reserve System.

The Federal Deposit Insurance Corporation's capital regulations establish a minimum 3.0% Tier I leverage capital requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively will increase the minimum Tier I leverage ratio for such other banks to 4.0% to 5.0% or more. Under the Federal Deposit Insurance Corporation's regulation, highest-rated banks are those that the Federal Deposit Insurance Corporation determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, which are considered a strong banking organization and are rated composite 1 under the Uniform Financial Institutions Rating System. Leverage or core capital is defined as the sum of common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, and minority interests in consolidated subsidiaries, minus all intangible assets other than certain qualifying supervisory goodwill and certain purchased mortgage servicing rights.

The Federal Deposit Insurance Corporation also requires that savings banks meet a risk-based capital standard. The risk-based capital standard for savings banks requires the maintenance of total capital (which is defined as Tier I capital and supplementary (Tier 2) capital) to risk weighted assets of 8%. In determining the amount of risk-weighted assets, all assets, plus certain off balance sheet assets, are multiplied by a risk-weight of 0% to 100%, based on the risks the Federal Deposit Insurance Corporation believes are inherent in the type of asset or item. The components of Tier I capital are equivalent to those discussed above under the 3% leverage capital standard. The components of supplementary capital include certain perpetual preferred stock, certain mandatory convertible securities, certain subordinated debt and intermediate preferred stock and general allowances for loan and lease losses. Allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of capital counted toward supplementary capital cannot exceed 100% of core capital.

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Quaint Oak Bank is also subject to more stringent Pennsylvania Department of Banking capital guidelines. Although not adopted in regulation form, the Pennsylvania Department of Banking utilizes capital standards requiring a minimum of 6% leverage capital and 10% risk-based capital. The components of leverage and risk-based capital are substantially the same as those defined by the Federal Deposit Insurance Corporation.

At December 31, 2011, Quaint Oak Bank's capital ratios exceeded each of its capital requirements. See Note 14 to the notes to our financial statements included in Exhibit 13.0 hereto.

Prompt Corrective Action. The following table shows the amount of capital associated with the different capital categories set forth in the prompt corrective action regulations.

| Capital Category | Total Risk-based Capital | Tier 1 Risk-based Capital | Tier 1 Leverage Capital |
|---|---|---|---|
| Well capitalized | 10% or more | 6% or more | 5% or more |
| Adequately capitalized | 8% or more | 4% or more | 4% or more |
| Undercapitalized | Less than 8% | Less than 4% | Less than 4% |
| Significantly undercapitalized | Less than 6% | Less than 3% | Less than 3% |

In addition, an institution is “critically undercapitalized” if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. Under specified circumstances, a federal banking agency may reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the Federal Deposit Insurance Corporation may not reclassify a significantly undercapitalized institution as critically undercapitalized).

An institution generally must file a written capital restoration plan which meets specified requirements within 45 days of the date that the institution receives notice or is deemed to have notice that it is undercapitalized, significantly undercapitalized or critically undercapitalized. A federal banking agency must provide the institution with written notice of approval or disapproval within 60 days after receiving a capital restoration plan, subject to extensions by the agency. An institution which is required to submit a capital restoration plan must concurrently submit a performance guaranty by each company that controls the institution. In addition, undercapitalized institutions are subject to various regulatory restrictions, and the appropriate federal banking agency also may take any number of discretionary supervisory actions.

At December 31, 2011, Quaint Oak Bank was deemed a well capitalized institution for purposes of the prompt corrective regulations and as such is not subject to the above mentioned restrictions.

Activities and Investments of Insured State-Chartered Savings Banks. The activities and equity investments of Federal Deposit Insurance Corporation-insured, state-chartered savings banks are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank is not prohibited from, among other things:

- acquiring or retaining a majority interest in a subsidiary;
- investing as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets;

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- acquiring up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions; and

- acquiring or retaining the voting shares of a depository institution if certain requirements are met.

The Federal Deposit Insurance Corporation has adopted regulations pertaining to the other activity restrictions imposed upon insured state banks and their subsidiaries. Pursuant to such regulations, insured state banks engaging in impermissible activities may seek approval from the Federal Deposit Insurance Corporation to continue such activities. State banks not engaging in such activities but that desire to engage in otherwise impermissible activities either directly or through a subsidiary may apply for approval from the Federal Deposit Insurance Corporation to do so; however, if such bank fails to meet the minimum capital requirements or the activities present a significant risk to the Deposit Insurance Fund, such application will not be approved by the Federal Deposit Insurance Corporation. Pursuant to this authority, the Federal Deposit Insurance Corporation has determined that investments in certain majority-owned subsidiaries of insured state banks do not represent a significant risk to the deposit insurance funds. Investments permitted under that authority include real estate activities and securities activities.

Restrictions on Capital Distributions. Federal Reserve Board and Federal Deposit Insurance Corporation regulations govern capital distributions by savings institutions, which include cash dividends, stock repurchases and other transactions charged to the capital account of a savings institution to make capital distributions. These regulations apply to Quaint Oak Bancorp because Quaint Oak Bank is considered a savings association for certain purposes under Home Owners' Loan Act, as amended. Under applicable regulations, a savings association must file an application for Federal Deposit Insurance Corporation approval of the capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the institution's net income for that year to date plus the institution's retained net income for the preceding two years;

- the institution would not be at least adequately capitalized following the distribution;

- the distribution would violate any applicable statute, regulation, agreement or Federal Deposit Insurance Corporation-imposed condition; or

- the institution is not eligible for expedited treatment of its filings with the Federal Deposit Insurance Corporation.

If an application is not required to be filed, state savings banks that elect to be treated as savings associations such as Quaint Oak Bank must still file a notice with the Federal Deposit Insurance Corporation at least 30 days before the board of directors declares a dividend or approves a capital distribution if either (1) the institution would not be well-capitalized following the distribution; or (2) the proposed distribution would reduce the amount or retire any part of our common or preferred stock or retire any part of a debt instrument included in our regulatory capital. In addition, a savings institution, such as Quaint Oak Bank, that is the subsidiary of a stock saving and loan holding company, must also file a notice with the appropriate Federal Reserve Bank at least 30 days before the proposed declaration of a dividend by its board of directors.

A savings association that either before or after a proposed capital distribution fails to meet its then applicable minimum capital requirement or that has been notified that it needs more than normal supervision may not make any capital distributions without the prior written approval of the Federal Deposit Insurance Corporation. In addition, the Federal Deposit Insurance Corporation may prohibit a proposed capital distribution, which would otherwise be permitted by Federal Deposit Insurance Corporation regulations, if the Federal Deposit Insurance Corporation determines that such distribution would constitute an unsafe or unsound practice.

The Federal Deposit Insurance Corporation prohibits an insured depository institution from paying dividends on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distributing any of its capital assets while it remains in default in the payment of any assessment due the Federal Deposit Insurance Corporation. Quaint Oak Bank is currently not in default in any assessment payment to the Federal Deposit Insurance Corporation.

Privacy Requirements of the Gramm-Leach-Bliley Act. Federal law places limitations on financial institutions like Quaint Oak Bank regarding the sharing of consumer financial information with unaffiliated third parties. Specifically, these provisions require all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution’s privacy policy and provide such customers the opportunity to “opt out” of the sharing of personal financial information with unaffiliated third parties. Quaint Oak Bank currently has a privacy protection policy in place and believes such policy is in compliance with the regulations.

Anti-Money Laundering. Federal anti-money laundering rules impose various requirements on financial institutions intended to prevent the use of the U.S. financial system to fund terrorist activities. These provisions include a requirement that financial institutions operating in the United States have anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such compliance programs supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control Regulations. Quaint Oak Bank has established policies and procedures to ensure compliance with the federal anti-laundering provisions.

Regulatory Enforcement Authority. The federal banking laws provide substantial enforcement powers available to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities.

Community Reinvestment Act. All insured depository institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. An institution’s failure to comply with the provisions of the Community Reinvestment Act could result in restrictions on its activities. Quaint Oak Bank received a “satisfactory” Community Reinvestment Act rating in its most recently completed examination.

Federal Home Loan Bank System. Quaint Oak Bank is a member of the Federal Home Loan Bank of Pittsburgh, which is one of 12 regional Federal Home Loan Banks. Each Federal Home Loan Bank serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds from the sale of consolidated obligations of the Federal Home Loan Bank System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the board of directors of the Federal Home Loan Bank.

As a member, Quaint Oak Bank is required to purchase and maintain stock in the Federal Home Loan Bank of Pittsburgh in an amount in accordance with the Federal Home Loan Bank's capital plan and sufficient to ensure that the Federal Home Loan Bank remains in compliance with its minimum capital requirements. At December 31, 2011, Quaint Oak Bank was in compliance with this requirement.

Federal Reserve Board System. The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts, which are primarily checking and NOW accounts, and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy the liquidity requirements that are imposed by the Pennsylvania Department of Banking. At December 31, 2011, Quaint Oak Bank was in compliance with these reserve requirements.

## TAXATION

### Federal Taxation

General.  Quaint Oak Bancorp and Quaint Oak Bank are subject to federal income tax provisions of the Internal Revenue Code of 1986, as amended, in the same general manner as other corporations with some exceptions listed below.  For federal income tax purposes, Quaint Oak Bancorp files a consolidated federal income tax return with its wholly owned subsidiaries on a fiscal year basis.  The applicable federal income tax expense or benefit will be properly allocated to each entity based upon taxable income or loss calculated on a separate company basis.

Method of Accounting.  For federal income tax purposes, income and expenses are reported on the accrual method of accounting and Quaint Oak Bancorp files its federal income tax return using a December 31 fiscal year end.

Bad Debt Reserves.  The Small Business Job Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995.  Prior to that time, Quaint Oak Bank was permitted to establish a reserve for bad debts and to make additions to the reserve.  These additions could, within specified formula limits, be deducted in arriving at taxable income.  As a result of the Small Business Job Protection Act, savings associations must use the specific charge-off method in computing their bad debt deduction beginning with their 1996 federal tax return.

Taxable Distributions and Recapture.  Prior to the Small Business Job Protection Act, bad debt reserves created prior to January 1, 1988 were subject to recapture into taxable income if a savings bank failed to meet certain thrift asset and definitional tests.  New federal legislation eliminated these thrift related recapture rules.  However, under current law, pre-1988 reserves remain subject to recapture should a savings bank make certain non-dividend distributions or cease to maintain a savings bank charter.  At December 31, 2011, Quaint Oak Bank did not have federal pre-1988 reserves subject to recapture.

Minimum Tax.  The Internal Revenue Code imposes an alternative minimum tax ("AMT") at a rate of 20% on a base of regular taxable income plus certain tax preferences ("alternative minimum taxable income" or "AMTI").  The AMT is payable to the extent such AMTI is in excess of an exemption amount.  Net operating losses can offset no more than 90% of AMTI.  Certain payments of alternative minimum tax may be used as credits against regular tax liabilities in future years.  Quaint Oak Bancorp has not been subject to the AMT nor does it have any such amounts available as credits for carryover.

Corporate Dividends Received Deduction.  Quaint Oak Bancorp may exclude from income 100% of dividends received from a member of the same affiliated group of corporations.  The corporate dividends received deduction is 80% in the case of dividends received from corporations, which a corporate recipient owns less than 80%, but at least 20% of the distribution corporation.  Corporations that own less than 20% of the stock of a corporation distributing a dividend may deduct only 70% of dividends received.

Other Matters. Quaint Oak Bank has not been audited by the IRS during the last five years.

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State and Local Taxation

Pennsylvania Taxation.  Quaint Oak Bancorp is subject to the Pennsylvania Corporate Net Income Tax and Capital Stock and Franchise Tax.  The Corporation Net Income Tax rate for 2011 is 9.99% and is imposed on unconsolidated taxable income for federal purposes with certain adjustments.  In general, the Capital Stock and Franchise Tax is a property tax imposed on a corporation's capital stock value at a statutorily defined rate, such value being determined in accordance with a fixed formula based upon average net income and net worth.

Quaint Oak Bank is subject to tax under the Pennsylvania Mutual Thrift Institutions Tax Act (the "MTIT"), as amended to include thrift institutions having capital stock.  Pursuant to the MTIT, the tax rate is 11.5%.  The MTIT exempts Quaint Oak Bank from other taxes imposed by the Commonwealth of Pennsylvania for state income tax purposes and from all local taxation imposed by political subdivisions, except taxes on real estate and real estate transfers.  The MTIT is a tax upon net earnings, determined in accordance with U.S. generally accepted accounting principles with certain adjustments.  The MTIT, in computing income under U.S. generally accepted accounting principles, allows for the deduction of interest earned on state and federal obligations, while disallowing a percentage of thrift’s interest expense deduction in the proportion of interest income on those securities to the overall interest income of Quaint Oak Bank.  Net operating losses, if any, thereafter can be carried forward three years for MTIT purposes.

Quaint Oak Bank’s three active subsidiaries (Quaint Oak Mortgage, Quaint Oak Real Estate and Quaint Oak Abstract) and one inactive subsidiary (Quaint Oak Insurance) are subject to the Pennsylvania Capital Stock and Franchise Tax.

Item 1A. Risk Factors.

Not applicable.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The following table provides certain information as of December 31, 2011 with respect to our main office located in Southampton, Pennsylvania, and our mortgage banking, real estate sales and title abstract  property in Allentown, Pennsylvania.

| Description/Address | Leased/Owned | Date of Lease Expiration | Net Book Value of Property | Amount of Deposits |
|---|---|---|---|---|
| | | | (In Thousands) | |
| 607 Lakeside Drive<br>Southampton, Pennsylvania 18966 | Leased | --(1) | $-- | $86,162 |
| 609 Lakeside Drive<br>Southampton, Pennsylvania 18966 | Leased | 11/30/10(1) | 5 | -- |
| 1710 Union Boulevard<br>Allentown, Pennsylvania 18019 | Owned | NA | 984 | 2,363 |

(1)

Such lease is month to month, with 120 days' notice required for termination. The lease will expire on March 31, 2012, when Quaint Oak Bancorp relocates to 501 Knowles Avenue, Southampton, Pennsylvania.

Item 3. Legal Proceedings.

Quaint Oak Bancorp is not involved in any legal proceedings except nonmaterial litigation incidental to the ordinary course of business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Quaint Oak Bancorp's common shares have been quoted on the OTC Bulletin Board ("OTCBB") since July 2007, under the symbol "QNTO." Presented below are the quarterly high and low sales prices for Quaint Oak Bancorp's common shares for 2011 and 2010. Such prices do not include retail financial markups, markdowns or commissions. Information relating to prices has been obtained from the OTCBB.

| Quarter ended: | High | Low | Cash dividends per share |
|---|---|---|---|
| December 31, 2011 | $ 8.56 | $ 8.00 | $ 0.035 |
| September 30, 2011 | $ 9.60 | $ 8.10 | $ 0.035 |
| June 30, 2011 | $ 10.05 | $ 9.15 | $ 0.035 |
| March 31, 2011 | $ 10.10 | $ 9.40 | $ 0.035 |

| Quarter ended: | High | Low | Cash dividends per share |
|---|---|---|---|
| December 31, 2010 | $ 10.00 | $ 8.25 | $ 0.030 |
| September 30, 2010 | $ 9.20 | $ 8.25 | $ 0.030 |
| June 30, 2010 | $ 9.50 | $ 9.05 | $ 0.030 |
| March 31, 2010 | $ 9.25 | $ 8.50 | $ 0.030 |

As of December 31, 2011, Quaint Oak Bancorp had 987,126 common shares outstanding held of record by 197 shareholders. The number of shareholders does not reflect the number of persons or entities who may hold stock in nominee or "street" name through brokerage firms or others.

(b) Not applicable.

(c) Purchases of Equity Securities

The Company’s repurchases of its common stock made during the quarter ended December 31, 2011 are set forth in the table below:

| Period | Total Number of Shares Purchased (1) | 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 (2) |
|---|---|---|---|---|
| Month #1 October 1, 2011 – October 31, 2011 | -- | $ -- | -- | 63,225 |
| Month #2 November 1, 2011 – November 30, 2011 | -- | -- | -- | 63,225 |
| Month #3 December 1, 2011 – December 31, 2011 | -- | -- | -- | 63,225 |
| Total | -- | $ -- | -- | 63,225 |

Notes to this table:

(1) On September 10, 2010, the Company announced by press release its third repurchase program to repurchase up to an additional 69,431 shares, or approximately 6.2% of the Company's current outstanding shares of common stock as of September 30, 2010. The Company commenced this third stock repurchase program upon the completion of its prior repurchase program on December 3, 2010.

Item 6. Selected Financial Data.

The information required herein is incorporated by reference from page 2 of the Annual Report attached hereto as Exhibit 13.0 (“Annual Report”).

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required herein is incorporated by reference from pages 3 to 14 of the Annual Report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company (as defined) we are not required to provide this information.

Item 8. Financial Statements and Supplementary Data.

The information required herein is incorporated by reference from pages 15 to 52 of the Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

(a) Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of December 31, 2011. Based on their evaluation of the Company’s disclosure controls and procedures, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and regulations are operating in an effective manner.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining an adequate system of internal control over financial reporting. An adequate system of internal control encompasses the processes and procedures that have been established by management to:

- Maintain records that accurately reflect the Company's transactions;

- Prepare financial statements and footnote disclosures in accordance with GAAP that can be relied upon by external users;

- Prevent and detect unauthorized acquisition, use or disposition of the Company's assets that could have a material effect of the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's controls over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in Internal Control – Integrated Framework, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011. Furthermore, during the conduct of its assessment, management identified no material weakness in its financial reporting control system.

(c) No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15(d)-15(f) under the Securities Exchange Act of 1934) occurred during the fourth fiscal quarter of fiscal 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required herein is incorporated by reference from the information contained in the sections captioned "Information with Respect to Nominees for Director, Continuing Directors and Executive Officers" and "Beneficial Ownership of Common Stock by Certain Owners and Management – Section 16(a) Beneficial Ownership Reporting Compliance" in Quaint Oak Bancorp's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 9, 2012 (the "Proxy Statement"), a copy of which will be filed with the Securities and Exchange Commission.

Quaint Oak Bancorp has adopted a Code of Conduct and Ethics that applies to its principal executive officer and principal financial officer, as well as other officers and employees of Quaint Oak Bancorp and Quaint Oak Bank. A copy of the Code of Ethics is available on the Company's website at www.quaintoak.com.

Item 11. Executive Compensation.

The information required herein is incorporated by reference from the information contained in the sections captioned “Information with Respect to Nominees for Director, Continuing Directors and Executive Officers – Director Compensation” and "Executive Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required herein is incorporated by reference from the information contained in the section captioned "Beneficial Ownership of Common Stock by Certain Beneficial Owners and Management" in the Proxy Statement.

Equity Compensation Plan Information. The following table provides information as of December 31, 2011 with respect to shares of common stock that may be issued under our existing equity compensation plans, which consist of the 2008 Stock Option Plan and 2008 Recognition and Retention Plan, both of which were approved by our shareholders.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|---|
| Equity compensation plans approved by security holders | 125,010(1) | $ | 10.00(1) | 43,752 |
| Equity compensation plans not approved by security holders | -- | | -- | -- |
| Total | 125,010 | $ | 10.00 | 43,752 |

(1) Includes17,440 shares subject to restricted stock grants which were not vested as of December 31, 2011. The weighted-average exercise price excludes such restricted stock grants.

Item 13. Certain Relationships and Related Transactions.

The information required herein is incorporated by reference from the information contained in the section captioned “Information with Respect to Nominees for Director, Continuing Directors and Executive Officers – Transactions with Certain Related Persons” in the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required herein is incorporated by reference from the information contained in the section captioned "Ratification of Appointment of Independent Registered Public Accounting Firm – Audit Fees" in the Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) (1) The following financial statements are incorporated by reference from Item 8 hereof (see Exhibit 13.0):

Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2011 and 2010
Consolidated Statements of Income for the Years Ended December 31, 2011 and 2010
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2011 and 2010
Consolidated Statements of Cash Flows for the Years Ended December 31, 2011 and 2010
Notes to Consolidated Financial Statements

(2) All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

The following exhibits are filed as part of this Form 10-K and this list includes the Exhibit Index.

| No. | Exhibits | Location |
|---|---|---|
| 3.1 | Articles of Incorporation of Quaint Oak Bancorp, Inc. | (1) |
| 3.2 | Bylaws of Quaint Oak Bancorp, Inc. | (1) |
| 4.1 | Form of Stock Certificate of Quaint Oak Bancorp, Inc. | (1) |
| 10.1 | Amended and Retstated Employment Agreement by and between Robert T. Strong and Quaint Oak Bank* | (2) |
| 10.2 | Quaint Oak Bancorp, Inc. 2008 Stock Option Plan* | (3) |
| 10.3 | Quaint Oak Bancorp, Inc. 2008 Recognition and Retention Plan and Trust Agreement* | (3) |
| 13.0 | Annual Report to Shareholders | Filed herewith |
| 21.0 | Subsidiaries of the Registrant – Reference is made to "Item 1. Business - Subsidiaries" of this Form 10-K for the required information | -- |
| 23.0 | Consent of ParenteBeard LLC | Filed herewith |
| 31.1 | Certification of Chief Executive Officer | Filed herewith |
| 31.2 | Certification of Chief Financial Officer | Filed herewith |
| 32.0 | Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer | Filed herewith |
| 101.INS | XBRL Instance Document | (4) |
| 101.SCH | XBRL Taxonomy Extension Schema Document | (4) |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | (4) |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | (4) |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | (4) |
| 101.DEF | XBRL Taxonomy Extension Definitions Linkbase Document | (4) |

* Denotes management compensation plan or arrangement.

(1) Incorporated by reference from the Company's Registration Statement on Form SB-2, filed on March 21, 2007, as amended, and declared effective on May 14, 2007 (File No. 333-141474).
(2) Incorporated by reference from the Company’s Current Report on Form 8-K, filed on December 16, 2008 (File No. 0000-52694)
(3) Incorporated by reference from the Company’s definitive proxy statement for the Annual Meeting of Shareholders held on May 14, 2008 (Commission File No. 000-52694) filed with the Commission on April 11, 2008
(4) These interactive data files are being furnished as part of this Annual Report, and, in accordance with Rule 402 of Regulation S-T, shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

(b) Exhibits

The exhibits listed under (a)(3) of this Item 15 are filed herewith.

(c) Reference is made to (a)(2) of this Item 15.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

QUAINT OAK BANCORP, INC.

| | | |
|---|---|---|
| Date: March 27, 2012 | By: | /s/Robert T. Strong<br>Robert T. Strong<br>President and Chief Executive Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name | Title | Date |
|---|---|---|
| /s/Robert T. Strong<br>Robert T. Strong | President and Chief Executive Officer | March 27, 2012 |
| /s/John J. Augustine<br>John J. Augustine | Chief Financial Officer | March 27, 2012 |
| /s/Robert J. Phillips<br>Robert J. Phillips | Chairman | March 27, 2012 |
| George M. Ager, Jr. | Director | March __, 2012 |
| James J. Clarke, Ph.D. | Director | March __, 2012 |
| /s/Andrew E. DiPiero, Jr.<br>Andrew E. DiPiero, Jr. | Director | March 27, 2012 |
| /s/Kenneth R. Gant<br>Kenneth R. Gant | Director | March 27, 2012 |
| /s/Marsh B. Spink<br>Marsh B. Spink | Director | March 27, 2012 |

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