

COMMERCEFIRST BANCORP INC

Form 425

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News release

FOR IMMEDIATE RELEASE

SANDY SPRING BANCORP REPORTS FIRST QUARTER PROFIT OF

\$8.5 MILLION

OLNEY, MARYLAND, April 19, 2012 — Sandy Spring Bancorp, Inc., (Nasdaq-SASR) the parent company of Sandy Spring Bank, today announced net income for the first quarter of 2012 of \$8.5 million (\$.35 per diluted share) compared to net income of \$7.3 million (\$0.30 per diluted share) for both the first quarter of 2011 and the fourth quarter of 2011.

“We are off to a very positive start for 2012 as we saw a third straight quarter of loan growth. While our net interest margin declined compared to the first quarter of 2011, it showed an increase over the previous quarter as we continued to improve our deposit mix with continued growth in lower cost transaction accounts,” said Daniel J. Schrider, President and Chief Executive Officer. “The overall economy has begun to show modestly improving indicators and our results mirror these positives as we meet the challenges of intense competition for quality loans in this extended low interest rate environment.”

“We have received all necessary regulatory approvals for our previously announced acquisition of CommerceFirst Bank, headquartered in Anne Arundel County, MD. We see promising opportunities for new growth in this contiguous natural market with excellent commercial demographics. Our merger integration team has been working diligently and we expect to complete a seamless transition in the second quarter,” said Schrider.

First Quarter Highlights:

Pre-tax pre-provision income, a non-GAAP measure, was \$13.0 million for the first quarter of 2012, a 9% increase over the first quarter of 2011 and a 4% increase over the fourth quarter of 2011.

Total loans reflected a third straight quarterly increase due primarily to growth in the commercial business, investor real estate and residential construction loan portfolios.

Non-performing loans declined to \$72.2 million at March 31, 2012 compared to \$88.3 million at March 31, 2011 and \$79.1 million at December 31, 2011. The coverage ratio of the allowance for loan and lease losses to non-performing loans was 62% at March 31, 2012 compared to 67% at March 31, 2011 and 62% at December 31, 2011.

The net interest margin declined to 3.56% for the first quarter of 2012, compared to 3.65% for the first quarter of 2011 but increased compared to 3.51% for the fourth quarter of 2011.

Revenue from wealth management services, which includes fees from trust and investment management and sales of investment products, increased 11% for the first quarter of 2012 compared to the first quarter of 2011 due to the addition of investable assets from new and existing clients and market-driven increases in the value of assets under management upon which our fees are based.

Review of Balance Sheet and Credit Quality

Total assets increased 3% to \$3.7 billion at March 31, 2012 compared to balances at March 31, 2011. Total loans and leases increased 6% to \$2.3 billion compared to the prior year. The increase in loans was due primarily to growth in the commercial and residential mortgage loan portfolios. Total loans increased 1% compared to balances at December 31, 2011.

Customer funding sources, which include deposits and other short-term borrowings from customers, increased 3% compared to March 31, 2011. This increase was due largely to a 12% increase in noninterest-bearing and interest-bearing checking accounts, which more than offset a 9% reduction in certificates of deposit, which resulted from the Company's strategy to improve its deposit mix and maintain its net interest margin. The Company views the growth in checking accounts as an especially valuable metric as it provides additional opportunities to grow multiple product banking relationships with clients.

Tangible common equity totaled \$358.0 million at March 31, 2012 compared to \$328.4 million at March 31, 2011 resulting in an increase in the ratio of tangible common equity to tangible assets from 9.47% at March 31, 2011 to 9.98% at March 31, 2012. This increase was due primarily to net income earned during the period. At March 31, 2012, the Company had a total risk-based capital ratio of 16.14%, a tier 1 risk-based capital ratio of 14.89% and a tier 1 leverage ratio of 11.05%.

Non-performing loans decreased to \$72.2 million at March 31, 2012 compared to \$88.3 million at March 31, 2011 and \$79.1 million at December 31, 2011. The Company's credit quality metrics continued to improve due to resolution of existing problem credits and limited migration of new credits to non-performing status.

The provision for loan and lease losses was \$0.7 million for the first quarter of 2012 compared to \$1.5 million for the first quarter of 2011 and \$2.3 million for the fourth quarter of 2011. The decrease in the provision for the first quarter

of 2012 compared to the prior quarter was due primarily to a decline in specific reserves on watch list credits. Compared to the first quarter of 2011, the provision for the first quarter of 2012 declined due primarily to a decrease in historical losses in prior periods.

Loan charge-offs, net of recoveries, totaled \$5.0 million for the first quarter of 2012 compared to net charge-offs of \$4.7 million for the first quarter of 2011 and \$2.6 million for the fourth quarter of 2011. The allowance for loan and lease losses represented 1.98% of outstanding loans and leases and 62% of non-performing loans at March 31, 2012 compared to 2.74% of outstanding loans and leases and 67% of non-performing loans at March 31, 2011 and 2.21% of outstanding loans and leases and 62% of non-performing loans at December 31, 2011. Non-performing loans includes accruing loans 90 days or more past due and restructured loans.

Income Statement Review

Net interest income for the first quarter of 2012 increased by \$0.7 million or 3% compared to the first quarter of 2011 due to an increase in average earning assets resulting from growth in both loans and noninterest-bearing deposits, which more than offset lower earning asset yields. Lower yields, together with a reduced rate of decline in the cost of funds, resulted in a decrease in the net interest margin to 3.56% for the first quarter of 2012 compared to 3.65% for the first quarter of 2011.

Non-interest income increased \$1.0 million or 10% to \$11.0 million for the first quarter of 2012 compared to \$10.0 million for the first quarter of 2011. This increase was due primarily to an increase in revenue from wealth management services of \$0.4 million or 11% due primarily to higher average assets under management. In addition, income from mortgage banking activities increased \$0.6 million in the first quarter of 2012 compared to the first quarter of 2011 due to higher accrued gains on mortgage commitments.

Non-interest expenses were \$26.7 million for the first quarter of 2012 compared to \$26.1 million in the first quarter of 2011, an increase of \$0.6 million or 2%. This increase was driven by an increase of \$1.1 million or 7% in salaries and benefits expense due to higher salary and incentive compensation expenses. This increase was partially offset by a decrease of \$0.4 million or 38% in FDIC insurance premiums.

The non-GAAP efficiency ratio improved to 63.9% for the first quarter of 2012 compared to 65.1% for the first quarter of 2011.

Additional Information For Shareholders

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

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

Sandy Spring Bancorp and CommerceFirst Bancorp and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of CommerceFirst Bancorp in connection with the proposed merger. Information about the directors and executive officers of Sandy Spring Bancorp is set forth in the proxy statement for Sandy Spring Bancorp's 2012 annual meeting of shareholders, as filed with the SEC on a Schedule 14A on March 29, 2012. Information about the directors and executive officers of CommerceFirst Bancorp is set forth in CommerceFirst Bancorp's Annual Report on Form 10-K for the year ended December 31, 2011. Additional information regarding the interests of those participants and other persons who may be deemed participants in the transaction may be obtained by reading the Proxy Statement/Prospectus regarding the proposed merger. Free copies of this document may be obtained as described in the preceding paragraph.

Conference Call

The Company's management will host a conference call to discuss its first quarter results today at 2:00 P.M. (ET). A live Web cast of the conference call is available through the Investor Relations' section of the Sandy Spring Web site at www.sandyspringbank.com. Participants may call 1-877-317-6789. A password is not necessary. Visitors to the Web site are advised to log on 10 minutes ahead of the scheduled start of the call. An internet-based replay will be available at the Web site until 9:00 am (ET) May 21, 2012. A replay of the teleconference will be available through the same time period by calling 1-877-344-7529 under conference call number 10011882.

About Sandy Spring Bancorp/Sandy Spring Bank

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

For additional information or questions, please contact:

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

Philip J. Mantua, E.V.P. & Chief Financial Officer

Sandy Spring Bancorp

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Forward-Looking Statements

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

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

Sandy Spring Bancorp’s forward-looking statements are subject to the following principal risks and uncertainties: general economic conditions and trends, either nationally or locally; conditions in the securities markets; changes in interest rates; changes in deposit flows, and in the demand for deposit, loan, and investment products and other financial services; changes in real estate values; changes in the quality or composition of the Company’s loan or investment portfolios; changes in competitive pressures among financial institutions or from non-financial institutions; the Company’s ability to retain key members of management; changes in legislation, regulations, and policies; and a variety of other matters which, by their nature, are subject to significant uncertainties. Sandy Spring Bancorp provides greater detail regarding some of these factors in its Form 10-K for the year ended December 31, 2011, including in the Risk Factors section of that report, and in its other SEC reports. Sandy Spring Bancorp’s forward-looking statements may also be subject to other risks and uncertainties, including those that it may discuss elsewhere in this news release or in its filings with the SEC, accessible on the SEC’s Web site at www.sec.gov.

Sandy Spring Bancorp, Inc. and Subsidiaries
FINANCIAL HIGHLIGHTS - UNAUDITED

| (Dollars in thousands, except per share data) | Three Months Ended | | % Change |
|--|--------------------|-------------|-------------|
| | March 31, 2012 | 2011 | |
| Results of Operations: | | | |
| Net interest income | \$28,705 | \$28,010 | 2 |
| Provision for loan and lease losses | 664 | 1,515 | (56) |
| Non-interest income | 10,974 | 9,992 | 10 |
| Non-interest expenses | 26,683 | 26,062 | 2 |
| Income before income taxes | 12,332 | 10,425 | 18 |
| Net income | 8,476 | 7,291 | 16 |
| Pre-tax pre-provision income | 12,996 | 11,940 | 9 |
| Return on average assets | 0.94 | % 0.84 | % |
| Return on average common equity | 7.60 | % 7.26 | % |
| Net interest margin | 3.56 | % 3.65 | % |
| Efficiency ratio - GAAP (1) | 67.25 | % 68.58 | % |
| Efficiency ratio - Non-GAAP (1) | 63.88 | % 65.09 | % |
| Per share data: | | | |
| Basic net income | \$0.35 | \$0.30 | 17 |
| Diluted net income | 0.35 | 0.30 | 17 |
| Average fully diluted shares | 24,180,501 | 24,115,906 | - |
| Dividends declared per share | 0.10 | 0.08 | 25 |
| Book value per share | 18.72 | 16.99 | 10 |
| Tangible book value per share | 14.83 | 13.64 | 9 |
| Outstanding shares | 24,143,985 | 24,084,423 | - |
| Financial Condition at period-end: | | | |
| Investment securities | \$1,067,462 | \$1,087,620 | (2) |
| Loans and leases | 2,271,392 | 2,150,049 | 6 |
| Interest-earning assets | 3,416,136 | 3,283,819 | 4 |
| Assets | 3,668,273 | 3,549,533 | 3 |
| Deposits | 2,681,075 | 2,599,634 | 3 |
| Interest-bearing liabilities | 2,508,756 | 2,495,916 | 1 |
| Stockholders' equity | 451,917 | 409,076 | 10 |
| Capital ratios: | | | |
| Tier 1 leverage | 11.05 | % 10.63 | % |
| Tier 1 capital to risk-weighted assets | 14.89 | % 14.21 | % |
| Total regulatory capital to risk-weighted assets | 16.14 | % 15.48 | % |
| Tangible common equity to tangible assets (2) | 9.98 | % 9.47 | % |
| Average equity to average assets | 12.33 | % 11.63 | % |

Credit quality ratios:

| | | | | |
|---|-------|---|-------|---|
| Allowance for loan and lease losses to loans and leases | 1.98 | % | 2.74 | % |
| Non-performing loans to total loans | 3.18 | % | 4.11 | % |
| Non-performing assets to total assets | 2.10 | % | 2.71 | % |
| Allowance for loan and lease losses to non-performing loans | 62.43 | % | 66.69 | % |
| Annualized net charge-offs to average loans and leases (3) | 0.89 | % | 0.89 | % |

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

The tangible common equity to tangible assets ratio is a non-GAAP ratio that divides assets excluding intangible (2) assets into stockholders' equity after deducting intangible assets and other comprehensive losses. See the Reconciliation Table included with these Financial Highlights.

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

Sandy Spring Bancorp, Inc. and Subsidiaries
RECONCILIATION TABLE - UNAUDITED

| (Dollars in thousands) | Three Months Ended | | | |
|--|--------------------|-------------|---------|---|
| | March 31, | | | |
| | 2012 | 2011 | | |
| Pre-tax pre-provision income: | | | | |
| Net income | \$8,476 | \$7,291 | | |
| Plus non-GAAP adjustment: | | | | |
| Income taxes | 3,856 | 3,134 | | |
| Provision for loan and lease losses | 664 | 1,515 | | |
| Pre-tax pre-provision income | \$12,996 | \$11,940 | | |
| GAAP efficiency ratio: | | | | |
| Non-interest expenses | \$26,683 | \$26,062 | | |
| Net interest income plus non-interest income | \$39,679 | \$38,002 | | |
| Efficiency ratio–GAAP | 67.25 | % | 68.58 | % |
| Non-GAAP efficiency ratio: | | | | |
| Non-interest expenses | \$26,683 | \$26,062 | | |
| Less non-GAAP adjustment: | | | | |
| Amortization of intangible assets | 461 | 461 | | |
| Non-interest expenses - as adjusted | \$26,222 | \$25,601 | | |
| Net interest income plus non-interest income | \$39,679 | \$38,002 | | |
| Plus non-GAAP adjustment: | | | | |
| Tax-equivalent income | 1,376 | 1,307 | | |
| Less non-GAAP adjustments: | | | | |
| Securities gains | 73 | 20 | | |
| OTTI recognized in earnings | (64 |) | (41 |) |
| Net interest income plus non-interest income - as adjusted | \$41,046 | \$39,330 | | |
| Efficiency ratio–Non-GAAP | 63.88 | % | 65.09 | % |
| Tangible common equity ratio: | | | | |
| Total stockholders' equity | \$451,917 | \$409,076 | | |
| Accumulated other comprehensive income (loss) | (12,838 |) | 2,260 | |
| Goodwill | (76,816 |) | (76,816 |) |
| Other intangible assets, net | (4,272 |) | (6,118 |) |
| Tangible common equity | \$357,991 | \$328,402 | | |
| Total assets | \$3,668,273 | \$3,549,533 | | |
| Goodwill | (76,816 |) | (76,816 |) |

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| | | |
|--------------------------------------|-------------|-------------|
| Other intangible assets, net | (4,272) | (6,118) |
| Tangible assets | \$3,587,185 | \$3,466,599 |
| Tangible common equity ratio | 9.98 % | 9.47 % |
| Outstanding common shares | 24,143,985 | 24,084,423 |
| Tangible book value per common share | \$14.83 | \$13.64 |

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

| (Dollars in thousands) | March 31, 2012 | December 31, 2011 | March 31, 2011 |
|---|--------------------|-------------------------|--------------------|
| Assets | | | |
| Cash and due from banks | \$43,149 | \$49,832 | \$43,738 |
| Federal funds sold | 1,012 | 1,006 | 1,564 |
| Interest-bearing deposits with banks | 58,144 | 21,476 | 33,694 |
| Cash and cash equivalents | 102,305 | 72,314 | 78,996 |
| Residential mortgage loans held for sale (at fair value) | 18,126 | 25,341 | 10,892 |
| Investments available-for-sale (at fair value) | 878,365 | 951,301 | 964,692 |
| Investments held-to-maturity -- fair value of \$157,745, \$184,167 and \$91,084 at March 31, 2012, December 31, 2011 and March 31, 2011, respectively | 153,544 | 178,465 | 88,858 |
| Other equity securities | 35,553 | 34,933 | 34,070 |
| Total loans and leases | 2,271,392 | 2,239,692 | 2,150,049 |
| Less: allowance for loan and lease losses | (45,061) | (49,426) | (58,918) |
| Net loans and leases | 2,226,331 | 2,190,266 | 2,091,131 |
| Premises and equipment, net | 48,748 | 48,483 | 48,873 |
| Other real estate owned | 4,834 | 4,431 | 7,960 |
| Accrued interest receivable | 12,424 | 12,898 | 12,893 |
| Goodwill | 76,816 | 76,816 | 76,816 |
| Other intangible assets, net | 4,272 | 4,734 | 6,118 |
| Other assets | 106,955 | 111,388 | 128,234 |
| Total assets | \$3,668,273 | \$3,711,370 | \$3,549,533 |
| Liabilities | | | |
| Noninterest-bearing deposits | \$685,770 | \$650,377 | \$619,905 |
| Interest-bearing deposits | 1,995,305 | 2,006,143 | 1,979,729 |
| Total deposits | 2,681,075 | 2,656,520 | 2,599,634 |
| Securities sold under retail repurchase agreements and federal funds purchased | 73,130 | 143,613 | 75,516 |
| Advances from FHLB | 405,321 | 405,408 | 405,671 |
| Subordinated debentures | 35,000 | 35,000 | 35,000 |
| Accrued interest payable and other liabilities | 21,830 | 24,720 | 24,636 |
| Total liabilities | 3,216,356 | 3,265,261 | 3,140,457 |
| Stockholders' Equity | | | |
| Common stock -- par value \$1.00; shares authorized 50,000,000; shares issued and outstanding 24,143,985, 24,091,042 and 24,084,423 at March 31, 2012, December 31, 2011 and March 31, 2011, respectively | 24,144 | 24,091 | 24,085 |

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| | | | |
|---|-------------|-------------|-------------|
| Additional paid in capital | 177,949 | 177,828 | 176,799 |
| Retained earnings | 236,986 | 230,942 | 210,452 |
| Accumulated other comprehensive income (loss) | 12,838 | 13,248 | (2,260) |
| Total stockholders' equity | 451,917 | 446,109 | 409,076 |
| Total liabilities and stockholders' equity | \$3,668,273 | \$3,711,370 | \$3,549,533 |

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

| | Three Months Ended March 31, | |
|---|------------------------------------|----------|
| | 2012 | 2011 |
| (Dollars in thousands, except per share data) | | |
| Interest Income: | | |
| Interest and fees on loans and leases | \$27,129 | \$26,990 |
| Interest on loans held for sale | 149 | 122 |
| Interest on deposits with banks | 21 | 18 |
| Interest and dividends on investment securities: | | |
| Taxable | 4,943 | 5,440 |
| Exempt from federal income taxes | 2,373 | 2,179 |
| Interest on federal funds sold | - | 1 |
| Total interest income | 34,615 | 34,750 |
| Interest Expense: | | |
| Interest on deposits | 2,013 | 2,913 |
| Interest on retail repurchase agreements and federal funds purchased | 61 | 53 |
| Interest on advances from FHLB | 3,587 | 3,551 |
| Interest on subordinated debt | 249 | 223 |
| Total interest expense | 5,910 | 6,740 |
| Net interest income | 28,705 | 28,010 |
| Provision for loan and lease losses | 664 | 1,515 |
| Net interest income after provision for loan and lease losses | 28,041 | 26,495 |
| Non-interest Income: | | |
| Investment securities gains | 73 | 20 |
| Total other-than-temporary impairment ("OTTI") losses | (64) | (100) |
| Portion of OTTI losses recognized in other comprehensive income, before taxes | - | 59 |
| Net OTTI recognized in earnings | (64) | (41) |
| Service charges on deposit accounts | 2,200 | 2,252 |
| Mortgage banking activities | 1,025 | 455 |
| Wealth management income | 4,057 | 3,645 |
| Insurance agency commissions | 1,202 | 1,180 |
| Income from bank owned life insurance | 634 | 646 |
| Visa check fees | 898 | 834 |
| Other income | 949 | 1,001 |
| Total non-interest income | 10,974 | 9,992 |
| Non-interest Expenses: | | |
| Salaries and employee benefits | 15,701 | 14,624 |
| Occupancy expense of premises | 2,846 | 3,143 |
| Equipment expenses | 1,190 | 1,142 |
| Marketing | 495 | 485 |

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| | | |
|-----------------------------------|---------|---------|
| Outside data services | 1,279 | 995 |
| FDIC insurance | 652 | 1,044 |
| Amortization of intangible assets | 461 | 461 |
| Other expenses | 4,059 | 4,168 |
| Total non-interest expenses | 26,683 | 26,062 |
| Income before income taxes | 12,332 | 10,425 |
| Income tax expense | 3,856 | 3,134 |
| Net income | \$8,476 | \$7,291 |

Net Income Per Share Amounts:

| | | |
|------------------------------|--------|--------|
| Basic net income per share | \$0.35 | \$0.30 |
| Diluted net income per share | \$0.35 | \$0.30 |
| Dividends declared per share | \$0.10 | \$0.08 |

Sandy Spring Bancorp, Inc. and Subsidiaries
HISTORICAL TRENDS - QUARTERLY
FINANCIAL DATA - UNAUDITED

| | 2012 | | 2011 | | | |
|---|------------|------------|------------|------------|------------|---|
| (Dollars in thousands, except per share data) | Q1 | Q4 | Q3 | Q2 | Q1 | |
| Profitability for the quarter: | | | | | | |
| Tax-equivalent interest income | \$35,991 | \$36,156 | \$36,424 | \$36,435 | \$36,057 | |
| Interest expense | 5,910 | 6,256 | 6,674 | 6,854 | 6,740 | |
| Tax-equivalent net interest income | 30,081 | 29,900 | 29,750 | 29,581 | 29,317 | |
| Tax-equivalent adjustment | 1,376 | 1,448 | 1,420 | 1,427 | 1,307 | |
| Provision for loan and lease losses | 664 | 2,282 | (3,520) | 1,151 | 1,515 | |
| Non-interest income | 10,974 | 11,370 | 11,336 | 10,802 | 9,992 | |
| Non-interest expenses | 26,683 | 27,323 | 25,848 | 25,838 | 26,062 | |
| Income before income taxes | 12,332 | 10,217 | 17,338 | 11,967 | 10,425 | |
| Income tax expense | 3,856 | 2,959 | 6,081 | 3,671 | 3,134 | |
| Net income | \$8,476 | \$7,258 | \$11,257 | \$8,296 | \$7,291 | |
| Financial performance: | | | | | | |
| Pre-tax pre-provision income | \$12,996 | \$12,499 | \$13,818 | \$13,118 | \$11,940 | |
| Return on average assets | 0.94 | % 0.79 | % 1.24 | % 0.93 | % 0.84 | % |
| Return on average common equity | 7.60 | % 6.54 | % 10.42 | % 8.03 | % 7.26 | % |
| Net interest margin | 3.56 | % 3.51 | % 3.53 | % 3.58 | % 3.65 | % |
| Efficiency ratio - GAAP (1) | 67.25 | % 68.61 | % 65.16 | % 66.33 | % 68.58 | % |
| Efficiency ratio - Non-GAAP (1) | 63.88 | % 65.10 | % 62.02 | % 62.82 | % 65.09 | % |
| Per share data: | | | | | | |
| Basic net income per share | \$0.35 | \$0.30 | \$0.47 | \$0.34 | \$0.30 | |
| Diluted net income per share | \$0.35 | \$0.30 | \$0.47 | \$0.34 | \$0.30 | |
| Average fully diluted shares | 24,180,501 | 24,141,084 | 24,142,137 | 24,130,357 | 24,115,906 | |
| Dividends declared per common share | \$0.10 | \$0.10 | \$0.08 | \$0.08 | \$0.08 | |
| Non-interest income: | | | | | | |
| Securities gains | \$73 | \$9 | \$231 | \$32 | \$20 | |
| Net OTTI recognized in earnings | (64) |) - | (76) |) (43) |) (41) |) |
| Service charges on deposit accounts | 2,200 | 2,394 | 2,444 | 2,437 | 2,252 | |
| Mortgage banking activities | 1,025 | 824 | 1,141 | 808 | 455 | |
| Wealth management income | 4,057 | 4,041 | 3,937 | 4,023 | 3,645 | |
| Insurance agency commissions | 1,202 | 1,473 | 1,044 | 953 | 1,180 | |
| Income from bank owned life insurance | 634 | 674 | 662 | 654 | 646 | |
| Visa check fees | 898 | 927 | 927 | 949 | 834 | |
| Other income | 949 | 1,028 | 1,026 | 989 | 1,001 | |
| Total non-interest income | \$10,974 | \$11,370 | \$11,336 | \$10,802 | \$9,992 | |
| Non-interest expense: | | | | | | |
| Salaries and employee benefits | \$15,701 | \$15,433 | \$14,892 | \$14,676 | \$14,624 | |
| Occupancy expense of premises | 2,846 | 2,802 | 2,784 | 2,790 | 3,143 | |

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| | | | | | |
|-----------------------------------|----------|----------|----------|----------|----------|
| Equipment expenses | 1,190 | 1,292 | 1,143 | 1,128 | 1,142 |
| Marketing | 495 | 727 | 468 | 709 | 485 |
| Outside data services | 1,279 | 1,092 | 1,073 | 999 | 995 |
| FDIC insurance | 652 | 698 | 709 | 736 | 1,044 |
| Amortization of intangible assets | 461 | 461 | 461 | 462 | 461 |
| Professional fees | 1,287 | 1,414 | 1,314 | 1,088 | 1,126 |
| Other real estate owned expenses | 64 | 604 | 383 | 726 | 699 |
| Other expenses | 2,708 | 2,800 | 2,621 | 2,524 | 2,343 |
| Total non-interest expense | \$26,683 | \$27,323 | \$25,848 | \$25,838 | \$26,062 |

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

Sandy Spring Bancorp, Inc. and Subsidiaries
HISTORICAL TRENDS - QUARTERLY
FINANCIAL DATA - UNAUDITED

| (Dollars in thousands) | 2012 Q1 | 2011 Q4 | Q3 | Q2 | Q1 |
|---|------------|------------|-----------|-----------|-----------|
| Balance sheets at quarter end: | | | | | |
| Residential mortgage loans | \$465,204 | \$448,662 | \$440,606 | \$445,605 | \$444,519 |
| Residential construction loans | 122,841 | 108,699 | 90,727 | 81,425 | 84,939 |
| Commercial ADC loans | 149,814 | 160,946 | 141,576 | 149,215 | 151,135 |
| Commercial investor real estate loans | 392,626 | 371,948 | 357,358 | 353,749 | 355,967 |
| Commercial owner occupied real estate loans | 525,022 | 522,076 | 519,837 | 511,271 | 509,215 |
| Commercial business loans | 253,827 | 260,327 | 226,528 | 225,624 | 231,448 |
| Leasing | 5,843 | 6,954 | 8,484 | 10,200 | 12,477 |
| Consumer loans | 356,215 | 360,080 | 360,287 | 360,831 | 360,349 |
| Total loans and leases | 2,271,392 | 2,239,692 | 2,145,403 | 2,137,920 | 2,150,049 |
| Allowance for loan and lease losses | (45,061) | (49,426) | (49,720) | (55,246) | (58,918) |
| Investment securities | 1,067,462 | 1,164,699 | 1,174,180 | 1,128,589 | 1,087,620 |
| Interest-earning assets | 3,416,136 | 3,452,214 | 3,370,360 | 3,322,317 | 3,283,819 |
| Total assets | 3,668,273 | 3,711,370 | 3,626,043 | 3,612,016 | 3,549,533 |
| Noninterest-bearing demand deposits | 685,770 | 650,377 | 643,169 | 648,605 | 619,905 |
| Total deposits | 2,681,075 | 2,656,520 | 2,640,324 | 2,657,861 | 2,599,634 |
| Customer repurchase agreements | 73,130 | 63,613 | 79,529 | 65,214 | 75,516 |
| Total interest-bearing liabilities | 2,508,756 | 2,590,164 | 2,517,180 | 2,515,053 | 2,495,916 |
| Total stockholders' equity | 451,917 | 446,109 | 440,791 | 423,684 | 409,076 |
| Quarterly average balance sheets: | | | | | |
| Residential mortgage loans | \$474,149 | \$463,754 | \$453,645 | \$455,803 | \$458,329 |
| Residential construction loans | 116,630 | 99,983 | 89,128 | 84,144 | 85,891 |
| Commercial ADC loans | 159,769 | 153,598 | 145,835 | 149,773 | 149,071 |
| Commercial investor real estate loans | 377,072 | 353,975 | 350,925 | 352,668 | 340,008 |
| Commercial owner occupied real estate loans | 518,763 | 521,212 | 515,185 | 509,273 | 500,875 |
| Commercial business loans | 258,099 | 231,773 | 225,041 | 225,646 | 236,949 |
| Leasing | 6,325 | 7,671 | 9,269 | 11,154 | 14,009 |
| Consumer loans | 358,783 | 361,888 | 360,875 | 362,098 | 367,261 |
| Total loans and leases | 2,269,590 | 2,193,854 | 2,149,903 | 2,150,559 | 2,152,393 |
| Investment securities | 1,086,295 | 1,173,418 | 1,168,712 | 1,121,325 | 1,054,740 |
| Total earning assets | 3,389,843 | 3,392,773 | 3,355,937 | 3,305,059 | 3,237,556 |
| Total assets | 3,637,674 | 3,647,291 | 3,610,219 | 3,566,278 | 3,500,807 |
| Noninterest-bearing demand deposits | 641,477 | 655,381 | 631,192 | 607,092 | 582,441 |
| Total deposits | 2,642,634 | 2,658,676 | 2,640,729 | 2,607,854 | 2,548,117 |
| Customer repurchase agreements | 65,195 | 74,267 | 72,646 | 70,313 | 79,067 |
| Total interest-bearing liabilities | 2,523,394 | 2,525,128 | 2,524,728 | 2,519,114 | 2,485,451 |

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| | | | | | | | | | | |
|--|------------|---|------------|---|------------|---|------------|---|------------|---|
| Total stockholders' equity | 448,406 | | 440,154 | | 428,511 | | 414,624 | | 407,007 | |
| Capital measures: | | | | | | | | | | |
| Average equity to average assets | 12.33 | % | 12.07 | % | 11.87 | % | 11.63 | % | 11.63 | % |
| Tier 1 leverage | 11.05 | % | 10.84 | % | 10.79 | % | 10.64 | % | 10.63 | % |
| Tier 1 capital to risk-weighted assets | 14.89 | % | 14.57 | % | 14.96 | % | 14.75 | % | 14.21 | % |
| Total regulatory capital to risk-weighted assets | 16.14 | % | 15.83 | % | 16.21 | % | 16.01 | % | 15.48 | % |
| Book value per share | \$18.72 | | \$18.52 | | \$18.31 | | \$17.58 | | \$16.99 | |
| Outstanding shares | 24,143,985 | | 24,091,042 | | 24,079,204 | | 24,095,123 | | 24,084,423 | |

Sandy Spring Bancorp, Inc. and Subsidiaries
 LOAN PORTFOLIO QUALITY DETAIL -
 UNAUDITED

| (Dollars in thousands) | 2012 March 31, | 2011 December 31, | September 30, | June 30, | March 31, |
|---|----------------------|-------------------------|---------------|----------|--------------|
| Non-Performing Assets: | | | | | |
| Loans and leases 90 days past due: | | | | | |
| Commercial business | \$40 | \$- | \$ - | \$- | \$- |
| Commercial real estate: | | | | | |
| Commercial AD&C | - | - | - | - | - |
| Commercial investor real estate | - | - | - | - | - |
| Commercial owner occupied real estate | - | - | - | - | - |
| Leasing | - | 2 | 63 | 20 | 24 |
| Consumer | 89 | 165 | 373 | 337 | 169 |
| Residential real estate: | | | | | |
| Residential mortgage | 167 | 167 | 2,291 | 3,820 | 4,616 |
| Residential construction | - | 243 | - | - | 2,367 |
| Total loans and leases 90 days past due | 296 | 577 | 2,727 | 4,177 | 7,176 |
| Non-accrual loans and leases: | | | | | |
| Commercial business | 6,542 | 7,226 | 8,038 | 8,288 | 9,649 |
| Commercial real estate: | | | | | |
| Commercial AD&C | 14,303 | 18,702 | 24,481 | 26,133 | 28,310 |
| Commercial investor real estate | 13,893 | 16,963 | 16,118 | 2,975 | 2,519 |
| Commercial owner occupied real estate | 16,295 | 14,709 | 11,847 | 13,019 | 12,304 |
| Leasing | 858 | 853 | 956 | 1,017 | 1,529 |
| Consumer | 1,700 | 1,786 | 1,478 | 590 | 720 |
| Residential real estate: | | | | | |
| Residential mortgage | 4,818 | 5,722 | 6,081 | 6,295 | 6,652 |
| Residential construction | 4,929 | 5,719 | 5,034 | 5,701 | 5,222 |
| Total non-accrual loans and lease | 63,338 | 71,680 | 74,033 | 64,018 | 66,905 |
| Total restructured loans - accruing | 8,547 | 6,881 | 6,088 | 8,299 | 14,266 |
| Total non-performing loans and leases | 72,181 | 79,138 | 82,848 | 76,494 | 88,347 |
| Other assets and real estate owned (OREO) | 4,834 | 4,431 | 7,938 | 6,951 | 7,960 |
| Total non-performing assets | \$77,015 | \$83,569 | \$ 90,786 | \$83,445 | \$96,307 |

| (Dollars in thousands) | March 31, 2012 | December 31, 2011 | September 30, 2011 | June 30, 2011 | March 31, 2011 |
|--|----------------------|----------------------|-----------------------|---------------------|----------------------|
| Analysis of Non-accrual Loan and Lease Activity: | | | | | |
| Balance at beginning of period | \$71,680 | \$74,033 | \$64,018 | \$66,905 | \$63,327 |
| Non-accrual balances transferred to OREO | - | (511) | (142) | (791) | (535) |
| Non-accrual balances charged-off | (4,965) | (2,758) | (1,375) | (2,112) | (2,701) |
| Net payments or draws | (5,061) | (6,724) | (4,839) | (8,016) | (2,531) |

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| | | | | | |
|-----------------------------------|----------|----------|----------|----------|----------|
| Loans placed on non-accrual | 1,809 | 8,640 | 17,226 | 8,032 | 9,526 |
| Non-accrual loans brought current | (125) | (1,000) | (855) | - | (181) |
| Balance at end of period | \$63,338 | \$71,680 | \$74,033 | \$64,018 | \$66,905 |

Analysis of Allowance for Loan

Losses:

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Balance at beginning of period | \$49,426 | \$49,720 | \$55,246 | \$58,918 | \$62,135 |
| Provision for loan and lease losses | 664 | 2,282 | (3,520) | 1,151 | 1,515 |
| Less loans charged-off, net of recoveries: | | | | | |
| Commercial business | (39) | (65) | 397 | 769 | 790 |
| Commercial real estate: | | | | | |
| Commercial AD&C | 1,076 | 275 | 151 | 253 | (137) |
| Commercial investor real estate | 3,219 | 335 | 30 | 504 | (4) |
| Commercial owner occupied real estate | - | 329 | 45 | 113 | - |
| Leasing | 5 | 181 | 85 | 455 | 333 |
| Consumer | 348 | 352 | 375 | 713 | 1,091 |
| Residential real estate: | | | | | |
| Residential mortgage | 420 | 792 | 751 | 1,319 | 2,095 |
| Residential construction | - | 377 | 172 | 697 | 564 |
| Net charge-offs | 5,029 | 2,576 | 2,006 | 4,823 | 4,732 |
| Balance at end of period | \$45,061 | \$49,426 | \$49,720 | \$55,246 | \$58,918 |

Asset Quality Ratios:

| | | | | | | | | | | |
|---|-------|---|-------|---|-------|---|-------|---|-------|---|
| Non-performing loans to total loans | 3.18 | % | 3.53 | % | 3.86 | % | 3.58 | % | 4.11 | % |
| Non-performing assets to total assets | 2.10 | % | 2.25 | % | 2.50 | % | 2.31 | % | 2.71 | % |
| Allowance for loan losses to loans | 1.98 | % | 2.21 | % | 2.32 | % | 2.58 | % | 2.74 | % |
| Allowance for loan losses to non-performing loans | 62.43 | % | 62.46 | % | 60.01 | % | 72.22 | % | 66.69 | % |
| Net charge-offs in quarter to average loans | 0.89 | % | 0.47 | % | 0.37 | % | 0.90 | % | 0.89 | % |

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

| | Three Months Ended March 31, 2012 | | | 2011 | | | |
|--|--------------------------------------|-----------------|-------------------------------------|---------------------|-----------------|-------------------------------------|---|
| | Average Balances | (1) Interest | Annualized Average Yield/Rate | Average Balances | (1) Interest | Annualized Average Yield/Rate | |
| (Dollars in thousands and tax-equivalent) | | | | | | | |
| Assets | | | | | | | |
| Residential mortgage loans (3) | \$474,149 | \$5,360 | 4.55 | % \$458,329 | \$5,743 | 5.01 | % |
| Residential construction loans | 116,630 | 1,101 | 3.80 | 85,891 | 908 | 4.29 | |
| Commercial ADC loans | 159,769 | 1,968 | 4.96 | 149,071 | 1,535 | 4.18 | |
| Commercial investor real estate loans | 377,072 | 5,148 | 5.49 | 340,008 | 5,079 | 6.00 | |
| Commercial owner occupied real estate loans | 518,763 | 7,260 | 5.69 | 500,875 | 7,429 | 6.05 | |
| Commercial business loans | 258,099 | 3,151 | 4.80 | 236,949 | 2,843 | 4.87 | |
| Leasing | 6,325 | 103 | 6.52 | 14,009 | 229 | 6.53 | |
| Consumer loans | 358,783 | 3,187 | 3.60 | 367,261 | 3,346 | 3.72 | |
| Total loans and leases (2) | 2,269,590 | 27,278 | 4.84 | 2,152,393 | 27,112 | 5.09 | |
| Taxable securities | 809,939 | 5,273 | 2.60 | 846,877 | 5,783 | 2.73 | |
| Tax-exempt securities (4) | 276,356 | 3,419 | 4.95 | 207,863 | 3,143 | 6.05 | |
| Interest-bearing deposits with banks | 32,871 | 21 | 0.25 | 28,839 | 18 | 0.25 | |
| Federal funds sold | 1,087 | - | 0.14 | 1,584 | 1 | 0.16 | |
| Total interest-earning assets | 3,389,843 | 35,991 | 4.26 | 3,237,556 | 36,057 | 4.49 | |
| Less: allowance for loan and lease losses | (49,567) | | | (61,592) | | | |
| Cash and due from banks | 45,058 | | | 42,948 | | | |
| Premises and equipment, net | 48,554 | | | 49,189 | | | |
| Other assets | 203,786 | | | 232,706 | | | |
| Total assets | \$3,637,674 | | | \$3,500,807 | | | |

Liabilities and Stockholders' Equity

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| | | | | | | | | |
|--|-------------|----------|------|---|-------------|----------|------|---|
| Interest-bearing demand deposits | \$362,730 | 87 | 0.10 | % | \$317,739 | 72 | 0.09 | % |
| Regular savings deposits | 200,604 | 46 | 0.09 | | 175,395 | 42 | 0.10 | |
| Money market savings deposits | 859,121 | 512 | 0.24 | | 846,674 | 934 | 0.45 | |
| Time deposits | 578,702 | 1,368 | 0.95 | | 625,868 | 1,865 | 1.21 | |
| Total interest-bearing deposits | 2,001,157 | 2,013 | 0.40 | | 1,965,676 | 2,913 | 0.60 | |
| Other borrowings | 81,878 | 61 | 0.30 | | 79,067 | 53 | 0.27 | |
| Advances from FHLB | 405,359 | 3,587 | 3.56 | | 405,709 | 3,551 | 3.55 | |
| Subordinated debentures | 35,000 | 249 | 2.85 | | 35,000 | 223 | 2.55 | |
| Total interest-bearing liabilities | 2,523,394 | 5,910 | 0.94 | | 2,485,452 | 6,740 | 1.10 | |
| Noninterest-bearing demand deposits | 641,477 | | | | 582,441 | | | |
| Other liabilities | 24,397 | | | | 25,907 | | | |
| Stockholders' equity | 448,406 | | | | 407,007 | | | |
| Total liabilities and stockholders' equity | \$3,637,674 | | | | \$3,500,807 | | | |
| Net interest income and spread | | \$30,081 | 3.32 | % | | \$29,317 | 3.39 | % |
| Less: tax-equivalent adjustment | | 1,376 | | | | 1,307 | | |
| Net interest income | | \$28,705 | | | | \$28,010 | | |
| Interest income/earning assets | | | 4.26 | % | | | 4.49 | % |
| Interest expense/earning assets | | | 0.70 | | | | 0.84 | |
| Net interest margin | | | 3.56 | % | | | 3.65 | % |

Tax-equivalent income has been adjusted using the combined marginal federal and state rate of 39.88% for 2012 (1) and 2011. The annualized taxable-equivalent adjustments utilized in the above table to compute yields aggregated to \$1.4 million and \$1.3 million in 2012 and 2011, respectively.

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

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

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