LAUREN RALPH
Form 4
January 06, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LAUREN RALPH

(Last) (First) (Middle)

650 MADISON AVE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
POLO RALPH LAUREN CORP [RL]

3. Date of Earliest Transaction (Month/Day/Year)
01/02/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	01/02/2009		M		31,500	A	$ 19.125	564,018.21	D	
Class A Common Stock	01/02/2009		S		49,100	D	$ 45.355 (1)	514,918.21	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Class A Common Stock Option (Right to Buy)	$ 19.125	01/02/2009		M			31,500	(2)	06/11/2009	Class A Common Stock	31,500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LAUREN RALPH 650 MADISON AVE NEW YORK, NY 10022	X	X	Chairman & CEO	

Signatures

Yen D. Chu, Attorney-in-Fact	01/06/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The price represents the weighted average sale price for multiple transactions reported on this line. The prices of the transactions ranged from $44.87 to $45.85. Upon request of the SEC staff, Polo Ralph Lauren Corporation (the "Company") or a security holder of the Company, the reporting person will provide full information regarding the number of shares sold at each separate price.

(2) The options vested and became exercisable in three equal annual installments on June 11, 2000.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. TYLE="font-weight: bold; text-align: right">29,341 26,839 Actual return on plan assets 1,951 986 Contribution - 3,000 Benefit payments (702) (1,484)Fair value of plan assets at December 31 30,590 29,341 Funded status at December 31 $(8,249) $(3,046) Accumulated benefit obligation at December 31 $38,839 $32,387 Unrecognized net actuarial loss $14,879 $11,240 Net periodic pension cost not yet recognized $14,879 $11,240

Weighted-average assumptions used to determine benefit obligations at December 31 are presented in the following table:

	2012	2011	2010
Discount rate	4.00%	4.75%	5.00%
Rate of compensation increase	**N/A**	N/A	**N/A**

The components of net periodic benefit cost for the years ended December 31 are presented in the following table:

(In thousands)	2012	2011	2010
Interest cost on projected benefit obligation	$1,534	$1,541	$1,490
Expected return on plan assets	(1,165)	(1,070)	(1,201)
Recognized net actuarial loss	1,194	1,159	1,156
Net periodic benefit cost	$1,563	$1,630	$1,445

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Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31 are presented in the following table:

	2012	2011	2010
Discount rate	4.75%	5.00%	5.00%
Expected return on plan assets	4.00%	4.50%	4.50%
Rate of compensation increase	**N/A**	N/A	N/A

The expected rate of return on assets of 4.00% reflects the Plan's predominant investment of assets in cash and debt type securities and an analysis of the average rate of return of the S&P 500 index and the Lehman Brothers Gov't/Corp. index over the past 20 years.

The following table reflects the components of the net unrecognized benefits costs that is reflected in accumulated other comprehensive income (loss) for the periods indicated. Additions represent the growth in the unrecognized actuarial loss during the period. Reductions represent the portion of the unrecognized benefits that are recognized each period as a component of the net periodic benefit cost.

(In thousands)	Unrecognized Net Gain/(Loss)		
Included in accumulated other comprehensive income (loss) at January 1, 2010	$	10,806	
Additions during the year		968	
Reclassifications due to recognition as net periodic pension cost		(1,156	)
Included in accumulated other comprehensive income (loss) as of December 31, 2010		10,618	
Additions during the year		443	
Reclassifications due to recognition as net periodic pension cost		(1,159	)
Increase related to change in discount rate assumption		1,337	
Included in accumulated other comprehensive income (loss) as of December 31, 2011		11,239	
Additions during the year		(649	)
		(1,194	)

Reclassifications due to recognition as net periodic pension cost		
Increase related to change in discount rate assumption		5,483
Included in accumulated other comprehensive income (loss) as of December 31, 2012		14,879
Applicable tax effect		(5,933)
Included in accumulated other comprehensive income (loss) net of tax effect at December 31, 2012	$	8,946
Amount expected to be recognized as part of net periodic pension cost in the next fiscal year	$	1,350

There are no plan assets expected to be returned to the employer in the next twelve months.

The following items have not yet been recognized as a component of net periodic benefit cost at December 31:

(In thousands)	2012	2011	2010
Net actuarial loss	$(14,879)	$(11,240)	$(10,618)
Net periodic benefit cost not yet recognized	$(14,879)	$(11,240)	$(10,618)

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Pension Plan Assets

The Company’s pension plan weighted average allocations at December 31 are presented in the following table:

	2012	2011
Asset Category:		
Cash and certificates of deposit	11.1 %	27.1 %
Equity Securities:	58.5	39.3
Debt Securities	30.4	33.6
Total pension plan sssets	100.0%	100.0%

The Company has a written investment policy approved by the board of directors that governs the investment of the defined benefit pension fund trust portfolio. The investment policy is designed to provide limits on risk that is undertaken by the investment managers both in terms of market volatility of the portfolio and the quality of the individual assets that are held in the portfolio. The investment policy statement focuses on the following areas of concern: preservation of capital, diversification, risk tolerance, investment duration, rate of return, liquidity and investment management costs.

The Company has constituted the Retirement Plans Investment Committee (“RPIC”) in part to monitor the investments of the Plan as well as to recommend to executive management changes in the Investment Policy Statement which governs the Plan’s investment operations. These recommendations include asset allocation changes based on a number of factors including the investment horizon for the Plan. The Company’s Investment Management and Fiduciary Services Division is the investment manager of the Plan and also serves as an advisor to RPIC on the Plan’s investment matters.

Investment strategies and asset allocations are based on careful consideration of plan liabilities, the plan’s funded status and the Company’s financial condition. Investment performance and asset allocation are measured and monitored on an ongoing basis. The current target allocations for plan assets are 0-60% for equity securities, 0-100% for fixed income securities and 0-100% for cash funds and emerging market debt funds. This asset allocation has been set after taking into consideration the Plan’s current frozen status and the possibility of partial plan terminations over the intermediate term.

Market volatility risk is controlled by limiting the asset allocation of the most volatile asset class, equities, to no more than 60% of the portfolio and by ensuring that there is sufficient liquidity to meet distribution requirements from the portfolio without disrupting long-term assets. Diversification of the equity portion of the portfolio is controlled by limiting the value of any initial acquisition so that it does not exceed 5% of the market value of the portfolio when purchased. The policy requires the sale of any portion of an equity position when its value exceeds 10% of the portfolio. Fixed income market volatility risk is managed by limiting the term of fixed income investments to five years. Fixed income investments must carry an “A” or better rating by a recognized credit rating agency. Corporate debt of a single issuer may not exceed 10% of the market value of the portfolio. The investment in derivative instruments such as “naked” call options, futures, commodities, and short selling is prohibited. Investment in equity index funds and the writing of “covered” call options (a conservative strategy to increase portfolio income) are permitted. Foreign currency-denominated debt instruments are not permitted. At December 31, 2012, management is of the opinion that there are no significant concentrations of risk in the assets of the plan with respect to any single entity, industry, country, commodity or investment fund that are not otherwise mitigated by FDIC insurance available to the participants of the plan and collateral pledged for any such amount that may not be covered by FDIC insurance. Investment performance is measured against industry accepted benchmarks. The risk tolerance and asset allocation limitations imposed by the policy are consistent with attaining the rate of return assumptions used in the actuarial funding calculations. The RPIC committee meets quarterly to review the activities of the investment managers to ensure adherence with the Investment Policy Statement.

Fair Values

The fair values of the Company’s pension plan assets by asset category at December 31 are presented in the following tables:

(In thousands)	2012 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Category:				
Cash and certificates of deposit	$3,253	$ -	$ -	$3,253
Equity Securities:				
Industrials	2,676	-	-	2,676
Financials	2,353			2,353
Telecommunication services	1,121	-	-	1,121
Consumer	3,515	-	-	3,515
Health care	1,900	-	-	1,900
Information technology	2,328	-	-	2,328
Energy	2,645	-	-	2,645
Materials	1,207	-	-	1,207
Other	156	-	-	156
Total equity securities	17,901	-	-	17,901
Fixed income securities:				
U. S. Government Agencies	-	-	-	-
Corporate bonds	-	9,283	-	9,283
Other	153	-	-	153
Total pension plan sssets	$21,307	$ 9,283	$ -	$30,590

(In thousands)	2011 Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total

	(Level 1)					
Asset Category:						
Cash and certificates of deposit	$7,815	$	-	$	-	$7,815
Equity Securities:						
Industrials	1,064		-		-	1,064
Financials	1,669					1,669
Telecommunication services	765		-		-	765
Consumer	3,429		-		-	3,429
Health care	1,594		-		-	1,594
Information technology	1,416		-		-	1,416
Energy	811		-		-	811
Other	775		-		-	775
Total equity securities	11,523		-		-	11,523
Fixed income securities:						
U. S. Government Agencies	-		619		-	619
Corporate bonds	-		9,251		-	9,251
Other	133		-		-	133
Total pension plan sssets	$19,471	$	9,870	$	-	$29,341

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Contributions

The decision as to whether or not to make a plan contribution and the amount of any such contribution is dependent on a number of factors. Such factors include the investment performance of the plan assets in the current economy and, since the plan is currently frozen, the remaining investment horizon of the plan. Given these uncertainties, management continues to monitor the funding level of the pension plan and may make contributions as necessary during 2013.

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, that are expected to be paid for the years ending December 31 are presented in the following table:

(In thousands)	Pension Benefits
2013	$ 583
2014	689
2015	743
2016	867
2017	955
2018-2022	5,570

Cash and Deferred Profit Sharing Plan

The Sandy Spring Bancorp, Inc. Cash and Deferred Profit Sharing Plan includes a 401(k) provision with a Company match. The 401(k) provision is voluntary and covers all eligible employees after ninety days of service. Employees contributing to the 401(k) provision receive a matching contribution of 100% of the first 3% of compensation and 50% of the next 2% of compensation subject to employee contribution limitations. The Company matching contribution vests immediately. The Plan permits employees to purchase shares of Sandy Spring Bancorp, Inc. common stock with their 401(k) contributions, Company match, and other contributions under the Plan. Profit sharing contributions and Company match that are included in non-interest expenses totaled $1.5 million, $1.4 million and $ 1.4 million in 2011, 2010 and 2009, respectively.

Executive Incentive Retirement Plan

The Executive Incentive Retirement Plan is a defined contribution plan that provides for contributions to be made to the participants' plan accounts based on the attainment of a level of financial performance compared to a selected group of peer banks. This level of performance is determined annually by the board of directors. Benefit costs related to the Plan included in non-interest expense for 2012, 2011 and 2010 were $0.2 million, $0.3 million, and $0.2 million, respectively.

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Note 15 – OTHER NON-INTEREST INCOME AND OTHER NON-INTEREST EXPENSE

Selected components of other non-interest income and other non-interest expense for the years ended December 31 are presented in the following table:

(In thousands)	2012	2011	2010
Letter of credit fees	$992	$1,123	$1,019
Extension fees	590	406	594
Other income	3,140	2,515	2,816
Total other non-interest income	$4,722	$4,044	$4,429

(In thousands)	2012	2011	2010
Professional fees	$6,309	$4,942	$5,586
Other real estate owned	905	2,412	976
Postage and delivery	1,255	1,257	1,328
Communications	1,596	1,433	1,433
Other expenses	8,348	7,598	7,027
Total other non-interest expense	$18,413	$17,642	$16,350

Note 16 – Income Taxes

The following table provides the components of income tax expense (benefit) for the years ended December 31:

(In thousands)	2012	2011	2010
Current income taxes (benefits):			
Federal	$11,199	$6,840	$8,106
State	2,913	2,327	1,423
Total current	14,112	9,167	9,529
Deferred income taxes (benefits):			
Federal	3,116	5,640	(469)
State	817	1,038	(11)
Total deferred	3,933	6,678	(480)
Total income tax expense (benefit)	$18,045	$15,845	$9,049

The Company does not have uncertain tax positions that are deemed material, and did not recognize any adjustments for unrecognized tax benefits.

Temporary differences between the amounts reported in the financial statements and the tax bases of assets and liabilities result in deferred taxes. Deferred tax assets and liabilities, shown as the sum of the appropriate tax effect for each significant type of temporary difference, are presented in the following table at December 31 for the years indicated:

(In thousands)	2012	2011
Deferred Tax Assets:		
Allowance for loan and lease losses	$17,132	$19,714
Employee benefits	1,505	1,454
Pension plan OCI	5,933	4,482
Deferred loan fees and costs	579	681
Non-qualified stock option expense	376	413
Losses on other real estate owned	756	313
Other than temporary impairment	323	269
Loan and deposit premium/discount	2,267	159
Depreciation	-	-
Reserve for recourse loans	199	120
Loss carryforward	88	
Other	145	111
Gross deferred tax assets	29,304	27,716
Valuation allowance	(88)	-
Net deferred tax assets	29,216	27,716
Deferred Tax Liabilities:		
Unrealized gains on investments available for sale	(13,436)	(13,270)
Pension plan costs	(2,644)	(3,267)
Depreciation	(704)	(900)
Intangible assets	(568)	(286)
Bond accretion	(109)	(167)
Other	(16)	(16)
Gross deferred tax liabilities	(17,477)	(17,906)
Net deferred tax asset	$11,739	$9,810

The reconcilements between the statutory federal income tax rate and the effective rate for the years ended December 31 are presented in the following table:

(Dollars in thousands)	2012			2011			2010		
	Amount	Percentage of Pre-Tax Income		Amount	Percentage of Pre-Tax Income		Amount	Percentage of Pre-Tax Income	
Income tax expense at federal statutory rate	$19,110	35.0	%	$17,481	35.0	%	$11,399	35.0	%

Increase (decrease) resulting from:									
Tax exempt income, net	(2,927)	(5.4	)	(2,945)	(5.9	)	(2,411)	(7.4	)
Bank-owned life insurance	(916)	(1.7	)	(923)	(1.9	)	(980)	(3.0	)
State income taxes, net of federal income tax benefits	2,424	4.4		2,187	4.4		906	2.8	
Other, net	354	0.7		45	0.1		135	0.4	
Total income tax expense (benefit) and rate	$18,045	33.0	%	$15,845	31.7	%	$9,049	27.8	%

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Note 17 – Net Income per Common Share

The calculation of net income per common share for the years ended December 31 is presented in the following table:

(Dollars and amounts in thousands, except per share data)	2012	2011	2010
Net income	$36,554	$34,102	$23,520
Less: Dividends - preferred stock	-	-	6,149
Net income available to common stockholders	$36,554	$34,102	$17,371
Basic:			
Basic weighted average EPS shares	24,573	24,083	22,339
Basic net income per share	$1.49	$1.42	$1.05
Basic net income per common share	1.49	1.42	0.78
Diluted:			
Basic weighted average EPS shares	24,573	24,083	22,339
Dilutive common stock equivalents	84	66	41
Dilutive EPS shares	24,657	24,149	22,380
Diluted net income per share	$1.48	$1.41	$1.05
Diluted net income per common share	1.48	1.41	0.78
Anti-dilutive shares	421	621	776

NOTE 18 – OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income is defined as net income plus transactions and other occurrences that are the result of non-owner changes in equity. For financial statements presented for the Company, non-equity changes are comprised of unrealized gains or losses on available-for-sale debt securities and any minimum pension liability adjustments. These do not have an impact on the Company’s net income. The following table presents the activity in net accumulated other comprehensive income (loss) for the periods indicated:

(In thousands)	Unrealized Gains (Losses) on Investments Available-for-Sale	Defined Benefit Pension Plan	Total
Balance at January 1, 2010	$ 3,845	$ (6,497)	$(2,652)
Period change, net of tax	(81)	113	32
Balance at December 31, 2010	3,764	(6,384)	(2,620)
Period change, net of tax	16,242	(374)	15,868
Balance at December 31, 2011	20,006	(6,758)	13,248
Period change, net of tax	252	(2,188)	(1,936)

Balance at December 31, 2012	$ 20,258	$ (8,946)	$11,312

Note 19 – Financial Instruments with Off-balance Sheet Risk and Derivatives

In the normal course of business, the Company has various outstanding credit commitments that are not reflected in the financial statements. These commitments are made to satisfy the financing needs of the Company's clients. The associated credit risk is controlled by subjecting such activity to the same credit and quality controls as exist for the Company's lending and investing activities. The commitments involve diverse business and consumer customers and are generally well collateralized. Collateral held varies, but may include residential real estate, commercial real estate, property and equipment, inventory and accounts receivable. Since a portion of the commitments have some likelihood of not being exercised, the amounts do not necessarily represent future cash requirements.

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A summary of the financial instruments with off-balance sheet credit risk is as follows at December 31 for the years indicated:

(In thousands)	2012	2011
Commercial	$186,014	$79,567
Real estate-development and construction	79,480	76,940
Real estate-residential mortgage	56,445	20,922
Lines of credit, principally home equity and business lines	667,186	621,422
Standby letters of credit	72,008	73,913
Total Commitments to extend credit and available credit lines	$1,061,133	$872,764

The Company has entered into interest rate swaps ("swaps") to facilitate customer transactions and meet their financing needs. These swaps qualify as derivatives, but are not designated as hedging instruments. Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet contractual terms. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or customer owes the Company, and results in credit risk to the Company. When the fair value of a derivative instrument contract is negative, the Company owes the customer or counterparty and therefore, has no credit risk. The swap positions are offset to minimize the potential impact on the Company's financial statements. Credit risk exists if the borrower's collateral or financial condition indicates that the underlying collateral or financial condition of the borrower makes it probable that amounts due will be uncollectible. Any amounts due to the Company will be expected to be collected from the borrower. Management reviews this credit exposure on a monthly basis. At December 31, 2012 and 2011, all loans associated with the swap agreements were determined to be "pass" rated credits as provided by regulatory guidance and therefore no component of credit loss was factored into the valuation of the swaps. A summary of the Company's interest rate swaps at December 31 for the years indicated is included in the following table:

	2012				
(Dollars in thousands)	Notional Amount	Estimated Fair Value	Years to Maturity	Receive Rate	Pay Rate
Interest Rate Swap Agreements:					
Pay Fixed/Receive Variable Swaps	$17,949	$ (1,280)	2.7	2.44 %	5.41%
Pay Variable/Receive Fixed Swaps	17,949	1,280	2.7	5.41 %	2.44%
Total Swaps	$35,898	$ -	2.7	3.92 %	3.92%

	2011				
(Dollars in thousands)	Notional Amount	Estimated Fair Value	Years to Maturity	Receive Rate	Pay Rate
Interest Rate Swap Agreements:					
Pay Fixed/Receive Variable Swaps	$27,127	$ (1,529)	3.0	2.65 %	4.66%
Pay Variable/Receive Fixed Swaps	27,127	1,529	3.0	4.66 %	2.65%
Total Swaps	$54,254	$ -	3.0	3.66 %	3.66%

The estimated fair value of the swaps at December 31 for the periods indicated in the table above were recorded in other assets and other liabilities. The associated net gains and losses on the swaps are recorded in other non-interest income.

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Note 20 – Litigation

The Company and its subsidiaries are subject in the ordinary course of business to various pending or threatened legal proceedings in which claims for monetary damages are asserted. After consultation with legal counsel, management does not anticipate that the ultimate liability, if any, arising out of these matters will have a material adverse effect on the Company's financial condition, operating results or liquidity.

Note 21 – Fair Value

Generally accepted accounting principles provide entities the option to measure eligible financial assets, financial liabilities and commitments at fair value (i.e. the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a commitment. Subsequent changes in fair value must be recorded in earnings. The Company applies the fair value option on residential mortgage loans held for sale. The fair value option on residential mortgage loans allows the recognition of gains on sale of mortgage loans to more accurately reflect the timing and economics of the transaction.

The standard for fair value measurement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Basis of Fair Value Measurement:

Level 1- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2- Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3- Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported by little or no market activity). Changes to interest rates may result in changes in the cash flows due to prepayments or extinguishments. Accordingly, this could result in higher or lower measurements of the fair values.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Assets and Liabilities

Mortgage loans held for sale

Mortgage loans held for sale are valued based on quotations from the secondary market for similar instruments and are classified as Level 2 of the fair value hierarchy.

Investments available-for-sale

U.S. government agencies, mortgage-backed securities and corporate debt

Valuations are based on active market data and use of evaluated broker pricing models that vary based by asset class and includes available trade, bid, and other market information. Generally, the methodology includes broker quotes, proprietary models, descriptive terms and conditions databases coupled with extensive quality control programs. Multiple quality control evaluation processes review available market, credit and deal level information to support the evaluation of the security. If there is a lack of objectively verifiable information available to support the valuation, the evaluation of the security is discontinued. Additionally, proprietary models and pricing systems, mathematical tools, actual transacted prices, integration of market developments and experienced evaluators are used to determine the value of a security based on a hierarchy of market information regarding a security or securities with similar characteristics. The Company does not adjust the quoted price for such securities. Such instruments are generally classified within Level 2 of the fair value hierarchy.

State and municipal securities

Proprietary valuation matrices are used for valuing all tax-exempt municipals that can incorporate changes in the municipal market as they occur. Market evaluation models include the ability to value bank qualified municipals and general market municipals that can be broken down further according to insurer, credit support, state of issuance and rating to incorporate additional spreads and municipal curves. Taxable municipals are valued using a third party model that incorporates a methodology that captures the trading nuances associated with these bonds. Such instruments are generally classified within Level 2 of the fair value hierarchy.

Trust preferred securities

In active markets, these types of instruments are valued based on quoted market prices that are readily accessible at the measurement date and are classified within Level 1 of the fair value hierarchy. Positions that are not traded in active markets or are subject to transfer restrictions are valued or adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management uses a process that employs certain assumptions to determine the present value. For further information, refer to Note 2 – Investments. Positions that are not traded in active markets or are subject to transfer restrictions are classified within Level 3 of the fair value hierarchy.

Interest rate swap agreements

Interest rate swap agreements are measured by alternative pricing sources with reasonable levels of price transparency in markets that are not active. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do however have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate swap agreements as Level 2.

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Assets Measured at Fair Value on a Recurring Basis

The following tables set forth the Company's financial assets and liabilities at the December 31 for the years indicated that were accounted for or disclosed at fair value. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

(In thousands)	2012 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Residential mortgage loans held for sale	$-	$ 36,149	$ -	$36,149
Investments available-for-sale:				
U.S. government agencies	-	156,428	-	156,428
State and municipal	-	174,491	-	174,491
Mortgage-backed	-	490,479	-	490,479
Corporate debt	-	1,996	-	1,996
Trust preferred	-	-	1,465	1,465
Marketable equity securities	-	723	-	723
Interest rate swap agreements	-	1,280	-	1,280
Liabilities				
Interest rate swap agreements	$-	$ (1,280)	$ -	$(1,280)

(In thousands)	2011 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Residential mortgage loans held for sale	$-	$ 25,341	$ -	$25,341
Investments available-for-sale:				

U.S. government agencies	-	200,252	-	200,252
State and municipal	-	173,111	-	173,111
Mortgage-backed	-	570,144	-	570,144
Corporate debt	-	1,978	-	1,978
Trust preferred	3,249	-	2,467	5,716
Marketable equity securities	-	100	-	100
Interest rate swap agreements	-	1,529	-	1,529
Liabilities				
Interest rate swap agreements	$-	$ (1,529)	$ -	$(1,529)

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The following table provides unrealized losses included in assets measured in the Consolidated Statements of Condition at fair value on a recurring basis for the periods indicated:

(In thousands)	Significant Unobservable Inputs (Level 3)
Investments available-for-sale:	
Balance at January 1, 2012	$ 2,467
Total OTTI included in earnings	(109)
Principal redemption	(1,134)
Total unrealized losses included in other comprehensive income (loss)	241
Balance at December 31, 2012	$ 1,465

Assets Measured at Fair Value on a Nonrecurring Basis

The following table sets forth the Company’s financial assets subject to fair value adjustments (impairment) on a nonrecurring basis at December 31 for the year indicated that are valued at the lower of cost or market. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

(In thousands)	2012 Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses
Impaired loans	$-	$ -	$ 43,624	$43,624	$ (6,730)
Other real estate owned	-	-	5,926	5,926	(188)
Total	$-	$ -	$ 49,550	$49,550	$ (6,918)

(In thousands)	2011 Quoted Prices in Active	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Total Losses

	Markets for Identical Assets (Level 1)				
Impaired loans	$-	$ -	$ 59,784	$59,784	$ (5,565)
Other real estate owned	-	-	4,431	4,431	(786)
Total	$-	$ -	$ 64,215	$64,215	$ (6,351)

At December 31, 2012, impaired loans totaling $48.8 million were written down to fair value of $43.6 million as a result of specific loan loss allowances of $5.2 million associated with the impaired loans which was included in the allowance for loan losses. Impaired loans totaling $67.6 million were written down to fair value of $59.8 million at December 31, 2011 as a result of specific loan loss allowances of $7.8 million associated with the impaired loans.

Loan impairment is measured using the present value of expected cash flows, the loan’s observable market price or the fair value of the collateral (less selling costs) if the loans are collateral dependent and are classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. The value of business equipment, inventory and accounts receivable collateral is based on net book value on the business’ financial statements and, if necessary, discounted based on management’s review and analysis. Appraised and reported values may be discounted based on management’s historical knowledge, changes in market conditions from the time of valuation, and/or management’s expertise and knowledge of the client and client’s business. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the factors identified above. Valuation techniques are consistent with those techniques applied in prior periods.

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Other real estate owned (“OREO”) is adjusted to fair value upon transfer of the loans to OREO. Subsequently, OREO is carried at the lower of carrying value or fair value. The estimated fair value for other real estate owned included in Level 3 is determined by independent market based appraisals and other available market information, less cost to sell, that may be reduced further based on market expectations or an executed sales agreement. If the fair value of the collateral deteriorates subsequent to initial recognition, the Company records the OREO as a non-recurring Level 3 adjustment. Valuation techniques are consistent with those techniques applied in prior periods.

Fair Value of Financial Instruments

The Company discloses fair value information about financial instruments for which it is practicable to estimate the value, whether or not such financial instruments are recognized on the balance sheet. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

Quoted market prices, where available, are shown as estimates of fair market values. Because no quoted market prices are available for a significant portion of the Company's financial instruments, the fair value of such instruments has been derived based on the amount and timing of future cash flows and estimated discount rates.

Present value techniques used in estimating the fair value of many of the Company's financial instruments are significantly affected by the assumptions used. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate cash settlement of the instrument. Additionally, the accompanying estimates of fair values are only representative of the fair values of the individual financial assets and liabilities, and should not be considered an indication of the fair value of the Company.

The carrying amounts and fair values of the Company's financial instruments at December 31 for the year indicated are presented in the following table:

	2012		Fair Value Measurements		
		Estimated	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets					
Investments held-to-maturity and other equity securities	$249,450	$255,660	$-	$ 255,660	$ -
Loans, net of allowance	2,488,171	2,453,314	-	-	2,453,314
Other assets	83,714	83,714	-	83,714	-
Financial Liabilities					
Time Deposits	$524,820	$528,074	$-	$ 528,074	$ -
Securities sold under retail repurchase agreements and federal funds purchased	86,929	86,929	-	86,929	-
Advances from FHLB	405,058	451,408	-	451,408	-
Subordinated debentures	35,000	9,919	-	-	9,919

	2011		Fair Value Measurements		
		Estimated	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(In thousands)	Carrying Amount	Fair Value	(Level 1)	(Level 2)	(Level 3)
Financial Assets					
Investments held-to-maturity and other equity securities	$213,398	$219,100	$-	$ 219,100	$ -
Loans, net of allowance	2,190,266	2,276,333	-	-	2,276,333
Other assets	81,098	81,098	-	81,098	-
Financial Liabilities					
Time Deposits	$584,321	$588,818	$-	$ 588,818	$ -
	143,613	143,613	-	143,613	-

Securities sold under retail repurchase agreements and federal funds purchased					
Advances from FHLB	405,408	452,378	-	452,378	-
Subordinated debentures	35,000	9,810	-	-	9,810

The following methods and assumptions were used to estimate the fair value of each category of financial instruments for which it is practicable to estimate that value:

Cash and Temporary Investments: The carrying amounts of cash and cash equivalents approximate their fair value and have been excluded from the table above.

Investments: The fair value of marketable securities is based on quoted market prices, prices quoted for similar instruments, and prices obtained from independent pricing services.

Loans: For certain categories of loans, such as mortgage, installment and commercial loans, the fair value is estimated by discounting the expected future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and similar remaining maturities. Expected cash flows were projected based on contractual cash flows, adjusted for estimated prepayments.

Accrued interest receivable: The carrying value of accrued interest receivable approximates fair value due to the short-term duration and has been excluded from the table above.

Other assets: The investment in bank-owned life insurance represents the cash surrender value of the policies at December 31, 2012 and 2011, respectively, as determined by the each insurance carrier. The carrying value of accrued interest receivable approximates fair values due to the short-term duration.

Deposits: The fair value of demand, money market savings and regular savings deposits, which have no stated maturity, were considered equal to their carrying amount, representing the amount payable on demand. While management believes that the Bank’s core deposit relationships provide a relatively stable, low-cost funding source that has a substantial intangible value separate from the value of the deposit balances, these estimated fair values do not include the intangible value of core deposit relationships, which comprise a significant portion of the Bank’s deposit base.

Short-term borrowings: The carrying values of short-term borrowings, including overnight, securities sold under agreements to repurchase and federal funds purchased approximates the fair values due to the short maturities of those instruments.

Long-term borrowings: The fair value of the Federal Home Loan Bank of Atlanta advances and subordinated debentures was estimated by computing the discounted value of contractual cash flows payable at current interest rates for obligations with similar remaining terms. The Company's credit risk is not material to calculation of fair value because these borrowings are collateralized. The Company classifies advances from the Federal Home Loan Bank of Atlanta within Level 2 of the fair value hierarchy since the fair value of such borrowings is based on rates currently available for borrowings with similar terms and remaining maturities. Subordinated debentures are classified as Level 3 in the fair value hierarchy due to the lack of market activity of such instruments.

Accrued interest payable: The carrying value of accrued interest payable approximates fair value due to the short-term duration and has been excluded from the table above.

Note 22 – Parent Company Financial Information

Financial statements for Sandy Spring Bancorp, Inc. (Parent Only) for the periods indicated are presented in the following tables:

Statements of Condition

	December 31,	
(In thousands)	2012	2011
Assets		
Cash and cash equivalents	$10,035	$8,326
Investments available for sale (at fair value)	723	100
Investment in subsidiary	472,938	424,965
Loan to subsidiary	35,000	35,000
Dividend receivable from subsidiary	-	13,000
Other assets	338	327
Total assets	$519,034	$481,718
Liabilities		
Subordinated debentures	$35,000	$35,000
Accrued expenses and other liabilities	522	609
Total liabilities	35,522	35,609
Stockholders' Equity		
Common stock	24,905	24,091
Additional paid in capital	191,689	177,828
Retained earnings	255,606	230,942
Accumulated other comprehensive loss	11,312	13,248
Total stockholders' equity	483,512	446,109
Total liabilities and stockholders' equity	$519,034	$481,718

Statements of Income

	Year Ended December 31,		
(In thousands)	2012	2011	2010
Income:			
Cash dividends from subsidiary	$12,028	$21,339	$-
Other income	982	945	1,191
Total income	13,010	22,284	1,191
Expenses:			
Interest	959	913	940
Other expenses	1,003	784	911
Total expenses	1,962	1,697	1,851
Income (loss) before income taxes and equity in undistributed income (loss) of subsidiary	11,048	20,587	(660)
Income tax benefit	(221)	(210)	(167)

Income (loss) before equity in undistributed income (loss) of subsidiary	11,269	20,797	(493)
Equity in undistributed income of subsidiary	25,285	13,305	24,013
Net income	36,554	34,102	23,520
Preferred stock dividends and discount accretion	-	-	6,149
Net income available to common shareholders	$36,554	$34,102	$17,371

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Statements of Cash Flows

(In thousands)	Year Ended December 31, 2012	2011	2010
Cash Flows from Operating Activities:			
Net income	$36,554	$34,102	$23,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income-subsidiary	(25,285)	(13,305)	(24,013)
Dividends receivable from subsidiary bank		(13,000)	-
Share based compensation expense	1,451	1,207	904
Net change in other liabilities	(158)	(184)	43
Decrease in dividends receivable	13,000		
Other-net	(10,804)	(87)	14
Net cash provided by operating activities	14,758	8,733	468
Cash Flows from Investing Activities:			
Purchase of investment available-for-sale	(511)	-	-
Acquistion of business activity, net of cash acquired	(849)	-	-
Net cash used by investing activities	(1,360)	-	-
Cash Flows from Financing Activities:			
Redemption of preferred stock	-	-	(83,094)
Redemption of stock warrant	-	(4,449)	-
Proceeds from issuance of common stock	99	314	96,464
Tax benefit from stock options exercised	102	91	201
Repurchase of common stock	-	(334)	-
Dividends paid	(11,890)	(8,259)	(4,563)
Net cash provided (used) by financing activities	(11,689)	(12,637)	9,008
Net increase (decrease) in cash and cash equivalents	1,709	(3,904)	9,476
Cash and cash equivalents at beginning of year	8,326	12,230	2,754
Cash and cash equivalents at end of year	$10,035	$8,326	$12,230

Note 23 – Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company and the Bank's capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established and defined by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2012 and 2011, the capital levels of the Company and the Bank substantially exceeded all applicable capital adequacy requirements.

As of December 31, 2012, the most recent notification from the Bank’s primary regulator categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

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The Company's and the Bank's actual capital amounts and ratios at December 31 for the years indicated are presented in the following table:

(Dollars in thousands)	Actual Amount	Ratio	For Capital Adequacy Purposes Amount	Ratio	To Be Well Capitalized Under Prompt Corrective Action Provisions Amount	Ratio
As of December 31, 2012:						
Total Capital to risk-weighted assets						
Company	$456,791	15.40%	$ 237,308	8.00 %	**N/A**	**N/A**
Sandy Spring Bank	$445,097	15.02%	$ 237,066	8.00 %	$296,332	10.00%
Tier 1 Capital to risk-weighted assets						
Company	$419,639	14.15%	$ 118,654	4.00 %	**N/A**	**N/A**
Sandy Spring Bank	$372,983	12.59%	$ 118,533	4.00 %	$177,799	6.00 %
Tier 1 Leverage						
Company	$419,639	10.98%	$ 114,628	3.00 %	**N/A**	**N/A**
Sandy Spring Bank	$372,983	9.77 %	$ 114,553	3.00 %	$190,922	5.00 %
As of December 31, 2011:						
Total Capital to risk-weighted assets						
Company	$419,780	15.83%	$ 212,199	8.00 %	N/A	N/A
Sandy Spring Bank	$397,526	15.00%	$ 212,016	8.00 %	$265,021	10.00%
Tier 1 Capital to risk-weighted assets						
Company	$386,423	14.57%	$ 106,099	4.00 %	N/A	N/A
Sandy Spring Bank	$329,197	12.42%	$ 106,008	4.00 %	$159,012	6.00 %
Tier 1 Leverage						
Company	$386,423	10.84%	$ 106,976	3.00 %	N/A	N/A
Sandy Spring Bank	$329,197	9.24 %	$ 106,920	3.00 %	$178,200	5.00 %

Note 24 - Segment Reporting

Currently, the Company conducts business in three operating segments—Community Banking, Insurance and Investment Management. Each of the operating segments is a strategic business unit that offers different products and services. The Insurance and Investment Management segments were businesses that were acquired in separate transactions where management of acquisition was retained. The accounting policies of the segments are the same as those of the Company. However, the segment data reflect inter-segment transactions and balances.

The Community Banking segment is conducted through Sandy Spring Bank and involves delivering a broad range of financial products and services, including various loan and deposit products to both individuals and businesses. Parent company income is included in the Community Banking segment, as the majority of effort of these functions is related to this segment. Major revenue sources include net interest income, gains on sales of mortgage loans, trust income, fees on sales of investment products and service charges on deposit accounts. Expenses include personnel, occupancy, marketing, equipment and other expenses. Non-cash charges associated with amortization of intangibles related to the acquired entities for the years ended December 31, 2012, 2011 and 2010, amounted to $1.4 million, $1.4 million and $1.4 million, respectively.

The Insurance segment is conducted through Sandy Spring Insurance Corporation, a subsidiary of the Bank, and offers annuities as an alternative to traditional deposit accounts. Sandy Spring Insurance Corporation operates Sandy Spring Insurance, a general insurance agency located in Annapolis, Maryland, and Neff and Associates, located in Ocean City, Maryland. Major sources of revenue are insurance commissions from commercial lines, personal lines, and medical liability lines. Expenses include personnel and support charges. Non-cash charges associated with amortization of intangibles related to the acquired entities was not significant for the years ended December 31, 2012, 2011 and 2010, respectively.

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The Investment Management segment is conducted through West Financial Services, Inc., a subsidiary of the Bank. This asset management and financial planning firm, located in McLean, Virginia, provides comprehensive investment management and financial planning to individuals, families, small businesses and associations including cash flow analysis, investment review, tax planning, retirement planning, insurance analysis and estate planning. West Financial currently has approximately $822 million in assets under management. Major revenue sources include non-interest income earned on the above services. Expenses include personnel and support charges. Non-cash charges associated with amortization of intangibles related to the acquired entities was not significant for the years ended December 31, 2012, 2011 and 2010, respectively.

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Information for the operating segments and reconciliation of the information to the consolidated financial statements for the years ended December 31 is presented in the following tables:

(In thousands)	2012 Community Banking	Insurance	Investment Mgmt.	Inter-Segment Elimination	Total
Interest income	$ 143,870	$ 8	$ 12	$ (20)	$ 143,870
Interest expense	22,671	-	-	(20)	22,651
Provision for loan and lease losses	3,649	-	-	-	3,649
Noninterest income	42,312	4,837	5,620	(5,813)	46,956
Noninterest expenses	108,421	4,190	3,129	(5,813)	109,927
Income before income taxes	51,441	655	2,503	-	54,599
Income tax expense	16,807	266	972	-	18,045
Net income	$ 34,634	$ 389	$ 1,531	$ -	$ 36,554
Assets	$ 3,964,926	$ 13,452	$ 16,341	$ (39,513)	$ 3,955,206

(In thousands)	2011 Community Banking	Insurance	Investment Mgmt.	Inter-Segment Elimination	Total
Interest income	$ 139,531	$ 5	$ 8	$ (74)	$ 139,470
Interest expense	26,598	-	-	(74)	26,524
Provision (credit) for loan and lease losses	1,428	-	-	-	1,428
Noninterest income	33,768	5,142	5,400	(810)	43,500
Noninterest expenses	98,320	4,450	3,111	(810)	105,071
Income before income taxes	46,953	697	2,297	-	49,947
Income tax expense	14,667	283	895	-	15,845
Net income	$ 32,286	$ 414	$ 1,402	$ -	$ 34,102
Assets	$ 3,742,916	$ 13,067	$ 14,806	$ (59,419)	$ 3,711,370

(In thousands)	2010 Community Banking	Insurance	Investment Mgmt.	Inter-Segment Elimination	Total
Interest income	$ 148,731	$ 7	$ 5	$ (394)	$ 148,349
Interest expense	33,136	-	-	(394)	32,742
Provision for loan and lease losses	25,908	-	-	-	25,908
Noninterest income	33,720	5,807	5,065	(810)	43,782
Noninterest expenses	94,001	4,556	3,165	(810)	100,912
Income before income taxes	29,406	1,258	1,905	-	32,569
Income tax expense	7,798	509	742	-	9,049
Net income	$ 21,608	$ 749	$ 1,163	$ -	$ 23,520
Assets	$ 3,527,889	$ 12,671	$ 13,409	$ (34,581)	$ 3,519,388

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Note 25 – Quarterly Financial Results (unaudited)

A summary of selected consolidated quarterly financial data for the years ended December 31 is provided in the following tables:

	2012			
(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$34,615	$35,558	$37,495	$36,202
Interest expense	5,910	5,749	5,710	5,282
Net interest income	28,705	29,809	31,785	30,920
Provision (credit) for loan and lease losses	664	1,585	232	1,168
Noninterest income	10,974	11,493	12,242	12,247
Noninterest expense	26,683	28,858	27,167	27,219
Income before income taxes	12,332	10,859	16,628	14,780
Income tax expense	3,856	3,652	5,638	4,899
Net income	$8,476	$7,207	$10,990	$9,881
Basic net income per share	$0.35	$0.30	$0.44	$0.40
Diluted net income per share	$0.35	$0.30	$0.44	$0.40

	2011			
(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest income	$34,750	$35,008	$35,004	$34,708
Interest expense	6,740	6,854	6,674	6,256
Net interest income	28,010	28,154	28,330	28,452
Provision (credit) for loan and lease losses	1,515	1,151	(3,520)	2,282
Noninterest income	9,992	10,802	11,336	11,370
Noninterest expense	26,062	25,838	25,848	27,323
Income before income taxes	10,425	11,967	17,338	10,217
Income tax expense	3,134	3,671	6,081	2,959
Net income	$7,291	$8,296	$11,257	$7,258
Basic net income per share	$0.30	$0.34	$0.47	$0.30
Diluted net income per share	$0.30	$0.34	$0.47	$0.30

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Fourth Quarter 2012 Changes In Internal Controls Over Financial Reporting

No change occurred during the fourth quarter of 2012 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Disclosure Controls and Procedures

As required by SEC rules, the Company’s management evaluated the effectiveness of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) as of December 31, 2012. The Company’s chief executive officer and chief financial officer participated in the evaluation. Based on this evaluation, the Company’s chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective as of December 31, 2012.

Management’s annual report on internal control over financial reporting is located on page 50 of this report.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The material labeled “Information as to Nominees and Incumbent Directors,” “Corporate Governance,” “Code of Business Conduct,” “Compliance with Section 16(a) of the Securities Exchange Act of 1934,” “Shareholder Proposals and

Communications," and "Report of the Audit Committee" in the Proxy Statement is incorporated in this Report by reference. Information regarding executive officers is included under the caption "Executive Officers" on page 13 of this Report.

Item 11. Executive Compensation

The material labeled "Corporate Governance and Other Matters," "Executive Compensation," and "Compensation Committee Report" in the Proxy Statement is incorporated in this Report by reference.

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

The material labeled "Owners of More than 5% of Bancorp's Common Stock" and, "Stock Ownership of Directors and Executive Officers" in the Proxy Statement is incorporated in this Report by reference. Information regarding securities authorized for issuance under equity compensation plans is incorporated by reference from "Equity Compensation Plans" on page 21.

Item 13. Certain Relationships and Related Transactions and Director Independence

The material labeled "Director Independence" and "Transactions and Relationships with Management" in the Proxy Statement is incorporated in this Report by reference.

Item 14. Principal Accounting Fees and Services

The material labeled "Audit and Non-Audit" Fees in the Proxy Statement is incorporated in this Report by reference.

PART IV.

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following financial statements are filed as a part of this report:

Consolidated Statements of Condition at December 31, 2012 and 2011

Consolidated Statements of Income for the years ended December 31, 2012, 2011 and 2010

Consolidates Statements of Comprehensive Income for the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Cash Flows for the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2012, 2011 and 2010

Notes to the Consolidated Financial Statements

Reports of Registered Public Accounting Firm

All financial statement schedules have been omitted, as the required information is either not applicable or included in the Consolidated Financial Statements or related Notes.

Exhibit No.	Description	Incorporated by Reference to:
3(a)	Articles of Incorporation of Sandy Spring Bancorp, Inc., as amended	Exhibit 3.1 to Form 10-Q for the quarter ended June 30, 1996, SEC File No. 0-19065.
3(b)	Articles of Amendment to the Articles of Incorporation of Sandy Spring Bancorp, Inc.	Exhibit 3(b) to Form 10-K for the year ended December 31, 2011, SEC File No. 0-19065
3(c)	Bylaws of Sandy Spring Bancorp, Inc.	Exhibit 3.2 to Form 8-K dated May 13, 1992, SEC File No. 0-19065.
4(a)	No long-term debt instrument issued by the Company exceeds 10% of consolidated assets or is registered. In accordance with paragraph 4(iii) of	

	Item 601(b) of Regulation S-K, the Company will furnish the SEC copies of all long-term debt instruments and related agreements upon request.	
10(a)*	Amended and Restated Sandy Spring Bancorp, Inc., Cash and Deferred Profit Sharing Plan and Trust	Exhibit 10(a) to Form 10-Q for the quarter ended September 30, 1997, SEC File No. 0-19065.
10(b)*	Sandy Spring Bancorp, Inc. 2005 Omnibus Stock Plan	Exhibit 10.1 to Form 8-K dated June 27, 2005, SEC File No. 0-19065.
10(c)*	Sandy Spring Bancorp, Inc. 1999 Stock Option Plan	Exhibit 4 to Registration Statement on Form S-8, Registration Statement No. 333-81249.
10(d)*	Form of Director Fee Deferral Agreement, August 26, 1997, as amended	Exhibit 10(h) to Form 10-K for the year ended December 31, 2003, SEC File No. 0-19065.
10(e)*	Employment Agreement by and among Sandy Spring Bancorp, Inc., Sandy Spring Bank, and Philip J. Mantua	Exhibit 10.2 to Form 8-K filed on January 17, 2012, SEC File No. 0-19065.
10(f)*	Employment Agreement by and among Sandy Spring Bancorp, Inc., Sandy Spring Bank, and Daniel J. Schrider	Exhibit 10(h) to Form 10-K for the year ended December 31, 2008, SEC File No. 0-19065.
10(g)*	Form of Sandy Spring National Bank of Maryland Officer Group Term Replacement Plan	Exhibit 10(r) to Form 10-K for the year ended December 31, 2001, SEC File No. 0-19065.
10(h)*	Sandy Spring Bancorp, Inc. Directors' Stock Purchase Plan	Exhibit 4 to Registration Statement on Form S-8, File No. 333-117330.
10(i)*	Sandy Spring Bank Executive Incentive Retirement Plan	Exhibit 10(v) to Form 10-K for the year ended December 31, 2007, SEC File No. 0-19065.
10(j)*	Form of Amendment to Directors' Fee Deferral Agreement	Exhibit 10(o) to Form 10-K for the year ended December 31, 2008, SEC File No. 0-19065.

Exhibit No.	Description	Incorporated by Reference to:
10(k)*	Sandy Spring Bancorp, Inc. 2011 Employee Stock Purchase Plan	Appendix A of the Definitive Proxy Statement filed on March 28, 2011, SEC File No. 0-19065.
10(m)*	Change in Control Agreement by and among Sandy Spring Bancorp, Inc., Sandy Spring Bank, and R. Louis Caceres	Exhibit 10(m) to Form 10-K for the year ended December 31, 2011, SEC File No. 0-19065
10(n)*	Employment Agreement by and among Sandy Spring Bancorp, Inc., Sandy Spring Bank, and Joseph J. O’Brien, Jr.	Exhibit 10.2 to Form 8-K filed on January 17, 2012, SEC File No. 0-19065.
10(o)*	Change in Control Agreement by and between Sandy Spring Bancorp, Sandy Spring Bank, and Jeffrey Welch	Exhibit 10(o) to Form 10-K for the year ended December 31, 2011, SEC File No. 0-19065
10(p)*	Executive Team Incentive Plan	Exhibit 10.1 to Form 8-K filed on March 31, 2011, SEC File No. 0-19065
10(q)*	Second Amendment to Employment Agreement Between Sandy Spring Bancorp, Inc., Sandy Spring Bank and Daniel J. Schrider Dated January 1, 2009	Exhibit 10.1 to Form 8-K dated March 7, 2013, SEC File No. 0-19065.
10(r)*	Amendment to Employment Agreement Between Sandy Spring Bancorp, Inc., Sandy Spring Bank and Philip J. Mantua Dated January 13, 2012	Exhibit 10.2 to Form 8-K dated March 7, 2013, SEC File No. 0-19065.
10(s)*	Amendment to Employment Agreement Between Sandy Spring Bancorp, Inc., Sandy Spring Bank and Joseph J. O’Brien, Jr. Dated January 13, 2012	Exhibit 10.3 to Form 8-K dated March 7, 2013, SEC File No. 0-19065.
10(t)*	Amendment to Change in Control Agreement Between Sandy Spring Bancorp, Inc., Sandy Spring Bank and R. Louis Caceres Dated March 9, 2012	Exhibit 10.4 to Form 8-K dated March 7, 2013, SEC File No. 0-19065.

10(u)*	Amendment to Change in Control Agreement Between Sandy Spring Bancorp, Inc., Sandy Spring Bank and Jeffrey A. Welch Dated March 9, 2012	Exhibit 10.5 to Form 8-K dated March 7, 2013, SEC File No. 0-19065.
21	Subsidiaries	
23	Consent of Grant Thornton LLP	
31(a)	Rule 13a-14(a)/15d-14(a) Certification	
31(b)	Rule 13a-14(a)/15d-14(a) Certification	
32(a)	18 U.S.C. Section 1350 Certification	
32(b)	18 U.S.C. Section 1350 Certification	
101	The following materials from the Sandy Spring Bancorp, Inc. Annual report on Form 10-K for the year ended December 31, 2012 formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Condition; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Stockholders' Equity; and (vi) related notes.	

* Management Contract or Compensatory Plan or Arrangement filed pursuant to Item 15(b) of this Report.

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Shareholders may obtain, upon payment of a reasonable fee, a copy of the exhibits to this Report on Form 10-K by writing Ronald E. Kuykendall, General Counsel and Secretary, at Sandy Spring Bancorp, Inc., 17801 Georgia Avenue, Olney, Maryland 20832. Shareholders also may access a copy of the Form 10-K including exhibits on the SEC Web site at www.sec.gov or through the Company's Investor Relations Web site maintained at *www.sandyspringbank.com*.

SIGNATURES

Pursuant to the requirements of Section 13 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.

SANDY SPRING BANCORP, INC.

(Registrant)

By:/s/ Daniel J. Schrider
Daniel J. Schrider
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 indicated as of March 18, 2013.

Principal Executive Officer and Director:	Principal Financial and Accounting Officer:
/s/ Daniel J. Schrider	/s/ Philip J. Mantua
Daniel J. Schrider	Philip J. Mantua
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

Signature	Title
/s/Ralph F. Boyd, Jr. Ralph F. Boyd, Jr.	Director
/s/ Mark E. Friis Mark E. Friis	Director
/s/ Susan D. Goff Susan D. Goff	Director

/s/_Solomon Graham Solomon Graham	Director
/s/ Robert E. Henel, Jr. Robert E. Henel, Jr.	Director
/s/ Pamela A. Little Pamela A. Little	Director
/s/_Gary G. Nakamoto Gary G. Nakamoto	Director
/s/_Robert L. Orndorff Robert L. Orndorff	Director
/s/ Craig A. Ruppert Craig A. Ruppert	Director

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/s/ Dennis A. Starliper Dennis A. Starliper	Director
/s/Mei Xu Mei Xu	Director

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