Guynn George C
Form 4
February 05, 2013

FORM 4

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

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

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

OMB APPROVAL

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Guynn George C

(Last) (First) (Middle)

C/O ACUITY BRANDS, INC., 1170 PEACHTREE STREET, NESUITE 2400

(Street)

ATLANTA, GA 30309

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ACUITY BRANDS INC [AYI]

3. Date of Earliest Transaction (Month/Day/Year)
02/01/2013

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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			
Common Stock (1)	02/01/2013		A		358	A	$ 69.9	2,206 (2)	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)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Guynn George C C/O ACUITY BRANDS, INC. 1170 PEACHTREE STREET, NESUITE 2400 ATLANTA, GA 30309	X			

Signatures

George C. Guynn	02/05/2013
**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 shares being reported result from a grant of shares pursuant to the 2011 Acuity Brands, Inc. Nonemployee Director Compensation Plan (Effective as of December 1, 2011, as amended effective December 1, 2012).

(2) The total direct shares owned includes 927 time-vesting restricted shares.

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. th="1%"> $40,038 $116,624 $118,714

Plus non-GAAP adjustment:

Tax-equivalent income
1,420 1,321 4,154 3,484

Less non-GAAP adjustments:

Securities gains
231 25 283 323

OTTI recognized in earnings
(76) (380) (160) (469)

Net interest income plus non-interest income - as adjusted
$40,931 $41,714 $120,655 $122,344
Efficiency ratio–Non-GAAP
62.02% 59.08% 63.29% 59.85%

FINANCIAL CONDITION

The Company's total assets were $3.6 billion at September 30, 2011, increasing $106.7 million or 3% during the first nine months of 2011. Interest-earning assets increased $130.0 million to $3.4 billion at September 30, 2011 compared to December 31, 2010. Asset growth, which is primarily due to growth in the investment portfolio, was funded by increases in customer deposits.

Loans and Leases

Total loans and leases, excluding loans held for sale, remained virtually level during the first nine months of 2011. The residential real estate portfolio, which is comprised of residential construction and permanent residential mortgage loans reflected a slight increase to $531.3 million at September 30, 2011 from $527.8 million at December 31, 2010. Permanent residential mortgages, most of which are 1-4 family, increased $4.1 million to $440.6 million due to higher loan origination volumes. The Company generally retains adjustable rate mortgages in its portfolio and sells the fixed rate mortgages that it originates in the secondary mortgage market. Residential construction loans decreased $0.5 million to $90.7 million during the first nine months of 2011.

The commercial loan portfolio increased by $5.8 million to $1.3 billion at September 30, 2011. Soft loan demand resulting from weak market conditions in both the national and regional economies have continued to play a role in limiting growth in commercial loan balances as pay-offs of performing credits have outpaced new originations. Activity in the commercial loan portfolio reflects the current slow but uneven recovery in the regional economy in which the Company operates. The small overall increase in commercial loans for the nine months was due primarily to an increase of $29.6 million or 9% in commercial investor real estate loans while commercial owner occupied real estate loans reflected a more limited increase of $16.6 million or 3% for the period. Somewhat offsetting these increases, commercial business loans decreased $23.7 million or 9% for the nine months. Commercial ADC loans decreased $9.5 million or 6% for the nine months compared to December 31, 2010.

The consumer loan portfolio decreased 5% or $20.2 million, to $360.3 million at September 30, 2011. This decline was driven largely by a decrease of $19.1 million or 37% in conventional second mortgage loans during the nine months resulting in a balance of $32.4 million at September 30, 2011 due to weak consumer demand and the reclassification of $11 million of loans to the residential mortgage portfolio in early 2011.

Analysis of Loans and Leases

The following table presents the trends in the composition of the loan and lease portfolio at the dates indicated:

	September 30, 2011			December 31, 2010			Period-to-Period Change				
(In thousands)	Amount	%		Amount	%		$ Change		% Change		
Residential real estate:											
Residential mortgage	$440,606	20.5	%	$436,534	20.3	%	$4,072		0.9		%
Residential construction	90,727	4.2		91,273	4.2		(546	)	(0.6	)	
Commercial real estate:											
Commercial owner occupied real estate	519,837	24.2		503,286	23.4		16,551		3.3		
Commercial investor real estate	357,358	16.7		327,782	15.2		29,576		9.0		
Commercial acquisition, development and construction	141,576	6.6		151,061	7.0		(9,485	)	(6.3	)	
Commercial Business	226,528	10.6		250,255	11.6		(23,727	)	(9.5	)	
Leases	8,484	0.4		15,551	0.7		(7,067	)	(45.4	)	
Consumer	360,287	16.8		380,490	17.6		(20,203	)	(5.3	)	
Total loans and leases	$2,145,403	100.0	%	$2,156,232	100.0	%	$(10,829	)	(0.5	)	

Investment Securities

The investment portfolio, consisting of available-for-sale, held-to-maturity and other equity securities, showed an increase of 13% or $131.2 million to $1.2 billion at September 30, 2011, from $1.0 billion at December 31, 2010.

The investment portfolio consists primarily of U.S. Agency securities, U.S. Agency mortgage-backed securities, U.S. Agency collateralized mortgage obligations and state and municipal securities. The duration of the portfolio has remained virtually the same at an average of 3.2 years at both September 30, 2011 and December 31, 2010. The Company considers the duration of the portfolio to be reasonable for liquidity purposes. This investment strategy has resulted in a portfolio with minimal risk and thus will provide needed liquidity should loan demand increase in the coming year. The portfolio is monitored on a continuing basis with consideration given to interest rate trends and the structure of the yield curve and with constant due diligence of economic projections and analysis.

At September 30, 2011, the trust preferred portfolio included one $3.0 million security backed by a single financial institution issuer. The fair value of this security was $3.3 million as determined using broker quotations. The Company also owns one pooled trust preferred security backed by debt issued by banks and thrifts, which totals $2.9 million, with a fair value of $2.4 million. The fair value of this security was determined by a third party valuation specialist due to the limited trading activity for this security in the marketplace. The specialist used an income valuation approach technique (present value technique) that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The methodology, observable inputs and significant assumptions employed by the specialist to determine fair value are provided in Note 2 – Investment Securities in the Notes to the Condensed Consolidated Financial Statements.

As a result of this valuation, it was determined that the pooled trust preferred security did incur credit-related OTTI of $76 thousand which was recognized in earnings for the quarter ended September 30, 2011. For the nine months ended September 30, 2011, credit-related other-than-temporary impairment (“OTTI”) incurred on this security amounted to $160 thousand. Cumulative credit-related OTTI of $422 thousand has been recognized in earnings through September 30, 2011. Non-credit related OTTI on this security, which is not expected to be sold and that the Company has the ability to hold until maturity, was $0.6 million at September 30, 2011. This non-credit related OTTI was recognized

in other comprehensive income ("OCI") at September 30, 2011.

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Investment Securities

The composition of investment securities at the dates indicated is presented in the following table:

	September 30, 2011		December 31, 2010		Period-to-Period Change	
(In thousands)	Amount	%	Amount	%	$ Change	% change
Available-for-Sale:						
U.S. government agencies and corporations	$ 209,565	17.8 %	$ 306,705	29.4 %	$ (97,140)	(31.7)%
State and municipal	166,639	14.2	107,537	10.3	59,102	55.0
Mortgage-backed	570,082	48.6	486,961	46.7	83,121	17.1
Trust preferred	5,688	0.5	5,980	0.6	(292)	(4.9)
Marketable equity securities	100	-	100	-	-	-
Total available-for-sale	952,074	81.1	907,283	87.0	44,791	4.9
Held-to-Maturity and Other Equity						
U.S. government agencies and corporations	74,998	6.4	-	-	74,998	-
State and municipal	114,094	9.7	101,091	9.7	13,003	12.9
Mortgage-backed	428	-	499	-	(71)	(14.2)
Other equity securities	32,586	2.8	34,070	3.3	(1,484)	(4.4)
Total held-to-maturity and other equity	222,106	18.9	135,660	13.0	86,446	63.7
Total securities	$ 1,174,180	100.0 %	$ 1,042,943	100.0 %	$ 131,237	12.6

Other Earning Assets

Residential mortgage loans held for sale increased $0.4 million to $23.1 million as of September 30, 2011 from $22.7 million as of December 31, 2010. The aggregate of federal funds sold and interest-bearing deposits with banks increased $9.3 million to $27.7 million in the first nine months of 2011.

Deposits

The composition of deposits at the dates indicated is presented in the following table:

	September 30, 2011		December 31, 2010		Period-to-Period Change	
(In thousands)	Amount	%	Amount	%	$ Change	% change
Noninterest-bearing deposits	$ 643,169	24.4 %	$ 566,812	22.2 %	$ 76,357	13.5 %
Interest-bearing deposits:						
Demand	344,277	13.0	317,905	12.4	26,372	8.3
Money market savings	865,986	32.8	861,420	33.8	4,566	0.5
Regular savings	183,969	7.0	172,771	6.8	11,198	6.5
Time deposits of less than $100,000	326,497	12.3	351,071	13.8	(24,574)	(7.0)
Time deposits of $100,000 or more	276,426	10.5	279,893	11.0	(3,467)	(1.2)
Total interest-bearing deposits	1,997,155	75.6	1,983,060	77.8	14,095	0.7
Total deposits	$ 2,640,324	100.0 %	$ 2,549,872	100.0 %	$ 90,452	3.5

Deposits and Borrowings

Total deposits were $2.6 billion at September 30, 2011, increasing $90.5 million or 4% from $2.5 billion at December 31, 2010. This growth in deposits was driven primarily by a 12% increase in noninterest-bearing and interest-bearing checking accounts and, to a lesser extent, a 6% increase in regular savings accounts at September 30, 2011 compared to balances at December 31, 2010. Money market accounts remained virtually level compared to the prior year end. The activity in these deposit products can be attributed primarily to clients' emphasis on safety and liquidity considering the current low interest rates and the volatility of alternative investments. Certificates of deposit decreased 4% over the first nine months of the year as the Company managed its net interest margin. Total borrowings decreased $17.0 million or 3% to $520.0 million at September 30, 2011 compared to December 31, 2010 due to a decline in retail repurchase agreements.

Capital Management

Management monitors historical and projected earnings, dividends and asset growth, as well as risks associated with the various types of on- and off-balance sheet assets and liabilities, in order to determine appropriate capital levels. During the first nine months of 2011, total stockholders' equity increased $33.2 million to $440.8 million at September 30, 2011, from $407.6 million at December 31, 2010. This increase was due primarily to net income during the period, together with an increase of $15.8 million in other comprehensive income resulting from unrealized gains on available for sale investments. These increases were partially offset by the redemption in the first quarter of 2011 for $4.5 million of the warrant that was issued to the Treasury in connection with the Company's participation in the TARP Capital Purchase Program.

The ratio of average equity to average assets was 11.71% for the first nine months of 2011, as compared to 12.14% for the first nine months of 2010.

Bank holding companies and banks are required to maintain capital ratios in accordance with guidelines adopted by the federal bank regulators. These guidelines are commonly known as Risk-Based Capital guidelines. The actual regulatory ratios and required ratios for capital adequacy, in addition to the ratios required to be categorized as "well capitalized" are summarized for the Company in the following table.

Risk-Based Capital Ratios

	Ratios at		Minimum
	September 30, 2011	December 31, 2010	Regulatory Requirements
Total Capital to risk-weighted assets	16.21%	15.37%	8.00%
Tier 1 Capital to risk-weighted assets	14.96%	14.11%	4.00%
Tier 1 Leverage	10.79%	10.30%	3.00%

Tier 1 capital of $380.7 million and total qualifying capital of $412.7 million each included $35.0 million in trust preferred securities that are considered regulatory capital for purposes of determining the Company's Tier 1 capital ratio. As of September 30, 2011, the most recent notification from the Bank's primary regulator categorized the Bank as a "well-capitalized" institution under the prompt corrective action rules of the Federal Deposit Insurance Act. Designation as a well-capitalized institution under these regulations is not a recommendation or endorsement of the Company or the Bank by federal bank regulators.

Tangible Common Equity

Tangible equity and tangible assets are non-GAAP financial measures calculated using GAAP amounts. We calculate tangible equity by excluding the balance of goodwill and other intangible assets from our calculation of stockholders' equity. We calculate tangible assets by excluding the balance of goodwill and other intangible assets from our calculation of total assets. We believe that this non-GAAP financial measure provides information to investors that may useful in understanding our financial condition. Because not all companies use the same calculation of tangible equity and tangible assets, this presentation may not be comparable to other similarly titled measures calculated by other companies. A reconciliation of the non-GAAP ratio of tangible equity to tangible assets is provided in the following table.

Tangible Common Equity Ratio – Non-GAAP

(Dollars in thousands)	September 30, 2011	December 31, 2010
Tangible common equity ratio:		
Total stockholders' equity	$ 440,791	$ 407,569
Accumulated other comprehensive income (loss)	(13,147)	2,620
Goodwill	(76,816)	(76,816)
Other intangible assets, net	(5,195)	(6,578)
Tangible common equity	$ 345,633	$ 326,795
Total assets	$ 3,626,043	$ 3,519,388
Goodwill	(76,816)	(76,816)
Other intangible assets, net	(5,195)	(6,578)
Tangible assets	$ 3,544,032	$ 3,435,994

Tangible common equity ratio	9.75	%	9.51	%

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Credit Risk

The fundamental lending business of the Company is based on understanding, measuring and controlling the credit risk inherent in the loan portfolio. The Company's loan and lease portfolio is subject to varying degrees of credit risk. Credit risk entails both general risks, which are inherent in the process of lending, and risk specific to individual borrowers. The Company's credit risk is mitigated through portfolio diversification, which limits exposure to any single customer, industry or collateral type. Typically, each consumer and residential lending product has a generally predictable level of credit losses based on historical loss experience. Home mortgage and home equity loans and lines generally have the lowest credit loss experience. Loans secured by personal property, such as auto loans, generally experience medium credit losses. Unsecured loan products, such as personal revolving credit, have the highest credit loss experience and for that reason, the Company has chosen not to engage in a significant amount of this type of lending. Credit risk in commercial lending can vary significantly, as losses as a percentage of outstanding loans can shift widely during economic cycles and are particularly sensitive to changing economic conditions. Generally, improving economic conditions result in improved operating results on the part of commercial customers, enhancing their ability to meet their particular debt service requirements. Improvements, if any, in operating cash flows can be offset by the impact of rising interest rates that may occur during improved economic times. Declining economic conditions have an adverse affect on the operating results of commercial customers, reducing their ability to meet debt service obligations.

Current economic data has shown that while the Mid-Atlantic region is outperforming most other markets in the nation, the Company is continuing to deal with the lingering impact from the economic pressures that are continuing to be experienced by its borrowers. Although total non-performing loans decreased compared to the balance at December 31, 2010, such balances increased compared to June 30, 2011 due primarily to one commercial real estate credit totaling $13.6 million which was placed on non-accrual during the third quarter of 2011. Management considers this loan as fully collateralized. Excluding the effect of this one loan, the balance of non-performing loans at September 30, 2011 would have reflected the same improving trend evident in prior quarters. While the diversification of the lending portfolio among different commercial, residential and consumer product lines along with different market conditions of the D.C. suburbs, Northern Virginia and Baltimore metropolitan area has mitigated some of the risks in the portfolio, local economic conditions and non-performing loan levels may continue to be influenced by the current slow and uncertain economic recovery on both a regional and national level.

To control and manage credit risk, management has a credit process in place to ensure credit standards are maintained along with a robust in-house loan administration accompanied by strong oversight and review procedures. The primary purpose of loan underwriting is the evaluation of specific lending risks and involves the analysis of the borrower's ability to service the debt as well as the assessment of the value of the underlying collateral. Oversight and review procedures include the monitoring of portfolio credit quality, early identification of potential problem credits and the aggressive management of problem credits. As part of the oversight and review process, the Company maintains an allowance for loan and lease losses (the "allowance") to absorb estimated and probable losses in the loan and lease portfolio. The allowance is based on consistent, continuous review and evaluation of the loan and lease portfolio, along with ongoing, monthly assessments of the probable losses and problem credits in each portfolio.

The allowance for loan and leases losses represents an estimation of the losses that are inherent in the loan and lease portfolio. The adequacy of the allowance is determined through careful and ongoing evaluation of the credit portfolio, and involves consideration of a number of factors, as outlined below, to establish a prudent level. Determination of the allowance is inherently subjective and requires significant estimates, including estimated losses on pools of homogeneous loans and leases based on historical loss experience and consideration of current economic trends, which may be susceptible to significant change. Loans and leases deemed uncollectible are charged against the allowance, while recoveries are credited to the allowance. Management adjusts the level of the allowance through the provision for loan and lease losses, which is recorded as a current period operating expense.

The methodology for assessing the appropriateness of the allowance includes: (1) the general allowance reflects historical losses, as adjusted, by credit category, and (2) the specific allowance for impaired credits on an individual or portfolio basis. This systematic allowance methodology is further described in the section entitled "Critical Accounting Policies" and in "Note 1 – Significant Accounting Policies" of the Notes to the Consolidated Financial Statements of the Company's 2010 Form 10-K. The amount of the allowance is reviewed and approved quarterly by the Credit Risk Committee of the board of directors.

The Company recognizes a collateral dependent lending relationship as non-performing when either the loan becomes 90 days delinquent or as a result of factors (such as bankruptcy, interruption of cash flows, etc.) considered at the monthly credit committee meeting. When a commercial loan is placed on non-accrual status, it is considered to be impaired and all accrued but unpaid interest is reversed. However, not all impaired loans are in non-accrual status because they may be current with regard to the payment terms. Their determination as an impaired loan is based on some inherent weakness in the credit that may, if certain circumstances occur or arise, result in an inability to comply with the loan agreement's contractual terms. Impaired loans exclude large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment such as leases, residential real estate and consumer loans. All payments received on non-accrual loans are applied to the remaining principal balance of the loan(s). Integral to the assessment of the allowance process is an evaluation that is performed to determine whether a specific reserve on an impaired loan is warranted and, when losses are confirmed, a charge-off is taken that is at least in the amount of the collateral deficiency as determined by an independent third party appraisal. Any further collateral deterioration results in either further specific reserves being established or additional charge-offs. At such time an action plan is agreed upon for the particular loan and an appraisal will be ordered depending on the time elapsed since the prior appraisal, the loan balance and/or the result of the internal evaluation. A current appraisal is usually obtained if the appraisal on file is more than 12 months old. The Company's policy is to strictly adhere to regulatory appraisal standards. If an appraisal is ordered, no more than a 30 day turnaround is requested from the appraiser, who is selected by Credit Administration from an approved appraiser list. After receipt of the updated appraisal, the assigned credit officer will recommend to the Chief Credit Officer whether a specific reserve or a charge-off should be taken. The Chief Credit Officer has the authority to approve a specific reserve or charge-off between monthly credit committee meetings to insure that there are no significant time lapses during this process.

The Company's methodology for evaluating whether a loan is impaired begins with risk-rating credits on an individual basis and includes consideration of the borrower's overall financial condition, resources and payment record, the sufficiency of collateral and, in a select few cases, verifiable support from financial guarantors. In measuring impairment, the Company looks primarily to the discounted cash flows of the project itself or to the value of the collateral as the primary sources of repayment of the loan. The Company will consider the existence of guarantees and the financial strength and wherewithal of the guarantors involved in any loan relationship and it considers such guarantees only as a secondary source of repayment. Guarantors are evaluated to determine their respective payment capacity. Accordingly, absent a verifiable payment capacity, a guarantee alone would not be sufficient to avoid classifying the loan as impaired.

Management has established a credit process that dictates that structured procedures be performed to monitor these loans between the receipt of an original appraisal and the updated appraisal. These procedures include the following:

- An internal evaluation is updated quarterly to include borrower financial statements and/or cash flow projections.

- The borrower may be contacted for a meeting to discuss an updated or revised action plan which may include a request for additional collateral.

- Re-verification of the documentation supporting the Company's position with respect to the collateral securing the loan.

- At the monthly credit committee meeting the loan may be downgraded and a specific reserve may be decided upon in advance of the receipt of the appraisal.

- Upon receipt of the updated appraisal (or based on an updated internal financial evaluation) the loan balance is compared to the appraisal and a specific reserve is decided upon for the particular loan, typically for the amount of the difference between the appraisal and the loan balance.

- The Company will specifically reserve for or charge-off the excess of the loan amount over the amount of the appraisal. In certain cases the Company may establish a larger reserve due to knowledge of current market conditions or the existence of an offer for the collateral that will facilitate a more timely resolution of the loan.

If an updated appraisal is received subsequent to the preliminary determination of a specific reserve or partial charge-off, and it is less than the initial appraisal used in the initial charge-off, an additional specific reserve or charge-off is taken on the related credit. Partially charged-off loans are not written back up based on updated appraisals and always remain on non-accrual with any and all subsequent payments applied to the remaining balance of the loan as principal reductions. No interest income is recognized on loans that have been partially charged-off.

Loans may have their terms restructured (e.g., interest rates, loan maturity date, payment and amortization period, etc.) in circumstances that provide payment relief to a borrower experiencing financial difficulty. All restructured loans are considered impaired loans and may either be in accruing status or non-accruing status. Non-accruing restructured loans may return to accruing status provided there is a sufficient period of payment performance in accordance with the restructure terms. Loans may be removed from the restructured category in the year subsequent to the restructuring if their revised loans terms are considered to be consistent with terms that can be obtained in the credit market for loans with comparable risk.

The Company generally follows a policy of not extending maturities on non-performing loans under existing terms. The Company may extend the maturity of a performing or current loan that may have some inherent weakness associated with the loan. Maturity date extensions only occur under terms that clearly place the Company in a

position to increase or assure full collection of the loan under the contractual terms and /or terms at the time of the extension that may eliminate or mitigate the inherent weakness in the loan. These terms may incorporate, but are not limited to additional assignment of collateral, significant balance curtailments/liquidations and assignments of additional project cash flows. Guarantees may be a consideration in the extension of loan maturities, but the Company does not extend loans based solely on guarantees. As a general matter, the Company does not view extension of a loan to be a satisfactory approach to resolving non-performing credits. On an exception basis, certain performing loans that have displayed some inherent weakness in the underlying collateral values, an inability to comply with certain loan covenants which are not affecting the performance of the credit or other identified weakness may be extended.

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Collateral values or estimates of discounted cash flows (inclusive of any potential cash flow from guarantees) are evaluated to estimate the probability and severity of potential losses. Then a specific amount of impairment is established based on the Company's calculation of the probable loss inherent in the individual loan. The actual occurrence and severity of losses involving impaired credits can differ substantially from estimates.

Management believes that it uses relevant information available to make determinations about whether a loan is impaired in accordance with accounting principles generally accepted in the United States ("US GAAP"). However, the determination of impairment requires significant judgment, and estimates of probable losses in the loan and lease portfolio can vary significantly from the amounts actually observed. In addition, various regulatory agencies, as an integral part of their examination process, and independent consultants engaged by the Company, periodically review the loan and lease portfolio. These reviews may result in additional loans being considered impaired based on management's judgments of information available at the time of each examination.

The Company makes provisions for loan and lease losses in amounts necessary to maintain the allowance at an appropriate level, as established by use of the allowance methodology discussed above. Provisions amounted to a credit of $0.9 million in the first nine months of 2011 compared to a provision of $23.6 million in the prior year period. The provision for the third quarter of 2011 was a credit of $3.5 million. This reduction in the provision was due primarily to a consistently declining level of historical net charge-offs which is a principal component in the application of the Company's allowance methodology. Net charge-offs totaled $11.6 million in the first nine months of 2011 compared to $20.9 million in the first nine months of 2010. This resulted in a ratio of annualized net charge-offs to average loans and leases of 0.72% in the first nine months of 2011 compared to 1.24% for the first nine months of 2010. At September 30, 2011, the allowance for loan and lease losses was $49.7 million, or 2.32% of total loans and leases, compared to $67.3 million, or 3.08% of total loans and leases, at September 30, 2010.

Management believes that the allowance is adequate. However, its determination requires significant judgment, and estimates of probable losses in the loan and lease portfolio can vary significantly from the amounts actually observed. While management uses available information to recognize probable losses, future additions to the allowance may be necessary based on changes in the credits comprising the portfolio and changes in the financial condition of borrowers, such as may result from changes in economic conditions. In addition, federal and state regulatory agencies, as an integral part of their examination process, and independent consultants engaged by the Bank, periodically review the loan and lease portfolio and the allowance. Such reviews may result in adjustments to the provision based upon their analysis of the information available at the time of each examination.

Substantially all of the fixed-rate conforming residential mortgage loans originated by the Company are sold in the secondary mortgage market. Concurrent with such sales, the Company is required to make customary representations and warranties to the purchasers about the mortgage loans and the manner in which they were originated. The related sale agreements grant the purchasers recourse back to the Company, which could require the Company to repurchase loans or to share in any losses incurred by the purchasers. This recourse exposure typically extends for a period of six to eighteen months after the sale of the loan. Such transactions could be due to a number of causes including borrower fraud or early payment default. The Company has seen a very limited number of repurchase and indemnity demands from purchasers for such events and routinely monitors its exposure in this regard. The Company maintains a liability of $0.3 million for possible losses due to repurchases. Given its lack of history as to losses of this type, the Company believes that this reserve is adequate.

Allowance for Loan and Lease Losses

During the first nine months of 2011, there were no changes in the Company's systematic methodology for assessing the appropriateness of the allowance for loan and lease losses from the prior year period. Variations can occur over time in the methodology's estimation of the adequacy of the allowance as a result of the credit performance of borrowers. There was no unallocated allowance at September 30, 2011 or December 31, 2010, when measured

against the total allowance.

At September 30, 2011, total non-performing loans and leases were $82.8 million, or 3.86% of total loans and leases, compared to $88.1 million, or 4.08% of total loans and leases, at December 31, 2010. Timely aggressive recognition and management of problem credits has significantly limited the migration of these loans into non-accrual status during this period. As previously mentioned, the increase in non-performing loans and leases at September 30, 2011 was due primarily to one commercial real estate loan totaling $13.6 million which was placed on non-accrual status during the third quarter of 2011. Management considers this loan to be adequately collateralized and thus no additional specific reserves were required. Total non-performing loans and leases, excluding this particular loan would have totaled $69.2 million at September 30, 2011 compared to $76.5 million at June 30, 2011 reflecting a continued improvement in this credit metrics trend. Also included in non-performing loans were four commercial relationships which included net charge-offs of $0.1 million and net pay downs of $7.1 million for the first nine months of 2011. These relationships currently encompass 10 loans in the commercial construction, commercial real estate and commercial business loan categories. None of these loans have had their maturities extended. Credit issues for home builders have been identified, workout strategies have been developed and the Company continues to monitor the performance of the underlying collateral, and to update appraisals, as necessary, given the context of market environment expectations. The allowance represented 60% of non-performing loans and leases at September 30, 2011 and 71% at December 31, 2010. This decrease in the coverage ratio is due primarily to a 6% reduction in non-performing loans and leases noted above as the Company continues to aggressively workout existing problem credits by a combination of charge-offs and pay downs while the migration of new credits to non-performing status has significantly declined. Continued analysis of the actual loss history on the problem credits in 2010 and in the first nine months of 2011 provided an indication that the coverage of the inherent losses on the problem credits was adequate. The Company continues to monitor the impact of the economic conditions on our commercial customers, the reduced inflow of non-accruals, lower inflow in criticized loans and the significant decline in early stage delinquencies. The improvement in these credit metrics support management's outlook for continued improved credit quality performance.

The balance of impaired loans was $69.7 million, with specific reserves of $5.0 million against those loans at September 30, 2011, as compared to $69.6 million with reserves of $3.8 million, at December 31, 2010.

The Company's borrowers are concentrated in six counties in Maryland, three counties in Virginia and in Washington D. C. Commercial and residential mortgages, including home equity loans and lines, represented 77% of total loans and leases at September 30, 2011 and at December 31, 2010. Certain loan terms may create concentrations of credit risk and increase the Company’s exposure to loss. These include terms that permit the deferral of principal payments or payments that are smaller than normal interest accruals (negative amortization); loans with high loan-to-value ratios; loans, such as option adjustable-rate mortgages, that may expose the borrower to future increases in repayments that are in excess of increases that would result solely from increases in market interest rates; and interest-only loans. The Company does not make loans that provide for negative amortization. The Company originates option adjustable-rate mortgages infrequently and sells all of them in the secondary market.

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Loan and Lease Loss Experience

The following table presents the activity in the allowance for loan and lease losses for the periods indicated:

(Dollars in thousands)	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
Analysis of Allowance for Loan Losses:		
Balance, January 1	$ 62,135	$ 64,559
Provision (credit) for loan and lease losses	(854)	25,908
Charge-offs:		
Commercial business	(2,146)	(7,144)
Commercial real estate:		
Commercial acquisition, development and construction	(840)	(13,545)
Commercial investor real estate	(534)	(232)
Commercial owner occupied real estate	(158)	(1,692)
Leasing	(885)	(109)
Consumer	(2,320)	(3,493)
Residential real estate:		
Residential mortgage	(4,292)	(5,724)
Residential construction	(1,437)	(677)
Total charge-offs	(12,612)	(32,616)
Recoveries:		
Commercial business	190	2,954
Commercial real estate:		
Commercial acquisition, development and construction	573	1,062
Commercial investor real estate	4	2
Commercial owner occupied real estate	-	5
Leasing	12	6
Consumer	141	222
Residential real estate:		
Residential mortgage	127	32
Residential construction	4	1
Total recoveries	1,051	4,284
Net charge-offs	(11,561)	(28,332)
Balance at end of period	$ 49,720	$ 62,135
Allowance for loan losses to loans	2.32 %	2.88 %
Net charge-offs in quarter to average loans	0.72 %	1.27 %

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Analysis of Credit Risk

The following table presents information with respect to non-performing assets and 90-day delinquencies at the dates indicated:

(Dollars in thousands)	September 30, 2011		December 31, 2010	
Non-Performing Assets:				
Loans and leases 90 days past due:				
Commercial business	$ -		$ 19	
Commercial real estate:				
Commercial AD&C	-		-	
Commercial investor real estate	-		-	
Commercial owner occupied real estate	-		-	
Leasing	63		407	
Consumer	373		182	
Residential real estate:				
Residential mortgage	2,291		9,871	
Residential construction	-		3,675	
Total loans and leases 90 days past due	2,727		14,154	
Non-accrual loans and leases:				
Commercial business	8,038		7,938	
Commercial real estate:				
Commercial AD&C	24,481		30,417	
Commercial investor real estate	16,118		1,753	
Commercial owner occupied real estate	11,847		11,781	
Leasing	956		1,887	
Consumer	1,478		300	
Residential real estate:				
Residential mortgage	6,081		3,946	
Residential construction	5,034		5,305	
Total non-accrual loans and lease	74,033		63,327	
Total restructured loans - accruing	6,088		10,571	
Total non-performing loans and leases	82,848		88,052	
Other assets and real estate owned (OREO)	7,938		9,493	
Other assets owned	-		200	
Total non-performing assets	$ 90,786		$ 97,745	
Non-performing loans to total loans	3.86	%	4.08	%
Non-performing assets to total assets	2.50	%	2.78	%
Allowance for loan losses to non-performing loans	60.01	%	70.57	%

Market Risk Management

The Company's net income is largely dependent on its net interest income. Net interest income is susceptible to interest rate risk to the extent that interest-bearing liabilities mature or re-price on a different basis than interest-earning assets. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. Net interest income is also affected by changes in the portion of interest-earning assets that are funded by interest-bearing liabilities rather than by other sources of

funds, such as noninterest-bearing deposits and stockholders' equity.

The Company's interest rate risk management goals are (1) to increase net interest income at a growth rate consistent with the growth rate of total assets, and (2) to minimize fluctuations in net interest margin as a percentage of interest-earning assets. Management attempts to achieve these goals by balancing, within policy limits, the volume of floating-rate liabilities with a similar volume of floating-rate assets; by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched; by maintaining a pool of administered core deposits; and by adjusting pricing rates to market conditions on a continuing basis.

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The Company's board of directors has established a comprehensive interest rate risk management policy, which is administered by management's ALCO. The policy establishes limits on risk, which are quantitative measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity or "EVE" at risk) resulting from a hypothetical change in U.S. Treasury interest rates for maturities from one day to thirty years. The Company measures the potential adverse impacts that changing interest rates may have on its short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation model captures optionality factors such as call features and interest rate caps and floors imbedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology used by the Company. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan customers' ability to service their debts, or the impact of rate changes on demand for loan, lease, and deposit products.

The Company prepares a current base case and eight alternative simulations at least once a quarter, and reports the analysis to the board of directors. In addition, more frequent forecasts are produced when interest rates are particularly uncertain or when other business conditions so dictate.

The statement of condition is subject to quarterly testing for eight alternative interest rate shock possibilities to indicate the inherent interest rate risk. Average interest rates are shocked by +/- 100, 200, 300, and 400 basis points ("bp"), although the Company may elect not to use particular scenarios that it determines are impractical in a current rate environment. It is management's goal to structure the balance sheet so that net interest earnings at risk over a twelve-month period and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels.

The Company augments its quarterly interest rate shock analysis with alternative external interest rate scenarios on a monthly basis. These alternative interest rate scenarios may include non-parallel rate ramps and non-parallel yield curve twists. If a measure of risk produced by the alternative simulations of the entire balance sheet violates policy guidelines, ALCO is required to develop a plan to restore the measure of risk to a level that complies with policy limits within two quarters.

Measures of net interest income at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments. These measures are typically based upon a relatively brief period, usually one year. They do not necessarily indicate the long-term prospects or economic value of the institution.

Estimated Changes in Net Interest Income

Change in Interest Rates:	+ 400 bp	+ 300 bp	+ 200 bp	+ 100 bp	- 100 bp	- 200 bp	-300 bp	-400 bp
Policy Limit	23.50 %	17.50 %	15.00 %	10.00 %	10.00 %	15.00 %	17.50 %	23.50 %
September 30, 2011	(5.76)%	(2.93)%	(1.03)%	(0.03)%	N/A	N/A	N/A	N/A
December 31, 2010	(3.64)%	(1.28)%	(0.15)%	(0.06)%	N/A	N/A	N/A	N/A

As shown above, measures of net interest income at risk increased moderately from December 31, 2010 at all interest rate shock levels except the +100bp level which remained virtually level. All measures remained well within prescribed policy limits.

The risk position increased moderately in the upper shock scenarios. The major contributor to the increased risk was the loan portfolio. Longer durations in the loan portfolio limit the potential increase to net interest income in a rising rate environment due to the fact fewer dollars are available to reprice as rates increase during the time horizon

involved.

The measures of equity value at risk indicate the ongoing economic value of the Company by considering the effects of changes in interest rates on all of the Company's cash flows, and by discounting the cash flows to estimate the present value of assets and liabilities. The difference between these discounted values of the assets and liabilities is the economic value of equity, which, in theory, approximates the fair value of the Company's net assets.

Estimated Changes in Economic Value of Equity (EVE)

Change in Interest Rates:	+ 400 bp	+ 300 bp	+ 200 bp	+ 100 bp	- 100 bp	- 200 bp	-300 bp	-400 bp
Policy Limit	35.00 %	25.00 %	20.00 %	10.00 %	10.00 %	20.00 %	25.00 %	35.00 %
September 30, 2011	(7.27)%	(4.67)%	(0.52)%	1.75 %	N/A	N/A	N/A	N/A
December 31, 2010	(12.49)%	(9.78)%	(5.69)%	(2.68)%	N/A	N/A	N/A	N/A

Measures of the economic value of equity ("EVE") at risk decreased compared to year-end 2010 in all rising interest rate shock levels due primarily to longer durations in deposits and borrowings. The Company is retaining more low cost core deposits for longer lengths of time and as rates rise, the Company thus experiences a benefit in such market values.

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Liquidity Management

Liquidity is measured by a financial institution's ability to raise funds through loan and lease repayments, maturing investments, deposit growth, borrowed funds, capital and the sale of highly marketable assets such as investment securities and residential mortgage loans. The Company's liquidity position, considering both internal and external sources available, exceeded anticipated short-term and long-term needs at September 30, 2011. Management considers core deposits, defined to include all deposits other than time deposits of $100 thousand or more, to be a relatively stable funding source. Core deposits equaled 70% of total interest-earning assets at September 30, 2011. In addition, loan and lease payments, maturities, calls and pay downs of securities, deposit growth and earnings contribute a flow of funds available to meet liquidity requirements. In assessing liquidity, management considers operating requirements, the seasonality of deposit flows, investment, loan and deposit maturities and calls, expected funding of loans and deposit withdrawals, and the market values of available-for-sale investments, so that sufficient funds are available on short notice to meet obligations as they arise and to ensure that the Company is able to pursue new business opportunities.

Liquidity is measured using an approach designed to take into account, in addition to factors already discussed above, the Company’s growth and mortgage banking activities. Also considered are changes in the liquidity of the investment portfolio due to fluctuations in interest rates. Under this approach, implemented by the Funds Management Subcommittee of ALCO under formal policy guidelines, the Company’s liquidity position is measured weekly, looking forward at thirty day intervals from thirty (30) to three hundred sixty (360) days. The measurement is based upon the projection of funds sold or purchased position, along with ratios and trends developed to measure dependence on purchased funds and core growth. Resulting projections as of September 30, 2011, show short-term investments exceeding short-term borrowings by $32.1 million over the subsequent 360 days. This projected excess of liquidity versus requirements provides the Company with flexibility in how it funds loans and other earning assets.

The Company also has external sources of funds, which can be drawn upon when required. The main sources of external liquidity are available lines of credit with the Federal Home Loan Bank of Atlanta and the Federal Reserve. The line of credit with the Federal Home Loan Bank of Atlanta totaled $1.1 billion, of which $486.3 million was available for borrowing based on pledged collateral, with $405.5 million borrowed against it as of September 30, 2011. The line of credit at the Federal Reserve totaled $285.8 million, all of which was available for borrowing based on pledged collateral, with no borrowings against it as of September 30, 2011. Other external sources of liquidity available to the Company in the form of unsecured lines of credit granted by correspondent banks totaled $55.0 million at September 30, 2011, against which there were no outstanding borrowings. In addition, the Company had a secured line of credit with a correspondent bank of $20.0 million as of September 30, 2011. Based upon its liquidity analysis, including external sources of liquidity available, management believes the liquidity position was appropriate at September 30, 2011.

The parent company (“Bancorp”) is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its operating expenses, Bancorp is responsible for paying any dividends declared to its common shareholders and interest and principal on outstanding debt. Bancorp’s primary source of income is dividends received from the Bank. The amount of dividends that the Bank may declare and pay to Bancorp in any calendar year, without the receipt of prior approval from the Federal Reserve, cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. Based on this requirement, as of September 30, 2011, the Bank could have declared a dividend of $34.3 million to Bancorp. At September 30, 2011, Bancorp had liquid assets of $8.0 million.

Arrangements to fund credit products or guarantee financing take the form of loans commitments (including lines of credit on revolving credit structures) and letters of credit. Approvals for these arrangements are obtained in the same manner as loans. Generally, cash flows, collateral value and risk assessment are considered when determining the

amount and structure of credit arrangements. Commitments to extend credit in the form of consumer, commercial real estate and business at September 30, 2011 were as follows:

(In thousands)	September 30, 2011	December 31, 2010
Commercial	$ 72,447	$ 72,324
Real estate-development and construction	87,355	53,511
Real estate-residential mortgage	36,429	25,054
Lines of credit, principally home equity and business lines	621,830	586,816
Standby letters of credit	64,170	68,057
Total Commitments to extend credit and available credit lines	$ 882,231	$ 805,762

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Financial Condition - Market Risk and Interest Rate Sensitivity” in Management’s Discussion and Analysis of Financial Condition and Results of Operations, above, which is incorporated herein by reference.

Item 4. CONTROLS AND PROCEDURES

The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated as of the last day of the period covered by this report, the effectiveness of the design and operation of the Company’s disclosure controls and procedures, as defined in Rule 13a-15 under the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective. There were no changes in the Company’s internal controls over financial reporting (as defined in Rule 13a-15 under the Securities Act of 1934) during the three months ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION
Item 1. Legal Proceedings

In the normal course of business, the Company becomes involved in litigation arising form the banking, financial and other activities it conducts. Management, after consultation with legal counsel, does not anticipate that the ultimate liability, if any, arising from these matters will have a material effect on the Company's financial condition, operating results or liquidity.

Item 1A. Risk Factors

There have been no material changes in the risk factors as discussed in the 2010 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company approved a stock repurchase program in August 2011 that permits the repurchase of up to 3% of the Company's outstanding shares of common stock or approximately 730,000 shares. Repurchases which will be conducted through open market purchases or privately negotiated transactions, will be made depending on market conditions and other factors. The following table provides information regarding repurchase transactions executed during the quarter ended September 30, 2011.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number that May Yet Be Purchased Under the Plans or Programs
July 2011	-	N/A	-	730,000
August 2011	-	N/A	-	730,000
September 2011	23,592	$ 14.16	-	706,408

Item 3. Defaults Upon Senior Securities – None

Item 4. (Removed and Reserved)

Item 5. Other Information - None

Item 6. Exhibits

Exhibit 31(a)	Certification of Chief Executive Officer
Exhibit 31(b)	Certification of Chief Financial Officer
Exhibit 32 (a)	Certification of Chief Executive Officer pursuant to 18 U.S. Section 1350
Exhibit 32 (b)	Certification of Chief Financial Officer pursuant to 18 U.S. Section 1350
Exhibit 101	The following materials from the Sandy Spring Bancorp, Inc. Quarterly Report on Form 10-Q for the quarter end June 30, 2011 formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Statements of Condition; (ii) The Condensed Consolidated Statements of Income; (iii) The Condensed Consolidated Statements of Cash Flows; (iv) The Condensed Consolidated Statements of Changes in Stockholders' Equity; (v) related notes.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this quarterly 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

Date: November 8, 2011

By: /s/ Philip J. Mantua
Philip J. Mantua
Executive Vice President and Chief Financial Officer

Date: November 8, 2011