

NORTHEAST COMMUNITY BANCORP INC  
Form 10-Q  
August 14, 2013

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-51852

**Northeast Community Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

<u>United States of America</u>	<u>06-1786701</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

<u>325 Hamilton Avenue, White Plains, New York</u>	<u>10601</u>
(Address of principal executive offices)	(Zip Code)

**(914) 684-2500**

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

As of August 9, 2013, there were 12,644,752 shares of the registrant's common stock outstanding.

**NORTHEAST COMMUNITY BANCORP, INC.**

**Table of Contents**

	<b>Page No.</b>
<b><u>Part I—Financial Information</u></b>	
<b><u>Item 1. Consolidated Financial Statements (Unaudited)</u></b>	
<u>Consolidated Statements of Financial Condition at June 30, 2013 and December 31, 2012</u>	1
<u>Consolidated Statements of Income for the Three and Six Months Ended June 30, 2013 and 2012</u>	2
<u>Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012</u>	3
<u>Consolidated Statements of Stockholders' Equity for the Six Months Ended June 30, 2013 and 2012</u>	4
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<b><u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	24
<b><u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u></b>	37
<b><u>Item 4. Controls and Procedures</u></b>	38
<b><u>Part II—Other Information</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	38
<b><u>Item 1A. Risk Factors</u></b>	39
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	39
<b><u>Item 3. Defaults Upon Senior Securities</u></b>	39
<b><u>Item 4. Mine Safety Disclosures</u></b>	39
<b><u>Item 5. Other Information</u></b>	39
<b><u>Item 6. Exhibits</u></b>	39
<b><u>Signatures</u></b>	40

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)**

	June 30, 2013	December 31, 2012
	(In thousands, except share and per share data)	
<b>ASSETS</b>		
Cash and amounts due from depository institutions	\$ 4,281	\$ 2,821
Interest-bearing deposits	34,845	46,421
Cash and cash equivalents	39,126	49,242
Certificates of deposit	150	399
Securities available-for-sale	123	129
Securities held-to-maturity (fair value of \$10,429 and \$12,561, respectively)	10,013	11,987
Loans receivable, net of allowance for loan losses of \$4,205 and \$4,646, respectively	332,856	333,787
Premises and equipment, net	12,531	12,898
Federal Home Loan Bank of New York stock, at cost	874	1,355
Bank owned life insurance	20,171	19,852
Accrued interest receivable	1,064	976
Goodwill	749	1,083
Intangible assets	375	406
Real estate owned	3,821	4,271
Other assets	7,011	7,839
Total assets	\$ 428,864	\$ 444,224
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Non-interest bearing	\$ 20,925	\$ 22,932
Interest bearing	291,560	295,188
Total deposits	312,485	318,120
Advance payments by borrowers for taxes and insurance	2,590	3,516
Federal Home Loan Bank advances	5,000	15,000
Accounts payable and accrued expenses	4,480	3,739
Total liabilities	324,555	340,375
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value; 19,000,000 shares authorized; 13,225,000 shares issued; 12,644,752 shares outstanding at June 30, 2013 and December 31, 2012	132	132
Additional paid-in capital	57,123	57,178
Unearned Employee Stock Ownership Plan ("ESOP") shares	(3,240 )	(3,370 )

Edgar Filing: NORTHEAST COMMUNITY BANCORP INC - Form 10-Q

Retained earnings	54,179	53,893
Treasury stock – at cost, 580,248 shares	(3,712 )	(3,712 )
Accumulated comprehensive loss	(173 )	(272 )
Total stockholders' equity	104,309	103,849
Total liabilities and stockholders' equity	\$ 428,864	\$ 444,224

See Notes to Consolidated Financial Statements

1

Table of Contents**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
<b>INTEREST INCOME:</b>				
Loans	\$4,677	\$4,969	\$9,323	\$9,861
Interest-earning deposits	2	9	6	21
Securities – taxable	84	126	183	264
<b>Total Interest Income</b>	<b>4,763</b>	<b>5,104</b>	<b>9,512</b>	<b>10,146</b>
<b>INTEREST EXPENSE:</b>				
Deposits	730	785	1,458	1,817
Borrowings	45	137	146	280
<b>Total Interest Expense</b>	<b>775</b>	<b>922</b>	<b>1,604</b>	<b>2,097</b>
<b>Net Interest Income</b>	<b>3,988</b>	<b>4,182</b>	<b>7,908</b>	<b>8,049</b>
<b>PROVISION (CREDIT) FOR LOAN LOSSES</b>	<b>(423 )</b>	<b>117</b>	<b>(363 )</b>	<b>117</b>
<b>Net Interest Income after Provision (Credit) for Loan Losses</b>	<b>4,411</b>	<b>4,065</b>	<b>8,271</b>	<b>7,932</b>
<b>NON-INTEREST INCOME:</b>				
Other loan fees and service charges	122	233	340	423
Gain (loss) on disposition of equipment	—	3	—	(9 )
Earnings on bank owned life insurance	162	143	319	286
Investment advisory fees	176	233	354	439
Other	6	4	10	6
<b>Total Non-Interest Income</b>	<b>466</b>	<b>616</b>	<b>1,023</b>	<b>1,145</b>
<b>NON-INTEREST EXPENSES:</b>				
Salaries and employee benefits	1,990	2,224	4,335	4,375
Occupancy expense	346	312	740	601
Equipment	150	212	331	358
Outside data processing	283	281	560	515
Advertising	20	55	30	113
Impairment loss on goodwill	334	—	334	—
Real estate owned expense	173	—	259	—
FDIC insurance premiums	83	98	113	191
Other	978	1,167	1,846	2,274

Edgar Filing: NORTHEAST COMMUNITY BANCORP INC - Form 10-Q

Total Non-Interest Expenses	4,357	4,349	8,548	8,427
Income before Provision for Income Taxes	520	332	746	650
PROVISION FOR INCOME TAXES	139	67	158	133
Net Income	\$381	\$265	\$588	\$517
Net Income per Common Share – Basic	\$0.03	\$0.02	\$0.05	\$0.04
Weighted Average Number of Common Shares Outstanding – Basic	12,318	12,292	12,314	12,288
Dividends Declared per Common Share	\$0.03	\$0.03	\$0.06	\$0.06

See Notes to Consolidated Financial Statements

Table of Contents**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	<b>(In thousands)</b>			
	2013	2012	2013	2012
Net income	\$381	\$265	\$ 588	\$ 517
Other comprehensive income (loss):				
Defined benefit pension:				
Reclassification adjustments:				
Amortization of prior service cost (1)	5	5	10	10
Amortization of actuarial loss (1)	9	—	18	—
Actuarial gains (losses) arising during period	69	(46 )	138	(106 )
<b>Total</b>	83	(41 )	166	(96 )
Income tax effect	(34 )	16	(67 )	33
Total other comprehensive income (loss)	49	(25 )	99	(63 )
Total comprehensive income	\$430	\$240	\$ 687	\$ 454

(1) Amounts are included in salaries and employees benefits in the unaudited consolidated statement of income as part of net periodic pension cost. See note 4 for further information.

See Notes to Consolidated Financial Statements



Table of Contents

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)**

**Six Months Ended June 30, 2013 and 2012 (in thousands)**

Common Stock	Additional Paid- in Capital	Unearned ESOP Shares
-----------------	-----------------------------------	----------------------------