

NORTHEAST COMMUNITY BANCORP INC  
Form 10-Q  
May 16, 2011

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 March 31, 2011

OR

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

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

Commission file number: 0-51852

Northeast Community Bancorp, Inc.  
(Exact name of registrant as specified in its charter)

United States of America  
(State or other jurisdiction of  
incorporation or  
organization)

06-1786701  
(I.R.S. Employer Identification  
No.)

325 Hamilton Avenue, White  
Plains, New York  
(Address of principal executive  
offices)

10601  
(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 May 2, 2011, there were 13,004,102 shares of the registrant’s common stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

	March 31, 2011	December 31, 2010
	(In thousands, except share and per share data)	
<b>ASSETS</b>		
Cash and amounts due from depository institutions	\$ 2,861	\$ 2,494
Interest-bearing deposits	32,877	41,959
Cash and cash equivalents	35,738	44,453
Certificates of deposit	2,988	2,988
Securities available-for-sale	159	162
Securities held-to-maturity	19,789	19,858
Loans receivable, net of allowance for loan losses of \$7,908 and \$7,647, respectively	362,812	364,798
Premises and equipment, net	6,689	6,784
Federal Home Loan Bank of New York stock, at cost	1,884	1,884
Bank owned life insurance	16,291	16,145
Accrued interest receivable	1,727	1,704
Goodwill	1,310	1,310
Intangible assets	512	527
Real estate owned	933	933
Other assets	3,852	4,462
<b>Total assets</b>	<b>\$ 454,684</b>	<b>\$ 466,008</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits:</b>		
Non-interest bearing	\$ 9,435	\$ 9,839
Interest bearing	304,627	316,991
<b>Total deposits</b>	<b>314,062</b>	<b>326,830</b>
Advance payments by borrowers for taxes and insurance	4,244	3,384
Federal Home Loan Bank advances	25,000	25,000
Accounts payable and accrued expenses	2,571	2,487
Note payable	170	168
<b>Total liabilities</b>	<b>346,047</b>	<b>357,869</b>
<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; outstanding: 13,071,402 shares in 2011 and 13,114,800 in 2010	132	132
Additional paid-in capital	57,366	57,391
Unearned Employee Stock Ownership Plan ("ESOP") shares	(3,823 )	(3,888 )
Retained earnings	56,007	55,335

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Treasury stock – at cost, 153,598 shares and 110,200 shares respectively	(925 )	(664 )
Accumulated comprehensive loss	(120 )	(167 )
Total stockholders' equity	108,637	108,139
Total liabilities and stockholders' equity	\$ 454,684	\$ 466,008

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31, 2011          2010 (In thousands, except per share data)	
<b>Interest Income:</b>		
Loans	\$5,599	\$5,767
Interest-earning deposits	7	48
Securities – taxable	185	202
<b>Total Interest Income</b>	<b>5,791</b>	<b>6,017</b>
<b>Interest Expense:</b>		
Deposits	1,185	2,010
Borrowings	175	297
<b>Total Interest Expense</b>	<b>1,360</b>	<b>2,307</b>
<b>Net Interest Income</b>	<b>4,431</b>	<b>3,710</b>
Provision for Loan Losses	328	34
<b>Net Interest Income after Provision for Loan Losses</b>	<b>4,103</b>	<b>3,676</b>
<b>Non-Interest Income:</b>		
Other loan fees and service charges	62	58
Loss on disposition of equipment	-	(7)
Earnings on bank owned life insurance	146	153
Investment advisory fees	210	180
Other	3	4
<b>Total Non-Interest Income</b>	<b>421</b>	<b>388</b>
<b>Non-Interest Expenses:</b>		
Salaries and employee benefits	1,690	1,783
Occupancy expense	276	333
Equipment	135	137
Outside data processing	208	208
Advertising	21	22
Real estate owned expense (income)	9	(1)
FDIC insurance premiums	132	134
Other	709	679
<b>Total Non-Interest Expenses</b>	<b>3,180</b>	<b>3,295</b>

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Income before Provision for Income Taxes	1,344	769
Provision for Income Taxes	509	246
Net Income	\$835	\$523
Net Income per Common Share – Basic	\$0.07	\$0.04
Weighted Average Number of Common Shares Outstanding – Basic	12,721	12,814
Dividends Declared per Common Share	\$.03	\$.03

See Notes to Consolidated Financial Statements



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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

Three Months Ended March 31, 2011 and 2010

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Equity	Comprehensive Income
Balance at December 31, 2009	\$ 132	\$ 57,496	\$ (4,147)	\$ 54,121	\$ -	\$ (154 )	\$ 107,448	
Comprehensive income:								
Net income	-	-	-	523	-	-	523	\$ 523
Unrealized loss on securities available for sale, net of taxes of \$1	-	-	-	-	-	1	1	1
Pension liability – DRP, net of taxes of \$11	-	-	-	-	-	(4 )	(4 )	(4 )
Cash dividend declared (\$.03 per share)	-	-	-	(166 )	-	-	(166 )	
ESOP shares earned	-	(22 )	64	-	-	-	42	
Total Comprehensive Income								\$ 520
Balance - March 31, 2010	\$ 132	\$ 57,474	\$ (4,083)	\$ 54,478	\$ -	\$ (157 )	\$ 107,844	
Balance at December 31, 2010	\$ 132	\$ 57,391	\$ (3,888)	\$ 55,335	\$ (664 )	\$ (167 )	\$ 108,139	
Comprehensive income:								
Net income	-	-	-	835	-	-	835	\$ 835
Pension liability – DRP, net of taxes of \$16	-	-	-	-	-	47	47	47
Purchase of 43,398 shares of treasury stock	-	-	-	-	(261 )	-	(261 )	
Cash dividend declared (\$.03 per share)	-	-	-	(163 )	-	-	(163 )	
ESOP shares earned	-	(25 )	65	-	-	-	40	
Total Comprehensive Income								\$ 882
Balance - March 31, 2011	\$ 132	\$ 57,366	\$ (3,823)	\$ 56,007	\$ (925 )	\$ (120 )	\$ 108,637	

See Notes to Consolidated Financial Statements

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## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2011	2010
	(In Thousands)	
<b>Cash Flows from Operating Activities:</b>		
Net income	\$835	\$523
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities premiums and discounts, net	21	5
Provision for loan losses	328	34
Depreciation	173	200
Net amortization of deferred loan fees and costs	35	28
Amortization of intangible assets	15	19
Deferred income taxes	51	217
Accretion of discount on note payable	2	4
Retirement plan expense	168	173
Loss on disposal of equipment	-	7
Earnings on bank owned life insurance	(146 )	(153 )
ESOP compensation expense	40	42
Increase in accrued interest receivable	(23 )	(47 )
Decrease in other assets	578	107
Decrease in accounts payable and accrued expenses	(56 )	(155 )
<b>Net Cash Provided by Operating Activities</b>	<b>2,021</b>	<b>1,004</b>
<b>Cash Flows from Investing Activities:</b>		
Net decrease (increase) in loans	1,623	(1,653 )
Purchase of securities held-to-maturity	(984 )	(22,568 )
Principal repayments on securities available-for-sale	3	3
Principal repayments on securities held-to-maturity	1,032	192
Proceeds from maturities of certificates of deposit	-	4,980
Purchases of premises and equipment	(78 )	(26 )
Purchase of bank owned life insurance	-	(5,000 )
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>1,596</b>	<b>(24,072 )</b>
<b>Cash Flows from Financing Activities:</b>		
Net decrease in deposits	(12,768 )	(11,914 )
Proceeds from FHLB of NY advances	10,000	-
Repayment of FHLB of NY advances	(10,000 )	-
Purchase of treasury stock	(261 )	-
Increase in advance payments by borrowers for taxes and insurance	860	1,402
Cash dividends paid to minority shareholders	(163 )	(166 )
<b>Net Cash Used in Financing Activities</b>	<b>(12,332 )</b>	<b>(10,678 )</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(8,715 )</b>	<b>(33,746 )</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>44,453</b>	<b>88,718</b>

Cash and Cash Equivalents - Ending	\$35,738	\$54,972
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SUPPLEMENTARY CASH FLOWS INFORMATION

Income taxes paid (refunded)	\$(304)	) \$-
Interest paid	\$1,360	\$2,307

See Notes to Consolidated Financial Statements

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NORTHEAST COMMUNITY BANK  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Northeast Community Bancorp, Inc. (the “Company”) is a Federally-chartered corporation organized as a mid-tier holding company for Northeast Community Bank (the “Bank”), in conjunction with the Bank’s reorganization from a mutual savings bank to the mutual holding company structure on July 5, 2006. The accompanying unaudited consolidated financial statements include the accounts of the Company, the Bank and the Bank’s wholly owned subsidiary, New England Commercial Properties, LLC (“NECP”). All significant intercompany accounts and transactions have been eliminated in consolidation.

NECP, a New York limited liability company, was formed in October 2007 to facilitate the purchase or lease of real property by the Bank. As of March 31, 2011, NECP had title to two multi-family properties. The Bank accepted a deed-in-lieu of foreclosure and transferred the first property to NECP on November 19, 2008. In addition, the Bank accepted a deed-in-lieu of foreclosure and transferred the second property to NECP on November 30, 2010.

The accompanying unaudited consolidated financial statements were prepared in accordance with generally accepted accounting principles for interim financial information as well as instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information or footnotes necessary for the presentation of financial position, results of operations, changes in stockholders’ equity and cash flows in conformity with accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2011 are not necessarily indicative of the results that may be expected for the full year or any other interim period. The December 31, 2010 consolidated statement of financial condition data was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles. That data, along with the interim financial information presented in the consolidated statements of financial condition, income, stockholders’ equity, and cash flows should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company’s annual report on Form 10-K for the year ended December 31, 2010.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimate pertains to the allowance for loan losses. In preparing these consolidated financial statements, the Company evaluated the events that occurred after March 31, 2011 and through the date these consolidated financial statements were issued.

NOTE 2 – EARNINGS PER SHARE

Basic earnings per common share is calculated by dividing the net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed in a manner similar to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the incremental common shares (as computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. Common stock equivalents may include restricted stock awards and stock options. Anti-dilutive shares are common stock equivalents with weighted-average exercise prices in excess of the weighted-average market value for the periods presented. The Company has not granted any restricted stock awards or stock options and, during the three-month periods ended March 31, 2011 and 2010, had no potentially dilutive common stock equivalents. Unallocated common shares held by the Employee Stock Ownership Plan (“ESOP”) are not included in the

weighted-average number of common shares outstanding for purposes of calculating both basic and diluted earnings per common share until they are committed to be released.

NOTE 3 – EMPLOYEE STOCK OWNERSHIP PLAN

As of December 31, 2010 and March 31, 2011, the ESOP trust held 518,420 shares of the Company's common stock, which represents all allocated and unallocated shares held by the plan. As of December 31, 2010, the Company had allocated 103,684 shares to participants, and an additional 25,921 shares had been committed to be released. As of March 31, 2011, the Company had allocated 129,605 shares to participants, and an additional 6,480 shares had been committed to be released. The Company recognized compensation expense of \$40,000 and \$42,000 during the three-month periods ended March 31, 2011 and 2010, respectively, which equals the fair value of the ESOP shares when they became committed to be released.

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## NOTE 4 – OUTSIDE DIRECTOR RETIREMENT PLAN (“DRP”)

Periodic expenses for the Company’s DRP were as follows:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Service cost	\$ 13	\$ 14
Interest cost	10	10
Amortization of prior service cost	5	5
Amortization of actuarial loss	1	2
Total	\$ 29	\$ 31

This plan is a non-contributory defined benefit pension plan covering all non-employee directors meeting eligibility requirements as specified in the plan document. The amortization of prior service cost and actuarial loss in the three-month periods ended March 31, 2011 and 2010 is also reflected as a reduction in other comprehensive income during the period.

## NOTE 5 – INVESTMENTS

The following table sets forth the amortized cost and fair values of our securities portfolio at the dates indicated (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2011				
Securities available for sale:				
Mortgage-backed securities – residential:				
Federal Home Loan Mortgage Corporation	\$ 101	\$ 2	\$ -	\$ 103
Federal National Mortgage Association	54	2	-	56
Total	\$ 155	\$ 4	\$ -	\$ 159
Securities held to maturity:				
Mortgage-backed securities – residential:				
Government National Mortgage Association	\$ 13,811	\$ 215	\$ -	\$ 14,026
Federal Home Loan Mortgage Corporation	335	7	1	341
Federal National Mortgage Association	335	8	-	343
Collateralized mortgage obligations-GSE	4,322	112	-	4,434
Other	1	-	-	1
Total Mortgage-backed securities - residential	18,804	342	1	19,145
U.S. Government agencies	985	-	3	982
Total	\$ 19,789	\$ 342	\$ 4	\$ 20,127

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	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
Securities available for sale:				
Mortgage-backed securities – residential:				
Federal Home Loan Mortgage Corporation				
	\$ 102	\$ 4	\$ -	\$ 106
Federal National Mortgage Association				
	55	1	-	56
Total	\$ 157	\$ 5	\$ -	\$ 162
Securities held to maturity:				
Mortgage-backed securities – residential:				
Government National Mortgage Association				
	\$ 14,521	\$ 355	\$ -	\$ 14,876
Federal Home Loan Mortgage Corporation				
	345	11	-	356
Federal National Mortgage Association				
	352	9	-	361
Collateralized mortgage obligations-GSE				
	4,639	109	-	4,748
Other				
	1	-	-	1
Total	\$ 19,858	\$ 484	\$ -	\$ 20,342



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## NOTE 5 – INVESTMENTS (Continued)

Contractual final maturities of mortgage-backed securities available for sale were as follows:

	March 31, 2011	
	Amortized	
	Cost	Fair Value
	(In Thousands)	
Due after ten years	\$ 155	\$ 159
	\$ 155	\$ 159

Contractual final maturities of mortgage-backed securities held to maturity were as follows:

	March 31, 2011	
	Amortized	
	Cost	Fair Value
	(In Thousands)	
Due after one but within five years	\$ 5	\$ 5
Due after five but within ten years	284	289
Due after ten years	18,515	18,851
	\$ 18,804	\$