

BCB BANCORP INC
Form 10-Q
August 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2014

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: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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(State or other jurisdiction of incorporation or organization)	(IRS Employer I.D. No.)
104-110 Avenue C Bayonne, New Jersey (Address of principal executive offices)	07002 (Zip Code)

(201) 823-0700

(Registrant's telephone number, including area code)

(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 Website, 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, or a non-accelerated filer. See definition of "accelerated filer and larger accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer	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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 4, 2014, BCB Bancorp, Inc., had 8,373,286 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

(In Thousands, Except Share and Per Share Data, Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Cash and amounts due from depository institutions	\$ 8,776	\$ 10,847
Interest-earning deposits	15,553	18,997
Total cash and cash equivalents	24,329	29,844
Interest-earning time deposits	990	990
Securities available for sale	-	1,104
Securities held to maturity, fair value \$110,750 and \$115,158, respectively	107,766	114,216
Loans held for sale	3,256	1,663
Loans receivable, net of allowance for loan losses of \$14,952 and \$14,342, respectively	1,096,232	1,020,344
Federal Home Loan Bank of New York stock, at cost	9,284	7,840
Premises and equipment, net	13,420	13,853
Accrued interest receivable	4,086	4,157
Other real estate owned	3,295	2,227
Deferred income taxes	10,970	9,942
Other assets	4,747	1,779
Total Assets	\$ 1,278,375	\$ 1,207,959
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing deposits	\$ 126,419	\$ 107,613
Interest bearing deposits	883,122	861,057
Total deposits	1,009,541	968,670
Short-term Debt	45,500	18,000

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Long-term Debt	110,000	110,000
Subordinated Debentures	4,124	4,124
Other Liabilities	6,355	7,105
Total Liabilities	1,175,520	1,107,899
STOCKHOLDERS' EQUITY		
Preferred stock: \$0.01 par value, 10,000,000 shares authorized, issued and outstanding 1,343 shares of series A and B 6% noncumulative perpetual preferred stock (liquidation value \$10,000 per share)	-	-
Additional paid-in capital preferred stock	13,326	12,556
Common stock; \$0.064 stated value; 20,000,000 shares authorized, issued 10,901,627 and 10,861,129 shares at June 30, 2014 and December 31, 2013, respectively outstanding 8,371,364 shares and 8,331,750 shares, respectively	697	694
Additional paid-in capital common stock	92,395	92,064
Retained earnings	26,008	23,710
Accumulated other comprehensive (loss) income	(466)	129
Treasury stock, at cost, 2,530,263 and 2,529,379 shares, respectively	(29,105)	(29,093)
Total Stockholders' Equity	102,855	100,060
Total Liabilities and Stockholders' Equity	\$ 1,278,375	\$ 1,207,959

See accompanying notes to unaudited consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

(In Thousands, except for per share amounts, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income:				
Loans, including fees	\$ 13,881	\$ 13,246	\$ 27,562	\$ 26,239
Investments, taxable	878	928	1,793	1,989
Investments, non-taxable	13	12	25	25
Other interest-earning assets	11	13	24	24
Total interest income	14,783	14,199	29,404	28,277
Interest expense:				
Deposits:				
Demand	127	107	248	210
Savings and club	91	91	182	177
Certificates of deposit	1,049	1,192	2,141	2,441
	1,267	1,390	2,571	2,828
Borrowed money	1,272	1,241	2,525	2,464
Total interest expense	2,539	2,631	5,096	5,292
Net interest income	12,244	11,568	24,308	22,985
Provision for loan losses	450	600	1,450	1,800
Net interest income after provision for loan losses	11,794	10,968	22,858	21,185
Non-interest income:				
Fees and service charges	528	479	1,032	903
Gain on sales of loans	230	227	1,007	346
Gain on sales of securities held to maturity	39	135	39	360
Gain on sale of securities available for sale	1,223	-	1,223	-
Other	18	40	37	56
Total non-interest income	2,038	881	3,338	1,665

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Non-interest expense:				
Salaries and employee benefits	5,042	3,719	9,503	7,186
Occupancy expense of premises	964	866	1,944	1,679
Equipment	1,341	1,282	2,698	2,448
Professional fees	533	568	1,023	1,027
Director fees	194	168	362	336
Regulatory assessments	282	278	534	543
Advertising	266	178	440	280
Other real estate owned, net	32	(32)	40	(116)
Other	812	562	1,478	1,109
Total non-interest expense	9,466	7,589	18,022	14,492
Income before income tax provision	4,366	4,260	8,174	8,358
Income tax provision	1,736	1,707	3,309	3,395
Net Income	\$ 2,630	\$ 2,553	\$ 4,865	\$ 4,963
Preferred stock dividends	204	130	397	260
Net Income available to common stockholders	\$ 2,426	\$ 2,423	\$ 4,468	\$ 4,703
Net Income per common share-basic and diluted				
Basic	\$ 0.29	\$ 0.29	\$ 0.54	\$ 0.56
Diluted	\$ 0.29	\$ 0.29	\$ 0.53	\$ 0.56
Weighted average number of common shares outstanding				
Basic	8,353	8,411	8,346	8,446
Diluted	8,401	8,417	8,396	8,450

See accompanying notes to unaudited consolidated financial statements.

See accompanying notes to unaudited consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES
 Consolidated Statements of Comprehensive Income
 (In Thousands, Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	\$ 2,630	\$ 2,553	\$ 4,865	\$ 4,963
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding gains arising during the period (a)	-	142	126	249
Less: reclassification adjustment for gains included in net income (b) (d)	(721)	-	(721)	-
Benefit plans (c)	-	11	-	22
Other comprehensive income	(721)	153	(595)	271
Comprehensive income	\$ 1,909	\$ 2,706	\$ 4,270	\$ 5,234

- (a) Represents the net change of the unrealized gain on available-for-sale securities. Represents unrealized gains of \$0, \$239,000, \$213,000, and \$421,000, respectively, less deferred taxes of \$0, \$97,000, \$87,000 and \$172,000, respectively. The Statements of Income line items impacted by these amounts are gains on sales of securities and income tax provision.
- (b) Represents the sale of available-for-sale securities during the three months ended June 30, 2014, for which unrealized gains were previously reported totaling \$1.2 million, less deferred taxes of \$498,000. No sales of available-for-sale securities occurred during the three months ended June 30, 2014 and the three months ended March 31, 2014 and 2013.
- (c) Represents the net change of unrecognized loss included in net periodic pension cost. Represents a gross change of \$0, \$18,000, \$0, and \$36,000, respectively, less deferred taxes of \$0, \$7,000, \$0, and \$14,000, respectively. The Statements of Income line items impacted by these amounts are salaries and employee benefits and income tax

provision.

(d) During the second quarter of 2013, one available for sale security was called at par for \$1.0 million.

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

(In Thousands, except share and per share data, Unaudited)

	Preferred Stock	Common Stock	Additional Paid Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Beginning Balance at January 1, 2014	\$ —	\$ 694	\$ 104,620	\$ 23,710	\$ (29,093)	\$ 129	\$ 100,060
Proceeds from issuance of Series B preferred stock	—	—	770	—	—	—	770
Exercise of Stock Options (116,584 shares)	—	3	305	—	—	—	308
Stock-based compensation expense	—	—	26	—	—	—	26
Treasury Stock Purchases (884 shares)	—	—	—	—	(12)	—	(12)
Dividends payable on Series A and Series B 6% noncumulative perpetual preferred stock	—	—	—	(397)	—	—	(397)
Cash dividends on common stock (\$0.12 per share in February and \$0.14 per share in May) declared	—	—	—	(2,170)	—	—	(2,170)
Net income	—	—	—	4,865	—	—	4,865
Other comprehensive income	—	—	—	—	—	(595)	(595)

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Ending Balance at June 30, 2014 \$ — \$ 697 \$ 105,721 \$ 26,008 \$ (29,105) \$ (466) \$ 102,855

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands, Unaudited)

	Six Months Ended	
	June 30,	
	2014	2013
Cash Flows from Operating Activities :		
Net Income	\$ 4,865	\$ 4,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	719	645
Amortization and accretion, net	(307)	604
Provision for loan losses	1,450	1,800
Deferred income tax (benefit)	(616)	(538)
Loans originated for sale	(11,458)	(11,909)
Proceeds from sale of loans originated for sale	10,412	9,314
Gain on sales of loans originated for sale	(1,007)	(346)
Gain on sales of other real estate owned	-	(123)
Fair value adjustment of other real estate owned	-	(110)
Gain on sales of securities held to maturity	(39)	(360)
Gain on sales of securities available for sale	(1,223)	-
Stock compensation expense	26	17
Decrease (increase) in interest receivable	71	(151)
(Increase) decrease in other assets	(2,968)	3,939
(Decrease) in accrued interest payable	(12)	(54)
(Decrease) increase in other liabilities	(738)	326
Net Cash (Used In) Provided by Operating Activities	(825)	8,017
Cash flows from investing activities:		
Proceeds from repayments and calls on securities held to maturity	8,717	29,012
Proceeds from call of securities available for sale	-	1,000
Purchases of securities held to maturity	(3,034)	(1,359)
Proceeds from sales of securities held to maturity	536	8,591
Proceeds from sales of securities available for sale	1,320	-
Proceeds from sales of other real estate owned	-	3,042
Proceeds from sale of participation loans held in portfolio	-	24,224
Participation loans sold held in portfolio	-	(24,224)
Purchases of loans	-	(2,334)
Net (Increase) in loans receivable	(77,369)	(19,194)
Additions to premises and equipment	(286)	(1,181)

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Purchase/Redemption of Federal Home Loan Bank of New York stock, net	(1,444)	668
Net Cash (Used In) Provided By Investing Activities	(71,560)	18,245
Cash flows from financing activities:		
Net increase in deposits	40,871	11,207
Net change in short-term debt	27,500	(17,000)
Purchases of treasury stock	(12)	(1,257)
Cash dividend paid on common stock	(2,170)	(2,025)
Cash dividend paid on preferred stock	(397)	(130)
Net proceeds from Issuance of common stock	305	-
Net proceeds from Issuance of preferred stock	770	-
Exercise of stock options	3	12
Net Cash Provided by (Used In) Financing Activities	66,870	(9,193)
Net (Decrease) Increase In Cash and Cash Equivalents	(5,515)	17,069
Cash and Cash Equivalents-Beginning	29,844	34,147
Cash and Cash Equivalents-Ending	\$ 24,329	\$ 51,216
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	\$ 6,744	\$ 27
Interest	\$ 5,108	\$ 5,346
Non-cash items:		
Transfer of loans to other real estate owned	\$ 1,068	\$ 3,010
Reclassification of loans originated for sale to held to maturity	\$ 460	\$ 2,875
See accompanying notes to unaudited consolidated financial statements.		

BCB Bancorp Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of BCB Bancorp, Inc. (the “Company”) and the Company’s wholly owned subsidiaries, BCB Community Bank (the “Bank”), BCB Holding Company Investment Company, BCB New York Asset Management, Inc. and Pamrapo Service Corporation. The Company’s business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and, therefore, do not necessarily include all information that would be included in audited financial statements. The information furnished reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of consolidated financial condition and results of operations. All such adjustments are of a normal recurring nature. These results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2014 or any other future period. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the periods then ended. Actual results could differ significantly from those estimates.

These unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2013, which are included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission. In preparing these consolidated financial statements, BCB Bancorp, Inc., evaluated the events and transactions that occurred between December 31, 2013, and the date these consolidated financial statements were issued.

New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) has issued ASU No. 2014-04, Receivable-Troubled Debt Restructurings by Creditors (Sub-Topic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in this ASU are intended to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. They clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real

estate property collateralizing a consumer mortgage loan, upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2014. Early adoption is permitted. Retrospective application is permitted. The Company does not believe this pronouncement, when adopted, will have a material impact on the Company's results of operations or financial position.

The Financial Accounting Standards Board ("FASB") has issued ASU No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of ASU 2013-11 did not have a significant impact on the Company's financial condition, results of operations, or cash flows.

Note 2 – Reclassification

Certain amounts as of December 31, 2013 and the three and six month periods ended June 30, 2013 have been reclassified to conform to the current period's presentation. These changes had no effect on the Company's results of operations or financial position.

Note 3 – Pension and Other Postretirement Plans

The Company assumed, through the merger with Pamrapo Bancorp, Inc., a non-contributory defined benefit pension plan covering all eligible employees of Pamrapo Savings Bank. Effective January 1, 2010, the defined benefit pension plan ("Pension Plan"), was frozen by Pamrapo Savings Bank. All benefits for eligible participants accrued in the "Pension Plan" to the freeze date have been retained. Accordingly, no employees are permitted to commence participation in the Pension Plan and future salary increases and future years of service are not considered when computing an employee's benefits under the Pension Plan. The Pension Plan is funded in conformity with the funding requirements of applicable government regulations. The Company also acquired through the merger with Pamrapo Bancorp, Inc. a supplemental executive retirement plan ("SERP") in which certain former employees of Pamrapo Savings Bank are covered. A SERP is an unfunded non-qualified deferred retirement plan. Participants who retire at the age of 65 (the "Normal Retirement Age"), are entitled to an annual retirement benefit equal to 75% of compensation reduced by their retirement plan annual benefits. Participants retiring before the Normal Retirement Age receive the same benefits reduced by a percentage based on years of service to the Company and the number of years prior to the Normal Retirement Age that participants retire.

Periodic pension and SERP cost, which is recorded as part of salaries and employee benefits expense in our Consolidated Statements of Income, is comprised of the following. (In Thousands):

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Pension plan:				
Interest cost	\$ 199	\$ 98	\$ 100	\$ 196

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Expected return on plan assets	(308)	(137)	(154)	(274)
Amortization of unrecognized loss	-	18	-	36
Net periodic pension cost	(109)	(21)	(54)	(42)
SERP plan:				
Interest cost	\$ 10	\$ 4	\$ 5	\$ 8
Net periodic postretirement cost	\$ 10	\$ 4	\$ 5	\$ 8

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Note 3 – Pension and Other Postretirement Plans (Continued)

The Company, under the plan approved by its shareholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. On March 7, 2014, a grant of 110,000 options was declared for members of the Board of Directors which vest at a rate of 10% per year, over ten years commencing on the first anniversary of the grant date. The exercise price was recorded as of the close of business on March 7, 2014 and a Form 4 was filed for each Director who received a grant with the Securities and Exchange Commission consistent with their filing requirements. On January 17, 2013, a grant of 130,000 options was declared for certain members of the Board of Directors. The exercise price was recorded as of the close of business on January 17, 2013 and a Form 4 was filed for each Director who received a grant with the Securities and Exchange Commission consistent with their filing requirements. During the third quarter of 2013, there were 29,928 stock options granted which vest immediately. The exercise price was recorded as of the close of business on August 7, 2013.

Compensation expense recognized for all option grants is net of estimated forfeitures and is recognized over the awards' respective requisite service periods. The fair values relating to all options granted are estimated using a Black-Scholes option pricing model. Expected volatilities are based on historical volatility of our stock and other factors, such as implied market volatility using this options expected term. The Company used the mid-point of the original vesting period and original option life to estimate the options' expected term, which represents the period of time that the options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company recognizes compensation expense for the fair values of these option awards, which have graded vesting, on a straight-line basis over the requisite service period of these awards.

A summary of stock option activity, adjusted to retroactively reflect stock dividends, follows:

	Number of Option Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at December 31, 2013	344,128	\$ 8.93-18.41	\$ 11.09
Options granted	110,000	13.32	13.32
Options exercised	(116,584)	8.93-11.84	11.56

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Options forfeited	(13,569)	8.93-29.25	19.90
Options expired	(6,000)	29.25	
Outstanding at June 30, 2014	317,975	\$ 8.93-15.65	\$ 11.15

As of June 30, 2014, stock options which are granted and were exercisable totaled 59,975 stock options.

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 59,975 shares underlying unexercised options outstanding as of June 30, 2014 is \$534,667 over a weighted average period of 9.09 years.

Note 4 – Net Income per Common Share

Basic net income per common share is computed by dividing net income less dividends on preferred stock by the weighted average number of shares of common stock outstanding. The diluted net income per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effects of outstanding stock options, if dilutive, using the treasury stock method. Dilution is not applicable in periods of net loss. For the three and six months ended June 30, 2014 and 2013, the difference in the weighted average number of basic and diluted common shares was due solely to the effects of outstanding stock options. No adjustments to net income were necessary in calculating basic and diluted net income per share. For the three months ended June 30, 2014 and 2013, the weighted average number of outstanding options considered to be anti-dilutive were 31,044, and 343,252, respectively, and for the six months ended June 30, 2014 and 2013, the weighted average number of outstanding options considered to be anti-dilutive were 15,522 and 343,252, respectively.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	For the Three Months Ended June 30, 2014			2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	\$ 2,426			\$ 2,423		
Basic earnings per share-						
Income available to Common stockholders	\$ 2,426	8,353	\$ 0.29	\$ 2,423	8,411	\$ 0.29

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Effect of dilutive securities:						
Stock options	-	48		-	6	
Diluted earnings per share-						
Income available to Common stockholders	\$ 2,426	8,401	\$ 0.29	\$ 2,423	8,417	\$ 0.29

	For the Six Months Ended June 30,					
	2014			2013		
	Income	Shares	Per Share	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount	(Numerator)	(Denominator)	Amount
	(In Thousands, Except per share data)					

Net income available to common stockholders	\$ 4,468			\$ 4,703		
Basic earnings per share-						
Income available to Common stockholders	\$ 4,468	8,346	\$ 0.54	\$ 4,703	8,446	\$ 0.56
Effect of dilutive securities:						
Stock options	-	50		-	4	
Diluted earnings per share-						
Income available to Common stockholders	\$ 4,468	8,396	\$ 0.53	\$ 4,703	8,450	\$ 0.56

Note 5 – Securities Available for Sale

The following tables present the cost and gross unrealized gains and losses on securities available for sale as of June 30, 2014 and December 31, 2013:

	June 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	\$ —	\$ —	\$ —	\$ —

	December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	\$ 97	\$ 1,007	\$ —	\$ 1,104

Note 6 – Securities Held to Maturity

The following table presents by maturity the amortized cost and gross unrealized gains and losses on securities held to maturity as of June 30, 2014 and

December 31, 2013:

	June 30, 2014			
	Amortized	Gross	Gross	
	Cost	Unrealized	Unrealized	Fair Value
	(In Thousands)	Gains	Losses	
Residential mortgage-backed securities:				
Due after one year through five years	\$ 2,172	\$ —	\$ (6)	\$ 2,166
Due after five years through ten years	4,017	33	(73)	3,977
Due after ten years	100,223	3,367	(412)	103,178
	106,412	3,400	(491)	109,321
Municipal obligations:				
Due after five to ten years	1,354	75	—	1,429
	\$ 107,766	\$ 3,475	\$ (491)	\$ 110,750

	December 31, 2013			
	Amortized	Gross	Gross	
	Cost	Unrealized	Unrealized	Fair Value
	(In Thousands)	Gains	Losses	
Residential mortgage-backed securities:				

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Due after one year through five years	\$ 998	\$ —	\$ (2)	\$ 996
Due after five years through ten years	3,163	—	(135)	3,028
Due after ten years	108,698	2,239	(1,192)	109,745
	112,859	2,239	(1,329)	113,769
Municipal obligations:				
Due after five to ten years	1,357	32	—	1,389
	\$ 114,216	\$ 2,271	\$ (1,329)	\$ 115,158

The amortized cost and carrying values shown above are categorized by contractual final maturity. Actual maturities will differ from contractual final maturities due to scheduled monthly payments related to mortgage-backed securities and due to the borrowers having the right to prepay obligations with or without prepayment penalties. As of June 30, 2014 and December 31, 2013, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

In 2013, management decided to sell certain mortgage-backed securities that were issued by the Federal National Mortgage Association (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FHLMC”). While these securities were classified as held to maturity, with the intent to hold to maturity, ASC 320 (formerly FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance purchased has been amortized prior to the sale. During the six months ended June 30, 2014, proceeds from sales of securities held to maturity meeting the 85% threshold totaled approximately \$537,000, and resulted in gross gains of approximately \$40,000, and gross losses of approximately \$1,000. There were no sales of held to maturity securities that did not meet the 85% threshold. During the six months ended June 30, 2013, proceeds from sales of securities held to maturity meeting the 85% threshold totaled approximately \$8.6 million, and resulted in gross gains of approximately \$375,000, and gross losses of approximately \$15,000. There were no sales of held to maturity securities that did not meet the 85% threshold.

Note 6 – Securities Held to Maturity (Continued)

The unrealized losses, categorized by the length of time of continuous loss position, and fair value of related securities held to maturity were as follows:

	Less than 12 Months	More than 12 Months		Total	
	Fair Unrealized Value Losses	Fair Value	Unrealized Losses	Fair Unrealized Value Losses	Fair Unrealized Value Losses
	(In Thousands)				
June 30, 2014					