

First Federal of Northern Michigan Bancorp, Inc.
Form 10-Q
May 13, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 000-31957

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

32-0135202

(I.R.S. Employer
Identification No.)

100 S. Second Avenue, Alpena, Michigan 49707

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(989) 356-9041**

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

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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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Common Stock, Par Value \$0.01	Outstanding at May 13, 2014
(Title of Class)	2,884,049 shares

FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.

FORM 10-Q

Quarter Ended March 31, 2014

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When used in this Form 10-Q or future filings by First Federal of Northern Michigan Bancorp, Inc. (the "Company") with the Securities and Exchange Commission ("SEC"), in the Company's press releases or other public or stockholder communications, or in oral statements made with the approval of an authorized executive officer, the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "pro" similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities

Litigation Reform Act of 1995.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including regional and national economic conditions, changes in levels of market interest rates, credit and other risks of lending and investment activities and competitive and regulatory factors, could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from those anticipated or projected.

The Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS****First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries
Consolidated Balance Sheet**

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
Cash and cash equivalents:		
Cash on hand and due from banks	\$2,868,380	\$2,760,010
Overnight deposits with FHLB	278,575	5,823
Total cash and cash equivalents	3,146,955	2,765,833
Securities available for sale	56,442,499	50,358,175
Securities held to maturity	2,255,000	2,255,000
Loans held for sale	235,500	175,400
Loans receivable, net of allowance for loan losses of \$1,458,130 and \$1,471,622 as of March 31, 2014 and December 31, 2013, respectively	135,326,174	136,314,964
Foreclosed real estate and other repossessed assets	1,938,058	1,780,058
Federal Home Loan Bank stock, at cost	3,266,100	3,266,100
Premises and equipment	5,159,558	5,203,301
Accrued interest receivable	828,205	744,730
Intangible assets	10,087	39,732
Deferred tax asset	657,705	798,163
Originated mortgage servicing rights	812,421	860,024
Bank owned life insurance	4,638,674	4,610,070
Other assets	549,713	485,234
Total assets	\$215,266,649	\$209,656,784
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$165,719,953	\$160,029,115
Advances from borrowers for taxes and insurance	321,427	151,254
Advances from Federal Home Loan Bank	24,232,904	24,813,409
Accrued expenses and other liabilities	1,031,238	1,138,324
Total liabilities	191,305,522	186,132,102
Stockholders' equity:		
Common stock (\$0.01 par value 20,000,000 shares authorized 3,191,799 shares issued)	31,918	31,918
Additional paid-in capital	23,853,891	23,853,891
Retained earnings	2,927,034	2,763,242
Treasury stock at cost (307,750 shares)	(2,963,918)	(2,963,918)

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Accumulated other comprehensive income (loss)	112,202	(160,451)
Total stockholders' equity	23,961,127	23,524,682
 Total liabilities and stockholders' equity	 \$215,266,649	 \$209,656,784

See accompanying notes to consolidated financial statements.

First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries

Consolidated Statement of Income and Comprehensive Income

	For the Three Months Ended March 31, 2014 2013 (Unaudited)	
Interest income:		
Interest and fees on loans	\$1,710,414	\$1,816,613
Interest and dividends on investments		
Taxable	150,676	115,329
Tax-exempt	41,456	37,695
Interest on mortgage-backed securities	142,294	115,371
Total interest income	2,044,840	2,085,008
Interest expense:		
Interest on deposits	186,527	221,902
Interest on borrowings	62,766	99,441
Total interest expense	249,293	321,343
Net interest income	1,795,547	1,763,665
Provision for loan losses	15,765	144,074
Net interest income after provision for loan losses	1,779,782	1,619,591
Non-interest income:		
Service charges and other fees	181,092	192,440
Mortgage banking activities	95,838	170,432
Net income (loss) on sale of premises and equipment, real estate owned and other repossessed assets	(4,813)	6,479
Other	64,118	70,992
Total non-interest income	336,235	440,343
Non-interest expense:		
Compensation and employee benefits	1,109,043	1,159,257
FDIC Insurance Premiums	45,544	45,699
Advertising	27,635	38,919
Occupancy	236,375	233,446
Amortization of intangible assets	29,646	29,646
Service bureau charges	62,386	77,494
Professional services	129,258	72,863
Collection activity	18,205	42,173
Real estate owned & other repossessed assets	16,949	33,266
Other	219,503	259,527
Total non-interest expense	1,894,544	1,992,290

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Income before income tax expense	221,473	67,644
Income tax expense	—	—
Net Income	221,473	67,644
Other Comprehensive Income (Loss):		
Unrealized (loss) gain on investment securities - available for sale securities - net of tax	\$272,653	\$(99,797)
Reclassification adjustment for gains realized in earnings - net of tax	—	—
Comprehensive Income (Loss)	\$494,126	\$(32,153)
Per share data:		
Net Income per share		
Basic	\$0.08	\$0.02
Diluted	\$0.08	\$0.02
Weighted average number of shares outstanding		
Basic	2,884,049	2,884,049
Including dilutive stock options	2,884,049	2,884,049
Dividends per common share	\$0.02	\$—

See accompanying notes to consolidated financial statements.

First Federal of Northern Michigan Bancorp Inc. and Subsidiaries

Consolidated Statement of Changes in Stockholders' Equity (Unaudited)

	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2013	31,918	(2,963,918)	23,853,891	2,763,242	(160,451)	23,524,682
Net income	—	—	—	221,473	—	221,473
Change in unrealized gain on available-for-sale securities (net of tax of \$140,458)	—	—	—	—	272,653	272,653
Dividends declared	—	—	—	(57,681)	—	(57,681)
Balance at March 31, 2014	31,918	(2,963,918)	23,853,891	2,927,034	112,202	23,961,127

See accompanying notes to consolidated financial statements.

First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries**Consolidated Statement of Cash Flows**

	For Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
Cash Flows from Operating Activities:		
Net income	\$ 221,473	\$ 67,644
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	101,720	100,605
Provision for loan loss	15,765	144,074
Amortization and accretion on securities	97,569	152,447
Gain on sale of loans held for sale	(41,739)	(70,471)
Originations of loans held for sale	(2,524,403)	(4,427,961)
Proceeds from sale of loans held for sale	2,506,042	4,462,144
Gain on sale of fixed assets	(1,725)	—
(Gain) loss on sale of real estate owned and other repossessed assets	6,538	(6,479)
Net change in:		
Accrued interest receivable	(83,475)	(63,960)
Other assets	(16,876)	76,000
Prepaid FDIC insurance premiums	—	42,573
Bank owned life insurance	(28,604)	(33,079)
Accrued expenses and other liabilities	(107,086)	(129,826)
Net cash provided by operating activities	145,199	313,711
Cash Flows from Investing Activities:		
Net decrease in loans	728,025	975,988
Proceeds from maturities and calls of available-for-sale securities	2,336,150	3,990,226
Proceeds from sale of real estate and other repossessed assets	80,462	196,645
Proceeds from sale of property and equipment	1,725	—
Purchase of securities	(8,104,932)	(5,433,778)
Purchase of premises and equipment	(28,332)	—
Net cash used in investing activities	(4,986,902)	(270,919)
Cash Flows from Financing Activities:		
Dividends paid on common stock	(57,681)	—
Net (decrease) increase in deposits	5,690,838	(172,334)
Net increase in Repo Sweep accounts	—	682,630
Net increase in advances from borrowers	170,173	171,815
Advances from Federal Home Loan Bank	6,980,000	13,930,000
Repayments of Federal Home Loan Bank advances	(7,560,505)	(15,425,077)
Net cash provided by (used in) financing activities	5,222,825	(812,966)
Net decrease in cash and cash equivalents	381,122	(770,174)
Cash and cash equivalents at beginning of period	2,765,833	2,751,810

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Cash and cash equivalents at end of period	\$3,146,955	\$1,981,636
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Supplemental disclosure of cash flow information:

Cash paid during the period for interest	\$251,505	\$332,503
Transfers of loans to foreclosed real estate and repossessed assets	245,000	208,000

See accompanying notes to consolidated financial statements.

**FIRST FEDERAL OF NORTHERN MICHIGAN BANCORP, INC.
AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1— BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed consolidated interim financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and with the instructions to Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements are not included herein. The interim financial statements should be read in conjunction with the financial statements of First Federal of Northern Michigan Bancorp, Inc. and Subsidiaries and the notes thereto included in the Company's annual report on Form 10-K for the year ended December, 31, 2013.

All adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of financial position, results of operations and cash flows, have been made. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014.

Note 2— PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of First Federal of Northern Michigan Bancorp, Inc., First Federal of Northern Michigan, and the Bank's wholly owned subsidiaries, Financial Services & Mortgage Corporation ("FSMC") and FFNM Agency, Inc. FSMC invests in real estate, which includes leasing, selling, developing, and maintaining real estate properties. The main activity of FFNM Agency is to collect the stream of income associated with the sale of the Blue Cross/Blue Shield override to the Grotenhuis Group (as discussed further below). All significant intercompany balances and transactions have been eliminated in the consolidation.

Note 3— PROPOSED BUSINESS COMBINATION

On January 23, 2014, the Company entered into a definitive merger agreement with Alpena Banking Corporation, the Michigan corporation and the bank holding company for Bank of Alpena. Under the terms of the merger agreement, each share of Alpena Banking Corporation will be converted into 1.549 shares of the Company's common stock. As of March 31, 2014, Bank of Alpena operated one office in Alpena, Michigan and had assets of \$69.9 million, deposits of \$62.7 million, other liabilities of \$269,000 and stockholders' equity of \$7.0 million. The merger agreement has been approved by the boards of directors of each company and is subject to the approvals of shareholders of the Company and of Alpena Banking Corporation, for which each company will hold a special meeting of shareholders, expected, in the third quarter of 2014. The merger is also subject to the requisite regulatory approvals and other customary closing conditions. As the merger has not been completed, the transaction is not reflected in the balance sheet or results of operation for the periods presented in this document.

Note 4—SECURITIES

Investment securities have been classified according to management's intent. The carrying value and estimated fair value of securities are as follows:

	March 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Market Value
	(in thousands)			
Securities Available for Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$ 10,345	\$ 34	\$ (94)	10,285
Municipal obligations	14,568	258	(181)	14,645
Corporate bonds & other obligations	1,072	10	—	1,082
Mortgage-backed securities	30,284	343	(207)	30,420
Equity securities	3	7	—	10
Total	\$56,272	\$ 652	\$ (482)	\$56,442
Securities Held to Maturity				
Municipal obligations	\$2,255	\$ 140	\$ —	\$2,395
	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Market Value
	(in thousands)			
Securities Available for Sale				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$7,111	\$ 36	\$ (105)	7,042
Municipal obligations	13,694	216	(301)	13,609
Corporate bonds & other obligations	1,085	12	—	1,097
Mortgage-backed securities	28,708	279	(384)	28,603
Equity securities	3	4	—	7
Total	\$50,601	\$ 547	\$ (790)	\$50,358
Securities Held to Maturity				
Municipal obligations	\$2,255	\$ 145	\$ —	\$2,400

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The amortized cost and estimated market value of securities at March 31, 2014, by contract maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Securities with no specified maturity date are separately stated.

	March 31, 2014	
	Amortized Cost	Market Value
	(in thousands)	
Available For Sale:		
Due in one year or less	\$2,401	\$2,414
Due after one year through five years	15,508	15,585
Due in five year through ten years	6,841	6,705
Due after ten years	1,235	1,308
Subtotal	25,985	26,012
Equity securities	3	10
Mortgage-backed securities	30,284	30,420
Total	\$56,272	\$56,442
Held To Maturity:		
Due in one year or less	\$90	\$91
Due after one year through five years	490	512
Due in five year through ten years	700	749
Due after ten years	975	1,043
Total	\$2,255	\$2,395

At March 31, 2014 and December, 31, 2013, securities with a carrying value and fair value of \$34,122,000 and \$36,000,000, respectively, were pledged to secure our REPO sweep accounts, FHLB advances and our line of credit at the Federal Reserve.

There were no security sales in either the three months ended March 31, 2014 or 2013.

The following is a summary of temporarily impaired investments that have been impaired for less than and more than twelve months as of March 31, 2014 and December, 31, 2013:

	March 31, 2014			
	Fair Value	Gross Unrealized Losses <12 months	Fair Value	Gross Unrealized Losses > 12 months
	(in thousands)			
Available For Sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$2,236	\$ (13)	\$918	\$ (81)
Municipal obligations	6,014	(134)	1,220	(47)
Mortgage-backed securities	10,391	(158)	2,404	(49)
Equity securities	—	—	—	—
Total	\$18,641	\$ (305)	\$4,542	\$ (177)
Held to Maturity:				
Municipal obligations	\$—	\$ —	\$—	\$ —
	December 31, 2013			
	Fair Value	Gross Unrealized Losses <12 months	Fair Value	Gross Unrealized Losses > 12 months
	(in thousands)			
Available For Sale:				
U.S. Treasury securities and obligations of U.S. government corporations and agencies	\$—	\$ —	\$894	\$ (105)
Municipal obligations	7,902	(243)	1,668	(58)
Mortgage-backed securities	14,471	(334)	2,052	(50)
Equity securities	—	—	—	—
Total	\$22,373	\$ (577)	\$4,614	\$ (213)

The Company held 33 securities with unrealized losses totaling \$482,000 and 39 securities with unrealized losses totaling \$790,000 at March 31, 2014 and December 31, 2013, respectively. The unrealized losses on the securities held in the portfolio are not considered other than temporary and have not been recognized into income. This decision is based on the Company's ability and intent to hold any potentially impaired security until maturity. The performance of the security is based on the contractual terms of the agreement, the extent of the impairment and the financial condition and credit quality of the issuer. The decline in market value is considered temporary and a result of changes in interest rates and other market variables.

Note 5—LOANS AND ALLOWANCE FOR LOAN LOSSES

The following table sets forth the composition of our loan portfolio by loan type at the dates indicated.

	At March 31, 2014 (in thousands)	At December 31, 2013
Real estate loans:		
Residential mortgage	\$63,576	\$ 63,839
Commercial loans:		
Construction - real estate	173	173
Secured by real estate	51,382	51,726
Other	12,252	12,451
Total commercial loans	63,807	64,350
Consumer loans:		
Secured by real estate	8,490	8,730
Other	1,171	1,165
Total consumer loans	9,661	9,895
Total gross loans	\$137,044	\$ 138,084
Less:		
Net deferred loan fees	(260)	(297)
Allowance for loan losses	(1,458)	(1,472)
Total loans, net	\$135,326	\$ 136,315

The following table illustrates the contractual aging of the recorded investment in past due loans by class of loans as of March 31, 2014 and December, 31, 2013:

As of March 31, 2014

30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
(dollars in thousands)						

Commercial Real Estate:

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Commercial Real Estate - construction	\$—	\$ —	\$ 173	\$ 173	\$—	\$ 173	\$ —
Commercial Real Estate - other	2,203	12	1,441	3,656	47,726	51,382	—
Commercial - non real estate	18	—	—	18	12,234	12,252	—
Consumer:							
Consumer - Real Estate	83	2	—	85	8,405	8,490	—
Consumer - Other	6	—	—	6	1,165	1,171	—
Residential:							
Residential	1,304	—	159	1,463	62,113	63,576	—
Total	\$3,614	\$ 14	\$ 1,773	\$ 5,401	\$ 131,643	\$ 137,044	\$ —

As of December 31, 2013

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Accruing
(dollars in thousands)							
Commercial Real Estate:							
Commercial Real Estate - construction	\$—	\$—	\$ 173	\$ 173	\$—	\$ 173	\$ —
Commercial Real Estate - other	—	521	1,441	1,962	49,764	51,726	—
Commercial - non real estate	33	20	—	53	12,398	12,451	—
Consumer:							
Consumer - Real Estate	54	55	—	109	8,621	8,730	—
Consumer - Other	—	4	2	6	1,159	1,165	2
Residential:							
Residential	1,973	393	353	2,719	61,120	63,839	24
Total	\$2,060	\$ 993	\$ 1,969	\$ 5,022	\$ 133,062	\$ 138,084	\$ 26

The Bank uses an eight tier risk rating system to grade its commercial loans. The grade of a loan may change during the life of the loans. The risk ratings are described as follows:

Risk Grade 1 (Excellent) - Prime loans based on liquid collateral, with adequate margin or supported by strong financial statements. Probability of serious financial deterioration is unlikely. High liquidity, minimum risk, strong ratios, and low handling costs are common to these loans. This classification also includes all loans secured by certificates of deposit or cash equivalents.

Risk Grade 2 (Good) - Desirable loans of somewhat less stature than Grade 1, but with strong financial statements. Probability of serious financial deterioration is unlikely. These loans possess a sound repayment source (and/or a secondary source). These loans represent less than the normal degree of risk associated with the type of financing contemplated.

Risk Grade 3 (Satisfactory) - Satisfactory loans of average risk – may have some minor deficiency or vulnerability to changing economic conditions, but still fully collectible. There may be some minor weakness but with offsetting features or other support readily available. These loans present a normal degree of risk associated with the type of financing. Actual and projected indicators and market conditions provide satisfactory assurance that the credit shall perform in accordance with agreed terms.

Risk Grade 4 (Acceptable) - Loans considered satisfactory, but which are of slightly “below average” credit risk due to financial weaknesses or uncertainty. The loans warrant a somewhat higher than average level of monitoring to insure that weaknesses do not advance. The level of risk is considered acceptable and within normal underwriting guidelines, so long as the loan is given the proper level of management supervision.

Risk Grade 4.5 (Monitored) - Loans are considered “below average” and monitored more closely due to some credit deficiency that poses additional risk but is not considered adverse to the point of being a “classified” credit. Possible reasons for additional monitoring may include characteristics such as temporary negative debt service coverage due to weak economic conditions; borrower may have experienced recent losses from operations, declining equity and/or increasing leverage, or marginal liquidity that may affect long-term sustainability. Loans of this grade have a higher degree of risk and warrant close monitoring to insure against further deterioration.

Risk Grade 5 (Other Assets Especially Mentioned) (OAEM) - Loans which possess some credit deficiency or potential weakness, which deserve close attention, but which do not yet warrant substandard classification. Such loans pose unwarranted financial risk that, if not corrected, could weaken the loan and increase risk in the future.

Risk Grade 6 (Substandard) - Loans are “substandard” whose full, final collectability does not appear to be a matter of serious doubt, but which nevertheless portray some form of well defined weakness that requires close supervision by Bank management. The noted weaknesses involve more than normal banking risk. One or more of the following characteristics may be exhibited in loans classified Substandard: (1) Loans possess a defined credit weakness and the likelihood that the loan shall be paid from the primary source of repayment is uncertain; (2) Loans are not adequately protected by the current net worth and/or paying capacity of the obligor; (3) primary source of repayment is gone, and the Bank is forced to rely on a secondary source of repayment such as collateral liquidation or guarantees; (4) distinct possibility that the Bank shall sustain some loss if deficiencies are not corrected; (5) unusual courses of action are needed to maintain a high probability of repayment; (6) the borrower is not generating enough cash flow to repay loan principal, however, continues to make interest payments; (7) the Bank is forced into a subordinated or unsecured position due to flaws in documentation; (8) loans have been restructured so that payment schedules, terms, and collateral represent concessions to the borrower when compared to normal loan terms; (9) the Bank is contemplating foreclosure or legal action due to the apparent deterioration in the loan; or (10) there is a significant deterioration in the market conditions and the borrower is highly vulnerable to these conditions.

Grade 7 (Doubtful) - Loans have all the weaknesses of those classified Substandard. Additionally, however, these weaknesses make collection or liquidation in full, based on existing conditions, improbable. Loans in this category are typically not performing in conformance with established terms and conditions. Full repayment is considered “Doubtful”, but extent of loss is not currently determinable.

Risk Grade 8 (Loss) - Loans are considered uncollectible and of such little value, that continuing to carry them as an asset on the Bank's financial statements is not feasible.

The following table presents the risk category of loans by class of loans based on the most recent analysis performed and the contractual aging as of March 31, 2014 and December, 31, 2013:

As of March 31, 2014

Loan Grade	Commercial Real Estate		
	Commercial Real Estate	Commercial Real Estate	Commercial
	Construction	Other	Commercial
	(dollars in thousands)		
1-2	\$ —	\$ —	\$ —
3	—	16,028	5,831
4	—	22,926	5,761
4.5	—	5,001	481
5	—	4,531	17
6	173	2,896	162
7	—	—	—
8	—	—	—
Total	\$173	\$ 51,382	\$ 12,252

As of December 31, 2013

Loan Grade	Commercial Real Estate		
	Commercial Real Estate	Commercial Real Estate	Commercial
	Construction	Other	Commercial
	(dollars in thousands)		
1-2	\$ —	\$ —	\$ —
3	—	16,187	5,602
4	—	—	—