Wellesley Bancorp, Inc.
Form 10-Q
August 08, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

x 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

o 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: 001-35352

WELLESLEY BANCORP, INC.
(Exact name of registrant as specified in its charter)

Maryland	45-3219901
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
40 Central Street, Wellesley, Massachusetts	02482
(Address of principal executive offices)	(Zip Code)

(781) 235-2550
(Registrant's telephone number, including area code)

Not Applicable
(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 X 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 (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X 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 ____ (Do not check if a smaller reporting company)	Smaller reporting company X

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

As of August 1, 2014, there were 2,452,465 shares of the registrant's common stock outstanding.

WELLESLEY BANCORP, INC.

Table of Contents

		Page No.
Part I. Financial Information		
Item 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013	1
	Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2014 and 2013	2
	Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2014 and 2013	3
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	33
Item 4.	Controls and Procedures	34
Part II. Other Information		
Item 1.	Legal Proceedings	35
Item 1A.	Risk Factors	35
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	35
Item 3.	Defaults Upon Senior Securities	35
Item 4.	Mine Safety Disclosures	35
Item 5.	Other Information	35
Item 6.	Exhibits	35
Signatures		36

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CONSOLIDATED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(Dollars in thousands)	
Assets		
Cash and due from banks	$ 2,775	$ 2,685
Short-term investments	14,804	16,382
Total cash and cash equivalents	17,579	19,067
Certificates of deposit	100	100
Securities available for sale, at fair value	39,852	36,672
Federal Home Loan Bank of Boston stock, at cost	3,300	3,176
Loans held for sale	1,598	825
Loans	421,338	387,931
Less allowance for loan losses	(4,613)	(4,213)
Loans, net	416,725	383,718
Bank-owned life insurance	6,724	6,607
Premises and equipment, net	3,762	3,805
Accrued interest receivable	1,133	1,044
Net deferred tax asset	2,043	1,997
Other assets	1,488	1,509
Total assets	$ 494,304	$ 458,520
Liabilities and Stockholders’ Equity		
Deposits:		
Noninterest-bearing	$ 48,518	$ 44,864
Interest-bearing	338,468	312,654
	386,986	357,518
Short-term borrowings	4,000	9,000
Long-term debt	53,500	43,500
Accrued expenses and other liabilities	1,708	1,713
Total liabilities	446,194	411,731
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized none issued	--	--
Common stock, $0.01 par value; 14,000,000 shares	24	24

authorized, 2,452,465 shares issued and outstanding at June 30, 2014; 2,454,465 shares issued and outstanding at December 31, 2013						
Additional paid-in capital		23,146			22,845	
Retained earnings		26,187			25,423	
Accumulated other comprehensive income		358			166	
Unearned compensation – ESOP		(1,605	)		(1,669	)
Total stockholders' equity		48,110			46,789	
Total liabilities and stockholders' equity	$	494,304		$	458,520	

See accompanying notes to consolidated financial statements.

1

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Dollars in thousands, except per share data)			
Interest and dividend income:				
Interest and fees on loans and loans held for sale	$4,617	$3,770	$8,972	$7,516
Debt securities:				
Taxable	183	133	331	277
Tax-exempt	46	47	90	99
Interest on short-term investments and certificates of deposit	8	8	16	18
Dividends on FHLB stock	11	2	23	4
Total interest and dividend income	4,865	3,960	9,432	7,914
Interest expense:				
Deposits	695	538	1,363	1,077
Short-term borrowings	1	1	6	1
Long-term debt	150	134	278	256
Total interest expense	846	673	1,647	1,334
Net interest income	4,019	3,287	7,785	6,580
Provision for loan losses	220	100	400	200
Net interest income, after provision for loan losses	3,799	3,187	7,385	6,380
Noninterest income:				
Customer service fees	37	40	71	80
Mortgage banking activities	17	52	39	76
Gain on sale of securities, net	--	103	16	103
Income on bank-owned life insurance	59	57	117	102
Wealth management fees	124	93	236	181
Loss on extinguishment of debt	--	(93)	--	(93)
Miscellaneous	(4)	11	7	23
Total noninterest income	233	263	486	472
Noninterest expense:				
Salaries and employee benefits	1,991	1,521	3,864	2,951
Occupancy and equipment	483	356	983	696
Data processing	145	116	301	242
FDIC insurance	68	67	135	133
Professional fees	251	132	428	264
Other general and administrative	387	303	798	626
Total noninterest expense	3,325	2,495	6,509	4,912
Income before income taxes	707	955	1,362	1,940
Provision for income taxes	276	372	537	762
Net income	431	583	825	1,178
Other comprehensive income (loss):				
	219	(604)	332	(715)

Unrealized holding (losses) gains on available-for-sale securities				
Reclassification adjustment for net securities gains realized in income	--	(103)	(16)	(103)
Tax effect	(87)	279	(124)	323
Total other comprehensive income (loss)	132	(428)	192	(495)
Comprehensive income	$563	$155	$1,017	$683
Earnings per common share:				
Basic	$0.19	$0.26	$0.36	$0.52
Diluted	$0.19	$0.26	$0.36	$0.52
Weighted average shares outstanding:				
Basic	2,290,488	2,285,860	2,290,167	2,289,699
Diluted	2,294,515	2,285,860	2,292,764	2,289,699

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2014 and 2013

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Compensation-ESOP	Total Stockholders' Equity
						(Dollars in thousands)	
Balance at December 31, 2012	2,480,610	$ 24	$ 22,751	$ 23,203	$ 790	$ (1,797)	$ 44,971
Net income	--	--	--	1,178	--	--	1,178
Other comprehensive loss	--	--	--	--	(495)	--	(495)
Purchase and retirement of treasury shares	(20,120)	--	(314)	--	--	--	(314)
Share- based compensation- equity incentive plan	--	--	228	--	--	--	228
ESOP shares committed to be allocated (6,419)	--	--	39	--	--	64	103
Balance at June 30, 2013	2,460,490	$ 24	$ 22,704	$ 24,381	$ 295	$ (1,733)	$ 45,671
Balance at December 31, 2013	2,454,465	$ 24	$ 22,845	$ 25,423	$ 166	$ (1,669)	$ 46,789
Net income	--	--	--	825	--	--	825
Other comprehensive income	--	--	--	--	192	--	192
Dividends paid to common stockholders ($0.025 per share)	--	--	--	(61)	--	--	(61)
Share- based compensation- equity incentive plan	--	--	239	--	--	--	239
Issuance of stock under stock option plan	400	--	6	--	--	--	6
Restricted stock forfeitures	(2,400)	--	--	--	--	--	--
ESOP shares committed to be	---	--	56	--	--	64	120

allocated	(6,419)						
Balance at June 30, 2014	2,452,465	$ 24	$ 23,146	$ 26,187	$ 358	$ (1,605)	$ 48,110

See accompanying notes to consolidated financial statements.

3

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2014	2013
	(In thousands)	
Cash flows from operating activities:		
Net income	$825	$1,178
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	400	200
Depreciation and amortization	286	179
Net amortization of securities	78	125
Gain on sale of securities, net	(16)	(103)
Principal amount of loans sold	8,799	21,125
Loans originated for sale	(9,611)	(14,558)
Accretion of net deferred loan fees	(194)	(224)
Income on bank-owned life insurance	(117)	(102)
Deferred income tax (benefit) provision	(170)	175
ESOP expense	120	103
Share-based compensation	239	228
Net change in other assets and liabilities	(58)	(370)
Net cash provided by operating activities	581	7,956
Cash flows from investing activities:		
Maturities of certificates of deposit	--	250
Activity in securities available for sale:		
Maturities, prepayments and calls	4,968	4,967
Purchases	(8,797)	(3,256)
Sales	903	1,429
Purchase of Federal Home Loan Bank stock	(124)	(794)
Loan originations, net of principal payments	(33,174)	(35,904)
Additions to premises and equipment	(258)	(582)
Net cash used by investing activities	(36,482)	(33,890)
Cash flows from financing activities:		
Net increase in deposits	29,468	3,219
Proceeds from long-term debt	14,000	17,500
Repayments of long-term debt	(4,000)	(6,500)
(Decrease) increase in short-term borrowings	(5,000)	6,000
Issuance of stock under stock option plan	6	--
Purchase and retirement of treasury stock	--	(314)
Cash dividends paid on common stock	(61)	--
Net cash provided by financing activities	34,413	19,905
Net change in cash and cash equivalents	(1,488)	(6,029)
Cash and cash equivalents at beginning period	19,067	18,218
Cash and cash equivalents at end of period	$17,579	$12,189

Supplementary information:		
Interest paid	$1,643	$1,319
Income taxes paid	703	873

See accompanying notes to consolidated financial statements.

WELLESLEY BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying unaudited interim consolidated financial statements include the accounts of Wellesley Bancorp, Inc. (the "Company") and its wholly-owned subsidiary, Wellesley Bank (the "Bank"), the principal operating entity, and the Bank's wholly-owned subsidiaries; Wellesley Securities Corporation, which engages in the business of buying, selling and dealing in securities exclusively on its own behalf; Wellesley Investment Partners, LLC, formed to provide investment management services for individuals, not-for-profit entities and businesses; and Central Linden, LLC, formed to hold manage and sell foreclosed real estate. All significant intercompany balances and transactions have been eliminated in consolidation. These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information, and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP 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. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 2013 Annual Report on Form 10-K. The results for the three or six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 or for any other period.

NOTE 2 – LOAN POLICIES

The loan portfolio consists of real estate, commercial and other loans to the Company's customers in our primary market areas in eastern Massachusetts. The ability of the Company's debtors to honor their contracts is dependent upon the economy in general and the real estate and construction sectors within our markets.

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or pay-off, generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred loan origination fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Interest is not accrued on loans when identified as impaired or loans which are ninety days or more past due. Past due status is based on the contractual terms of the loan. Interest income previously accrued on such loans is reversed against current period interest income. Interest income on non-accrual loans is recognized only to the extent of interest payments received and is first applied to the outstanding principal balance when collectibility of principal is in doubt. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured through sustained payment performance for at least six months.

Allowance for loan losses

The allowance for loan losses is established through a provision for loan losses charged to earnings as losses are estimated to have occurred. Loan losses are charged against the allowance when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General component
The general component is based on the following loan segments: residential real estate, commercial real estate, construction, commercial, home equity lines of credit and other consumer. Management considers a rolling average of historical losses for each segment based on a time frame appropriate to capture relevant loss data for each loan segment, which generally ranges from 3-10 years. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume, concentrations and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no significant changes to the Company's policies or methodology pertaining to the general component of the allowance during 2014 or 2013.

The qualitative factor adjustments are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not originate subprime loans. Most loans in this segment are collateralized by one- to four-family residential real estate and repayment is dependent on the credit quality of the individual borrower.

Commercial real estate – Loans in this segment are primarily income-producing properties in the Company's primary market areas in eastern Massachusetts. The underlying cash flows generated by the properties may be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Construction – Loans in this segment include speculative construction loans for which payment is derived from sale of the property and construction loans on primary residences for which repayment is dependent on the credit quality of the residential borrower. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Home equity lines of credit – Loans in this segment are collateralized by one-to-four family residential real estate and repayment is dependent on the credit quality of the individual borrower. The Company generally does not hold a first mortgage position on homes that secure home equity lines of credit. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Other consumer – Loans in this segment are generally unsecured and repayment is dependent on the credit quality of the individual borrower.

Allocated component
The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate or, if the loan is collateral dependent, by the fair value of the collateral, less estimated costs to sell. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller-balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify performing individual consumer loans (residential, home equity lines of credit, personal and other consumer secured loans) for impairment disclosures, unless such loans are subject to a

troubled debt restructuring agreement.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring ("TDR"). All TDRs are initially classified as impaired.

Unallocated component
An unallocated component is maintained to cover additional uncertainties in management's estimation of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

NOTE 3 – COMPREHENSIVE INCOME

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the stockholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income/loss.

The components of accumulated other comprehensive income and related tax effects are as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
Unrealized holding gains on securities available for sale	$ 587	$ 271
Tax effect	(229)	(105)
Net-of tax amount	$ 358	$ 166

NOTE 4 – RECENT ACCOUNTING AND REGULATORY PRONOUNCEMENTS

In July 2013, federal banking regulators approved minimum requirements for both the quantity and quality of capital held by community banking institutions. The rule includes a new minimum ratio of common equity Tier 1 capital to risk weighted assets of 4.5%, raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0% to 6.0% and includes a minimum leverage ratio of 4.0% for all banking organizations. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonus payments to executive officers. The Company must begin complying with the rule on January 1, 2015. The Company is currently evaluating the rule but believes that it will continue to exceed all the minimum capital ratio requirements.

7

NOTE 5 – SECURITIES AVAILABLE FOR SALE

The amortized cost and fair value of securities available for sale, with gross unrealized gains and losses, follows:

	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Residential mortgage-backed securities:				
Government National Mortgage Association	$6,460	$165	$(4)	$6,621
Government-sponsored enterprises	9,173	220	(50)	9,343
SBA and other asset-backed securities	7,956	97	(53)	8,000
State and municipal bonds	5,259	166	(5)	5,420
Government-sponsored enterprise obligations	4,000	12	(9)	4,003
Corporate bonds	6,417	74	(26)	6,465
	$39,265	$734	$(147)	$39,852

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Residential mortgage-backed securities:				
Government National Mortgage Association	$7,673	$191	$(33)	$7,831
Government-sponsored enterprises	9,622	153	(93)	9,682
SBA and other asset-backed securities	5,089	15	(90)	5,014
State and municipal bonds	4,025	101	(6)	4,120
Government-sponsored enterprise obligations	2,060	4	(50)	2,014
Corporate bonds	7,932	79	--	8,011
	$36,401	$543	$(272)	$36,672

The amortized cost and fair value of debt securities by contractual maturity at June 30, 2014 are as follows. Expected maturities may differ from contractual maturities because the issuer, in certain instances, has the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2014	
	Amortized Cost	Fair Value
	(In thousands)	
Within 1 year	$ 1,249	$ 1,253
After 1 year to 5 years	5,506	5,575
After 5 years to 10 years	4,367	4,436
After 10 years	4,554	4,624

	15,676	15,888
Mortgage- and asset-backed securities	23,589	23,964
	$ 39,265	$ 39,852

8

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)			
June 30, 2014				
Residential mortgage-backed securities:				
Government National Mortgage Association	$--	$--	$(4)	$576
Government-sponsored enterprises	(6)	1,049	(44)	850
SBA and other asset-backed securities	(3)	241	(50)	1,153
State and municipal bonds	--	--	(5)	547
Government-sponsored enterprise obligations	--	--	(9)	991
Corporate bonds	(26)	1,699	--	--
	$(35)	$2,989	$(112)	$4,117
December 31, 2013				
Residential mortgage-backed securities:				
Government National Mortgage Association	$(33)	$1,496	$--	$--
Government-sponsored enterprises	(93)	4,864	--	--
SBA and other asset-backed securities	(90)	2,164	--	--
State and municipal bonds	(2)	251	(4)	296
Government-sponsored enterprise obligations	(50)	949	--	--
	$(268)	$9,724	$(4)	$296

9

NOTE 6 – LOANS AND ALLOWANCE FOR LOAN LOSSES

A summary of the balances of loans is as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
Real estate loans:		
Residential – fixed	$ 21,509	$ 21,101
Residential – variable	183,011	160,618
Commercial	85,825	82,367
Construction	88,796	80,103
	379,141	344,189
Commercial loans:		
Secured	14,268	14,977
Unsecured	1,369	1,453
	15,637	16,430
Consumer loans:		
Home equity lines of credit	26,381	27,092
Other	323	415
	26,704	27,507
Total loans	421,482	388,126
Less:		
Allowance for loan losses	(4,613)	(4,213)
Net deferred origination fees	(144)	(195)
Loans, net	$ 416,725	$ 383,718

The following table summarizes the changes in the allowance for loan losses by portfolio segment for the three and six months ended June 30, 2014 and 2013:

	Residential Real Estate	Commercial Real Estate	Construction	Commercial	Home Equity	Other Consumer	Unallocated	Total
				(In thousands)				
Three Months Ended June 30, 2014								
Allowance at March 31, 2014	$ 1,425	$ 1,021	$ 1,307	$ 390	$ 208	$ 6	$ 36	$ 4,393
Provision (credit) for loan losses	70	(20)	136	(39)	98	(2)	(23)	220
Allowance at June 30, 2014	$ 1,495	$ 1,001	$ 1,443	$ 351	$ 306	$ 4	$ 13	$ 4,613
Three Months Ended June 30, 2013								
Allowance at March 31, 2013	$ 1,259	$ 919	$ 976	$ 404	$ 192	$ 11	$ 147	$ 3,908
Provision (credit) for loan losses	134	11	11	43	(25)	(4)	(70)	100
Allowance at June 30, 2013	$ 1,393	$ 930	$ 987	$ 447	$ 167	$ 7	$ 77	$ 4,008
Six Months Ended June 30, 2014								
Allowance at December 31, 2013	$ 1,351	$ 887	$ 1,305	$ 426	$ 213	$ 7	$ 24	$ 4,213
Provision (credit) for loan losses	144	114	138	(75)	93	(3)	(11)	400
Allowance at June 30, 2014	$ 1,495	$ 1,001	$ 1,443	$ 351	$ 306	$ 4	$ 13	$ 4,613
Six Months Ended June 30, 2013								
Allowance at December 31, 2012	$ 1,157	$ 1,041	$ 918	$ 456	$ 171	$ 11	$ 90	$ 3,908

Provision (credit) for loan losses	236	(111)	69	27	(4)	(4)	(13)	200
Loans charged off	--	--	--	(36)	--	--	--	(36)
Allowance at June 30, 2013	$ 1,393	$ 930	$ 987	$ 447	$ 167	$ 7	$ 77	$ 4,008

11

Additional information pertaining to the allowance for loan losses at June 30, 2014 and December 31, 2013 is as follows:

	Residential Real Estate	Commercial Real Estate	Construction	Commercial	Home Equity	Other Consumer	Unallocated	Total
				(In thousands)				
June 30, 2014								
Allowance related to loans individually evaluated and deemed to be impaired	$ --	$ 86	$ --	$ --	$ 95	$ --	$ --	$ 181
Allowance related to loans individually evaluated and not deemed impaired, and those collectively evaluated for impairment	1,495	915	1,443	351	211	4	13	4,432
Total allowance	$ 1,495	$ 1,001	$ 1,443	$ 351	$ 306	$ 4	$ 13	$ 4,613
Impaired loan balances individually evaluated and deemed to be impaired	$ 413	$ 2,601	$ --	$ 27	$ 426	$ --	$ --	$ 3,467
Loan balances individually evaluated and not deemed impaired, and those collectively evaluated for impairment	204,107	83,224	88,796	15,610	25,955	323	--	418,015
Total loans	$ 204,520	$ 85,825	$ 88,796	$ 15,637	$ 26,381	$ 323	$ --	$ 421,482

December 31, 2013

Allowance related to loans individually evaluated and deemed to be impaired	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ --
Allowance related to loans individually evaluated and not deemed impaired, and those collectively evaluated for impairment	&							