RIVERVIEW BANCORP INC
Form 10-Q
November 13, 2014
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 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: 0-22957

RIVERVIEW BANCORP, INC.

(Exact name of registrant as specified in its charter)

Washington (State or other jurisdiction of incorporation or organization)	91-1838969 (I.R.S. Employer I.D. Number)
900 Washington St., Ste. 900,Vancouver, Washington (Address of principal executive offices)	98660 (Zip Code)
Registrant's telephone number, including area code:	(360 693-6650

Indicate by check mark whether the registrant (1) 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 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 [X]

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: Common Stock, $.01 par value per share, 22,471,890 shares outstanding as of November 13, 2014.

Form 10-Q

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
INDEX

Forward Looking Statements

As used in this Form 10-Q, the terms “we,” “our” “us”, “Riverview” and “Company” refer to Riverview Bancorp, Inc. and consolidated subsidiaries, including its wholly-owned subsidiary, Riverview Community Bank, unless the context indicates otherwise.

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: When used in this Form 10-Q, the words “believes,” “expects,” “anticipates,” “estimates,” “forecasts,” “intends,” “plans,” “targets,” “potentially,” “probab “outlook,” or similar expressions or future or conditional verbs such as “may,” “will,” “should,” “would,” and “could,” or si expression are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, assumptions and statements about future performance. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated, including, but not limited to: the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in the Company’s allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions, either nationally or in the Company’s market areas; changes in the levels of general interest rates, and the relative differences between short and long term interest rates, deposit interest rates, the Company’s net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in the Company’s market areas; secondary market conditions for loans and the Company’s ability to sell loans in the secondary market; results of examinations of our bank subsidiary, Riverview Community Bank, by the Office of the Comptroller of the Currency and of the Company by the Board of Governors of the Federal Reserve System, or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require the Company to increase its reserve for loan losses, write-down assets, reclassify its assets, change Riverview Community Bank’s regulatory capital position or affect the Company’s ability to borrow funds or maintain or increase deposits, which could adversely affect its liquidity and earnings; the Company’s compliance with regulatory enforcement actions entered into with its banking regulators and the possibility that noncompliance could result in the imposition of additional enforcement actions and additional requirements or restrictions on its operations; legislative or regulatory changes that adversely affect the Company’s business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including as a result of Basel III; the Company’s ability to attract and retain deposits; increases in premiums for deposit insurance; the Company’s ability to control operating costs and expenses; the use of estimates in determining fair value of certain of the Company’s assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in reducing risks associated with the loans on the Company’s balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect the Company’s workforce and potential associated charges; computer systems on which the Company depends could fail or experience a security breach; the Company’s ability to retain key members of its senior management team; costs and effects of litigation, including settlements and judgments; the Company’s ability to implement its business strategies; the Company’s ability to successfully integrate any assets, liabilities, customers, systems, and management personnel it may acquire into its operations and the Company’s ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; increased competitive pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; the Company’s ability to pay dividends on its common stock and interest or principal payments on its junior subordinated debentures; adverse changes in the securities markets; inability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting issues and details of the implementation of new accounting methods; other economic, competitive, governmental, regulatory, and technological factors affecting the Company’s operations, pricing, products and services and the other risks described from time to time in our filings with the Securities and Exchange Commission.

The Company cautions readers not to place undue reliance on any forward-looking statements. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to the Company. The Company does not undertake to revise any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. These risks could cause our actual results for fiscal 2015 and beyond to differ materially from those expressed in any forward-looking statements by, or on behalf of, us, and could negatively affect the Company's financial condition and results of operations as well as its stock price performance.

Part I. Financial Information
Item 1. Financial Statements (Unaudited)

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2014 AND MARCH 31, 2014

(In thousands, except share and per share data) (Unaudited)	September 30, 2014	March 31, 2014
ASSETS		
Cash (including interest-earning accounts of $17,417 and $51,715)	$30,988	$68,577
Certificates of deposit held for investment	32,941	36,925
Loans held for sale	353	1,024
Investment securities available for sale, at fair value (amortized cost of $19,873 and $23,866)	19,571	23,394
Mortgage-backed securities held to maturity, at amortized cost (fair value of $92 and $104)	90	101
Mortgage-backed securities available for sale, at fair value (amortized cost of $120,759 and $79,083)	120,740	78,575
Loans receivable (net of allowance for loan losses of $12,001 and $12,551)	540,786	520,937
Real estate and other personal property owned	3,705	7,703
Prepaid expenses and other assets	3,243	3,197
Accrued interest receivable	2,047	1,836
Federal Home Loan Bank stock, at cost	6,324	6,744
Premises and equipment, net	15,955	16,417
Deferred income taxes, net	14,301	15,433
Mortgage servicing rights, net	386	369
Goodwill	25,572	25,572
Core deposit intangible, net	14	26
Bank owned life insurance	24,524	17,691
TOTAL ASSETS	$841,540	$824,521
LIABILITIES AND EQUITY		
LIABILITIES:		
Deposit accounts	$702,635	$690,066
Accrued expenses and other liabilities	12,445	10,497
Advanced payments by borrowers for taxes and insurance	644	467
Junior subordinated debentures	22,681	22,681
Capital lease obligations	2,319	2,361
Total liabilities	740,724	726,072
COMMITMENTS AND CONTINGENCIES (See Note 14)		
EQUITY:		
Shareholders' equity		
Serial preferred stock, $.01 par value; 250,000 authorized, issued and outstanding: none	-	-
Common stock, $.01 par value; 50,000,000 authorized September 30, 2014 – 22,471,890 issued and outstanding March 31, 2014 – 22,471,890 issued and outstanding	225	225

Additional paid-in capital	65,217	65,195
Retained earnings	35,416	33,592
Unearned shares issued to employee stock ownership trust	(335)	(387)
Accumulated other comprehensive loss	(212)	(647)
Total shareholders’ equity	100,311	97,978
Noncontrolling interest	505	471
Total equity	100,816	98,449
TOTAL LIABILITIES AND EQUITY	$841,540	$824,521

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (In thousands, except share and per share data) (Unaudited)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
INTEREST INCOME:				
Interest and fees on loans receivable	$6,486	$ 6,465	$12,657	$ 13,070
Interest on investment securities – taxable	98	77	182	116
Interest on mortgage-backed securities	508	52	988	68
Other interest and dividends	118	170	249	341
Total interest and dividend income	7,210	6,764	14,076	13,595
INTEREST EXPENSE:				
Interest on deposits	342	514	702	1,041
Interest on borrowings	148	150	295	300
Total interest expense	490	664	997	1,341
Net interest income	6,720	6,100	13,079	12,254
Recapture of loan losses	(350)	-	(650)	(2,500)
Net interest income after recapture of loan losses	7,070	6,100	13,729	14,754
NON-INTEREST INCOME:				
Fees and service charges	1,158	1,094	2,228	2,124
Asset management fees	710	595	1,530	1,331
Net gain on sale of loans held for sale	155	116	281	433
Bank owned life insurance	194	141	332	283
Other	6	(59)	62	(38)
Total non-interest income	2,223	1,887	4,433	4,133
NON-INTEREST EXPENSE:				
Salaries and employee benefits	4,341	3,867	8,515	7,737
Occupancy and depreciation	1,322	1,190	2,409	2,434
Data processing	434	430	904	1,118
Amortization of core deposit intangible	6	9	12	26
Advertising and marketing expense	203	204	353	408
FDIC insurance premium	180	417	355	828
State and local taxes	117	108	254	234
Telecommunications	74	81	150	149
Professional fees	257	315	546	653
Real estate owned expenses	186	492	802	2,104
Other	554	534	1,109	1,199
Total non-interest expense	7,674	7,647	15,409	16,890
INCOME BEFORE INCOME TAXES	1,619	340	2,753	1,997
PROVISION (BENEFIT) FOR INCOME TAXES	535	(1)	929	16
NET INCOME	$1,084	$ 341	$1,824	$ 1,981

Earnings per common share:				
Basic	$0.05	$ 0.02	$0.08	$ 0.09
Diluted	0.05	0.02	0.08	0.09
Weighted average number of shares outstanding:				
Basic	22,388,753	22,364,120	22,385,691	22,361,058
Diluted	22,419,469	22,365,460	22,414,212	22,361,941

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 2014 AND 2013

	Three Months Ended September 30,		Six Months Ended September 30,	
(Dollars in thousands) (Unaudited)	2014	2013	2014	2013
Net income	$1,084	$ 341	$1,824	$ 1,981
Other comprehensive income (loss): (1)				
Unrealized holding gain (loss) on securities, net	(248)	670	659	738
Income tax benefit (expense) related to securities unrealized holding gain	84	(228)	(224)	(251)
Noncontrolling interest	15	14	34	46
Total comprehensive income	$935	$ 797	$2,293	$ 2,514

(1) There were no reclassifications out of other comprehensive income for the three and six months ended September 30, 2014 and 2013.

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(In thousands, except share data) (Unaudited)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Unearned Shares Issued to Employee Stock Ownership Trust	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
Balance April 1, 2013	22,471,890	$ 225	$ 65,551	$ 14,169	$ (490)	$ (1,013)	$ 603	$ 79,045
Net income	-	-	-	1,981	-	-	-	1,981
Stock based compensation expense	-	-	26	-	-	-	-	26
Earned ESOP shares	-	-	(20)	-	52	-	-	32
Unrealized holding gain on securities available for sale	-	-	-	-	-	487	-	487
Noncontrolling interest	-	-	-	-	-	-	46	46
Balance September 30, 2013	22,471,890	$ 225	$ 65,557	$ 16,150	$ (438)	$ (526)	$ 649	$ 81,617
Balance April 1, 2014	22,471,890	$ 225	$ 65,195	$ 33,592	$ (387)	$ (647)	$ 471	$ 98,449
Net income	-	-	-	1,824	-	-	-	1,824
Stock based compensation expense	-	-	27	-	-	-	-	27
Earned ESOP shares	-	-	(5)	-	52	-	-	47
Unrealized holding gain on securities	-	-	-	-	-	435	-	435

available for sale								
Noncontrolling interest	-	-	-	-	-	-	34	34
Balance September 30, 2014	22,471,890	$ 225	$ 65,217	$ 35,416	$ (335)	$ (212)	$ 505	$ 100,816

See notes to consolidated financial statements.

5

RIVERVIEW BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(In thousands) (Unaudited)	Six Months Ended September 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,824	$ 1,981
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	1,407	842
Recapture of loan losses	(650)	(2,500)
Provision for deferred income taxes	908	-
Noncash expense related to ESOP	47	32
Increase in deferred loan origination fees, net of amortization	1	23
Origination of loans held for sale	(7,912)	(17,123)
Proceeds from sales of loans held for sale	8,775	16,719
Stock based compensation expense	27	26
Writedown of real estate owned, net	640	1,669
Net gain on loans held for sale, sale of real estate owned, mortgage-backed securities, investment securities and premises and equipment	(237)	(290)
Income from bank owned life insurance	(332)	(283)
Changes in assets and liabilities:		
Prepaid expenses and other assets	(98)	459
Accrued interest receivable	(211)	88
Accrued expenses and other liabilities	2,049	984
Net cash provided by operating activities	6,238	2,627
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan repayments (originations), net	(10,963)	9,685
Purchases of loans receivable	(8,726)	-
Proceeds from call, maturity, or sale of investment securities available for sale	6,000	-
Principal repayments on investment securities available for sale	-	734
Principal repayments on mortgage-backed securities available for sale	7,994	473
Principal repayments on mortgage-backed securities held to maturity	11	17
Purchase of investment securities available for sale	(2,000)	(15,438)
Purchase of mortgage-backed securities available for sale	(50,199)	(18,011)
Redemption of certificates of deposit held for investment	3,984	6,715
Proceeds from redemption of Federal Home Loan Bank stock	420	131
Purchase of Bank owned life insurance	(6,500)	-
Purchase of premises and equipment and capitalized software	(282)	(538)
Proceeds from sale of real estate owned and premises and equipment	3,730	4,105
Net cash provided by (used in) investing activities	(56,531)	(12,127)

CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposit accounts	12,569	9,000
Proceeds from borrowings	3,000	2,000
Repayment of borrowings	(3,000)	(2,000)
Principal payments under capital lease obligation	(42)	(39)
Net increase (decrease) in advance payments by borrowers	177	(539)
Net cash provided by financing activities	12,704	8,422
NET DECREASE IN CASH	(37,589)	(1,078)
CASH, BEGINNING OF PERIOD	68,577	115,415
CASH, END OF PERIOD	$ 30,988	$ 114,337
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 721	$ 1,038
Income taxes	15	13
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Transfer of loans to real estate owned	$ 804	$ 3,930
Transfer of real estate owned to loans	406	196
Fair value adjustment to securities available for sale	659	738
Income tax effect related to fair value adjustment	(224)	(251)

See notes to consolidated financial statements.

RIVERVIEW BANCORP, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Quarterly Reports on Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). However, all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim unaudited financial statements have been included. All such adjustments are of a normal recurring nature.

The unaudited consolidated financial statements should be read in conjunction with the audited financial statements included in the Riverview Bancorp, Inc. Annual Report on Form 10-K for the year ended March 31, 2014 ("2014 Form 10-K"). The results of operations for the six months ended September 30, 2014 are not necessarily indicative of the results, which may be expected for the fiscal year ending March 31, 2015. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of: Riverview Bancorp, Inc.; its wholly-owned subsidiary, Riverview Community Bank (the "Bank"); the Bank's wholly-owned subsidiary, Riverview Services, Inc.; and the Bank's majority owned subsidiary, Riverview Asset Management Corp. ("RAMCorp") (collectively referred to as the "Company"). All inter-company transactions and balances have been eliminated in consolidation.

3. STOCK PLANS AND STOCK-BASED COMPENSATION

In July 1998, shareholders of the Company approved the adoption of the 1998 Stock Option Plan ("1998 Plan"). The 1998 Plan was effective October 1998 and expired in October 2008. Accordingly, no further option awards may be granted under the 1998 Plan; however, any awards granted prior to its expiration remain outstanding subject to their terms. Each option granted under the 1998 Plan has an exercise price equal to the fair market value of the Company's common stock on the date of the grant, a maximum term of ten years and a vesting period from zero to five years.

In July 2003, shareholders of the Company approved the adoption of the 2003 Stock Option Plan ("2003 Plan"). The 2003 Plan was effective July 2003 and expired in July 2013. Accordingly, no further option awards may be granted under the 2003 Plan; however, any awards granted prior to its expiration remain outstanding subject to their terms. Each option granted under the 2003 Plan has an exercise price equal to the fair market value of the Company's common stock on the date of the grant, a maximum term of ten years and a vesting period from zero to five years.

The following table presents information on stock options outstanding for the periods shown.

	Six Months Ended September 30, 2014		Six Months Ended September 30, 2013	
	Number of	Weighted	Number of	Weighted

	Shares	Average Exercise Price	Shares	Average Exercise Price
Balance, beginning of period	474,654	$7.91	407,500	$9.05
Grants	-	-	87,154	2.78
Options exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	(32,000)	9.55	(20,000)	8.98
Balance, end of period	442,654	$7.79	474,654	$7.91

The following table presents information on stock options outstanding for the periods shown, less estimated forfeitures.

	Six Months Ended September 30, 2014	Six Months Ended September 30, 2013
Stock options fully vested and expected to vest:		
Number	442,504	469,896
Weighted average exercise price	$ 7.79	$ 7.96
Aggregate intrinsic value (1)	$151,000	$ 3,000
Weighted average contractual term of options (years)	4.20	5.06
Stock options fully vested and currently exercisable:		
Number	442,054	385,300
Weighted average exercise price	$ 7.79	$ 9.10
Aggregate intrinsic value (1)	$150,000	$ 3,000
Weighted average contractual term of options (years)	4.20	4.04

(1) The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price) that would have been received by the option holders had all option holders exercised. This amount changes based on changes in the market value of the Company’s stock.

Stock-based compensation expense related to stock options for the six months ended September 30, 2014 and 2013 was $27,000 and $26,000, respectively. As of September 30, 2014, there was less than $1,000 of unrecognized compensation expense related to unvested stock options, which will be recognized over the remaining vesting periods of the underlying stock options through December 2014.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes based stock option valuation model. The fair value of all awards is amortized on a straight-line basis over the requisite service periods, which are generally the vesting periods. The expected life of options granted represents the period of time that they are expected to be outstanding. The expected life is determined based on historical experience with similar options, giving consideration to the contractual terms and vesting schedules. Expected volatility was estimated at the date of grant based on the historical volatility of the Company’s common stock. Expected dividends are based on dividend trends and the market value of the Company’s common stock at the time of grant. The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of the grant. During the six months ended September 30, 2014, there were no stock options granted. During the six months ended September 30, 2013, the Company granted 87,154 stock options. The weighted average fair value of stock options granted during the six months ended September 30, 2013 was $1.18.

The Black-Scholes model uses the assumptions listed in the following table:

Risk Free Interest Rate	Expected Life (years)	Expected Volatility	Expected Dividends

Fiscal 2014	1.95%	6.25	51.87%	2.04%

4. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income or loss applicable to common stock by the weighted average number of common shares outstanding during the period, without considering any dilutive items. Diluted EPS is computed by dividing net income or loss applicable to common stock by the weighted average number of common shares and common stock equivalents for items that are dilutive, net of shares assumed to be repurchased using the treasury stock method at the average share price for the Company's common stock during the period. Common stock equivalents arise from assumed exercise of outstanding stock options. Shares owned by the Company's Employee Stock Ownership Plan ("ESOP") that have not been allocated are not considered to be outstanding for the purpose of computing earnings per share. For the three and six months ended September 30, 2014, stock options for 330,000 and 331,000 shares, respectively, of common stock were excluded in computing diluted EPS because they were antidilutive. For the three and six months ended September 30, 2013, stock options for 447,000 and 427,000 shares, respectively, of common stock were excluded in computing diluted EPS because they were antidilutive.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2014	2013	2014	2013
Basic EPS computation:				
Numerator-net income	$1,084,000	$341,000	$1,824,000	$1,981,000
Denominator-weighted average common shares outstanding	22,388,753	22,364,120	22,385,691	22,361,058
Basic EPS	$0.05	$0.02	$0.08	$0.09
Diluted EPS computation:				
Numerator-net income	$1,084,000	$341,000	$1,824,000	$1,981,000
Denominator-weighted average common shares outstanding	22,388,753	22,364,120	22,385,691	22,361,058
Effect of dilutive stock options	30,716	1,340	28,521	883
Weighted average common shares and common stock equivalents	22,419,469	22,365,460	22,414,212	22,361,941
Diluted EPS	$0.05	$0.02	$0.08	$0.09

5. INVESTMENT SECURITIES

The amortized cost and fair value of investment securities available for sale consisted of the following at the dates indicated (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
September 30, 2014				
Trust preferred	$ 1,919	$ -	$ (34)	$ 1,885
Agency securities	17,954	48	(316)	17,686
Total	$ 19,873	$ 48	$ (350)	$ 19,571
March 31, 2014				
Trust preferred	$ 1,919	$ -	$ (16)	$ 1,903
Agency securities	21,947	6	(462)	21,491
Total	$ 23,866	$ 6	$ (478)	$ 23,394

The contractual maturities of investment securities available for sale are as follows (in thousands):

September 30, 2014	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	16,945	16,666
Due after five years through ten years	1,009	1,020
Due after ten years	1,919	1,885
Total	$ 19,873	$ 19,571

The fair value of temporarily impaired securities, the amount of unrealized losses and the length of time these unrealized losses existed are as follows at the dates indicated (in thousands):

	Less than 12 months		12 months or longer		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized

	Value	Losses	Value	Losses	Value	Losses
September 30, 2014						
Trust preferred	$ 1,885	$ (34)	$ -	$ -	$ 1,885	$ (34)
Agency securities	-	-	12,684	(316)	12,684	(316)
Total	$ 1,885	$ (34)	$ 12,684	$ (316)	$ 14,569	$ (350)
March 31, 2014						
Trust preferred	$ 1,903	$ (16)	$ -	$ -	$ 1,903	$ (16)
Agency securities	17,985	(462)	-	-	17,985	(462)
Total	$ 19,888	$ (478)	$ -	$ -	$ 19,888	$ (478)

At September 30, 2014, the Company had a single collateralized debt obligation which is secured by a pool of trust preferred securities issued by 15 other holding companies. The Company holds the mezzanine tranche of this security. All tranches senior to the mezzanine tranche have been repaid by the issuer. Four of the issuers of trust preferred securities in this pool have defaulted (representing 51% of the remaining collateral, including excess collateral), and one other issuer is currently deferring interest payments (2% of the remaining collateral). The Company has estimated an expected default rate of 43% for its portion of this security. The expected default rate was estimated based primarily on an analysis of the financial condition of the underlying issuers. The Company estimates that a default rate of 68% would trigger additional other than temporary impairment (“OTTI”) of this security. The Company utilized a discount rate of 10% to estimate the fair value of this security. There was no excess subordination on this security.

During the three and six months ended September 30, 2014, the Company determined that there was no additional OTTI charge on the above collateralized debt obligation. The Company does not intend to sell this security and it is not more likely than not that the Company will be required to sell the security before the anticipated recovery of the remaining amortized cost basis.

To determine the component of gross OTTI related to credit losses, the Company compared the amortized cost basis of the collateralized debt obligation to the present value of the revised expected cash flows, discounted using the current pre-impairment yield. The revised expected cash flow estimates are based primarily on an analysis of default rates, prepayment speeds and third-party analytical reports. Significant judgment of management is required in this analysis that includes, but is not limited to, assumptions regarding the ultimate collectibility of principal and interest on the underlying collateral.

The unrealized losses on the above agency securities were primarily attributable to increases in market interest rates subsequent to their purchase by the Company. T