BCB BANCORP INC
Form 10-Q
November 08, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2013

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)

New Jersey	**26-0065262**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer I.D. No.)**

104-110 Avenue C Bayonne, New Jersey 07002
(Address of principal executive offices) (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. ý 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 ý

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 ý 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). ý 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 November 1, 2013, BCB Bancorp, Inc., had 8,332,278 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)

	September 30, 2013	December 31, 2012
ASSETS		
Cash and amounts due from depository institutions	$9,840	$6,242
Interest-earning deposits	22,349	27,905
Total cash and cash equivalents	32,189	34,147
Interest-earning time deposits	986	986
Securities available for sale	789	1,240
Securities held to maturity, fair value $120,980 and $171,603, respectively	118,947	164,648
Loans held for sale	1,370	1,602
Loans receivable, net of allowance for loan losses of $13,881 and $12,363, respectively	987,436	922,301
Premises and equipment, net	14,118	13,568
Federal Home Loan Bank of New York stock, at cost	7,030	7,698
Interest receivable	4,049	4,063
Other real estate owned	2,742	3,274
Deferred income taxes	9,792	10,053
Other assets	3,527	7,778
Total Assets	$1,182,975	$1,171,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing deposits	$103,642	$85,950
Interest bearing deposits	864,325	854,836
Total deposits	967,967	940,786
Short-term Borrowings	—	17,000
Long-term Debt	114,124	114,124
Other Liabilities	6,951	7,867
Total Liabilities	1,089,042	1,079,777
STOCKHOLDERS' EQUITY		

Preferred stock: $0.01 par value, 10,000,000 shares authorized, issued and outstanding 865 shares of series A 6% noncumulative perpetual preferred stock (liquidation preference value $10,000 per share, liquidation value $8.65 million)	—	—
Additional paid-in capital preferred stock	8,570	8,570
Common stock; $0.064 stated value; 20,000,000 shares authorized, 10,860,616 and 10,841,079 shares, respectively, issued; 8,332,846 shares and 8,496,508 shares, respectively, oustanding	694	694
Additional paid-in capital common stock	92,051	91,846
Treasury stock, at cost, 2,527,770 and 2,344,571 shares, respectively	(29,072)	(27,177)
Retained earnings	22,568	18,883
Accumulated other comprehensive loss	(878)	(1,235)
Total Stockholders' equity	93,933	91,581
Total Liabilities and Stockholders' equity	$1,182,975	$1,171,358

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income (loss)

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

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Interest income:				
Loans, including fees	$ 13,341	$ 11,629	$ 39,580	$ 35,358
Investments, taxable	872	1,441	2,861	4,493
Investments, non-taxable	12	12	37	37
Other interest-earning assets	14	26	38	91
Total interest income	14,239	13,108	42,516	39,979
Interest expense:				
Deposits:				
Demand	114	106	324	460
Savings and club	93	88	270	390
Certificates of deposit	1,192	1,410	3,633	4,521
	1,399	1,604	4,227	5,371
Borrowed money	1,250	1,249	3,714	3,808
Total interest expense	2,649	2,853	7,941	9,179
Net interest income	11,590	10,255	34,575	30,800
Provision for loan losses	450	1,600	2,250	3,400
Net interest income after provision for loan losses	11,140	8,655	32,325	27,400
Non-interest income:				
Fees and service charges	444	368	1,347	1,466
Gain on sales of loans originated for sale	263	288	609	957
Gain on sale of loans acquired	—	—	—	286
Loss on bulk sale of impaired loans held in portfolio	—	(3,462)	—	(10,804)
Gain on sale of securities held to maturity	18	31	378	224
Other	38	36	94	102
Total non-interest income (loss)	763	(2,739)	2,428	(7,769)
Non-interest expense:				
Salaries and employee benefits	4,024	3,780	11,210	11,603
Occupancy expense of premises	933	855	2,612	2,587
Equipment	1,397	1,147	3,845	3,746
Professional fees	693	1,344	1,720	2,370
Director fees	168	168	504	560

Regulatory assessments	286	294	829	900
Advertising	149	125	429	371
Other real estate owned, net	99	443	(17)	705
Other	584	845	1,693	2,540
Total non-interest expense	8,333	9,001	22,825	25,382
Income (loss) before income tax provision	3,570	(3,085)	11,928	(5,751)
Income tax provision	1,428	(1,740)	4,823	(2,632)
Net Income (loss)	$ 2,142	$ (1,345)	$ 7,105	$ (3,119)
Preferred stock dividends	130	—	390	—
Net Income (loss) available to common stockholders	$ 2,012	$ (1,345)	$ 6,715	$ (3,119)
Net Income (loss) per common share-basic and diluted				
Basic	$ 0.24	$ (0.15)	$ 0.80	$ (0.34)
Diluted	$ 0.24	$ (0.15)	$ 0.80	$ (0.34)
Weighted average number of common shares outstanding				
Basic	8,365	8,685	8,419	9,088
Diluted	8,368	8,685	8,423	9,088

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net Income (loss)	$ 2,142	$ (1,345)	$ 7,105	$ (3,119)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the period (a)	75	(47)	324	64
Less: reclassification adjustment for gains included in net income (b) (d)	—	—	—	—
Benefit plans (c)	11	17	33	51
Other comprehensive income (loss)	86	(30)	357	115
Comprehensive income (loss)	$ 2,228	$ (1,375)	$ 7,462	$ (3,004)

(a) Represents the net change of the unrealized gain on available-for-sale securities. Represents unrealized gains (losses) of $128,000, ($78,000), $549,000 and $107,000, respectively, less deferred taxes of $53,000, ($31,000), $225,000 and $43,000, respectively.

(b) No sales of available-for-sale securities occurred during the three and nine months ended September 30, 2013 and 2012.

(c) Represents the net change of unrecognized loss included in net periodic pension cost. Represents a gross change of $18,000, $28,000, $54,000 and $85,000, respectively, less deferred taxes of $7,000, $11,000, $21,000 and $34,000, respectively. The Statements of Income (loss) 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)

For the nine months ended September 30, 2013

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Acc Oth Cor Los
Beginning Balance at January 1, 2013	$—	$694	$100,416	$(27,177)	$18,883	$(1
Exercise of Stock Options (19,534 shares)	—	—	151	—	—	—
Stock-based compensation expense	—	—	54	—	—	—
Treasury Stock Purchases (183,199 shares)	—	—	—	(1,895)	—	—
Dividends payable on Series A 6% noncumulative perpetual preferred stock	—	—	—	—	(390)	—
Cash dividends on common stock ($0.36 per share) declared	—	—	—	—	(3,030)	—
Net income	—	—	—	—	7,105	—
Other comprehensive income	—	—	—	—	—	35
Ending Balance at September 30, 2013	$—	$694	$100,621	$(29,072)	$22,568	$(8

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)

	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities :		
Net Income (loss)	$ 7,105	$ (3,119)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of premises and equipment	1,009	849
Amortization and accretion, net	650	1,148
Provision for loan losses	2,250	3,400
Deferred income tax	15	496
Loans originated for sale	(16,955)	(27,556)
Proceeds from sale of loans originated for sale	14,964	31,523
Gain on sales of loans originated for sale	(609)	(957)
(Gain) loss on sales of other real estate owned	(90)	480
Fair value adjustment of other real estate owned	(110)	—
Gain on sales of securities held to maturity	(378)	(224)
Gain on sales of SBA loans acquired	—	(286)
Loss on bulk sale of impaired loans held in portfolio	—	10,804
Stock compensation expense	54	20
Decrease in interest receivable	14	857
Decrease (increase) in other assets	4,251	(6,439)
Decrease in accrued interest payable	(386)	(19)
Decrease in other liabilities	(476)	(533)
Net Cash Provided by Operating Activities	11,308	10,444
Cash flows from investing activities:		
Proceeds from repayments and calls on securities held to maturity	38,954	49,584
Proceeds from call on securities available for sale	1,000	—
Purchases of securities held to maturity	(3,590)	(55,731)
Proceeds from sales of securities held to maturity	9,493	26,513
Proceeds from sale of SBA loans acquired	—	10,836
Proceeds from sales of other real estate owned	3,092	2,965
Proceeds from bulk sale of impaired loans held in portfolio	—	15,093
Proceeds from sale of participation loans held in portfolio	24,224	—
Participation loans sold held in portfolio	(24,224)	—
Purchases of loans	(4,991)	(2,906)
Net Increase in loans receivable	(61,480)	(42,583)
Improvements to other real estate owned	—	(59)
Additions to premises and equipment	(1,559)	(1,010)

Purchase of Federal Home Loan Bank of New York stock	(3,297)	—
Redemption of Federal Home Loan Bank of New York stock	3,965	565
Net Cash (Used in) Provided By Investing Activities	(18,413)	3,267
Cash flows from financing activities:		
Net increase (decrease) in deposits	27,181	(29,507)
Repayment of long-term debt	—	(15,407)
Repayment of short-term debt	(17,000)	—
Purchases of treasury stock	(1,895)	(10,362)
Cash dividend paid common stock	(3,030)	(3,288)
Cash dividend paid preferred stock	(260)	—
Exercise of stock options	151	100
Net Cash Provided by (Used in) In Financing Activities	5,147	(58,464)
Net (Decrease) In Cash and Cash Equivalents	(1,958)	(44,753)
Cash and Cash Equivalents-Begininng	34,147	117,087
Cash and Cash Equivalents-Ending	$ 32,189	$ 72,334
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	$ 857	$ 3,979
Interest	$ 8,326	$ 9,197
Non-cash items:		
Transfer of loans to other real estate owned	$ 3,010	$ 3,196
Loans to facilitate sale of other real estate owned	650	1,657
Reclassification of loans originated for sale to held to maturity	$ 2,832	$ 2,545

See accompanying notes to unaudited consolidated financial statements.

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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, 2013 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, 2012, 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 September 30, 2013, and the date these consolidated financial statements were issued.

Significant Event

On October 29th and 30th, 2012, Hurricane Sandy struck the Northeast section of the country. The Company's market area was significantly impacted by the storm which resulted in widespread flooding, wind damage and power outages. The storm temporarily disrupted our branch network and our ability to service our customers, however within one week, all of our offices were fully functional. In 2012, the Company conducted a quantitative analysis identifying 122 loans with outstanding principal loan balances totaling approximately $38.0 million. At September 30, 2013, borrowers of $29.1 million of the loans have either fully completed the restoration process or have paid the loan in full. The remaining $8.9 million are at various stages of completion and are continually monitored by the Company. Based on this updated, current analysis, the Company which had initially established an additional Hurricane Sandy related provision for loan losses totaling $500,000 to mitigate any potential losses has reduced this provision to $43,000 at September 30, 2013. The Company will continue to monitor the ongoing status of the Hurricane Sandy impacted loans to determine if the established provision requires adjustment.

New Accounting Pronouncements

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. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. 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 Accounting Standards Update ("ASU") 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This ASU is intended to improve the reporting of reclassifications out of accumulated other comprehensive income. The ASU requires an entity to report, either on the face of the statement where net income is presented or in the notes to the financial statements, the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in their entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments in this ASU apply to all entities that issue financial statements that are presented in conformity with U.S. GAAP and that report items of other comprehensive income. For public entities, the amendments in this ASU are effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted this ASU on January 1, 2013 by including the required disclosures in the notes included on the consolidated statements of comprehensive income. The adoption of ASU 2013-02 did not have a significant impact on the Company's financial condition, results of operations, or cash flows.

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Note 2 – Reclassification

Certain amounts as of December 31, 2012 and the three and nine month periods ended September 30, 2012 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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Pension plan:				
Interest cost	$ 98	$ 111	$ 294	$ 332
Expected return on plan assets	(137)	(100)	(411)	(300)
Amortization of unrecognized loss	18	28	54	85
Net periodic pension cost	$ (21)	$ 39	$ (63)	$ 117
SERP plan:				

Interest cost	$ 4	$ 5	$ 12	$ 15
Net periodic postretirement cost	$ 4	$ 5	$ 12	$ 15

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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 January 17, 2013, a grant of 130,000 options was declared for certain 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 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 second quarter of 2013, there were no stock options granted. 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.

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, 2012	274,296	$ **8.93-29.25**	$ 11.97
Options granted	159,928	**9.03-10.50**	9.31
Options exercised	(51,099)	**8.93-10.50**	9.63
Options forfeited	(33,053)	**9.34-11.84**	10.83
Options expired	(5,431)	18.41	18.41
Outstanding at September 30, 2013	344,641	$ **8.93-29.25**	$ 11.09

As of September 30, 2013, stock options which are granted and were exercisable totaled 170,641 stock options.

The key valuation assumptions and fair value of stock options granted during the three months ended September 30, 2013 were:

Expected life	4.999 years
Risk-free interest rate	1.37 %
Volatility	28.44%
Dividend yield	4.25 %
Fair value	$1.68

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 174,000 shares underlying unexercised options outstanding as of September 30, 2013 is $258,046 over a weighted average period of 8.96 years.

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Note 4 – Earnings Per Share

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding. The diluted net income (loss) 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 nine months ended September 30, 2013, the weighted average number of outstanding options considered to be anti-dilutive were 324,772 and were therefore excluded from the diluted net income per common share calculation.

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

	For the Three Months Ended September 30,					
	2013			2012		
	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income (loss) available to common stockholders	$2,012			$(1,345)		
Basic earnings per share- Income (loss) available to Common stockholders	$2,012	8,365	$ 0.24	$(1,345)	8,685	$ (0.15)
Effect of dilutive securities: Stock options	—	3		—	—	
Diluted earnings per share- Income (loss) available to Common stockholders	$2,012	8,368	$ 0.24	$(1,345)	8,685	$ (0.15)

	For the Nine Months Ended September 30,					
	2013			2012		
	Income (Loss) (Numerator)	Shares (Denominator)	Per Share Amount	(Loss) (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					

Net income (loss) available to common stockholders	$6,715			$(3,119)		
Basic earnings per share- Income (loss) available to Common stockholders	$6,715	8,419	$ 0.80	$(3,119)	9,088	$ (0.34)
Effect of dilutive securities: Stock options	—	4		—	—	
Diluted earnings per share- Income (loss) available to Common stockholders	$6,715	8,423	$ 0.80	$(3,119)	9,088	$ (0.34)

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Note 5 – Securities Available for Sale

The following tables presents the cost and gross unrealized gains and losses on securities available for sale as of September 30, 2013 and December 31, 2012:

	September 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$97	$ 692	$ —	$789

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$1,097	$ 143	$ —	$1,240

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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 September 30, 2013 and December 31, 2012:

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Residential mortgage-backed securities:				
Due after one year through five years	$1,055	$ —	$ (5)	$ 1,050
Due after five years through ten years	3,323	—	(129)	3,194
Due after ten years	112,874	2,790	(669)	114,995
	117,252	2,790	(803)	119,239
Municipal obligations:				
Due after five to ten years	1,358	46	—	1,404
Trust originated preferred security:				
Due after ten years	337	—	—	337
	$118,947	$ 2,836	$ (803)	$ 120,980

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Residential mortgage-backed securities:				
Due within one year	$—	$ —	$ —	$—
Due after one year through five years	4	—	—	4
Due after five years through ten years	9,480	171	(18)	9,633
Due after ten years	153,425	6,747	(38)	160,134
	162,909	6,918	(56)	169,771
Municipal obligations:				
Due after five to ten years	388	28	—	416
Due after ten years	975	65	—	1,040
	1,363	93	—	1,456
Trust originated preferred security:				

Due after ten years	376	—	—	376
	$164,648	$ 7,011	$ (56)	$171,603

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 September 30, 2013 and December 31, 2012, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

Management has periodically 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 until maturity, ASC 320 (formerly FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance has been amortized prior to the sale. During the nine months ended September 30, 2013, proceeds from sales of securities held to maturity totaled approximately $9.49 million and resulted in gross gains of approximately $402,000 and gross losses of approximately $24,000. During the year ended December 31, 2012, proceeds from sales of securities held to maturity totaled approximately $30.6 million and resulted in gross gains of approximately $405,000 and gross losses of approximately $56,000.

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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 Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2013						
Residential mortgage-backed securities	$37,338	$ (803)	$ —	$ —	$37,338	$ (803)
	$37,338	$ (803)	$ —	$ —	$37,338	$ (803)
December 31, 2012						
Residential mortgage-backed securities	$14,093	$ (56)	$ —	$ —	$14,093	$ (56)
	$14,093	$ (56)	$ —	$ —	$14,093	$ (56)

Management does not believe that any of the unrealized losses as of September 30, 2013, (which are related to twenty-one residential mortgage-backed securities) represent an other-than-temporary impairment as they are primarily related to market interest rates and not related to the underlying credit quality of the issuers of the securities as all these securities were issued by U.S. Agencies, including FNMA, FHLMC and GNMA. Additionally, the Company has the ability, and management has the intent, to hold such securities for the time necessary to recover cost and does not have the intent to sell the securities, and it is more likely than not that it will not have to sell the securities before recovery of their cost.

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Note 7 - Loans Receivable and Allowance for Loan Losses

The following table presents the recorded investment in loans receivable as of September 30, 2013 and December 31, 2012 by segment and class:

	September 30, 2013	December 31, 2012
	(In Thousands)	
Originated loans:		
Residential one-to-four family	$92,828	$ 78,007
Commercial and multi-family	523,628	435,371
Construction	34,591	22,267
Commercial business(1)	46,906	47,250
Home equity(2)	27,528	25,964
Consumer	590	565
Sub-total	726,071	609,424
Acquired loans recorded at fair value:		
Residential one-to-four family	104,145	121,983
Commercial and multi-family	131,282	149,454
Construction	205	1,043
Commercial business(1)	7,568	12,177
Home equity(2)	28,523	34,289
Consumer	961	1,069
Sub-total	272,684	320,015
Acquired loans with deteriorated credit:		
Residential one-to-four family	2,148	2,936
Commercial and multi-family	2,089	3,443
Construction	—	—
Commercial business(1)	375	241
Home equity(2)	91	140
Consumer	—	—
Sub-total	4,703	6,760
Total Loans	1,003,458	936,199
Less:		
Deferred loan fees, net	(2,141)	(1,535)
Allowance for loan losses	(13,881)	(12,363)
	(16,022)	(13,898)

Total Loans, net	$987,436	$ 922,301

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(1) Includes business lines of credit.
(2) Includes home equity lines of credit.

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Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

Allowance for Loan Losses

Management reviews the adequacy of the allowance on at least a quarterly basis to ensure that the provision for loan losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is adequate based on management's assessment of probable estimated losses. The Company's methodology for assessing the adequacy of the allowance for loan losses consists of several key elements. These elements include a general allocated reserve for impaired loans, a specific reserve for impaired loans and an unallocated portion.

The Company consistently applies the following comprehensive methodology. During the quarterly review of the allowance for loan losses, the Company considers a variety of factors that include:

- General economic conditions.
- Trends in charge-offs.
- Trends and levels of delinquent loans.
- Trends and levels of non-performing loans, including loans over 90 days delinquent.
- Trends in volume and terms of loans.
- Levels of allowance for specific classified loans.
- Credit concentrations.

The methodology includes the segregation of the loan portfolio by loans that are performing and loans that are impaired. Loans which are performing are evaluated collectively by loan class or loan type. The allowance for performing loans is evaluated based on historical loan loss experience, including consideration of peer loss analysis, with an adjustment for qualitative factors due to economic conditions in the Company's market. Impaired loans are loans which are 90 days or more delinquent or troubled debt restructured. These loans are individually evaluated for impairment either by current appraisal or net present value of expected cash flows. Management reviews the overall estimate of this allowance for reasonableness and bases the loan loss provision accordingly.

The portfolio of performing loans is segmented into the following loan classes, where the risk level for each class is analyzed when determining the allowance for these loans:

Residential single family real estate loans involve certain risks such as interest rate risk and risk of non-repayment. Adjustable-rate residential family real estate loans decrease the interest rate risk to the Company that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can additionally be affected by job loss, divorce, illness and personal bankruptcy of the borrower.

Commercial and multi-family real estate lending entails significant additional risks as compared with residential family property lending. Such loans typically involve large loan balances to single borrowers or groups of related borrowers. The payment experience on such loans is typically dependent on the successful operation of the real estate project. The success of such projects is sensitive to changes in supply and demand conditions in the market for commercial real estate as well as economic conditions generally.

Construction lending is generally considered to involve a high degree of risk due to the concentration of principal in a limited number of loans and borrowers and the effects of the general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property’s value at completion of the project and the total cost (including interest charges to completion) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor. Additionally, speculative construction loans to a builder are not ordinarily pre-sold and thus pose a greater potential risk to the Bank than construction loans to individuals on their personal residence.

Commercial business lending is generally considered high risk due to the concentration of principal in a limited number of loans and borrowers and the impact changing general economic conditions have on the business. Commercial business loans and lines of credit are primarily secured by inventories and other business assets. In most cases, any repossessed collateral for a defaulted commercial business loans will not provide an adequate source of repayment of the outstanding loan balance.

Home equity lending entails certain risks such as interest rate risk and risk of non-repayment. The marketability of the underlying property may be adversely affected by higher interest rates, decreasing the value of collateral securing the loan. Repayment risk can be affected by job loss, divorce, illness and personal bankruptcy of the borrower.

Home equity line of credit lending entails securing an equity interest in the borrower’s home. The principle risk associated with this type of lending is that the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can additionally be affected by job loss, divorce, illness and personal bankruptcy of the borrower. This type of lending is often priced on an adjustable rate basis with the rate set at or above a predefined index. Adjustable-rate loans decrease the interest rate risk to the Company that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default.

Consumer loans generally have more credit risk than loans secured by real estate because of the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans generally have shorter terms and higher interest rates than other lending. In addition, consumer lending collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely effected by job loss, divorce, illness and personal bankruptcy. In most cases, any repossessed collateral for a defaulted consumer loan will not provide an adequate source of repayment of the outstanding loan.

Acquired Loans added to portfolio via our purchase of Banks are recorded at fair value with no carryover of a related allowance for loan losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

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Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

We have acquired loans in two separate acquisitions.(Pamrapo Savings Bank in 2010 “Pamrapo” and Allegiance Community Bank in 2011 “Allegiance”) For each acquisition, we reviewed all acquired loans and considered the following factors as indicators that such an acquired loan had evidence of deterioration in credit quality and was therefore in the scope of Accounting Standards Codification (“ASC”) 310-30:

- Loans that were 90 days or more past due,
- Loans that had an internal risk rating of substandard or worse. Substandard is consistent with regulatory definitions and is defined as having a well defined weakness that jeopardizes liquidation of the loan,
- Loans that were classified as nonaccrual by the acquired bank at the time of acquisition, or,
- Loans that had been previously modified in a troubled debt restructuring.

Any acquired loans that were not individually in the scope of ASC 310-30 because they did not meet the criteria above were accounted for under ASC 310-20 (Nonrefundable fees and other costs.) Charge-offs of the principal amount on acquired loans accounted for under ASC 310-20 would be charged off against the allowance for loan losses.

Acquired loans accounted for under ASC 310-30

We performed a fair market valuation on each of the loans and each loan was recorded at a discount which includes the establishment of an associated “Credit Mark” reducing the carrying value of that loan to its fair value at the time of acquisition. We determined that at least part of the discount on the acquired loans was attributable to credit quality by reference to the valuation model used to estimate the fair value of the loan. The valuation model incorporated lifetime expected credit losses into the loans’ fair valuation in consideration of factors such as evidence of credit deterioration since origination and the amounts of contractually required principal and interest that we did not expect to collect as of the acquisition date. The excess of expected cash flows from acquired loans over the estimated fair value of acquired loans at acquisition is referred to as the accretable discount and is recognized into interest income over the remaining life of the acquired loans using the interest method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The nonaccretable discount represents estimated future credit losses expected to be incurred over the life of the acquired loans.

Subsequent decreases to the expected cash flows require us to evaluate the need for an addition to the allowance for loan losses. Subsequent improvements in expected cash flows result in the reversal of a corresponding amount of the nonaccretable discount which we then reclassify as accretable discount that is recognized into interest income over the remaining life of the loan using the interest method. Our evaluation of the amount of future cash flows that we expect to collect takes into account actual credit performance of the acquired loans to date and our best estimates for the expected lifetime credit performance of the loans using currently available information. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretable discount portion of the fair value adjustment. To the extent that we experience a deterioration in credit quality in our expected cash flows subsequent to the acquisition of the loans, an allowance for loan losses would be established based on our estimate of future credit losses over the remaining life of the loans.

In accordance with ASC 310-30, recognition of income is dependent on having a reasonable expectation about the timing and amount of cash flows expected to be collected. We perform such an evaluation on a quarterly basis on our acquired loans individually accounted for under ASC 310-30. Cash flows for acquired loans individually accounted for under ASC 310-30 are estimated on a quarterly basis. Based on this evaluation, a determination is made as to whether or not we have a reasonable expectation about the timing and amount of cash flows. Such an expectation includes cash flows from normal customer repayment, foreclosure or other collection efforts. To the extent that we cannot reasonably estimate cash flows, interest income recognition is discontinued.

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Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

The Company also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions which may cause a potential loan loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential loan losses is performed, these estimates lack some element of precision. Management must make estimates using assumptions and information that is often subjective and changing rapidly. In addition, as an integral part of their examination process, the Federal Deposit Insurance Corporation will periodically review the allowance for loan losses and may require us to adjust the allowance based on their analysis of information available to it at the time of its examination.

Classified Assets. The Company's policies provide for a classification system for problem assets. Under this classification system, problem assets are classified as "substandard," "doubtful," "loss" or "special mention." An asset is considered substandard if it is inadequately protected by its current net worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard assets include those characterized by the "distinct possibility" that "some loss" will be sustained if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weakness present makes "collection or liquidation in full" on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as loss are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted, and the loan, or a portion thereof, is charged-off. Assets may be designated special mention because of potential weaknesses that do not currently warrant classification in one of the aforementioned categories.

When the Company classifies problem loans, it may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. As of September 30, 2013, we had $6.5 million in loans classified as doubtful, $17.1 million in loans classified as substandard, $18.2 million in loans classified as special mention and no loans classified as loss. The loans classified as substandard represent primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily because either updated financial information has not been provided timely, or the collateral underlying the loan is in the process of being revalued.

The Company's internal credit risk grades are based on the definitions currently utilized by the banking regulatory agencies. The grades assigned and definitions are as follows, and loans graded excellent, above average, good and watch list (risk ratings 1-4) are treated as "pass" for grading purposes:

5 – Special Mention- Loans currently performing but with potential weaknesses including adverse trends in borrower's operations, credit quality, financial strength, or possible collateral deficiency.

6 – Substandard- Loans that are inadequately protected by current sound worth, paying capacity, and collateral support. The loan needs special and corrective attention.

7 – Doubtful- Weaknesses in credit quality and collateral support make full collection improbable, but pending reasonable factors remain sufficient to defer the loss status.

8 – Loss- Continuance as a bankable asset is not warranted. However, this does not preclude future attempts at partial recovery.

The current methodology for this calculation is determined with the Company's specific Historical Loss Percentage ("HLP") for each loan type, using two years of prior Company data (or eight quarters). The relative weights of prior quarters are decayed logarithmically and are further adjusted based on the trend of the historical loss percentage at the time. Also, instead of applying consistent percentages to each of the credit risk grades, the current methodology applies a higher factor to classified loans based on a delinquency risk trend and concentration risk trend by using the past due and non-accrual as a percentage of the specific loan category.

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Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

The following table sets forth the activity in the Company's allowance for loan losses for the three months ended September 30, 2013 and recorded investment in loans receivable at September 30, 2013. The table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan class. (In Thousands):

	Residential	**Commercial & Multi-family**	**Construction**	**Commercial Business (1)**	**Home Equity (2)**	**Consumer**	**Unal**
Allowance for credit losses:							
Originated Loans:	$1,661	$6,865	$1,065	$1,557	$299	$17	$388
Acquired loans recorded at fair value:	565	866	134	17	188	37	—
Acquired loans with deteriorated credit:	14	—	—	—	—	—	—
Beginning Balance, June 30, 2013	2,240	7,731	1,199	1,574	487	54	388
Charge-offs:							
Originated Loans:	6	27	—	10	1	—	—
Acquired loans recorded at fair value:	23	4	130	141	27	—	—
Acquired loans with deteriorated credit:	11	7	—	—	—	—	—
Sub-total:	40	38	130	151	28	—	—
Recoveries:							
Originated Loans:	7	—	—	—	6	—	—
Acquired loans recorded at fair value:	—	95	—	14	—	—	—
Acquired loans with deteriorated credit:	4	1	—	16	2	—	—
Sub-total:	11	96	—	30	8	—	—
Provisions:							
Originated Loans:	18	311	33	(121)	16	(1)	(56
Acquired loans recorded at fair value:	110	69	1	132	(56)	(1)	—
Acquired loans with deteriorated credit:	7	6	—	(16)	(2)	—	—
Sub-total:	135	386	34	(5)	(42)	(2)	(56
Totals:							
Originated Loans:	1,680	7,149	1,098	1,426	320	16	332
Acquired loans recorded at fair value:	652	1,026	5	22	105	36	—
Acquired loans with deteriorated credit:	14	—	—	—	—	—	—
Ending Balance, September 30, 2013	$2,346	$8,175	$1,103	$1,448	$425	$52	$332
Loans Receivable:							
Ending Balance Originated Loans:	92,828	523,628	34,591	46,906	27,528	590	—

Ending Balance Acquired loans recorded at fair value:	104,145	131,282	205	7,568	28,523	961	—
Ending Balance Acquired loans with deteriorated credit:	2,148	2,089	—	375	91	—	—
Total Gross Loans:	$199,121	$656,999	$34,796	$54,849	$56,142	$1,551	$—
Ending Balance: Loans individually evaluated for impairment:							
Ending Balance Originated Loans:	1,846	8,764	—	5,393	600	—	—
Ending Balance Acquired loans recorded at fair value:	10,458	12,809	—	44	1,622	5	—
Ending Balance Acquired loans with deteriorated credit:	2,148	1,821	—	375	91	—	—
Ending Balance Loans individually evaluated for impairment:	$14,452	$23,394	$—	$5,812	$2,313	$5	$—
Ending Balance: Loans collectively evaluated for impairment:							
Ending Balance Originated Loans:	90,982	514,864	34,591	41,513	26,928	590	—
Ending Balance Acquired loans recorded at fair value:	93,687	118,473	205	7,524	26,901	956	—
Ending Balance Acquired loans with deteriorated credit:	—	268	—	—	—	—	—
Ending Balance Loans collectively evaluated for impairment:	$184,669	$633,605	$34,796	$49,037	$53,829	$1,546	$—

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(1) Includes business lines of credit.
(2) Includes home equity lines of credit.

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Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

The following table sets forth the activity in the Company's allowance for loan losses for the nine months ended September 30, 2013. (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	$ 1,143	$ 7,088	$ 866	$ 576	$ 284	$ 41	$ 32	$ 10,030
Acquired loans recorded at fair value:	719	963	93	244	191	18	—	2,228
Acquired loans with deteriorated credit:	105	—	—	—	—	—	—	105
Beginning Balance, December 31, 2012	1,967	8,051	959	820	475	59	32	12,363
Charge-offs:								
Originated Loans:	6	27	—	233	1	—	—	267
Acquired loans recorded at fair value:	23	89	130	141	264	—	—	647
Acquired loans with deteriorated credit:	11	7	—	—	—	—	—	18
Sub-total:	40	123	130	374	265	—	—	932
Recoveries:								
Originated Loans:	42	—	3	—	6	—	—	51
Acquired loans recorded at fair value:	—	95	—	31	—	—	—	126
Acquired loans with deteriorated credit:	4	1	—	16	2	—	—	23
Sub-total:	46	96	3	47	8	—	—	200
Provisions:								
Originated Loans:	501	88	229	1,083	31	(25)	300	2,207
Acquired loans recorded at fair value:	(44)	57	42	(112)	178	18	—	139
Acquired loans with deteriorated credit:	(84)	6	—	(16)	(2)	—	—	(96)
Sub-total:	373	151	271	955	207	(7)	300	2,250
Totals:								