BCB BANCORP INC
Form 10-Q
August 09, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

S **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 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. S 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 o Accelerated Filer ý

Non-Accelerated Filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). £ Yes S 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). S Yes £ No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 1, 2013, BCB Bancorp, Inc., had 8,373,966 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

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

	June 30, 2013	December 31, 2012
ASSETS		
Cash and amounts due from depository institutions	$6,134	$6,242
Interest-earning deposits	45,082	27,905
Total cash and cash equivalents	51,216	34,147
Interest-earning time deposits	986	986
Securities available for sale	662	1,240
Securities held to maturity, fair value $129,692 and $171,603, respectively	127,834	164,648
Loans held for sale	1,668	1,602
Loans receivable, net of allowance for loan losses of $13,673 and $12,363, respectively	942,090	922,301
Premises and equipment, net	14,104	13,568
Federal Home Loan Bank of New York stock, at cost	7,030	7,698
Interest receivable	4,214	4,063
Other real estate owned	3,475	3,274
Deferred income taxes	10,405	10,053
Other assets	3,675	7,778
Total Assets	$1,167,359	$1,171,358
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing deposits	$102,917	$85,950
Interest bearing deposits	849,076	854,836
Total deposits	951,993	940,786
Short-term Borrowings	—	17,000
Long-term Debt	114,124	114,124
Other Liabilities	7,940	7,867
Total Liabilities	1,074,057	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, 10,842,479 and 10,841,079 shares, respectively, issued; 8,373,966 shares and 8,496,508 shares, respectively oustanding	694	694
Additional paid-in capital common stock	91,875	91,846
Treasury stock, at cost, 2,468,513 and 2,344,571 shares, respectively	(28,434)	(27,177)
Retained earnings	21,561	18,883
Accumulated other comprehensive loss	(964)	(1,235)
Total Stockholders' equity	93,302	91,581
Total Liabilities and Stockholders' equity	$1,167,359	$1,171,358

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income (loss)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Interest income:				
Loans	$ 13,246	$ 11,756	$ 26,239	$ 23,729
Investments, taxable	928	1,519	1,989	3,052
Investments, non-taxable	12	12	25	25
Other interest-earning assets	13	34	24	65
Total interest income	14,199	13,321	28,277	26,871
Interest expense:				
Deposits:				
Demand	107	160	210	354
Savings and club	91	135	177	302
Certificates of deposit	1,192	1,542	2,441	3,111
	1,390	1,837	2,828	3,767
Borrowed money	1,241	1,236	2,464	2,559
Total interest expense	2,631	3,073	5,292	6,326
Net interest income	11,568	10,248	22,985	20,545
Provision for loan losses	600	1,200	1,800	1,800
Net interest income after provision for loan losses	10,968	9,048	21,185	18,745
Non interest income:				
Fees and service charges	479	608	903	1,098
Gain on sales of loans originated for sale	227	316	346	669
Gain on sale of loans acquired	—	—	—	286
Loss on bulk sale of impaired loans held in portfolio	—	(7,342)	—	(7,342)
Gain on sale of securities held to maturity	135	66	360	193
Other	40	41	56	66
Total non interest income	881	(6,311)	1,665	(5,030)
Non interest expense:				
Salaries and employee benefits	3,719	3,891	7,186	7,823
Occupancy expense of premises	866	887	1,679	1,732
Equipment	1,282	1,151	2,448	2,599
Professional fees	568	595	1,027	1,026
Director fees	168	182	336	392
Regulatory assessments	278	295	543	606

Advertising	178	129	280	246
Other real estate owned	(32)	16	(116)	261
Other	562	853	1,109	1,696
Total non interest expense	7,589	7,999	14,492	16,381
Income (loss) before income tax provision	4,260	(5,262)	8,358	(2,666)
Income tax provision	1,707	(1,900)	3,395	(892)
Net Income (loss)	$ 2,553	$ (3,362)	$ 4,963	$ (1,774)
Preferred stock dividends	130	—	260	—
Net Income (loss) available to common stockholders	$ 2,423	$ (3,362)	$ 4,703	$ (1,774)
Net Income (loss) per common share-basic and diluted				
Basic	$ 0.29	$ (0.37)	$ 0.56	$ (0.19)
Diluted	$ 0.29	$ (0.37)	$ 0.56	$ (0.19)
Weighted average number of common shares outstanding				
Basic	8,411	9,142	8,446	9,289
Diluted	8,417	9,142	8,450	9,289

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net Income (loss)	$ 2,553	$ (3,362)	$ 4,963	$ (1,774)
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding gains arising during the period (a)	142	24	249	111
Less: reclassification adjustment for gains included in net income (b) (d)	—	—	—	—
Benefit plans (c)	11	34	22	34
Other comprehensive income	153	58	271	145
Comprehensive income (loss)	$ 2,706	$ (3,304)	$ 5,234	$ (1,629)

(a) Represents the net change of the unrealized gain on available-for-sale securities. Represents unrealized gains of $239,000, $40,000, $421,000 and $185,000, respectively, less deferred taxes of $98,000, $16,000, $172,000 and $74,000, respectively.

(b) No sales of available-for-sale securities occurred during the three and six months ended June 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, $56,000, $36,000 and $56,000, respectively, less deferred taxes of $7,000, $22,000, $14,000 and $22,000, respectively. The Statements of Income line items impacted by these amounts are salaries and employee benefits and income tax provision.

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

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

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

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Beginning Balance at January 1, 2013	$ —	$ 694	$ 100,416	$ (27,177)	$ 18,883	$ (1,235)	$ 91,581
Exercise of Stock Options (1,400 shares)	—	—	12	—	—	—	12
Stock-based compensation expense	—	—	17	—	—	—	17
Treasury Stock Purchases (123,942 shares)	—	—	—	(1,257)	—	—	(1,257)
Dividends payable on Series A 6% noncumulative perpetual preferred stock	—	—	—	—	(260)	—	(260)
Cash dividends on common stock ($0.24 per share) declared	—	—	—	—	(2,025)	—	(2,025)
Net income	—	—	—	—	4,963	—	4,963
Other comprehensive income	—	—	—	—	—	271	271
Ending Balance at June 30, 2013	$ —	$ 694	$ 100,445	$ (28,434)	$ 21,561	$ (964)	$ 93,302

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands, Unaudited)

	Six Months Ended June 30,	
	2013	2012
Cash Flows from Operating Activities :		
Net Income (loss)	$ 4,963	$ (1,774)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of premises and equipment	645	560
Amortization and accretion, net	604	856
Provision for loan losses	1,800	1,800
Deferred income tax (benefit)	(538)	(238)
Loans originated for sale	(11,909)	(26,533)
Proceeds from sale of loans originated for sale	9,314	27,916
Gain on sales of loans originated for sale	(346)	(669)
(Gain) loss on sales of other real estate owned	(123)	99
Fair value adjustment of other real estate owned	(110)	(193)
Gain on sales of securities held to maturity	(360)	(286)
Loss on bulk sale of impaired loans held in portfolio	—	7,342
Stock compensation expense	17	4
(Increase) decrease in interest receivable	(151)	757
(Decrease) increase in other assets	3,939	(2,018)
(Decrease) increase in accrued interest payable	(54)	1
Increase in other liabilities	326	1,555
Net Cash Provided by Operating Activities	8,017	9,179
Cash flows from investing activities:		
Proceeds from repayments and calls on securities held to maturity	29,012	33,693
Proceeds from call on securities available for sale	1,000	—
Purchases of securities held to maturity	(1,359)	(47,924)
Proceeds from sales of securities held to maturity	8,591	20,018
Proceeds from sale of loans acquired	—	10,836
Proceeds from sales of other real estate owned	3,042	2,835
Proceeds from bulk sale of impaired loans held in portfolio	—	10,235
Proceeds from sale of participation loans held in portfolio	24,224	—
Participation loans sold held in portfolio	(24,224)	—
Purchases of loans	(2,334)	(2,267)
Net (Increase) decrease in loans receivable	(19,194)	(12,423)
Improvements to other real estate owned	—	(59)
Additions to premises and equipment	(1,181)	(826)
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 Provided By Investing Activities	18,245	14,683
Cash flows from financing activities:		
Net increase (decrease) in deposits	11,207	(12,793)
Repayment of long-term debt	—	(15,407)
Repayment of short-term debt	(17,000)	—
Purchases of treasury stock	(1,257)	(7,393)
Cash dividend paid common stock	(2,025)	(2,244)
Cash dividend paid preferred stock	(130)	—
Exercise of stock options	12	55
Net Cash Used In Financing Activities	(9,193)	(37,782)
Net Increase (Decrease) In Cash and Cash Equivalents	17,069	(13,920)
Cash and Cash Equivalents-Begininng	34,147	117,087
Cash and Cash Equivalents-Ending	$ 51,216	$ 103,167
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	$ 27	$ 1,929
Interest	$ 5,346	$ 6,325
Non-cash items:		
Transfer of loans to other real estate owned	$ 3,010	$ 2,373
Loans to facilitate sale of othe real estate owned	—	616
Reclassification of loans originated for sale to held to maturity	$ 2,875	$ 2,146

See accompanying notes to 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 June 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 has been 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. The Company conducted in 2012 a quantitative analysis identifying 122 loans with outstanding principal loan balances totaling approximately $38.0 million. At June 30, 2013, borrowers of $25.0 million of the loans have either fully completed the restoration process or have paid the loan in full. The remaining $13.0 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 $149,000 at June 30, 2013. The Company will continue to monitor the ongoing status of the Hurricane Sandy impacted loans to determine if the established provision needs adjustment.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued 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 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 an impact on the Company's financial condition, results of operations, or cash flows.

Note 2 – Reclassification

Certain amounts as of December 31, 2012 and the period ended June 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.

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Note 3 – Pension and Other Postretirement Plans

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

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Pension plan:				
Interest cost	$ 98	$ 111	$ 196	$ 222
Expected return on plan assets	(137)	(100)	(274)	(200)
Amortization of unrecognized loss	18	56	36	56
Net periodic pension cost	(21)	67	(42)	78
SERP plan:				
Interest cost	$ 4	$ 5	$ 8	$ 10
Net periodic postretirement cost	$ 4	$ 5	$ 8	$ 10

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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 first quarter of 2013, there were 130,000 stock options granted and there were no stock options granted during the three months ended June 30, 2013.

A summary of stock option activity, adjusted to retroactively reflect subsequent 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	130,000	9.03	9.03
Options exercised	(1,400)	**8.93-9.34**	9.05
Options forfeited	(3,125)	11.84	11.84
Options expired	(5,431)	18.41	18.41
Outstanding at June 30, 2013	394,340	$ **8.93-29.25**	$ 10.92

As of June 30, 2013, stock options which are granted and were exercisable totaled 214,840 stock options.

The key valuation assumptions and fair value of stock options granted during the three months ended March 31, 2013 were:

Expected life	7.75 years
Risk-free interest rate	1.44 %
Volatility	30.56 %
Dividend yield	4.57 %

Fair value	$1.59

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 179,500 shares underlying unexercised options outstanding as of June 30, 2013 is $265,332 over a weighted average period of 9.22 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 six months ended June 30, 2013, the weighted average of outstanding options considered to be anti-dilutive were 343,252 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 June 30,					
	2013			2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	$2,423			$(3,362)		
Basic earnings per share- Income available to Common stockholders	$2,423	8,411	$ 0.29	$(3,362)	9,142	$ (0.37)
Effect of dilutive securities: Stock options	—	6		—	—	
Diluted earnings per share- Income available to Common stockholders	$2,423	8,417	$ 0.29	$(3,362)	9,142	$ (0.37)

	For the Six Months Ended June 30,					
	2013			2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	$4,703			$(1,774)		
Basic earnings per share-						

Income available to Common stockholders	$4,703	8,446	$ 0.56	$(1,774)	9,289	$ (0.19)
Effect of dilutive securities:						
Stock options	—	4		—	—	
Diluted earnings per share- Income available to Common stockholders	$4,703	8,450	$ 0.56	$(1,774)	9,289	$ (0.19)

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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 June 30, 2013 and December 31, 2012.

	June 30, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$97	$ 565	$ —	$ 662

	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 June 30, 2013.

	June 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	$ 18	$ 1	$ —	$ 19
Due after five years through ten years	5,059	2	(135)	4,926
Due after ten years	121,021	2,701	(766)	122,956
	126,098	2,704	(901)	127,901
Municipal obligations:				
Due after five to ten years	968	36	—	1,004
Due after ten years	392	13	—	405
	1,360	49	—	1,409
Trust originated preferred security:				
Due after ten years	376	6	—	382
	$ 127,834	$ 2,759	$ (901)	$ 129,692

The following table presents by maturity the amortized cost and gross unrealized gains and losses on securities held to maturity as of December 31, 2012.

	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 June 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 six months ended June 30, 2013, proceeds from sales of securities held to maturity totaled approximately $8.59 million and resulted in gross gains of approximately $375,000 and gross losses of approximately $15,000.

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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)					
June 30, 2013						
Residential mortgage-backed securities	$45,493	$ 899	$ 465	$ 2	$45,958	$ 901
	$45,493	$ 899	$ 465	$ 2	$45,958	$ 901
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 June 30, 2013, (which are related to twenty-five residential mortgage-backed securities including two that have been in an unrealized loss position for more than twelve months) 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 June 30, 2013 and December 31, 2012 by segment and class.

	June 30, 2013	December 31, 2012
	(In Thousands)	
Originated loans:		
Residential one-to-four family	$86,153	$ 78,007
Commercial and multi-family	478,277	435,371
Construction	26,078	22,267
Commercial business(1)	47,078	47,250
Home equity(2)	25,755	25,964
Consumer	438	565
Sub-total	663,779	609,424
Acquired loans recorded at fair value:		
Residential one-to-four family	109,853	121,983
Commercial and multi-family	140,211	149,454
Construction	334	1,043
Commercial business(1)	7,409	12,177
Home equity(2)	30,450	34,289
Consumer	999	1,069
Sub-total	289,256	320,015
Acquired loans with deteriorated credit:		
Residential one-to-four family	2,154	2,936
Commercial and multi-family	2,071	3,443
Construction	—	—
Commercial business(1)	324	241
Home equity(2)	92	140
Consumer	—	—
Sub-total	4,641	6,760
Total Loans	957,676	936,199
Less:		
Deferred loan fees, net	(1,913)	(1,535)
Allowance for loan losses	(13,673)	(12,363)
	(15,586)	(13,898)

Total Loans, net	$942,090	$ 922,301

(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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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 accreteble 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 June 30, 2013, we had $8.4 million in loans classified as doubtful, $15.5 million in loans classified as substandard, and $15.8 million in loans classified as special mention. 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 June 30, 2013 and recorded investment in loans receivable at June 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	Una
Allowance for credit losses:							
Originated Loans:	$1,416	$6,957	$659	$1,332	$325	$48	$18
Acquired loans recorded at fair value:	622	1,323	101	43	218	5	—
Acquired loans with deteriorated credit:	112	—	—	—	—	—	—
Beginning Balance, March 31, 2013	$2,150	$8,280	$760	$1,375	$543	$53	$18
Charge-offs:							
Originated Loans:	—	—	—	—	—	—	—
Acquired loans recorded at fair value:	—	85	—	—	237	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—
Sub-total:	—	85	—	—	237	—	—
Recoveries:							
Originated Loans:	35	—	—	—	—	—	—
Acquired loans recorded at fair value:	—	—	—	16	—	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—
Sub-total:	35	—	—	16	—	—	—
Provisions:							
Originated Loans:	210	(92)	406	225	(26)	(31)	20
Acquired loans recorded at fair value:	(57)	(372)	33	(42)	207	32	—
Acquired loans with deteriorated credit:	(98)	—	—	—	—	—	—
Sub-total:	55	(464)	439	183	181	1	20
Totals:							
Originated Loans:	1,661	6,865	1,065	1,557	299	17	38
Acquired loans recorded at fair value:	565	866	134	17	188	37	—
Acquired loans with deteriorated credit:	14	—	—	—	—	—	—
Ending Balance, June 30, 2013	$2,240	$7,731	$1,199	$1,574	$487	$54	$38
Loans Receivable:							
Ending Balance Originated Loans:	86,153	478,277	26,078	47,078	25,755	438	—
Ending Balance Acquired loans recorded at fair value:	109,853	140,211	334	7,409	30,450	999	—
Ending Balance Acquired loans with deteriorated credit:	2,154	2,071	—	324	92	—	—
Total Gross Loans:	$198,160	$620,559	$26,412	$54,811	$56,297	$1,437	$—

Ending Balance: Loans individually evaluated for impairment:							
Ending Balance Originated Loans:	1,995	12,660	—	3,412	784	29	—
Ending Balance Acquired loans recorded at fair value:	10,708	15,412	130	1,014	1,087	3	—
Ending Balance Acquired loans with deteriorated credit:	2,154	1,801	—	324	92	—	—
Ending Balance Loans individually evaluated for impairment:	$14,857	$29,873	$130	$4,750	$1,963	$32	$—
Ending Balance: Loans collectively evaluated for impairment:							
Ending Balance Originated Loans:	84,158	465,617	26,078	43,666	24,971	409	—
Ending Balance Acquired loans recorded at fair value:	99,145	124,799	204	6,395	29,363	996	—
Ending Balance Acquired loans with deteriorated credit:	—	270	—	—	—	—	—
Ending Balance Loans collectively evaluated for impairment:	$183,303	$590,686	$26,282	$50,061	$54,334	$1,405	$—

(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 six months ended June 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:	—	—	—	223	—	—	—	223
Acquired loans recorded at fair value:	—	85	—	—	237	—	—	322
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	—	85	—	223	237	—	—	545
Recoveries:								
Originated Loans:	35	—	3	—	—	—	—	38
Acquired loans recorded at fair value:	—	—	—	17	—	—	—	17
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	35	—	3	17	—	—	—	55
Provisions:								
Originated Loans:	483	(223)	196	1,204	15	(24)	356	2,007
Acquired loans recorded at fair value:	(154)	(12)	41	(244)	234	19	—	(116)
Acquired loans with deteriorated credit:	(91)	—	—	—	—	—	—	(91)
Sub-total:	238	(235)	237	960	249	(5)	356	1,800
Totals:								
Originated Loans:	1,661	6,865	1,065	1,557	299	17	388	11,852
Acquired loans recorded at fair value:	565	866	134	17	188	37	—	1,807
Acquired loans with deteriorated credit:	14	—	—	—	—	—	—	14
Ending Balance, June 30, 2013	$ 2,240	$ 7,731	$ 1,199	$ 1,574	$ 487	$ 54	$ 388	$ 13,673

(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 year ended December 31, 2012 and recorded investment in loans receivable at December 31, 2012. 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	Una
Allowance for credit losses:							
Originated Loans:	$1,086	$4,769	$183	$795	$329	$10	$—
Acquired loans recorded at fair value:	1,012	559	6	92	315	—	—
Acquired loans with deteriorated credit:	581	470	115	154	33	—	—
Beginning Balance, December 31, 2011	$2,679	$5,798	$304	$1,041	$677	$10	$—
Charge-offs:							
Originated Loans:	253	468	4	541	5	—	—
Acquired loans recorded at fair value:	540	867	288	96	19	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—
Sub-total:	793	1,335	292	637	24	—	—
Recoveries:							
Originated Loans:	—	35	—	—	—	—	—
Acquired loans recorded at fair value:	—	—	—	—	—	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—
Sub-total:	—	35	—	—	—	—	—
Provisions:							
Originated Loans:	310	2,752	687	322	(40)	31	32
Acquired loans recorded at fair value:	247	1,271	375	248	(105)	18	—
Acquired loans with deteriorated credit:	(476)	(470)	(115)	(154)	(33)	—	—
Sub-total:	81	3,553	947	416	(178)	49	32
Totals:							
Originated Loans:	1,143	7,088	866	576	284	41	32
Acquired loans recorded at fair value:	719	963	93	244	191	18	—
Acquired loans with deteriorated credit:	105	—	—	—	—	—	—
Ending Balance, December 31, 2012	$1,967	$8,051	$959	$820	$475	$59	$32
Loans Receivable:							
Ending Balance Originated Loans:	78,007	435,371	22,267	47,250	25,964	565	—
Ending Balance Acquired loans recorded at fair value:	121,983	149,454	1,043	12,177	34,289	1,069	—

Ending Balance Acquired loans with deteriorated credit:	2,936	3,443	—	241	140	—	—
Total Gross Loans:	$202,926	$588,268	$23,310	$59,668	$60,393	$1,634	$—
Ending Balance: Loans individually evaluated for impairment:							
Ending Balance Originated Loans:	1,148	9,310	—	2,874	395	—	—
Ending Balance Acquired loans recorded at fair value:	9,702	14,277	130	432	2,163	—	—
Ending Balance Acquired loans with deteriorated credit:	2,183	2,802	—	241	93	—	—
Ending Balance Loans individually evaluated for impairment:	$13,033	$26,389	$130	$3,547	$2,651	$—	$—
Ending Balance: Loans collectively evaluated for impairment:							
Ending Balance Originated Loans:	76,859	426,061	22,267	44,376	25,569	565	—
Ending Balance Acquired loans recorded at fair value:	112,281	135,177	913	11,745	32,126	1,069	—
Ending Balance Acquired loans with deteriorated credit:	753	641	—	—	47	—	—
Ending Balance Loans collectively evaluated for impairment:	$189,893	$561,879	$23,180	$56,121	$57,742	$1,634	$—

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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 three months ended June 30, 2012. (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	$ 962	$ 5,113	$ 343	$ 843	$ 336	$ 4	$ 64	$ 7,665
Acquired loans recorded at fair value:	1,517	727	5	232	331	24	—	2,836
Acquired loans with deteriorated credit:	270	—	155	—	10	—	—	435
Beginning Balance, March 31, 2012	$ 2,749	$ 5,840	$ 503	$ 1,075	$ 677	$ 28	$ 64	$ 10,936
Charge-offs:								
Originated Loans:	—	107	—	14	—	—	—	121
Acquired loans recorded at fair value:	142	415	—	26	19	—	—	602
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	142	522	—	40	19	—	—	723
Recoveries:								
Originated Loans:	—	—	—	—	—	—	—	—
Acquired loans recorded at fair value:	—	—	—	—	—	—	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	—	—	—	—	—	—	—	—
Provisions:								
Originated Loans:	529	1,060	634	(169)	(157)	(1)	21	1,917
Acquired loans recorded at fair value:	(275)	(312)	(5)	35	(312)	(21)	—	(890)
Acquired loans with deteriorated credit:	(84)	411	(155)	—	1	—	—	173
Sub-total:	170	1,159	474	(134)	(468)	(22)	21	1,200
Totals:								
Originated Loans:	1,491	6,066	977	660	179	3	85	9,461
Acquired loans recorded at fair value:	1,100	—	—	241	—	3	—	1,344
Acquired loans with deteriorated credit:	186	411	—	—	11	—	—	608
Ending Balance, June 30, 2012	$ 2,777	$ 6,477	$ 977	$ 901	$ 190	$ 6	$ 85	$ 11,413

(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 six months ended June 30, 2012. (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	$ 1,086	$ 4,769	$ 183	$ 795	$ 329	$ 10	$ —	$ 7,172
Acquired loans recorded at fair value:	1,012	559	6	92	315	—	—	1,984
Acquired loans with deteriorated credit:	581	470	115	154	33	—	—	1,353
Beginning Balance, December 31, 2011	$ 2,679	$ 5,798	$ 304	$ 1,041	$ 677	$ 10	$ —	$ 10,509
Charge-offs:								
Originated Loans:	—	107	—	14	—	—	—	121
Acquired loans recorded at fair value:	199	426	35	96	19	—	—	775
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	199	533	35	110	19	—	—	896
Recoveries:								
Originated Loans:	—	—	—	—	—	—	—	—
Acquired loans recorded at fair value:	—	—	—	—	—	—	—	—
Acquired loans with deteriorated credit:	—	—	—	—	—	—	—	—
Sub-total:	—	—	—	—	—	—	—	—
Provisions:								
Originated Loans:	405	1,404	794	(121)	(150)	(7)	85	2,410
Acquired loans recorded at fair value:	287	(133)	29	245	(296)	3	—	135
Acquired loans with deteriorated credit:	(395)	(59)	(115)	(154)	(22)	—	—	(745)
Sub-total:	297	1,212	708	(30)	(468)	(4)	85	1,800
Totals:								
Originated Loans:	1,491	6,066	977	660	179	3	85	9,461
Acquired loans recorded at fair value:	1,100	—	—	241	—	3	—	1,344
Acquired loans with deteriorated credit:	186	411	—	—	11	—	—	608
Ending Balance, June 30, 2012	$ 2,777	$ 6,477	$ 977	$ 901	$ 190	$ 6	$ 85	$ 11,413

(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 tables below sets forth the amounts and types of non-accrual loans in the Company's loan portfolio as of June 30, 2013 and December 31, 2012. Loans are placed on non-accrual status when they become more than 90 days delinquent, or when the collection of principal and/or interest become doubtful. As of June 30, 2013 and December 31, 2012, total non-accrual loans differed from the amount of total loans past due greater than 90 days due to troubled debt restructuring of loans which are maintained on non-accrual status for a minimum of six months until the borrower has demonstrated its ability to satisfy the terms of the restructured loan.

	As of June 30, 2013 (In Thousands)	As of December 31, 2012 (In Thousands)
Non-Accruing Loans:		
Originated loans:		
Residential one-to-four family	$ 507	$ —
Commercial and multi-family	3,506	2,325
Construction	—	—
Commercial business(1)	1,554	2,105
Home equity(2)	406	129
Consumer	—	—
Sub-total:	$ 5,973	$ 4,559
Acquired loans recorded at fair value:		
Residential one-to-four family	$ 4,706	$ 2,163
Commercial and multi-family	9,544	10,612
Construction	130	130
Commercial business(1)	92	813
Home equity(2)	710	1,435
Consumer	—	—
Sub-total:	$ 15,182	$ 15,153
Acquired loans with deteriorated credit:		
Residential one-to-four family	$ —	$ —
Commercial and multi-family	106	106
Construction	—	—
Commercial business(1)	241	241
Home equity(2)	139	—
Consumer	—	—
Sub-total:	$ 486	$ 347
Total	$ 21,641	$ 20,059

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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 summarizes the average recorded investment and interest income recognized on impaired loans with no related allowance recorded by portfolio class for the three and six months ended June 30, 2013 and 2012. (In Thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2013	2012	2012	2013	2013	2012	2012
Originated loans	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:								
Residential one-to-four family	$518	$ 5	$1,298	$ 25	$485	$ 13	$1,149	$ 33
Commercial and multi-family	5,954	96	13,387	28	5,368	143	14,858	143
Construction	—	—	1,998	102	—	—	2,032	102
Commercial business(1)	2,187	18	1,693	5	2,059	28	1,480	17
Home equity(2)	319	2	541	3	312	7	427	6
Consumer	15	1	—	—	10	1	—	—
Sub-total:	$8,993	$ 122	$18,917	$ 163	$8,234	$ 192	$19,946	$ 301
Acquired loans recorded at fair value With no related allowance recorded:								
Residential one-to-four family	$4,253	$ 46	$912	$ 22	$3,812	$ 93	$658	$ 37
Commercial and Multi-family	6,056	53	3,049	62	6,099	84	2,699	110
Construction	101	—	144	—	67	2	192	—
Commercial business(1)	88	3	193	—	101	4	212	—
Home equity(2)	1,532	13	1,488	6	1,529	21	1,096	18
Consumer	2	—	5	—	1	—	3	—
Sub-total:	$12,032	$ 115	$5,791	$ 90	$11,609	$ 204	$4,860	$ 165
Acquired loans with deteriorated Credit with no related allowance Recorded:								
Residential one-to-four family	$1,740	$ 29	$2,435	$ —	$1,719	$ 60	$2,413	$ —
Commercial and Multi-family	2,164	26	4,343	—	2,376	48	3,932	—
Construction	—	—	13	—	—	—	17	—
Commercial business(1)	325	1	195	—	326	5	247	—
Home equity(2)	93	5	128	—	93	7	152	—
Consumer	—	—	—	—	—	—	—	—

Sub-total:	$4,322	$ 61	$7,114	$ —	$4,514	$ 120	$6,761	$ —
Total Impaired Loans With no related allowance recorded:	$25,347	$ 298	$31,822	$ 253	$24,357	$ 516	$31,567	$ 466

(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 summarizes the average recorded investment and interest income recognized on impaired loans with allowance recorded by portfolio class for the three and six months ended June 30, 2013 and 2012. (In Thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2013	2013	2012	2012	2013	2013	2012	2012
Originated loans	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:								
Residential one-to-four family	$1,153	$ 11	$1,464	$ 12	$1,012	$ 21	$1,343	$ 30
Commercial and Multi-family	5,100	6	7,328	49	5,104	49	7,785	145
Construction	—	—	—	—	—	—	—	—
Commercial business(1)	1,205	13	1,785	17	1,161	45	1,706	20
Home equity(2)	268	—	102	2	211	7	86	3
Consumer	—	—	—	—	—	—	—	—
Sub-total:	$7,726	$ 30	$10,679	$ 80	$7,488	$ 122	$10,920	$ 198
Acquired loans recorded at fair value								
With an allowance recorded:								
Residential one-to-four family	$6,380	$ —	$7,608	$ 89	$6,511	$ 73	$5,520	$ 223
Commercial and Multi-family	8,569	—	6,017	83	8,409	103	5,811	154
Construction	130	—	166	6	130	—	111	6
Commercial business(1)	485	—	392	—	425	—	418	—
Home equity(2)	415	—	426	4	490	7	384	8
Consumer	3	—	—	—	2	—	—	—
Sub-total	$15,982	$ —	$14,609	$ 182	$15,967	$ 183	$12,244	$ 391
Acquired loans with deteriorated credit								
With an allowance recorded:								
Residential one-to-four family	$417	$ —	$1,952	$ 26	$447	$ 1	$1,801	$ 29
Commercial and Multi-family	—	—	354	—	—	—	685	—
Construction	—	—	154	—	—	—	212	—
Commercial business(1)	—	—	—	—	—	—	—	—
Home equity(2)	—	—	58	—	—	—	58	—
Consumer	—	—	—	—	—	—	—	—

Sub-total:	$417	$ —	$2,518	$ 26	$447	$ 1	$2,756	$ 29
Total Impaired Loans								
With an allowance recorded:	$24,125	$ 30	$27,806	$ 288	$23,902	$ 306	$25,920	$ 618

(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 summarizes the recorded investment and unpaid principal balances where there is no related allowance on impaired loans by portfolio class at June 30, 2013 and December 31, 2012. (In Thousands):

	As of June 30, 2013			As of December 31, 2012		
Originated loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With no related allowance recorded:						
Residential one-to-four family	$418	$ 418	$ —	$ 418	$ 418	$ —
Commercial and multi-family	7,562	7,562	—	4,197	4,197	—
Construction	—	—	—	—	—	—
Commercial business(1)	2,067	2,067	—	1,802	1,802	—
Home equity(2)	318	318	—	297	297	—
Consumer	29	29	—	—	—	—
Sub-total:	$10,394	$ 10,394	$ —	$ 6,714	$ 6,714	$ —
Acquired loans recorded at fair Value with no related allowance Recorded:						
Residential one-to-four family	$4,745	$ 4,745	$ —	$ 2,930	$ 2,930	$ —
Commercial and Multi-family	6,556	6,556	—	6,187	6,187	—
Construction	—	—	—	—	—	—
Commercial business(1)	92	92	—	126	126	—
Home equity(2)	1,087	1,087	—	1,523	1,523	—
Consumer	3	3	—	—	—	—
Sub-total:	$12,483	$ 12,483	$ —	$ 10,766	$ 10,766	$ —
Acquired loans with deteriorated Credit with no related allowance Recorded:						
Residential one-to-four family	$2,061	$ 2,792	$ —	$ 1,676	$ 2,366	$ —
Commercial and Multi-family	1,801	2,321	—	2,802	3,443	—
Construction	—	—	—	—	—	—
Commercial business(1)	324	618	—	327	621	—
Home equity(2)	92	139	—	93	139	—
Consumer	—	—	—	—	—	—
Sub-total:	$4,278	$ 5,870	$ —	$ 4,898	$ 6,569	$ —

Total Impaired Loans						
With no related allowance recorded:	$27,155	$ 28,747	$ —	$22,378	$ 24,049	$ —

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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 summarizes the recorded investment, unpaid principal balance, and the related allowance on impaired loans by portfolio class at June 30, 2013 and December 31, 2012. (In Thousands):

	As of June 30, 2013			As of December 31, 2012		
Originated loans	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
With an allowance recorded:						
Residential one-to-four family	$1,577	$ 1,577	$ 164	$730	$ 730	$ 33
Commercial and Multi-family	5,098	5,098	408	5,113	5,113	399
Construction	—	—	—	—	—	—
Commercial business[1]	1,345	1,345	893	1,072	1,072	105
Home equity[2]	466	466	2	98	98	1
Consumer	—	—	—	—	—	—
Sub-total:	$8,486	$ 8,486	$ 1,467	$7,013	$ 7,013	$ 538
Acquired loans recorded at fair Value with an allowance Recorded:						
Residential one-to-four family	$5,963	$ 5,963	$ 357	$6,772	$ 6,772	$ 359
Commercial and Multi-family	8,856	8,856	736	8,090	8,090	662
Construction	130	130	130	130	130	96
Commercial business[1]	922	922	189	306	306	248
Home equity[2]	—	—	—	640	640	112
Consumer	—	—	—	—	—	—
Sub-total	$15,871	$ 15,871	$ 1,412	$15,938	$ 15,938	$ 1,477
Acquired loans with deteriorated Credit with an allowance Recorded:						
Residential one-to-four family	$93	$ 108	$ 14	$507	$ 570	$ 105
Commercial and Multi-family	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial business[1]	—	—	—	—	—	—
Home equity[2]	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Sub-total:	$93	$ 108	$ 14	$507	$ 570	$ 105

Total Impaired Loans With an allowance recorded:	$24,450	$ 24,465	$ 2,893	$23,458	$ 23,521	$ 2,120
Total Impaired Loans With no related allowance recorded:	$27,155	$ 28,747	$ —	$22,378	$ 24,049	$ —
Total Impaired Loans:	$51,605	$ 53,212	$ 2,893	$45,836	$ 47,570	$ 2,120

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

The following table presents the total troubled debt restructured loans at June 30, 2013.

	Accrual		Non-accrual		Total	
June 30, 2013	# of Loans	Amount	# of Loans	Amount	# of Loans	Amount
Originated loans:						
Residential one-to-four family	5	$1,145	2	$651	7	$1,796
Commercial and multi-family	5	5,161	8	2,617	13	7,778
Construction	—	—	—	—	—	—
Commercial business(1)	4	2,194	2	2,086	6	4,280
Home equity(2)	3	236	2	398	5	634
Consumer	—	—	—	—	—	—
Sub-total:	17	$8,736	14	$5,752	31	$14,488
Acquired loans recorded at fair value:						
Residential one-to-four family	34	$9,093	5	$2,011	39	$11,104
Commercial and Multi-family	14	7,153	15	5,539	29	12,692
Construction	—	—	—	—	—	—
Commercial business(1)	1	377	3	306	4	683
Home equity(2)	7	866	1	91	8	957
Consumer	—	—	—	—	—	—
Sub-total:	56	$17,489	24	$7,947	80	$25,436
Acquired loans with deteriorated credit:						
Residential one-to-four family	—	$—	—	$—	—	$—
Commercial and Multi-family	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial business(1)	—	—	—	—	—	—
Home equity(2)	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Sub-total:	—	$—	—	$—	—	$—
Total	73	$26,225	38	$13,699	111	$39,924

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

The following table presents the total troubled debt restructured loans at December 31, 2012.

December 31, 2012	Accrual # of Loans	Accrual Amount	Non-accrual # of Loans	Non-accrual Amount	Total # of Loans	Total Amount
Originated loans:						
Residential one-to-four family	5	$1,147	—	$—	5	$1,147
Commercial and multi-family	5	5,494	6	2,325	11	7,819
Construction	—	—	—	—	—	—
Commercial business(1)	3	1,608	1	1,266	4	2,874
Home equity(2)	3	253	—	—	3	253
Consumer	—	—	—	—	—	—
Sub-total:	16	$8,502	7	$3,591	23	$12,093
Acquired loans recorded at fair value:						
Residential one-to-four family	31	$9,252	5	$1,037	36	$10,289
Commercial and Multi-family	15	6,935	6	3,139	21	10,074
Construction	—	—	—	—	—	—
Commercial business(1)	—	—	—	—	—	—
Home equity(2)	7	653	2	276	9	929
Consumer	—	—	—	—	—	—
Sub-total:	53	$16,840	13	$4,452	66	$21,292
Acquired loans with deteriorated credit:						
Residential one-to-four family	—	$—	—	$—	—	$—
Commercial and Multi-family	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Commercial business(1)	—	—	—	—	—	—
Home equity(2)	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Sub-total:	—	$—	—	$—	—	$—
Total	69	$25,342	20	$8,043	89	$33,385

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

A troubled debt restructuring ("TDR") is a loan that has been modified whereby the Company has agreed to make certain concessions to a borrower to meet the needs of both the borrower and the Company to maximize the ultimate recovery of a loan. TDR occurs when a borrower is experiencing, or is expected to experience, financial difficulties and the loan is modified using a modification that would otherwise not be granted to the borrower. The types of concessions granted are generally included, but not limited to interest rate reductions, limitations on the accrued interest charged, term extensions, and deferment of principal. As of June 30, 2013 and December 31, 2012, TDR's totaled $39.9 million and $33.4 million, respectively.

The following table summarizes information in regards to troubled debt restructurings which occurred during the three months ended June 30, 2013. (In Thousands):

Three Months Ended June 30, 2013	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	2	$ 509	$ 652
Commercial and multi-family	1	432	432
Construction	—	—	—
Commercial business(1)	1	822	822
Home equity(2)	2	393	398
Consumer	—	—	—
Sub-total:	6	$ 2,156	$ 2,304
Acquired loans recorded at fair value:			
Residential one-to-four family	5	$ 1,963	$ 1,993
Commercial and Multi-family	4	2,220	2,386
Construction	—	—	—
Commercial business(1)	—	—	—
Home equity(2)	1	99	100
Consumer	—	—	—
Sub-total:	10	$ 4,282	$ 4,479
Acquired loans with deteriorated credit:			
Residential one-to-four family	—	$ —	$ —