BCB BANCORP INC
Form 10-K
March 17, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

T Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934
For the fiscal ended December 31, 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: 000-50275

BCB BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey	26-0065262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

Registrant's telephone number, including area code: (201) 823-0700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES * NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES * NO

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES * NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.*

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 such shorter period that the Registrant was required to submit and post such files). YES NO *

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer *Accelerated filer Non-accelerated filer *Smaller reporting company *

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES * NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2013, as reported by the Nasdaq Capital Market, was approximately $71.0 million.

As of March 3, 2014, there were issued 8,341,842 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for the 2014 Annual Meeting of Stockholders of the Registrant (Part III).

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This report on Form 10-K contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of BCB Bancorp, Inc. and subsidiaries. This document may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements, which are based on certain assumptions and describe future plans, strategies, and expectations of the Company, are generally identified by use of the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “seek,” “strive,” “try,” or future or conditional verbs such as “will,” “would,” “could,” “may,” or similar expressions. Although we believe that our plans, intentions and expectations, as reflected in these forward-looking statements are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or realized. By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that could cause our actual results and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed below and under “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K. You should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this report. We do not assume any obligation to revise forward-looking statements except as may be required by law.

PART I

ITEM 1. BUSINESS

BCB Bancorp, Inc.

BCB Bancorp, Inc. (the “Company”) is a New Jersey corporation, and is the holding company parent of BCB Community Bank (the “Bank”). The Company has not engaged in any significant business activity other than owning all of the outstanding common stock of BCB Community Bank. Our executive office is located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our telephone number is (201) 823-0700. At December 31, 2013 we had $1.21 billion in consolidated assets, $968.7 million in deposits and $100.1 million in consolidated stockholders’ equity. The Company is subject to extensive regulation by the Board of Governors of the Federal Reserve System.

BCB Community Bank

BCB Community Bank opened for business on November 1, 2000 as Bayonne Community Bank, a New Jersey chartered commercial bank. We changed our name from Bayonne Community Bank to BCB Community Bank in April of 2007. At December 31, 2013, we operated through eleven branches in Bayonne, Jersey City, Hoboken, Monroe Township, South Orange, and Woodbridge, New Jersey and through our executive office located at 104-110 Avenue C and our administrative office located at 591-595 Avenue C, Bayonne, New Jersey 07002. Our deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) and we are a member of the Federal Home Loan Bank System.

We are a community-oriented financial institution. Our business is to offer FDIC-insured deposit products and to invest funds held in deposit accounts at the Bank, together with funds generated from operations, in investment securities and loans. We offer our customers:

- loans, including commercial and multi-family real estate loans, one- to four-family mortgage loans, home equity loans, construction loans, consumer loans and commercial business loans. In recent years the primary growth in our loan portfolio has been in loans secured by commercial real estate and multi-family properties;
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FDIC-insured deposit products, including savings and club accounts, non-interest bearing accounts, money market accounts, certificates of deposit and individual retirement accounts; and

- retail and commercial banking services including wire transfers, money orders, traveler's checks, safe deposit boxes, a night depository, bond coupon redemption and automated teller services.

Significant Events

On October 30, 2013, the Company amended its Restated Certificate of Incorporation to revise Article V to amend certain terms related to the Series A 6% Noncumulative Perpetual Preferred Stock and to create a new Series B 6% Noncumulative Perpetual Preferred Stock, which sets forth the number of shares to be included in such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. Such amendment to the Restated Certificate of Incorporation was approved by the directors of BCB Bancorp, Inc. on February 20, 2013.

On October 31, 2013, the Company closed a private placement of Series B Noncumulative Perpetual Preferred Stock, resulting in the issuance of 401 shares of Series B 6% Non-Cumulative Perpetual Preferred Shares for gross proceeds of $4.01 million. The costs associated with the private placement were approximately $24,000. The shares issued are callable by the Company after October 31, 2016, at $10,000 per share (liquidation preference value). There is no ability to convert the preferred shares to common shares. Dividends on the preferred shares, if and when declared, will be paid quarterly in arrears.

At December 31, 2012, the Company closed a private placement of its Series A noncumulative perpetual preferred stock, par value $0.01 per share ("preferred stock"). The Company sold $8.65 million to certain investors at a purchase price of $10,000 per share. The net proceeds of the private placement are expected to be used primarily to support the capital of BCB Community Bank.

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 December 31, 2013, borrowers of $30.5 million of the loans have either fully completed the restoration process or have paid the loan in full. The remaining $7.5 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 $34,000 at December 31, 2013. The Company will continue to monitor the ongoing status of the Hurricane Sandy impacted loans to determine if the established provision requires additional adjustment.

Business Strategy

Our business strategy is to operate as a well-capitalized, profitable and independent community-oriented financial institution dedicated to providing quality customer service. Management's and the Board of Directors' extensive knowledge of the markets we serve helps to differentiate us from our competitors. Our business strategy incorporates the following elements: maintaining a community focus, focusing on profitability, continuing our growth, concentrating on real estate based lending, capitalizing on market dynamics, providing attentive and personalized service and attracting highly qualified and experienced personnel. These attributes coupled with our desire to seek out under-served markets for banking products and services facilitate our ambition to continue to grow our franchise footprint organically and synergistically.

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Maintaining a community focus. Our management and Board of Directors have strong ties to the communities we serve. Many members of the management team are New Jersey natives and are active in the communities we serve through non-profit board membership, local business development organizations, and industry associations. In addition, our board members are well established professionals and business people in the communities we serve. Management and the Board are interested in making a lasting contribution to these communities and have succeeded in attracting deposits and loans through attentive and personalized service.

Strengthening our balance sheet while returning to profitability. For the year ended December 31, 2013, our return on average equity was 10.18% and our return on average assets was 0.80%. Our earnings per diluted share was $1.06 for the year ended December 31, 2013 compared to a loss per diluted share of $0.23 for the year ended December 31, 2012. Earnings per share results have improved in 2013 primarily as a result of several initiatives completed in 2012 which included a $25.9 million sale of non-performing loans executed in an effort to reduce legacy and legal costs associated with these non-performing assets. Additionally an asset reallocation program active through 2013 redeployed excess liquidity into higher yielding loan product facilitating a $98.0 million or 10.6% increase in net loans in 2013. Management remains committed to strengthening the Bank's statements of financial condition and maintaining profitability by diversifying the products, pricing and services we offer. As a result of our efforts, our loans delinquent over 90 days have decreased from $39.6 million at December 31, 2011 to $14.8 million at December 31, 2012, to $7.0 million at December 31, 2013.

Concentrating on real estate-based lending. A primary focus of our business strategy is to originate loans secured by commercial and multi-family properties. Such loans provide higher returns than loans secured by one- to four-family real estate. As a result of our underwriting practices, including debt service requirements for commercial real estate and multi-family loans, management believes that such loans offer us an opportunity to obtain higher returns, in the absence of a measurable increased level of risk.

Capitalizing on market dynamics. The consolidation of the banking industry in Hudson County, New Jersey has provided a unique opportunity for a customer focused banking institution, such as the Bank. We believe our local roots and community focus provides the Bank with an opportunity to capitalize on the consolidation in our market area. This consolidation has moved decision making away from local, community-based banks to much larger banks headquartered outside of New Jersey. We believe our local roots and community focus provides the Bank with an opportunity to capitalize on the consolidation in our market area.

Providing attentive and personalized service. Management believes that providing attentive and personalized service is the key to gaining deposit and loan relationships in the markets we serve and their surrounding communities. Since we began operations, our branches have been open seven (7) days a week.

Attracting highly experienced and qualified personnel. An important part of our strategy is to hire bankers who have prior experience in the markets we serve, as well as pre-existing business relationships. Our management team has an average of over 27 years of banking experience, while our lenders and branch personnel have significant prior experience at community banks and regional banks throughout New Jersey. Management believes that its knowledge of these markets has been a critical element in the success of BCB Community Bank. Management's extensive knowledge of the local communities has allowed us to develop and implement a highly focused and disciplined approach to lending and has enabled the Bank to attract a high percentage of low cost deposits.

Our Market Area

We are located in the City of Bayonne, Jersey City and Hoboken in Hudson County, Monroe Township and Woodbridge in Middlesex County, and South Orange in Essex County, New Jersey. The Bank's locations are easily accessible and provide convenient services to businesses and individuals throughout our market area

Our market area includes the City of Bayonne, Jersey City, portions of Hoboken, South Orange, Woodbridge, and Monroe Township, New Jersey. These areas are all considered "bedroom" or "commuter" communities to Manhattan. Our market area is well-served by a network of arterial roadways including Route 440 and the New Jersey Turnpike.

Our market area has a high level of commercial business activity. Businesses are concentrated in the service sector and retail trade areas. Major employers in our market area include certain medical centers and local boards of education. As a result of Hurricane Sandy, a significant number of businesses in our market area sustained losses which resulted in reduced economic activity during the last two months of 2012 and into 2013.

Competition

The banking business in New Jersey is extremely competitive. We compete for deposits and loans with existing New Jersey and out-of-state financial institutions that have longer operating histories, larger capital reserves and more established customer bases. Our competition includes large financial service companies and other entities in addition to traditional banking institutions such as savings and loan associations, savings banks, commercial banks and credit unions. Our larger competitors have a greater ability to finance wide-ranging advertising campaigns through their greater capital resources. Our marketing efforts depend heavily upon referrals from officers, directors, stockholders, selective advertising in local media and direct mail solicitations. We compete for business principally on the basis of personal service to customers, customer access to our officers and directors and competitive interest rates and fees.

In the financial services industry in recent years, intense market demands, technological and regulatory changes and economic pressures have eroded industry classifications that were once clearly defined. Banks have diversified their services, competitively priced their deposit products and become more cost effective as a result of competition with one another and with new types of financial service companies, including non-banking competitors. Some of the results of these market dynamics in the financial services industry have been a number of new bank and non-bank competitors, increased merger activity, and increased customer awareness of product and service differences among competitors.

Lending Activities

Analysis of Loan Portfolio. Set forth below is selected data relating to the composition of our loan portfolio by type of loan as a percentage of the respective portfolio.

	At December 31,									
	2013		2012		2011		2010		2009	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Perc
	(Dollars in Thousands)									
Originated loans:										
Residential one-to-four family	$ 97,581	9.41 %	$ 78,007	8.33 %	$ 54,609	6.41 %	$ 39,626	5.07 %	$ 76,490	18.7
Commercial and multi-family	549,918	53.03	435,371	46.51	300,570	35.26	277,916	35.54	223,792	54.7
Construction	37,307	3.60	22,267	2.38	13,079	1.53	16,442	2.10	51,330	12.5
Commercial business(1)	52,659	5.08	47,250	5.05	51,963	6.10	44,350	5.67	22,487	5.50
Home equity(2)	28,660	2.76	25,964	2.77	26,103	3.06	29,364	3.75	34,298	8.39
Consumer	533	0.05	565	0.06	357	0.04	336	0.04	641	0.15
Sub-total	766,658	73.93	609,424	65.10	446,681	52.40	408,034	52.17	409,038	100.
Acquired loans recorded at fair value:										
Residential one-to-four family	100,612	9.71	121,983	13.03	154,259	18.10	180,258	23.05	-	0.00
Commercial and multi-family	126,123	12.16	149,454	15.97	168,246	19.74	129,413	16.55	-	0.00
Construction	200	0.02	1,043	0.11	1,670	0.20	1,406	0.18	-	0.00
Commercial business(1)	10,478	1.01	12,177	1.30	22,356	2.62	9,734	1.24	-	0.00
Home equity(2)	27,313	2.63	34,289	3.66	42,360	4.97	34,239	4.38	-	0.00
Consumer	919	0.09	1,069	0.11	951	0.11	1,480	0.19	-	0.00

Sub-total	265,645	25.62	320,015	34.18	389,842	45.74	356,530	45.59	-	0.00
Acquired loans with deteriorated credit:										
Residential one-to-four family	2,141	0.21	2,936	0.31	9,217	1.08	14,551	1.86	-	0.00
Commercial and multi-family	2,081	0.20	3,443	0.37	3,608	0.42	2,883	0.37	-	0.00
Construction	-	0.00	-	0.00	2,251	0.26	-	0.00	-	0.00
Commercial business(1)	371	0.03	241	0.03	254	0.03	76	0.01	-	0.00
Home equity(2)	90	0.01	140	0.01	612	0.07	-	0.00	-	0.00
Consumer	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00
Sub-total	4,683	0.45	6,760	0.72	15,942	1.86	17,510	2.24	-	0.00
Total Loans	1,036,986	100.00 %	936,199	100.00 %	852,465	100.00 %	782,074	100.00 %	409,038	100.
Less: Deferred loan fees, net	2,300		1,535		1,193		556		522	
Allowance for loan losses	14,342		12,363		10,509		8,417		6,644	
Total loans, net	$ 1,020,344		$ 922,301		$ 840,763		$ 773,101		$ 401,872	

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2013. The amount shown represents outstanding principal balances. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as being due in one year or less. Variable-rate loans are shown as due at the time of repricing. The table does not include prepayments or scheduled principal repayments.

		Due within 1 Year		Due after 1 through 5 Years		Due After 5 Years		Total
	(In Thousands)							
One- to four-family	$	665	$	4,120	$	195,548	$	200,333
Construction		19,023		11,271		7,214		37,508
Commercial business(1)		15,019		21,541		26,948		63,508
Commercial and multi-family		9,496		55,137		613,489		678,122
Home equity(2)		932		10,480		44,651		56,063
Consumer		262		410		780		1,452
Total amount due	$	45,397	$	102,959	$	888,630	$	1,036,986

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Loans with Predetermined or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at December 31, 2013 that are due after December 31, 2014, and have predetermined interest rates and that have floating or adjustable interest rates.

		Fixed Rates		Floating or Adjustable Rates		Total
		(In Thousands)				
One- to four-family	$	174,886	$	24,782	$	199,668
Construction		-		18,485		18,485
Commercial business(1)		10,872		37,617		48,489
Commercial and multi-family		188,298		480,328		668,626
Home equity(2)		37,769		17,362		55,131
Consumer		945		245		1,190
Total amount due	$	412,770	$	578,819	$	991,589

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Commercial and Multi-family Real Estate Loans. Our commercial and multi-family real estate loans are secured by commercial real estate (for example, shopping centers, medical buildings, retail offices) and multi-family residential units, consisting of five or more units. Permanent loans on commercial and multi-family properties are generally originated in amounts up to 75% of the appraised value of the property. Our commercial real estate loans are secured by improved property such as office buildings, retail stores, warehouses, church buildings and other non-residential buildings. Commercial and multi-family real estate loans are generally made at rates that adjust above the five year U.S. Treasury interest rate, with terms of up to 25 years, or are balloon loans with fixed interest rates which generally mature in three to five years with principal amortization for a period of up to 30 years. Our largest commercial loan had a principal balance of $12.6 million at December 31, 2013, was secured by commercial property and was performing in accordance with its terms on that date. Our largest multi-family loan had a principal balance of $6.5 million at December 31, 2013. This loan was performing in accordance with its terms on that date.

Loans secured by commercial and multi-family real estate are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. The borrower's creditworthiness and the feasibility and cash flow potential of the project is of primary concern in commercial and multi-family real estate lending. Loans secured by income properties are generally larger and involve greater risks than residential mortgage loans because payments on loans secured by income properties are often dependent on the successful operation or management of the properties. We intend to continue emphasizing the origination of loans secured by commercial real estate and multi-family properties.

One- to Four-Family Lending. Our one- to four-family residential mortgage loans are secured by property located primarily in the State of New Jersey. We generally originate one- to four-family residential mortgage loans in amounts up to 80% of the lesser of the appraised value or selling price of the mortgaged property without requiring mortgage insurance. We will originate loans with loan to value ratios up to 90% provided the borrowers obtain private mortgage insurance. We originate both fixed rate and adjustable rate loans. One- to four-family loans may have terms of up to 30 years. The majority of one- to four-family loans we originate for retention in our portfolio have terms no greater than 15 years. We offer adjustable rate loans with fixed rate periods of up to five years, with principal and interest calculated using a maximum 30-year amortization period. We offer these loans with a fixed rate for the first five years with repricing every year after the initial period. Adjustable rate loans may adjust up to 200 basis points annually and 600 basis points over the term of the loan. We also broker for a third party lender one- to four-family residential loans, which are primarily fixed rate loans with terms of 30 years. Our loan brokerage activities permit us to offer customers longer-term fixed rate loans we would not otherwise originate while providing a source of fee income. During 2013, we originated for sale $18.1 million in one- to four-family loans and recognized gains of $408,000 from the sale of such loans.

Property appraisals on real estate securing our single-family residential loans are made by state certified and licensed independent appraisers approved by our Board of Directors. Appraisals are performed in accordance with applicable regulations and policies. As a result of Hurricane Sandy, we anticipate that appraised home values in our market area will be significantly lower than would otherwise be the case. At our discretion, we obtain either title insurance policies or attorneys' certificates of title on all first mortgage real estate loans originated. We also require fire and casualty insurance on all properties securing our one- to four-family loans. We also require the borrower to obtain flood insurance where appropriate. In some instances, we charge a fee equal to a percentage of the loan amount commonly referred to as points.

Construction Loans. We offer loans to finance the construction of various types of commercial and residential property. Construction loans to builders generally are offered with terms of up to eighteen months and interest rates are tied to the prime rate plus a margin. These loans generally are offered as adjustable rate loans. We will originate residential construction loans for individual borrowers and builders, provided all necessary plans and permits are in order. Construction loan funds are disbursed as the project progresses. As of December 31, 2013, our largest construction loan was $11.0 million, of which $3.4 million was disbursed. This loan has been made for the construction of a 3-story commercial property built to suit the Hebrew Language Academy Charter Schools, Inc. As of December 31, 2013, this loan was performing in accordance with its terms.

Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. Additionally, if the estimate of value proves to be inaccurate, we may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment.

Home Equity Loans and Home Equity Lines of Credit. We offer home equity loans and lines of credit that are secured by the borrower's primary residence. Our home equity loans can be structured as loans that are disbursed in full at closing or as lines of credit. Home equity loans and lines of credit are offered with terms up to 15 years. Virtually all of our home equity loans are originated with fixed rates of interest and home equity lines of credit are originated with adjustable interest rates tied to the prime rate. Home equity loans and lines of credit are underwritten under the same criteria that we use to underwrite one- to four-family loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 80% when combined with the principal balance of the existing mortgage loan. At the time we close a home equity loan or line of credit, we file a mortgage to perfect our security interest in the underlying collateral. At December 31, 2013, the outstanding balances of home equity loans and lines of credit totaled $56.1 million, or 5.41% of total loans.

Commercial Business Loans. Our commercial business loans are underwritten on the basis of the borrower's ability to service such debt from income. Our underwriting standards for commercial business loans include a review of the applicant's tax returns, financial statements, credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan based on cash flow generated by the applicant's business. Commercial business loans are generally made to small and mid-sized companies located within the State of New Jersey. In most cases, we require collateral of real estate, equipment, accounts receivable, inventory, chattel or other assets before making a commercial business loan. Our largest commercial business loan at December 31, 2013 was a credit line, secured by a 7-story office building, for $8.1 million, of which $4.5 million was dispersed. This loan was performing in accordance with its terms as of that date. Commercial business loans generally have higher rates and shorter terms than one- to four-family residential loans, but they may also involve higher average balances and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business. As a result of Hurricane Sandy, economic activity in our market area has been disrupted and many of our commercial business borrowers have had their businesses impaired. Until our business borrowers recover from the effects of Hurricane Sandy we may experience higher than customary levels of delinquencies and losses.

Consumer Loans. We make various types of secured and unsecured consumer loans and loans that are collateralized by new and used automobiles. Consumer loans generally have terms of three years to ten years.

Consumer loans are advantageous to us because of their interest rate sensitivity, but they also involve more credit risk than residential mortgage loans because of the higher potential for default, the nature of the collateral and the difficulty in disposing of the collateral.

Loan Approval Authority and Underwriting. We establish various lending limits for executive management and also maintain a loan committee. The loan committee is comprised of the Chairman of the Board, the President, the Senior Lending Officer and a minimum of five non-employee members of the Board of Directors. The President or the Senior Lending Officer, together with one other loan officer, have authority to approve applications for real estate loans up to $500,000, other secured loans up to $500,000 and unsecured loans up to $25,000. The loan committee considers all applications in excess of the above lending limits and the entire board of directors ratifies all such loans.

Upon receipt of a completed loan application from a prospective borrower, a credit report is ordered. Income and certain other information is verified. If necessary, additional financial information may be requested. An appraisal is required for the underwriting of all one- to four-family loans. We may rely on an estimate of value of real estate performed by our Senior Lending Officer for home equity loans or lines of credit of up to $250,000. Appraisals are processed by state certified independent appraisers approved by the Board of Directors.

An attorney’s certificate of title is required on all newly originated real estate mortgage loans. In connection with refinancing and home equity loans or lines of credit in amounts up to $250,000, we will obtain a record owner’s search in lieu of an attorney’s certificate of title. Borrowers also must obtain fire and casualty insurance. Flood insurance is also required on loans secured by property that is located in a flood zone.

Loan Commitments. Written commitments are given to prospective borrowers on all approved real estate loans. Generally, we honor commitments for up to 90 days from the date of issuance. At December 31, 2013, our outstanding loan origination commitments totaled $30.9 million, standby letters of credit totaled $2.0 million, outstanding construction loans in progress totaled $46.3 million and undisbursed lines of credit totaled $64.3 million.

Loan Delinquencies. We send a notice of nonpayment to borrowers when their loan becomes 15 days past due. If such payment is not received by month end, an additional notice of nonpayment is sent to the borrower. After 60 days, if payment is still delinquent, a notice of right to cure default is sent to the borrower giving 30 additional days to bring the loan current before foreclosure is commenced. If the loan continues in a delinquent status for 90 days past due and no repayment plan is in effect, foreclosure proceedings will be initiated. In an effort to more closely monitor the performance of our loan portfolio and asset quality, the Bank has created various concentration of credit reports, specifically as it relates to our construction and commercial real estate portfolios. These reports stress test declining property values up to and including a 25% value deprecation to the original appraised value to determine our potential exposure.

Loans are reviewed and are placed on a non-accrual status when the loan becomes more than 90 days delinquent or when, in our opinion, the collection of additional interest is doubtful. Once placed on non-accrual status, the accrual of interest income is discontinued. Income is subsequently recognized only to the extent that cash payments are received until delinquency status is reduced to less than ninety days, in which case the loan is returned to accrual status. At December 31, 2013, we had $20.6 million in non-accruing loans. Our largest exposure of non-performing loans consisted of a relationship with one borrowing entity in which the loan is collateralized by a two story office building and a 1 & 2 story industrial building whose balance at December 31, 2013 was $2.2 million.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. We have determined that first mortgage loans on one- to four-family properties and all consumer loans represent large groups of smaller-balance homogeneous loans that are collectively evaluated. Additionally, we have determined that an insignificant delay (less than 90 days) will not cause a loan to be classified as impaired if we expect to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. We independently evaluate all loans identified as impaired. We estimate credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment will be derived from the sale or operation of such collateral. Impaired loans, or portions of such loans, are charged off when we determine a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan, in which case the portion of the receipts related to interest is recognized as income. At December 31, 2013, we had one hundred fifty-one loans with unpaid principal balances totaling $46.3 million which are classified as impaired and on which loan loss allowances totaling $2.6 million have been established. During 2013, interest income of $2.1 million was recognized on impaired loans during the time of impairment.

The following table sets forth delinquencies in our loan portfolio as of the dates indicated:

	At December 31, 2013				At December 31, 2012			
	60-90 Days		Greater than 90 Days		60-90 Days		Greater than 90 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in Thousands)							
Real estate mortgage:								
One- to four-family residential	10	$ 2,787	11	$ 2,148	10	$ 1,941	10	$ 2,348
Construction	—	—	—	—	1	1,174	1	130
Home equity	2	175	2	176	7	717	12	1,516
Commercial and multi-family	7	2,882	12	4,352	11	5,245	22	9,275
Total	19	5,844	25	6,676	29	9,077	45	13,269
Commercial business	—	—	2	290	2	152	9	1,514
Consumer	1	2	—	—	—	—	—	—
Total delinquent loans	20	$ 5,846	27	$ 6,966	31	$ 9,229	54	$ 14,783
Delinquent loans to total		0.56 %		0.67 %		0.99 %		1.58 %

loans

	At December 31, 2011				At December 31, 2010			
	60-90 Days		Greater than 90 Days		60-90 Days		Greater than 90 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in Thousands)							
Real estate mortgage:								
One- to four-family residential	8	$ 2,495	38	$ 11,847	9	$ 3,706	48	$ 15,115
Construction	1	130	8	3,660	—	—	7	2,773
Home equity	13	1,018	19	1,181	7	694	20	1,632
Commercial and multi-family	14	6,340	56	21,080	9	5,391	64	21,147
Total	36	9,983	121	37,768	25	9,791	139	40,667

Commercial business	—		—		11	1,785		4	456	5	861	
Consumer	1		10		—	—		1	5	4	283	
Total delinquent loans	37	$	9,993		132	$ 39,553		30	$ 10,252	148	$ 41,811	
Delinquent loans to total loans			1.17	%		4.64	%		1.31 %		5.35	%

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	At December 31, 2009			
	60-90 Days		Greater Than 90 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in Thousands)			
Real estate mortgage:				
One- to four-family residential	3	$ 3,973	5	$ 1,559
Construction	—	—	7	4,343
Home equity	2	517	2	251
Commercial and multi-family	5	2,729	8	5,280
Total	10	7,219	22	11,433
Commercial business	1	369	1	500
Consumer	—	—	—	—
Total delinquent loans	11	$ 7,588	23	$ 11,933
Delinquent loans to total loans		1.86 %		2.92 %

The table below sets forth the amounts and categories of non-performing assets in the Bank's loan portfolio. Loans are placed on non-accrual status when delinquent more than 90 days or when the collection of principal and/or interest become doubtful. Foreclosed assets include assets acquired in settlement of loans.

	At December 31,				
	2013	2012	2011	2010	2009
	(Dollars in Thousands)				
Non-accruing loans:					
One-to four-family residential	$ 4,829	$ 2,163	$ 15,511	$ 15,115	$ 1,559
Construction	521	130	4,040	2,773	4,343
Home equity	1,203	1,564	1,729	1,632	251
Commercial and multi-family	11,733	13,043	22,280	21,147	5,280
Commercial business	2,279	3,159	4,265	861	500
Consumer	—	—	—	283	—
Total	20,565	20,059	47,825	41,811	11,933
Accruing loans delinquent more than 90 days:					
One-to four-family residential	—	1,223	—	—	—
Construction	—	—	—	—	—
Home equity	—	227	—	—	—
Commercial and multi-family	—	1,386	—	—	—
Commercial business	—	—	—	—	—
Consumer	—	—	—	—	—
Total	—	2,836	—	—	—
Total non-performing loans	20,565	22,895	47,825	41,811	11,933
Foreclosed assets	2,227	3,274	6,570	3,602	1,270
Total non-performing assets	$ 22,792	$ 26,169	$ 54,395	$ 45,413	$ 13,203
Total non-performing assets as a percentage of total assets	1.89 %	2.23 %	4.47 %	4.10 %	2.09 %
Total non-performing loans as a percentage of total loans	1.98 %	2.45 %	5.61 %	5.35 %	2.92 %

For the year ended December 31, 2013, gross interest income which would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to $1.36 million. We received and recorded $769,000 in interest income for such loans for the year ended December 31, 2013.

Classified Assets. Our policies provide for a classification system for problem assets. When we classify problem assets, we 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. At December 31, 2013, we had $5.2 million in assets classified as doubtful, of which $5.2 million were classified as impaired, $17.6 million in assets classified as substandard, of which $17.6 million were classified as impaired and $22.5 million in assets classified as special mention, of which $13.9 million were classified as impaired. 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 timely provided, 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. Loans on "nonaccrual" status. 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.

Allowances for Loan Losses. A provision for loan losses is charged to operations based on management's evaluation of the losses that may be incurred in our loan portfolio. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available, our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings. 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 allowance for impaired loans, a specific allowance 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 into two divisions. Loans that are performing and loans that are impaired. Loans which are performing are evaluated homogeneously by loan class or loan type. The allowance of performing loans is evaluated based on historical loan experience, including consideration of peer loss analysis, with an adjustment for qualitative factors due to economic conditions in the market. Impaired loans are loans which are more than 60 days delinquent or troubled debt restructured. These loans are individually evaluated for loan loss either by current appraisal, estimated economic factor, or net present value. Management reviews the overall estimate for feasibility and bases the loan loss provision accordingly. As of December 31, 2013, 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 their ability to satisfy the terms of the restructured loan. 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 subject to change.

The following table sets forth an analysis of the Bank's allowance for loan losses.

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	Years Ended December 31,		
	2013	2012	20
		(Dollars in Thous	
Balance at beginning of period	$ 12,363	$ 10,509	$ 8,4
Charge-offs:			
One- to four-family residential	40	793	12
Construction	132	292	68
Commercial business(1)	374	612	24
Commercial and multi-family	123	1,360	1,
Home equity(2)	302	24	—
Consumer	—	—	27
Total charge-offs	971	3,081	2,0
Recoveries	200	35	25
Net charge-offs	771	3,046	2,0
Provisions charge to operations	2,750	4,900	4,
Ending balance	$ 14,342	$ 12,363	$ 10
Ratio of non-performing assets to total assets at the end of period	1.89 %	2.23 %	4.4
Allowance for loan losses as a percent of total loans outstanding	1.38 %	1.32 %	1.2
Ratio of net charge-offs during the period to total loans outstanding at end of the period	0.09 %	0.33 %	0.2
Ratio of net charge-offs during the period to non-performing loans	3.75 %	13.30 %	4.2

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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Allocation of the Allowance for Loan Losses. The following table illustrates the allocation of the allowance for loan losses for each category of loan. The allocation of the allowance to each category is not necessarily indicative of future loss in any particular category and does not restrict our use of the allowance to absorb losses in other loan categories.

	December 31, 2013 Amount	Percent of Loans in each Category in Total Loans	2012 Amount	Percent of Loans in each Category in Total Loans	2011 Amount	Percent of Loans in each Category in Total Loans	2010 Amount	Percent of Loans in each Category in Total Loans	
Originated loans:									
Residential one-to-four family	$ 1,729	9.41 %	$ 1,143	8.33 %	$ 1,086	6.41 %	$ 171	5.07 %	$
Commercial and Multi-family	7,419	53.03 %	7,088	46.50 %	4,769	35.26 %	6,179	35.54 %	
Construction	700	3.60 %	866	2.38 %	183	1.53 %	426	2.10 %	
Commercial business(1)	1,295	5.08 %	576	5.05 %	795	6.10 %	1,286	5.67 %	
Home equity(2)	363	2.76 %	284	2.77 %	329	3.06 %	204	3.75 %	
Consumer	3	0.05 %	41	0.06 %	10	0.04 %	18	0.04 %	
Unallocated	83	0.00 %	32	0.00 %	-	0.00 %	133	0.00 %	
Sub-total:	$ 11,592	73.93 %	$ 10,030	65.10 %	$ 7,172	52.40 %	$ 8,417	52.17 %	$
Acquired loans recorded at fair value:									
Residential one-to-four family	832	9.71 %	719	13.03 %	1,012	18.10 %	-	23.05 %	
Commercial and Multi-family	1,744	12.16 %	963	15.96 %	559	19.74 %	-	16.55 %	
Construction	1	0.02 %	93	0.11 %	6	0.2 %	-	0.18 %	
Commercial business(1)	44	1.01 %	244	1.30 %	92	2.62 %	-	1.24 %	

Home equity(2)		129	2.63	%		191	3.66	%		315	4.97	%		-	4.38	%	
Consumer		-	0.09	%		18	0.11	%		-	0.11	%		-	0.19	%	
Unallocated		-	0.00	%		-	0.00	%		-	0.00	%		-	0.00	%	
Sub-total	$	2,750	25.62	%	$	2,228	34.18	%	$	1,984	45.73	%	$	-	45.59	%	$
Acquired loans with deteriorated credit:																	
Residential one-to-four family	$	-	0.21	%	$	105	0.31	%	$	581	1.08	%	$	-	1.86	%	$
Commercial and Multi-family		-	0.20	%		-	0.37	%		470	0.42	%		-	0.37	%	
Construction		-	0.00	%		-	0.00	%		115	0.26	%		-	0.00	%	
Commercial business(1)		-	0.04	%		-	0.03	%		154	0.03	%		-	0.01	%	
Home equity(2)		-	0.01	%		-	0.01	%		33	0.07	%		-	0.00	%	
Consumer		-	0.00	%		-	0.00	%		-	0.00	%		-	0.00	%	
Unallocated		-	0.00	%		-	0.00	%		-	0.00	%		-	0.00	%	
Sub-total:		-	0.45	%		105	0.72	%		1,353	1.87	%		-	2.24	%	
Total	$	14,342	100.00	%	$	12,363	100.00	%	$	10,509	100.00	%	$	8,417	100.00	%	$

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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Investment Activities

Investment Securities. We are required under federal regulations to maintain a minimum amount of liquid assets that may be invested in specified short-term securities and certain other investments. The level of liquid assets varies depending upon several factors, including: (i) the yields on investment alternatives, (ii) our judgment as to the attractiveness of the yields then available in relation to other opportunities, (iii) expectation of future yield levels, and (iv) our projections as to the short-term demand for funds to be used in loan origination and other activities. Investment securities, including mortgage-backed securities, are classified at the time of purchase, based upon management's intentions and abilities, as securities held-to-maturity or securities available for sale. Debt securities acquired with the intent and ability to hold to maturity are classified as held-to-maturity and are stated at cost and adjusted for amortization of premium and accretion of discount, which are computed using the level yield method and recognized as adjustments of interest income. All other debt and equity securities are classified as available for sale to serve principally as a source of liquidity.

Current regulatory and accounting guidelines regarding investment securities require us to categorize securities as held-to-maturity, available for sale or trading. As of December 31, 2013, the amortized cost of securities classified as held-to-maturity was $114.2 million. We had $1.1 million in securities classified as available for sale, and no securities classified as trading. Securities classified as available for sale are reported for financial reporting purposes at the fair value with net changes in the fair value from period to period included as a separate component of stockholders' equity, net of income taxes. As of December 31, 2013, our securities classified as held-to-maturity had a fair value of $115.1 million. Changes in the fair value of securities classified as held-to-maturity or available for sale do not affect our income, unless we determine there to be an other-than-temporary impairment for those securities in an unrealized loss position. As of December 31, 2013, management concluded that all unrealized losses were temporary in nature since they are related to interest rate fluctuations rather than any underlying credit quality of the issuers. Additionally, the Company has no plans to sell these securities and has concluded that it is unlikely it would have to sell these securities prior to the anticipated recovery of the unrealized losses. While these securities were classified as held to 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 year ended December 31, 2013, proceeds from sales of securities held to maturity totaled approximately $9.5 million and resulted in gross gains of $401,000 and gross losses of $23,000.

As of December 31, 2013, our investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations; (ii) U.S. federal agency or federally sponsored agency obligations; (iii) mortgage-backed securities; and (iv) certificates of deposit. The Board of Directors may authorize additional investments. As of December 31, 2012, we no longer had a U.S. Government agency securities portfolio. The decrease during 2012 reflects the exercise of call options of $6.3 million in U.S. government agency securities.

As a source of liquidity and to supplement our lending activities, we have invested in residential mortgage-backed securities. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees or credit enhancements that reduce credit risk. Mortgage-backed securities can serve as collateral for borrowings and, through repayments, as a source of liquidity. Mortgage-backed securities represent a participation interest in a pool of single-family or other type of mortgages. Principal and interest payments are passed from the mortgage originators, through intermediaries (generally government-sponsored enterprises) that pool and repackage the participation interests in the form of securities, to investors, like us. The government-sponsored enterprises guarantee the payment of principal and interest to investors and include Freddie Mac, Ginnie Mae, and Fannie Mae.

Mortgage-backed securities typically are issued with stated principal amounts. The securities are backed by pools of mortgage loans that have interest rates that are within a set range and have varying maturities. The underlying pool of mortgages can be composed of either fixed rate or adjustable rate mortgage loans. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates. The interest rate risk characteristics of the underlying pool of mortgages (i.e., fixed rate or adjustable rate) and the prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security is equal to the life of the underlying mortgages. Expected maturities will differ from contractual maturities due to scheduled repayments and because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

Securities Portfolio. The following table sets forth the carrying value of our securities portfolio and FHLB stock at the dates indicated.

	At December 31, 2013	2012	2011
	(In Thousands)		
Securities available for sale:			
Equity securities	$ 1,104	$ 1,240	$ 1,045
Securities held to maturity:			
U.S. Government and Agency securities	—	—	6,315
Mortgage-backed securities	112,859	162,909	198,877
Municipal obligations	1,357	1,363	1,370
Trust originated preferred security	—	376	403
Total securities held to maturity	114,216	164,648	206,965
FHLB stock	7,840	7,698	7,498
Total investment securities	$ 123,160	$ 173,586	$ 215,508

The following table shows our securities held-to-maturity purchase sale and repayment activities for the periods indicated.

	Years Ended December 31, 2013	2012	2011
	(In Thousands)		
Securities acquired through merger	$ —	$ —	$ 34,969
Purchases:			
Fixed-rate	$ 5,059	$ 57,331	$ 95,537
Total purchases	$ 5,059	$ 57,331	$ 95,537
Sales:			
Fixed-rate	$ 9,115	$ 30,235	$ 2,420
Total sales	$ 9,115	$ 30,235	$ 2,420
Principal Repayments:			
Repayment of principal	$ (44,957)	$ (67,489)	$ (85,088)
(Decrease) in other items, net	(1,419)	(1,924)	(1,605)
Net (decrease) increase	$ (50,432)	$ (42,317)	$ 41,393

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Maturities of Securities Portfolio. The following table sets forth information regarding the scheduled maturities, carrying values, estimated market values, and weighted average yields for the Bank's debt securities portfolio at December 31, 2013 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

	December 31, 2013											
	Within one year			More than One to five years			More than five to ten years			More than ten years		
	Carrying Value	Average Yield		Carrying Value	Average Yield		Carrying Value	Average Yield		Carrying Value	Average Yield	
	(Dollars in Thousands)											
Mortgage-backed securities	$ —	—	%	$ 998	0.92	%	$ 3,163	1.46	%	$ 108,699	2.96	%
Municipal obligations	—	—		—	—		1,357	4.05		0	0.00	
Total investment securities	$ —	—	%	$ 998	0.92	%	$ 4,520	2.24	%	$ 108,699	2.96	%

Sources of Funds

Our major external source of funds for lending and other investment purposes are deposits. Funds are also derived from the receipt of payments on loans, prepayment of loans, maturities of investment securities and mortgage-backed securities and borrowings. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposits. Consumer and commercial deposits are attracted principally from within our primary market area through the offering of a selection of deposit instruments including demand, NOW, savings and club accounts, money market accounts, and term certificate accounts. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit, and the interest rate.

The interest rates paid by us on deposits are set at the direction of our senior management. Interest rates are determined based on our liquidity requirements, interest rates paid by our competitors, our growth goals, and applicable regulatory restrictions and requirements. As of December 31, 2013 and December 31, 2012 we had $8.5 million and $6.8 million in brokered deposits, respectively.

Deposit Accounts. The following table sets forth the dollar amount of deposits in the various types of deposit programs we offered as of the dates indicated.

December 31, 2013 Weighted Average Rate(1)	Amount	2012 Weighted Average Rate(1)	Amount	2011 Weighted Average Rate(1)	Amount

(Dollars in Thousands)

Demand	—	%	$ 107,613	—	%	$ 85,950	—	%	$ 78,589
NOW	0.19		148,804	0.25		120,765	0.54		112,605
Savings and club accounts	0.14		264,319	0.18		256,769	0.40		265,546
Money market	0.30		67,153	0.39		63,834	0.68		67,592
Certificates of deposit	1.21		380,781	1.33		413,468	1.50		453,291
Total	0.65	%	$ 968,670	0.78	%	$ 940,786	1.00	%	$ 977,623

(1) Represents the average rate paid during the year.

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The following table sets forth our deposit flows during the periods indicated.

	Years Ended December 31, 2013	2012	2011
	(Dollars in Thousands)		
Beginning of period	$ 940,786	$ 977,623	$ 886,288
Net deposits(1)	22,256	(43,702)	83,010
Interest credited on deposit accounts	5,628	6,865	8,325
Total (decrease) increase in deposit accounts	27,884	(36,837)	91,335
Ending balance	$ 968,670	$ 940,786	$ 977,623
Percent (decrease) increase	2.88 %	(3.77) %	10.31 %

(1) Includes deposits totaling $111,365 received in 2011 in connection with the Allegiance Community Bank acquisition.

Jumbo Certificates of Deposit. As of December 31, 2013, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $229.3 million. The following table indicates the amount of our certificates of deposit of $100,000 or more by time remaining until maturity.

Maturity Period	At December 31, 2013 (In Thousands)
Within three months	$ 59,650

Three through twelve months		100,993
Over twelve months		68,629
Total	$	229,272

The following table presents, by rate category, our certificate of deposit accounts as of the dates indicated.

		At December 31,										
		2013				2012				2011		
		Amount	Percent			Amount	Percent			Amount	Percent	
		(Dollars in Thousands)										
Certificate of deposit rates:												
0.00% - 0.99%	$	206,648	54.27	%	$	210,897	51.01	%	$	165,931	36.60	%
1.00% - 1.99%		84,991	22.32			108,379	26.21			172,983	38.16	
2.00% - 2.99%		59,777	15.70			53,719	12.99			58,390	12.88	
3.00% - 3.99%		29,365	7.71			39,757	9.62			52,382	11.56	
4.00% - 4.99%		-	-			36	0.01			2,884	0.64	
5.00% - 5.99%		-	-			680	0.16			721	0.16	
Total	$	380,781	100.00	%	$	413,468	100.00	%	$	453,291	100.00	%

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of December 31, 2013.

	Maturity Date				
	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 Years	Total
	(In Thousands)				
Interest rate:					
0.00% - 0.99%	$ 191,250	$ 12,796	$ 2,582	$ 20	$ 206,648
1.00% - 1.99%	41,907	17,395	6,454	19,235	84,991
2.00% - 2.99%	13,528	17,240	16,050	12,959	59,777
3.00% - 3.99%	26,407	2,857	—	101	29,365
Total	$ 273,092	$ 50,288	$ 25,086	$ 32,315	$ 380,781

Borrowings. Beginning September 7, 2010, the Federal Home Loan Bank of New York ("FHLBNY") replaced the existing Overnight Repricing Advance Program and its associated companion products, the Overnight Line of Credit ("OLOC"), OLOC Plus, OLOC Companion, and OLOC Companion Plus with the new Overnight Advance. The new Overnight Advance permits the Bank to borrow overnight up to its maximum borrowing capacity at the FHLBNY. The Bank is no longer restricted to the previous borrowing limits of 10% (OLOC) or up to 20% (OLOC Plus) of total assets. At December 31, 2013, the Bank's total credit exposure cannot exceed 50% of its total assets, or $604.0 million, based on the borrowing limitations outlined in the Federal Home Loan Bank of New York's member products guide. The total credit exposure limit to 50% of total assets is recalculated each quarter. Additionally, at December 31, 2013 we had a floating rate junior subordinated debenture of $4.1 million which has been callable at the Company's option since June 17, 2009, and quarterly thereafter.

The following table sets forth information concerning balances and interest rates on our short-term borrowings at the dates and for the periods indicated.

	At or For the Years Ended December 31,		
	2013	2012	2011
	(Dollars in Thousands)		

Balance at end of period	$ 18,000	$ 17,000	$ —	
Average balance during period	$ 133	$ 145	$ —	
Maximum outstanding at any month end	$ 25,800	$ 17,000	$ —	
Weighted average interest rate at end of period	0.37 %	0.31 %	— %	
Average interest rate during period	0.40 %	0.31 %	— %	

Employees

At December 31, 2013, we had 174 full-time equivalent and 75 part-time employees. None of our employees is represented by a collective bargaining group. We believe that our relationship with our employees is good.

Subsidiaries

We have three non-bank subsidiaries. BCB Holding Company Investment Corp. was established in 2004 for the purpose of holding and investing in securities. Only securities authorized to be purchased by BCB Community Bank are held by BCB Holding Company Investment Corp. At December 31, 2013, this company held $96.7 million in securities. With the merger with Pamrapo Bancorp. Inc., we acquired Pamrapo Service Corporation which has been inactive since May 2010. BCB New York Management, Inc. was established in October 2012 for the purpose of holding and investing in various loan products and investing in securities. For the period ended December 31, 2013, there was no activity related to this subsidiary.

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Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intended to protect depositors, not shareholders. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Company or the Bank.

As further described below under the heading “The Dodd-Frank Act”, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), will significantly change the current bank regulatory structure described in this section and will affect the lending, investment, trading and operating activities of financial institutions and their holding companies. These and any other changes in applicable laws or regulations, whether by Congress or regulatory agencies, may have a material effect on the business and prospects of the Company and the Bank.

The Dodd-Frank Act

The Dodd-Frank Act has changed the current bank regulatory structure and is affecting the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act eliminated the Office of Thrift Supervision and requires that federal savings associations be regulated by the Office of the Comptroller of the Currency (the primary federal regulator for national banks). The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve Board (“Federal Reserve”) to supervise and regulate all savings and loan holding companies.

The Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository institutions, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In addition, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than $15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months. These new leverage and capital requirements must take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act created a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rulemaking authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives the state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd-Frank Act also broadens the base for FDIC insurance assessments. In accordance with the Dodd-Frank Act, the FDIC has promulgated rules under which assessments are based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008, and non-interest bearing transaction accounts had unlimited deposit insurance through December 31, 2012. Lastly, the Dodd-Frank Act increases stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and by authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate and solicit votes for their own candidates using a company’s proxy materials. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

Bank Holding Company Regulation

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, the Company is subject to the regulation and supervision applicable to bank holding companies by the Federal Reserve. The Company is also subject to the provisions of the New Jersey Banking Act of 1948 (the “New Jersey Banking Act”) and the regulations of the Commissioner of the New Jersey Department of Banking and Insurance (“Commissioner”). The Company is required to file reports with the Federal Reserve and the Commissioner regarding its business operations and those of its subsidiaries.

Federal Regulation. The Bank Holding Company Act requires, among other things, the prior approval of the Federal Reserve in any case where a bank holding company proposes to (i) acquire all or substantially all of the assets of any other bank, (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such company’s voting shares) or (iii) merge or consolidate with any other bank holding company. The Federal Reserve will not approve any acquisition, merger, or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served, when reviewing acquisitions or mergers.

The Bank Holding Company Act generally prohibits a bank holding company, with certain limited exceptions, from (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless such non-banking business is determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be properly incident thereto.

The Bank Holding Company Act has been amended to permit bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act standards, to engage in a broader range of non-banking activities. In addition, bank holding companies which elect to become financial holding companies may engage in certain banking and non-banking activities without prior Federal Reserve approval. At this time, the

Company has elected not to become a financial holding company, as it does not engage in any activities not permissible for banks.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by law and regulatory policy that are designed to minimize potential loss to the depositors of such depository institutions and the FDIC insurance funds in the event the depository institution is in danger of default. Under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. The Federal Reserve also has the authority under the Bank Holding Company Act to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The Company is subject to regulatory capital requirements and guidelines imposed by the Federal Reserve, which are substantially similar to those imposed by the FDIC on depository institutions within their jurisdictions. At December 31, 2013, the Company, was considered to be a well capitalized Bank Holding Company.

The Federal Reserve may set higher capital requirements for holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

As noted above, the Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository institutions, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In June 2012, proposed rules were issued that would implement these directives. Such changes when finalized, and others that may be proposed and implemented in the future, may affect the Company's capital ratios and risk-adjusted assets.

New Jersey Regulation. Under the New Jersey Banking Act, a company owning or controlling a savings bank is regulated as a bank holding company and must file certain reports with the Commissioner and is subject to examination by the Commissioner. Under the New Jersey Banking Act, as well as Federal law, no person may acquire control of the Company or the Bank without first obtaining approval of such acquisition of control from the Federal Reserve and the Commissioner.

Bank Regulation

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and examination of the Commissioner. As an FDIC-insured institution, the Bank is subject to the regulation, supervision and examination of the FDIC. The regulations of the FDIC and the Commissioner impact virtually all of our activities, including the minimum level of capital we must maintain, our ability to pay dividends, our ability to expand through new branches or acquisitions and various other matters.

Insurance of Deposit Accounts. The FDIC insures deposits at FDIC insured financial institutions such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of $250,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts.

Under the FDIC's current risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Assessments are based on an institution's risk category and certain specified adjustments with higher assessments applying to institutions deemed most risky.

As part of its plan to restore the Deposit Insurance Fund in the wake of the large number of bank failures following the financial crisis, the FDIC imposed a special assessment of 5 basis points for the second quarter of 2009. In addition, the FDIC required all insured institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. As part of this prepayment, the FDIC assumed a 5% annual growth in the assessment base and applied a 3 basis point increase in assessment rates effective January 1, 2011. As of December 31, 2012 our prepaid FDIC premium assessment was fully utilized.

In February 2011, the FDIC published a final rule under the Dodd-Frank Act to reform the deposit insurance assessment system. The rule redefined the assessment base used for calculating deposit insurance assessments effective April 1, 2011. Under the new rule, assessments are based on an institution's average consolidated total assets minus average tangible equity as opposed to total deposits. Since the new base is much larger than the current base, the FDIC also lowered assessment rates so that the total amount of revenue collected from the industry is not significantly altered. The new rule is expected to benefit smaller financial institutions, which typically rely more on deposits for funding, and shift more of the burden for supporting the insurance fund to larger institutions, which have greater access to non-deposit sources of funding.

The Dodd-Frank Act also extended the unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012. Unlike the FDIC's Temporary Liquidity Guarantee Program, the insurance provided under the Dodd-Frank Act did not extend to low-interest NOW accounts, and there was no separate assessment on covered accounts.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

In addition to the FDIC assessments, the Financing Corporation (“FICO”) is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the year ended December 31, 2013, we paid $68,000 in FICO assessments.

Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital rules, which are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these rules, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. These rules are substantially similar to the Federal Reserve rules discussed above.

In addition to the risk-based capital rules, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio. This measurement is substantially similar to the Federal Reserve leverage capital measurement discussed above. At December 31, 2013, the Bank’s ratio of total capital to risk-weighted assets was 13.66%. Our Tier 1 capital to risk-weighted assets was 12.41%, and our Tier 1 capital to average assets was 8.70%.

As noted above, the Dodd-Frank Act establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months. These new leverage and capital requirements must take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives. In June 2012, the Federal Bank Regulators issued proposed rules that would implement the Dodd-Frank Act's directives as well as recommendations of the international Basel Committee on Banking Supervision. The proposed rules would substantially revise capital requirements including establishing a new common equity Tier 1 requirement, certain raised risk-based requirement, and certain increased risk weights. It is not known when the rule will be finalized.

Transactions with Affiliates. Transactions between banks and their related parties or affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank. Generally, Sections 23A and 23B of the Federal Reserve Act and Regulation W (i) limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0% of such institution's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such institution's capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act. The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws assuming such loans are also permitted under the law of the institution's chartering state. Under such laws, the Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such person's control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited by specific categories.

The Dodd-Frank Act requires that the Federal Reserve make certain changes to the regulations governing transactions with affiliates described above. It is uncertain when such changes will become effective.

Dividends. The Bank may pay dividends as declared from time to time by the Board of Directors out of funds legally available, subject to certain restrictions. Under the New Jersey Banking Act of 1948, as amended, the Bank may not pay a cash dividend unless, following the payment, the Bank's capital stock will be unimpaired and the Bank will have a surplus of no less than 50% of the Bank capital stock or, if not, the payment of the dividend will not reduce the surplus. In addition, the Bank cannot pay dividends in amounts that would reduce the Bank's capital below regulatory imposed minimums.

Federal Securities Laws

The Company's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Under the Exchange Act, we are required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls. For the year ended December 31, 2013, our auditors are required to audit our internal control over financial reporting.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), contains a broad range of legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of a new accounting oversight board that will enforce auditing, quality control and independence standards and will be funded by fees from all publicly traded companies, Sarbanes-Oxley places certain restrictions on the scope of services that may be provided by accounting firms to their public company audit clients. Any non-audit services being provided to a public company audit client will require preapproval by the company's audit committee. In addition, Sarbanes-Oxley makes certain changes to the requirements for audit partner rotation after a period of time. Sarbanes-Oxley requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the Securities and Exchange Commission, subject to civil and criminal penalties if they knowingly or willingly violate this certification requirement. The Company's Chief Executive Officer and Chief Financial Officer have signed certifications to this Form 10-K as required by Sarbanes-Oxley. In addition, under Sarbanes-Oxley, counsel will be required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

Under Sarbanes-Oxley, longer prison terms will apply to corporate executives who violate federal securities laws; the period during which certain types of suits can be brought against a company or its officers is extended; and bonuses issued to top executives prior to restatement of a company's financial statements are now subject to disgorgement if such restatement was due to corporate misconduct. Executives are also prohibited from trading the company's securities during retirement plan "blackout" periods, and loans to company executives (other than loans by financial institutions permitted by federal rules and regulations) are restricted. In addition, a provision directs that civil penalties levied by the Securities and Exchange Commission as a result of any judicial or administrative action under Sarbanes-Oxley be deposited to a fund for the benefit of harmed investors. The Federal Accounts for Investor Restitution provision also requires the Securities and Exchange Commission to develop methods of improving collection rates. The legislation accelerates the time frame for disclosures by public companies, as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

Sarbanes-Oxley also increases the oversight of, and codifies certain requirements relating to, audit committees of public companies and how they interact with the company's "registered public accounting firm." Audit Committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a "financial expert" (as such term is defined by the Securities and Exchange Commission) and if not, why not. Under Sarbanes-Oxley, a company's registered public accounting firm is prohibited from performing statutorily mandated audit services for a company if such company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company during the one-year period preceding the audit initiation date. Sarbanes-Oxley also prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statements materially misleading. Sarbanes-Oxley also requires the Securities and Exchange Commission to prescribe rules requiring inclusion of any internal control report and assessment by management in the annual report to shareholders. Sarbanes-Oxley requires the company's registered public accounting firm that issues the audit report to report on the company's internal control over financial planning.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report is available on our website, www.bcbbancorp.com. We will also provide our Annual Report on Form 10-K free of charge to shareholders who write to the Corporate Secretary at 104-110 Avenue C, Bayonne, New Jersey 07002.

ITEM 1A. RISK FACTORS

Our loan portfolio consists of a high percentage of loans secured by commercial real estate and multi-family real estate. These loans are riskier than loans secured by one- to four-family properties.

At December 31, 2013, $677.1 million, or 65.3% of our loan portfolio consisted of commercial and multi-family real estate loans. We intend to continue to emphasize the origination of these types of loans. These loans generally expose a lender to greater risk of nonpayment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrower's business. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

We may not be able to successfully maintain and manage our growth.

Our growth since July 2010 has primarily been driven by acquisitions. Our ability to continue to grow depends, in part, upon our ability to expand our market presence, successfully attract core deposits, identify attractive commercial lending opportunities, and identify potential acquisitions and complete such acquisitions.

We cannot be certain as to our ability to manage increased levels of assets and liabilities. We may be required to make additional investments in equipment and personnel to manage higher asset levels and loans balances, which may adversely impact our efficiency ratio, earnings and shareholder returns.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses may not cover losses in our loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. At December 31, 2013, our allowance for loan losses totaled $14.3 million, representing 1.38% of total loans.

While we have only been operating for thirteen years, we have experienced significant growth in our loan portfolio, particularly our loans secured by commercial real estate. Although we believe we have underwriting standards to manage normal lending risks, and although we had $22.8 million, or 1.89% of total assets consisting of non-performing assets at December 31, 2013, it is difficult to assess the future performance of our loan portfolio due to the relatively recent origination of many of these loans. We can give you no assurance that our non-performing loans will not increase or that our non-performing or delinquent loans will not adversely affect our future performance.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

We depend primarily on net interest income for our earnings rather than fee income.

Net interest income is the most significant component of our operating income. We do not rely on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. For the years ended December 31, 2013and 2012, our net interest income was $46.8 million and $41.7 million, respectively. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of interest-earning assets relative to the amount of interest-bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we do not have significant sources of fee income to make up for decreases in net interest income.

If Our Investment in the Federal Home Loan Bank of New York is Classified as Other-Than-Temporarily Impaired, Our Earnings and Stockholders' Equity Could Decrease.

We own common stock of the Federal Home Loan Bank of New York. We hold the FHLBNY common stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLBNY's advance program. The aggregate cost and fair value of our FHLBNY common stock as of December 31, 2013 was $7.8 million based on its par value. There is no market for our FHLBNY common stock.

Recent published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting rules and asset quality risks that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capitalization of a Federal Home Loan Bank, including the FHLBNY, could be substantially diminished or reduced to zero. Consequently, we believe that there is a risk that our investment in FHLBNY common stock could be deemed other-than-temporarily impaired at some time in the future, and if this occurs, it would cause our earnings and stockholders' equity to decrease by the after-tax amount of the impairment charge.

Fluctuations in interest rates could reduce our profitability.

We realize income primarily from the difference between the interest we earn on loans and investments and the interest we pay on deposits and borrowings. The interest rates on our assets and liabilities respond differently to changes in market interest rates, which means our interest-bearing liabilities may be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates change, this "gap" between the amount of interest-earning assets and interest-bearing liabilities that reprice in response to these interest rate changes may work against us, and our earnings may be negatively affected.

We are unable to predict fluctuations in market interest rates, which are affected by, among other factors, changes in the following:

- inflation rates;
- business activity levels;
- money supply; and
- domestic and foreign financial markets.

The value of our investment portfolio and the composition of our deposit base are influenced by prevailing market conditions and interest rates. Our asset-liability management strategy, which is designed to mitigate the risk to us from changes in market interest rates, may not prevent changes in interest rates or securities market downturns from reducing deposit outflow or from having a material adverse effect on our results of operations, our financial condition or the value of our investments.

Adverse events in New Jersey, where our business is concentrated, could adversely affect our results and future growth.

Our business, the location of our branches and the real estate collateralizing our real estate loans are concentrated in New Jersey. As a result, we are exposed to geographic risks. The occurrence of an economic downturn in New Jersey, or adverse changes in laws or regulations in New Jersey, could impact the credit quality of our assets, the business of our customers and our ability to expand our business.