

BCB BANCORP INC
Form 10-Q
November 08, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

**New Jersey
(State or other jurisdiction of
incorporation or organization)**

**26-0065262
(IRS Employer
I.D. No.)**

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

(201) 823-0700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and larger accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 1, 2013, BCB Bancorp, Inc., had 8,332,278 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

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

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

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

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income (loss)

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

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

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

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

(In Thousands, Unaudited)

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

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

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

Represents the net change of unrecognized loss included in net periodic pension cost. Represents a gross change of (c) \$18,000, \$28,000, \$54,000 and \$85,000, respectively, less deferred taxes of \$7,000, \$11,000, \$21,000 and \$34,000, respectively. The Statements of Income (loss) line items impacted by these amounts are salaries and employee benefits and income tax provision.

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

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders' Equity

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

For the nine months ended September 30, 2013

| | Preferred Stock | Common Stock | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss |
|--|--------------------|-----------------|----------------------------------|-------------------|----------------------|---|
| Beginning Balance at January 1, 2013 | \$—\$694 | | \$100,416 | \$(27,177) | \$18,883 | \$(1,350) |
| Exercise of Stock Options (19,534 shares) | — | — | 151 | — | — | — |
| Stock-based compensation expense | — | — | 54 | — | — | — |
| Treasury Stock Purchases (183,199 shares) | — | — | — | (1,895) | — | — |
| Dividends payable on Series A 6% noncumulative perpetual preferred stock | — | — | — | — | (390) | — |
| Cash dividends on common stock (\$0.36 per share) declared | — | — | — | — | (3,030) | — |
| Net income | — | — | — | — | 7,105 | — |
| Other comprehensive income | — | — | — | — | — | 35 |
| Ending Balance at September 30, 2013 | \$—\$694 | | \$100,621 | \$(29,072) | \$22,568 | \$(1,315) |

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands, Unaudited)

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

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

See accompanying notes to unaudited consolidated financial statements.

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BCB Bancorp Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of BCB Bancorp, Inc. (the “Company”) and the Company’s wholly owned subsidiaries, BCB Community Bank (the “Bank”), BCB Holding Company Investment Company, BCB New York Asset Management, Inc. and Pamrapo Service Corporation. The Company’s business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and, therefore, do not necessarily include all information that would be included in audited financial statements. The information furnished reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of consolidated financial condition and results of operations. All such adjustments are of a normal recurring nature. These results are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2013 or any other future period. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the periods then ended. Actual results could differ significantly from those estimates.

These unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2012, which are included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission. In preparing these consolidated financial statements, BCB Bancorp, Inc., evaluated the events and transactions that occurred between September 30, 2013, and the date these consolidated financial statements were issued.

Significant Event

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

New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) has issued ASU No. 2013-11, *Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The amendments in this ASU state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except as follows. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company does not believe this pronouncement, when adopted, will have a material impact on the Company’s results of operations or financial position.

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

Index**Note 2 – Reclassification**

Certain amounts as of December 31, 2012 and the three and nine month periods ended September 30, 2012 have been reclassified to conform to the current period's presentation. These changes had no effect on the Company's results of operations or financial position.

Note 3 – Pension and Other Postretirement Plans

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

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|-----------------------------------|----------------------------------|--------|---------------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Pension plan: | | | | |
| Interest cost | \$ 98 | \$ 111 | \$ 294 | \$ 332 |
| Expected return on plan assets | (137) | (100) | (411) | (300) |
| Amortization of unrecognized loss | 18 | 28 | 54 | 85 |
| Net periodic pension cost | \$ (21) | \$ 39 | \$ (63) | \$ 117 |

SERP plan:

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| | | | | |
|----------------------------------|------|------|-------|-------|
| Interest cost | \$ 4 | \$ 5 | \$ 12 | \$ 15 |
| Net periodic postretirement cost | \$ 4 | \$ 5 | \$ 12 | \$ 15 |

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Index**Note 3 – Pension and Other Postretirement Plans (Continued)**

The Company, under the plan approved by its shareholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. On January 17, 2013, a grant of 130,000 options was declared for certain members of the Board of Directors which vest at a rate of 10% per year, over ten years commencing on the first anniversary of the grant date. The exercise price was recorded as of the close of business on January 17, 2013 and a Form 4 was filed for each Director who received a grant with the Securities and Exchange Commission consistent with their filing requirements. During the second quarter of 2013, there were no stock options granted. During the third quarter of 2013, there were 29,928 stock options granted which vest immediately. The exercise price was recorded as of the close of business on August 7, 2013.

A summary of stock option activity, adjusted to retroactively reflect stock dividends, follows:

| | Number of Option Shares | Range of Exercise Prices | Weighted Average Exercise Price |
|-----------------------------------|-------------------------|--------------------------|---------------------------------|
| Outstanding at December 31, 2012 | 274,296 | \$ 8.93-29.25 | \$ 11.97 |
| Options granted | 159,928 | 9.03-10.50 | 9.31 |
| Options exercised | (51,099) |) 8.93-10.50 | 9.63 |
| Options forfeited | (33,053) |) 9.34-11.84 | 10.83 |
| Options expired | (5,431) |) 18.41 | 18.41 |
| Outstanding at September 30, 2013 | 344,641 | \$ 8.93-29.25 | \$ 11.09 |

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

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

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

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

Index**Note 4 – Earnings Per Share**

Basic net income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding. The diluted net income (loss) per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effects of outstanding stock options, if dilutive, using the treasury stock method. Dilution is not applicable in periods of net loss. For the three and nine months ended September 30, 2013, the weighted average number of outstanding options considered to be anti-dilutive were 324,772 and were therefore excluded from the diluted net income per common share calculation.

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

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

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

Index**Note 5 – Securities Available for Sale**

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

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

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

Index**Note 6 – Securities Held to Maturity**

The following table presents by maturity the amortized cost and gross unrealized gains and losses on securities held to maturity as of September 30, 2013 and December 31, 2012:

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

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

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

The amortized cost and carrying values shown above are categorized by contractual final maturity. Actual maturities will differ from contractual final maturities due to scheduled monthly payments related to mortgage-backed securities and due to the borrowers having the right to prepay obligations with or without prepayment penalties. As of September 30, 2013 and December 31, 2012, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

Management has periodically decided to sell certain mortgage-backed securities that were issued by the Federal National Mortgage Association (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FHLMC”). While these securities were classified as held to maturity with the intent to hold until maturity, ASC 320 (formerly FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance has been amortized prior to the sale. During the nine months ended September 30, 2013, proceeds from sales of securities held to maturity totaled approximately \$9.49 million and resulted in gross gains of approximately \$402,000 and gross losses of approximately \$24,000. During the year ended December 31, 2012, proceeds from sales of securities held to maturity totaled approximately \$30.6 million and resulted in gross gains of approximately \$405,000 and gross losses of approximately \$56,000.

Index**Note 6 – Securities Held to Maturity (Continued)**

The unrealized losses, categorized by the length of time of continuous loss position, and fair value of related securities held to maturity were as follows:

| | Less than 12 Months | | More than 12 Months | | Total | |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| | (In Thousands) | | | | | |
| September 30, 2013 | | | | | | |
| Residential mortgage-backed securities | \$37,338 | \$ (803) | \$ — | \$ — | \$37,338 | \$ (803) |
| | \$37,338 | \$ (803) | \$ — | \$ — | \$37,338 | \$ (803) |
| December 31, 2012 | | | | | | |
| Residential mortgage-backed securities | \$14,093 | \$ (56) | \$ — | \$ — | \$14,093 | \$ (56) |
| | \$14,093 | \$ (56) | \$ — | \$ — | \$14,093 | \$ (56) |

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

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Note 7 - Loans Receivable and Allowance for Loan Losses

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

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

| | | |
|------------------|-----------|------------|
| Total Loans, net | \$987,436 | \$ 922,301 |
|------------------|-----------|------------|

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

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

Allowance for Loan Losses

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

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

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

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

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

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

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

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

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

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

Home equity line of credit lending entails securing an equity interest in the borrower's home. The principle risk associated with this type of lending is that the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can additionally be affected by job loss, divorce, illness and personal bankruptcy

of the borrower. This type of lending is often priced on an adjustable rate basis with the rate set at or above a predefined index. Adjustable-rate loans decrease the interest rate risk to the Company that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default.

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

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

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

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

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

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

Acquired loans accounted for under ASC 310-30

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

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

of the loans, an allowance for loan losses would be established based on our estimate of future credit losses over the remaining life of the loans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| | | | | | | | |
|---|-----------|-----------|----------|----------|----------|---------|-----|
| Ending Balance Acquired loans recorded at fair value: | 104,145 | 131,282 | 205 | 7,568 | 28,523 | 961 | — |
| Ending Balance Acquired loans with deteriorated credit: | 2,148 | 2,089 | — | 375 | 91 | — | — |
| Total Gross Loans: | \$199,121 | \$656,999 | \$34,796 | \$54,849 | \$56,142 | \$1,551 | \$— |

Ending Balance: Loans individually evaluated for impairment:

| | | | | | | | |
|---|----------|----------|-----|---------|---------|-----|-----|
| Ending Balance Originated Loans: | 1,846 | 8,764 | — | 5,393 | 600 | — | — |
| Ending Balance Acquired loans recorded at fair value: | 10,458 | 12,809 | — | 44 | 1,622 | 5 | — |
| Ending Balance Acquired loans with deteriorated credit: | 2,148 | 1,821 | — | 375 | 91 | — | — |
| Ending Balance Loans individually evaluated for impairment: | \$14,452 | \$23,394 | \$— | \$5,812 | \$2,313 | \$5 | \$— |

Ending Balance: Loans collectively evaluated for impairment:

| | | | | | | | |
|---|-----------|-----------|----------|----------|----------|---------|-----|
| Ending Balance Originated Loans: | 90,982 | 514,864 | 34,591 | 41,513 | 26,928 | 590 | — |
| Ending Balance Acquired loans recorded at fair value: | 93,687 | 118,473 | 205 | 7,524 | 26,901 | 956 | — |
| Ending Balance Acquired loans with deteriorated credit: | — | 268 | — | — | — | — | — |
| Ending Balance Loans collectively evaluated for impairment: | \$184,669 | \$633,605 | \$34,796 | \$49,037 | \$53,829 | \$1,546 | \$— |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

| | Commercial & Residential | Multi-family | Construction | Commercial Business (1) | Home Equity (2) | Consumer | Unallocated | Total |
|--|-----------------------------|--------------|--------------|----------------------------|--------------------|----------|-------------|-----------|
| Allowance for credit losses: | | | | | | | | |
| Originated Loans: | \$ 1,143 | \$ 7,088 | \$ 866 | \$ 576 | \$ 284 | \$ 41 | \$ 32 | \$ 10,030 |
| Acquired loans recorded at fair value: | 719 | 963 | 93 | 244 | 191 | 18 | — | 2,228 |
| Acquired loans with deteriorated credit: | 105 | — | — | — | — | — | — | 105 |
| Beginning Balance, December 31, 2012 | 1,967 | 8,051 | 959 | 820 | 475 | 59 | 32 | 12,363 |
| Charge-offs: | | | | | | | | |
| Originated Loans: | 6 | 27 | — | 233 | 1 | — | — | 267 |
| Acquired loans recorded at fair value: | 23 | 89 | 130 | 141 | 264 | — | — | 647 |
| Acquired loans with deteriorated credit: | 11 | 7 | — | — | — | — | — | 18 |
| Sub-total: | 40 | 123 | 130 | 374 | 265 | — | — | 932 |
| Recoveries: | | | | | | | | |
| Originated Loans: | 42 | — | 3 | — | 6 | — | — | 51 |
| Acquired loans recorded at fair value: | — | 95 | — | 31 | — | — | — | 126 |
| Acquired loans with deteriorated credit: | 4 | 1 | — | 16 | 2 | — | — | 23 |
| Sub-total: | 46 | 96 | 3 | 47 | 8 | — | — | 200 |
| Provisions: | | | | | | | | |
| Originated Loans: | 501 | 88 | 229 | 1,083 | 31 | (25) | 300 | 2,207 |
| Acquired loans recorded at fair value: | (44) | 57 | 42 | (112) | 178 | 18 | — | 139 |
| Acquired loans with deteriorated credit: | (84) | 6 | — | (16) | (2) | — | — | (96) |
| Sub-total: | 373 | 151 | 271 | 955 | 207 | (7) | 300 | 2,250 |
| Totals: | | | | | | | | |
| Originated Loans: | 1,680 | 7,149 | 1,098 | 1,426 | 320 | 16 | 332 | 12,021 |
| Acquired loans recorded at fair value: | 652 | 1,026 | 5 | 22 | 105 | 36 | — | 1,846 |
| Acquired loans with deteriorated credit: | 14 | — | — | — | — | — | — | 14 |
| Ending Balance, September 30, 2013 | \$ 2,346 | \$ 8,175 | \$ 1,103 | \$ 1,448 | \$ 425 | \$ 52 | \$ 332 | \$ 13,881 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the activity in the Company's allowance for loan losses for the year ended December 31, 2012 and recorded investment in loans receivable at December 31, 2012. The table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan class. (In Thousands):

| | Residential | Commercial & Multi-family | Construction | Commercial Business (1) | Home Equity (2) | Consumer | Unallocated |
|---|-------------|---------------------------|--------------|-------------------------|-----------------|----------|-------------|
| Allowance for credit losses: | | | | | | | |
| Originated Loans: | \$1,086 | \$4,769 | \$183 | \$795 | \$329 | \$10 | \$— |
| Acquired loans recorded at fair value: | 1,012 | 559 | 6 | 92 | 315 | — | — |
| Acquired loans with deteriorated credit: | 581 | 470 | 115 | 154 | 33 | — | — |
| Beginning Balance, December 31, 2011 | 2,679 | 5,798 | 304 | 1,041 | 677 | 10 | — |
| Charge-offs: | | | | | | | |
| Originated Loans: | 253 | 468 | 4 | 541 | 5 | — | — |
| Acquired loans recorded at fair value: | 540 | 867 | 288 | 96 | 19 | — | — |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — |
| Sub-total: | 793 | 1,335 | 292 | 637 | 24 | — | — |
| Recoveries: | | | | | | | |
| Originated Loans: | — | 35 | — | — | — | — | — |
| Acquired loans recorded at fair value: | — | — | — | — | — | — | — |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — |
| Sub-total: | — | 35 | — | — | — | — | — |
| Provisions: | | | | | | | |
| Originated Loans: | 310 | 2,752 | 687 | 322 | (40) | 31 | 32 |
| Acquired loans recorded at fair value: | 247 | 1,271 | 375 | 248 | (105) | 18 | — |
| Acquired loans with deteriorated credit: | (476) | (470) | (115) | (154) | (33) | — | — |
| Sub-total: | 81 | 3,553 | 947 | 416 | (178) | 49 | 32 |
| Totals: | | | | | | | |
| Originated Loans: | 1,143 | 7,088 | 866 | 576 | 284 | 41 | 32 |
| Acquired loans recorded at fair value: | 719 | 963 | 93 | 244 | 191 | 18 | — |
| Acquired loans with deteriorated credit: | 105 | — | — | — | — | — | — |
| Ending Balance, December 31, 2012 | \$1,967 | \$8,051 | \$959 | \$820 | \$475 | \$59 | \$32 |
| Loans Receivable: | | | | | | | |
| Ending Balance Originated Loans: | 78,007 | 435,371 | 22,267 | 47,250 | 25,964 | 565 | — |
| Ending Balance Acquired loans recorded at fair value: | 121,983 | 149,454 | 1,043 | 12,177 | 34,289 | 1,069 | — |
| Ending Balance Acquired loans with deteriorated credit: | 2,936 | 3,443 | — | 241 | 140 | — | — |

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

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the activity in the Company's allowance for loan losses for the three months ended September 30, 2012. (In Thousands):

| | Commercial & Residential | Multi-family | Construction | Commercial Business (1) | Home Equity (2) | Consumer | Unallocated | Total |
|--|-----------------------------|--------------|--------------|----------------------------|--------------------|----------|-------------|-----------|
| Allowance for credit losses: | | | | | | | | |
| Originated Loans: | \$ 1,491 | \$ 6,066 | \$ 977 | \$ 660 | \$ 179 | \$ 3 | \$ 85 | \$ 9,461 |
| Acquired loans recorded at fair value: | 1,100 | — | — | 241 | — | 3 | — | 1,344 |
| Acquired loans with deteriorated credit: | 186 | 411 | — | — | 11 | — | — | 608 |
| Beginning Balance, June 30, 2012 | 2,777 | 6,477 | 977 | 901 | 190 | 6 | 85 | 11,413 |
| Charge-offs: | | | | | | | | |
| Originated Loans: | 228 | 158 | — | 30 | — | — | — | 416 |
| Acquired loans recorded at fair value: | 240 | 441 | — | — | — | — | — | 681 |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — | — |
| Sub-total: | 468 | 599 | — | 30 | — | — | — | 1,097 |
| Recoveries: | | | | | | | | |
| Originated Loans: | — | — | — | — | — | — | — | — |
| Acquired loans recorded at fair value: | — | — | — | — | — | — | — | — |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — | — |
| Sub-total: | — | — | — | — | — | — | — | — |
| Provisions: | | | | | | | | |
| Originated Loans: | (337) | 47 | 74 | 235 | 125 | 254 | (72) | 326 |
| Acquired loans recorded at fair value: | (62) | 1,426 | — | (78) | 184 | 2 | — | 1,472 |
| Acquired loans with deteriorated credit: | (11) | (176) | — | — | (11) | — | — | (198) |
| Sub-total: | (410) | 1,297 | 74 | 157 | 298 | 256 | (72) | 1,600 |
| Totals: | | | | | | | | |
| Originated Loans: | 926 | 5,955 | 1,051 | 865 | 304 | 257 | 13 | 9,371 |
| Acquired loans recorded at fair value: | 798 | 985 | — | 163 | 184 | 5 | — | 2,135 |
| Acquired loans with deteriorated credit: | 175 | 235 | — | — | — | — | — | 410 |
| Ending Balance, September 30, 2012 | \$ 1,899 | \$ 7,175 | \$ 1,051 | \$ 1,028 | \$ 488 | \$ 262 | \$ 13 | \$ 11,916 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the activity in the Company's allowance for loan losses for the nine months ended September 30, 2012. (In Thousands):

| | Commercial & Residential | Multi-family | Construction | Commercial Business | Home Equity | Consumer | Unallocated | Total |
|--|-----------------------------|--------------|--------------|------------------------|----------------|----------|-------------|-----------|
| Allowance for credit losses: | | | | | | | | |
| Originated Loans: | \$ 1,086 | \$ 4,769 | \$ 183 | \$ 795 | \$ 329 | \$ 10 | \$ — | \$ 7,172 |
| Acquired loans recorded at fair value: | 1,012 | 559 | 6 | 92 | 315 | — | — | 1,984 |
| Acquired loans with deteriorated credit: | 581 | 470 | 115 | 154 | 33 | — | — | 1,353 |
| Beginning Balance, December 31, 2011 | 2,679 | 5,798 | 304 | 1,041 | 677 | 10 | — | 10,509 |
| Charge-offs: | | | | | | | | |
| Originated Loans: | 228 | 265 | — | 44 | — | — | — | 537 |
| Acquired loans recorded at fair value: | 439 | 867 | 35 | 96 | 19 | — | — | 1,456 |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — | — |
| Sub-total: | 667 | 1,132 | 35 | 140 | 19 | — | — | 1,993 |
| Recoveries: | | | | | | | | |
| Originated Loans: | — | — | — | — | — | — | — | — |
| Acquired loans recorded at fair value: | — | — | — | — | — | — | — | — |
| Acquired loans with deteriorated credit: | — | — | — | — | — | — | — | — |
| Sub-total: | — | — | — | — | — | — | — | — |
| Provisions: | | | | | | | | |
| Originated Loans: | 68 | 1,451 | 868 | 114 | (25) | 247 | 13 | 2,736 |
| Acquired loans recorded at fair value: | 225 | 1,293 | 29 | 167 | (112) | 5 | — | 1,607 |
| Acquired loans with deteriorated credit: | (406) | (235) | (115) | (154) | (33) | — | — | (943) |
| Sub-total: | (113) | 2,509 | 782 | 127 | (170) | 252 | 13 | 3,400 |
| Totals: | | | | | | | | |
| Originated Loans: | 926 | 5,955 | 1,051 | 865 | 304 | 257 | 13 | 9,371 |
| Acquired loans recorded at fair value: | 798 | 985 | — | 163 | 184 | 5 | — | 2,135 |
| Acquired loans with deteriorated credit: | 175 | 235 | — | — | — | — | — | 410 |
| Ending Balance, September 30, 2012 | \$ 1,899 | \$ 7,175 | \$ 1,051 | \$ 1,028 | \$ 488 | \$ 262 | \$ 13 | \$ 11,916 |

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

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

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

| | As of September 30, 2013 (In Thousands) | As of December 31, 2012 (In Thousands) |
|--|--|---|
| Non-Accruing Loans: | | |
| Originated loans: | | |
| Residential one-to-four family | \$ 504 | \$ — |
| Commercial and multi-family | 4,858 | 2,325 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | 1,550 | 2,105 |
| Home equity ⁽²⁾ | 376 | 129 |
| Consumer | — | — |
| Sub-total: | \$ 7,288 | \$ 4,559 |
| Acquired loans recorded at fair value: | | |
| Residential one-to-four family | \$ 5,316 | \$ 2,163 |
| Commercial and multi-family | 7,331 | 10,612 |
| Construction | — | 130 |
| Commercial business ⁽¹⁾ | 252 | 813 |
| Home equity ⁽²⁾ | 654 | 1,435 |
| Consumer | — | — |
| Sub-total: | \$ 13,553 | \$ 15,153 |
| Acquired loans with deteriorated credit: | | |
| Residential one-to-four family | \$ — | \$ — |
| Commercial and multi-family | 121 | 106 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | 73 | 241 |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | \$ 194 | \$ 347 |
| Total | \$ 21,035 | \$ 20,059 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|-----------------------------------|------------------------|
| | 2013 | 2013 | 2012 | 2012 | 2013 | 2013 | 2012 | 2012 |
| | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized |
| Originated loans with no related allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$418 | \$ 6 | \$1,685 | \$ 20 | \$468 | \$ 19 | \$2,064 | \$ 53 |
| Commercial and multi-family | 5,725 | 38 | 7,939 | 67 | 4,998 | 181 | 13,283 | 210 |
| Construction | — | — | 1,566 | — | — | — | 1,305 | 102 |
| Commercial business ⁽¹⁾ | 3,060 | 74 | 2,365 | 46 | 2,557 | 102 | 2,136 | 63 |
| Home equity ⁽²⁾ | 257 | 2 | 413 | 2 | 283 | 9 | 554 | 8 |
| Consumer | 15 | — | — | — | 7 | 1 | — | — |
| Sub-total: | \$9,475 | \$ 120 | \$13,968 | \$ 135 | \$8,313 | \$ 312 | \$19,342 | \$ 436 |
| Acquired loans recorded at fair value with no related allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$4,659 | \$ 43 | \$2,335 | \$ 29 | \$4,002 | \$ 136 | \$1,271 | \$ 66 |
| Commercial and Multi-family | 5,097 | 63 | 4,618 | 33 | 5,484 | 147 | 3,670 | 143 |
| Construction | — | — | — | — | 51 | 2 | 144 | — |
| Commercial business ⁽¹⁾ | 68 | — | 92 | — | 87 | 4 | 182 | — |
| Home equity ⁽²⁾ | 1,073 | 9 | 1,418 | 6 | 1,411 | 30 | 1,192 | 24 |
| Consumer | 4 | — | — | — | 2 | — | 3 | — |
| Sub-total: | \$10,901 | \$ 115 | \$8,463 | \$ 68 | \$11,037 | \$ 319 | \$6,462 | \$ 233 |
| Acquired loans with deteriorated credit with no related allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$2,059 | \$ 29 | \$769 | \$ 28 | \$1,803 | \$ 89 | \$2,194 | \$ 28 |
| Commercial and Multi-family | 1,811 | 38 | 3,368 | 43 | 2,238 | 86 | 3,651 | 43 |
| Construction | — | — | 13 | — | — | — | 19 | — |

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| | | | | | | | | |
|---|----------|--------|----------|--------|----------|--------|----------|--------|
| Commercial business ⁽¹⁾ | 350 | 5 | — | — | 338 | 10 | 185 | — |
| Home equity ⁽²⁾ | 92 | 1 | 70 | 1 | — | 8 | 149 | 1 |
| Consumer | — | — | — | — | 92 | — | — | — |
| Sub-total: | \$4,312 | \$ 73 | \$4,220 | \$ 72 | \$4,471 | \$ 193 | \$6,198 | \$ 72 |
| Total Impaired Loans with no related allowance recorded: | \$24,688 | \$ 308 | \$26,651 | \$ 275 | \$23,821 | \$ 824 | \$32,002 | \$ 741 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|----------------------------------|---------------------|-----------------------------|---------------------|---------------------------------|---------------------|-----------------------------|---------------------|
| | 2013 | 2013 | 2012 | 2012 | 2013 | 2013 | 2012 | 2012 |
| | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized | Average Recorded Investment | Interest Recognized |
| Originated loans with an allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$ 1,503 | \$ 19 | \$ 1,007 | \$ 9 | \$ 1,116 | \$ 40 | \$ 2,101 | \$ 39 |
| Commercial and Multi-family | 4,987 | 66 | 5,462 | 55 | 5,047 | 115 | 7,339 | 200 |
| Construction | — | — | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 1,343 | 18 | 2,755 | 8 | 1,206 | 63 | 2,166 | 28 |
| Home equity ⁽²⁾ | 436 | 6 | 102 | 1 | 260 | 13 | 168 | 4 |
| Consumer | — | — | 120 | — | — | — | 60 | — |
| Sub-total: | \$8,269 | \$ 109 | \$9,446 | \$ 73 | \$7,629 | \$ 231 | \$ 11,834 | \$ 271 |
| Acquired loans recorded at fair value with an allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$5,925 | \$ 90 | \$ 6,737 | \$ 70 | \$ 6,355 | \$ 163 | \$ 5,652 | \$ 293 |
| Commercial and Multi-family | 9,014 | 95 | 6,545 | 73 | 8,600 | 198 | 6,103 | 227 |
| Construction | 65 | — | 231 | — | 98 | — | 159 | 6 |
| Commercial business ⁽¹⁾ | 461 | — | 474 | — | 319 | — | 378 | — |
| Home equity ⁽²⁾ | 282 | 4 | 526 | 6 | 509 | 11 | 442 | 14 |
| Consumer | — | — | — | — | 1 | — | — | — |
| Sub-total | \$ 15,747 | \$ 189 | \$ 14,513 | \$ 149 | \$ 15,882 | \$ 372 | \$ 12,734 | \$ 540 |
| Acquired loans with deteriorated credit with an allowance recorded: | | | | | | | | |
| Residential one-to-four family | \$93 | \$ 1 | \$ 1,454 | \$ 5 | \$ 358 | \$ 2 | \$ 1,542 | \$ 34 |
| Commercial and Multi-family | — | — | 509 | — | — | — | 591 | — |
| Construction | — | — | — | — | — | — | 33 | — |
| Commercial business ⁽¹⁾ | — | — | 164 | — | — | — | 82 | — |
| Home equity ⁽²⁾ | — | — | 29 | — | — | — | — | — |

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| | | | | | | | | |
|---|----------|--------|----------|--------|----------|--------|----------|--------|
| Consumer | — | — | — | — | — | — | — | — |
| Sub-total: | \$93 | \$ 1 | \$2,156 | \$ 5 | \$358 | \$ 2 | \$2,248 | \$ 34 |
| Total Impaired Loans with an allowance recorded: | \$24,109 | \$ 299 | \$26,115 | \$ 227 | \$23,869 | \$ 605 | \$26,816 | \$ 845 |

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

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

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

| | As of September 30, 2013 | | Related Allowance | As of December 31, 2012 | | Related Allowance |
|---|--------------------------|--------------------------|-------------------|-------------------------|--------------------------|-------------------|
| | Recorded Investment | Unpaid Principal Balance | | Recorded Investment | Unpaid Principal Balance | |
| Originated loans with no related allowance recorded: | | | | | | |
| Residential one-to-four family | \$ 418 | \$ 418 | \$ — | \$ 418 | \$ 418 | \$ — |
| Commercial and multi-family | 3,888 | 3,888 | — | 4,197 | 4,197 | — |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 4,052 | 4,052 | — | 1,802 | 1,802 | — |
| Home equity ⁽²⁾ | 195 | 195 | — | 297 | 297 | — |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$ 8,553 | \$ 8,553 | \$ — | \$ 6,714 | \$ 6,714 | \$ — |
| Acquired loans recorded at fair value with no related allowance recorded: | | | | | | |
| Residential one-to-four family | \$ 4,572 | \$ 4,599 | \$ — | \$ 2,930 | \$ 2,930 | \$ — |
| Commercial and Multi-family | 3,637 | 3,637 | — | 6,187 | 6,187 | — |
| Construction | — | 130 | — | — | — | — |
| Commercial business ⁽¹⁾ | 44 | 44 | — | 126 | 126 | — |
| Home equity ⁽²⁾ | 1,058 | 1,142 | — | 1,523 | 1,523 | — |
| Consumer | 5 | 5 | — | — | — | — |
| Sub-total: | \$ 9,316 | \$ 9,557 | \$ — | \$ 10,766 | \$ 10,766 | \$ — |
| Acquired loans with deteriorated credit with no related allowance recorded: | | | | | | |
| Residential one-to-four family | \$ 2,056 | \$ 2,783 | \$ — | \$ 1,676 | \$ 2,366 | \$ — |
| Commercial and Multi-family | 1,821 | 2,325 | — | 2,802 | 3,443 | — |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 375 | 656 | — | 327 | 621 | — |
| Home equity ⁽²⁾ | 91 | 138 | — | 93 | 139 | — |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$ 4,343 | \$ 5,902 | \$ — | \$ 4,898 | \$ 6,569 | \$ — |

Total Impaired Loans

with no related allowance recorded: \$ 22,212 \$ 24,012 \$ — \$ 22,378 \$ 24,049 \$ —

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

| | As of September 30, 2013 | | | As of December 31, 2012 | | |
|---|--------------------------|--------------------------|-------------------|-------------------------|--------------------------|-------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| Originated loans with an allowance recorded: | | | | | | |
| Residential one-to-four family | \$1,428 | \$ 1,428 | \$ 160 | \$730 | \$ 730 | \$ 33 |
| Commercial and Multi-family | 4,876 | 4,876 | 358 | 5,113 | 5,113 | 399 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 1,341 | 1,341 | 888 | 1,072 | 1,072 | 105 |
| Home equity ⁽²⁾ | 405 | 405 | 1 | 98 | 98 | 1 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$8,050 | \$ 8,050 | \$ 1,407 | \$7,013 | \$ 7,013 | \$ 538 |
| Acquired loans recorded at fair value with an allowance recorded: | | | | | | |
| Residential one-to-four family | \$5,886 | \$ 5,886 | \$ 393 | \$6,772 | \$ 6,772 | \$ 359 |
| Commercial and Multi-family | 9,172 | 9,172 | 831 | 8,090 | 8,090 | 662 |
| Construction | — | — | — | 130 | 130 | 96 |
| Commercial business ⁽¹⁾ | — | — | — | 306 | 306 | 248 |
| Home equity ⁽²⁾ | 564 | 564 | 70 | 640 | 640 | 112 |
| Consumer | — | — | — | — | — | — |
| Sub-total | \$15,622 | \$ 15,622 | \$ 1,294 | \$15,938 | \$ 15,938 | \$ 1,477 |
| Acquired loans with deteriorated credit with an allowance recorded: | | | | | | |
| Residential one-to-four family | \$92 | \$ 108 | \$ 14 | \$507 | \$ 570 | \$ 105 |
| Commercial and Multi-family | — | — | — | — | — | — |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — | — | — | — |
| Home equity ⁽²⁾ | — | — | — | — | — | — |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$92 | \$ 108 | \$ 14 | \$507 | \$ 570 | \$ 105 |

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| | | | | | | |
|---|----------|-----------|----------|----------|-----------|----------|
| Total Impaired Loans with an allowance recorded: | \$23,764 | \$ 23,780 | \$ 2,715 | \$23,458 | \$ 23,521 | \$ 2,120 |
| Total Impaired Loans with no related allowance recorded: | \$22,212 | \$ 24,012 | \$ — | \$22,378 | \$ 24,049 | \$ — |
| Total Impaired Loans: | \$45,976 | \$ 47,792 | \$ 2,715 | \$45,836 | \$ 47,570 | \$ 2,120 |

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

The following table presents the total troubled debt restructured loans at September 30, 2013, excluding the purchase impairment mark on the acquired loans with deteriorated credit.

| September 30, 2013 | Accrual | | Non-accrual | | Total | |
|--|------------------------|--------------------------|------------------------|--------------------------|------------------------|--------------------------|
| | # of Loans (Actual) | Amount (In Thousands) | # of Loans (Actual) | Amount (In Thousands) | # of Loans (Actual) | Amount (In Thousands) |
| Originated loans: | | | | | | |
| Residential one-to-four family | 5 | \$ 1,143 | 1 | \$ 505 | 6 | \$ 1,648 |
| Commercial and multi-family | 5 | 3,494 | 8 | 4,119 | 13 | 7,613 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 3 | 1,577 | — | — | 3 | 1,577 |
| Home equity ⁽²⁾ | 2 | 224 | 1 | 349 | 3 | 573 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | 15 | \$ 6,438 | 10 | \$ 4,973 | 25 | \$ 11,411 |
| Acquired loans recorded at fair value: | | | | | | |
| Residential one-to-four family | 24 | \$ 5,339 | 8 | \$ 2,502 | 32 | \$ 7,841 |
| Commercial and Multi-family | 13 | 5,600 | 11 | 4,582 | 24 | 10,182 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 1 | 375 | — | — | 1 | 375 |
| Home equity ⁽²⁾ | 6 | 705 | — | — | 6 | 705 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | 44 | \$ 12,019 | 19 | \$ 7,084 | 63 | \$ 19,103 |
| Acquired loans with deteriorated credit: | | | | | | |
| Residential one-to-four family | 8 | \$ 2,890 | — | \$ — | 8 | \$ 2,890 |
| Commercial and Multi-family | 4 | 2,325 | — | — | 4 | 2,325 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | 3 | 281 | — | — | 3 | 281 |
| Home equity ⁽²⁾ | — | — | 1 | 138 | 1 | 138 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | 15 | \$ 5,496 | 1 | \$ 138 | 16 | \$ 5,634 |
| Total | 74 | \$ 23,953 | 30 | \$ 12,195 | 104 | \$ 36,148 |

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

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

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

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

A troubled debt restructuring (“TDR”) is a loan that has been modified whereby the Company has agreed to make certain concessions to a borrower to meet the needs of both the borrower and the Company to maximize the ultimate recovery of a loan. TDR occurs when a borrower is experiencing, or is expected to experience, financial difficulties and the loan is modified using a modification that would otherwise not be granted to the borrower. The types of concessions granted are generally included, but not limited to interest rate reductions, limitations on the accrued interest charged, term extensions, and deferment of principal. As of September 30, 2013 and December 31, 2012, TDR’s totaled \$36.1 million and \$33.4 million, respectively.

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

| Three Months Ended September 30, 2013 | Number of Contracts | Pre-Modification Outstanding Recorded Investments | Post-Modification Outstanding Recorded Investments |
|--|------------------------|---|--|
| Originated loans: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and multi-family | — | — | — |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | 1 | 727 | 728 |
| Home equity ⁽²⁾ | — | — | — |
| Consumer | — | — | — |
| Sub-total: | 1 | \$ 727 | \$ 728 |
| Acquired loans recorded at fair value: | | | |
| Residential one-to-four family | 1 | \$ 410 | \$ 414 |
| Commercial and Multi-family | — | — | — |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | 1 | 29 | 29 |
| Consumer | — | — | — |
| Sub-total: | 2 | \$ 439 | \$ 443 |
| Acquired loans with deteriorated credit: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and Multi-family | — | — | — |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | — | — | — |
| Consumer | — | — | — |

| | | | |
|------------|---|----------|----------|
| Sub-total: | — | \$ — | \$ — |
| Total | 3 | \$ 1,166 | \$ 1,171 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

The loans included above are considered TDRs as a result of the Company implementing one or more of the following concessions: granting a material extension of time, issuing a forbearance agreement, adjusting the interest rate to a below market rate, accepting interest only for a period of time or a change in amortization period. For the three months ended September 30, 2013, TDRs totaled \$1.17 million. All TDRs were considered impaired and therefore were individually evaluated for impairment in the calculation of the allowance for loan losses. Prior to their classification as TDRs, certain of these loans had been collectively evaluated for impairment in the calculation of the allowance for loan losses.

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

The following table summarizes information in regards to troubled debt restructurings for which there was a payment default within twelve months of restructuring during the three months ended September 30, 2013. (In Thousands):

Three Months Ended September 30, 2013

| | Number of Contracts | Recorded Investment |
|--|---------------------|---------------------|
| Originated loans: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Acquired loans recorded at fair value: | | |
| Residential one-to-four family | 2 | \$ 482 |
| Commercial and Multi-family | 1 | 94 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | 1 | 945 |
| Home equity ⁽²⁾ | 1 | 140 |
| Consumer | — | — |
| Sub-total: | 5 | \$ 1,661 |
| Acquired loans with deteriorated credit: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and Multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Total | 5 | \$ 1,661 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

| Nine Months Ended September 30, 2013 | Number of Contracts | Pre-Modification Outstanding Recorded Investments | Post-Modification Outstanding Recorded Investments |
|--|------------------------|---|--|
| Originated loans: | | | |
| Residential one-to-four family | 2 | \$ 509 | \$ 652 |
| Commercial and multi-family | 2 | 526 | 526 |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | 2 | 1,549 | 1,550 |
| Home equity ⁽²⁾ | 2 | 393 | 398 |
| Consumer | — | — | — |
| Sub-total: | 8 | \$ 2,977 | \$ 3,126 |
| Acquired loans recorded at fair value: | | | |
| Residential one-to-four family | 6 | \$ 2,373 | \$ 2,407 |
| Commercial and Multi-family | 4 | 2,220 | 2,386 |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | 3 | 229 | 230 |
| Consumer | — | — | — |
| Sub-total: | 13 | \$ 4,822 | \$ 5,023 |
| Acquired loans with deteriorated credit: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and Multi-family | 2 | 1,653 | 888 |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | 3 | 265 | 293 |
| Home equity ⁽²⁾ | 1 | 140 | 140 |
| Consumer | — | — | — |
| Sub-total: | 6 | \$ 2,058 | \$ 1,321 |
| Total | 27 | \$ 9,857 | \$ 9,470 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

The loans included above are considered TDRs as a result of the Company implementing one or more of the following concessions: granting a material extension of time, issuing a forbearance agreement, adjusting the interest rate to a below market rate, accepting interest only for a period of time or a change in amortization period. For the nine months ended September 30, 2013, TDRs totaled \$9.47 million. All TDRs were considered impaired and therefore were individually evaluated for impairment in the calculation of the allowance for loan losses. Prior to their classification as TDRs, certain of these loans had been collectively evaluated for impairment in the calculation of the allowance for loan losses.

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

The following table summarizes information in regards to troubled debt restructurings for which there was a payment default within twelve months of restructuring during the nine months ended September 30, 2013. (In Thousands):

Nine Months Ended September 30, 2013

| | Number of Contracts | Recorded Investment |
|--|---------------------|---------------------|
| Originated loans: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and multi-family | 1 | 727 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | 1 | 727 |
| Acquired loans recorded at fair value: | | |
| Residential one-to-four family | 6 | \$ 1,311 |
| Commercial and Multi-family | 4 | 571 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | 1 | 945 |
| Home equity ⁽²⁾ | 1 | 140 |
| Consumer | — | — |
| Sub-total: | 12 | 2,967 |
| Acquired loans with deteriorated credit: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and Multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | — |
| Total | 13 | \$ 3,694 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes information in regards to troubled debt restructurings which occurred during the three months ended September 30, 2012. (In Thousands):

| Three Months Ended September 30, 2012 | Number of Contracts | Pre-Modification Outstanding Recorded Investments | Post-Modification Outstanding Recorded Investments |
|--|------------------------|---|--|
| Originated loans: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and multi-family | — | — | — |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | — | — | — |
| Consumer | — | — | — |
| Sub-total: | — | \$ — | \$ — |
| Acquired loans recorded at fair value: | | | |
| Residential one-to-four family | 2 | \$ 360 | \$ 360 |
| Commercial and Multi-family | 2 | 1,107 | 1,107 |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | 1 | 183 | 183 |
| Consumer | — | — | — |
| Sub-total: | 5 | \$ 1,650 | \$ 1,650 |
| Acquired loans with deteriorated credit: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and Multi-family | — | — | — |
| Construction | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | — | — | — |
| Consumer | — | — | — |
| Sub-total: | — | \$ — | \$ — |
| Total | 5 | \$ 1,650 | \$ 1,650 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes information in regards to troubled debt restructurings for which there was a payment default within twelve months of restructuring during the three months ended September 30, 2012. (In Thousands):

Three Months Ended September 30, 2012

| | Number of Contracts | Recorded Investment |
|--|---------------------|---------------------|
| Originated loans: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Acquired loans recorded at fair value: | | |
| Residential one-to-four family | 3 | \$ 468 |
| Commercial and Multi-family | 1 | 658 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | 4 | \$ 1,126 |
| Acquired loans with deteriorated credit: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and Multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Total | 4 | \$ 1,126 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes information in regards to troubled debt restructurings which occurred during the nine months ended September 30, 2012. (In Thousands):

| Nine Months Ended September 30, 2012 | Number of Contracts | Pre-Modification Outstanding Recorded Investments | Post-Modification Outstanding Recorded Investments |
|---|------------------------|---|--|
| Originated loans: | | | |
| Residential one-to-four family | 2 | \$ 410 | \$ 410 |
| Commercial and multi-family Construction | 10 — | 6,051 — | 6,051 — |
| Commercial business ⁽¹⁾ | 1 | 531 | 531 |
| Home equity ⁽²⁾ | 1 | 58 | 58 |
| Consumer | — | — | — |
| Sub-total: | 14 | \$ 7,050 | \$ 7,050 |
| Acquired loans recorded at fair value: | | | |
| Residential one-to-four family | 11 | \$ 4,030 | \$ 4,030 |
| Commercial and Multi-family Construction | 5 — | 2,333 — | 2,333 — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | 1 | 183 | 183 |
| Consumer | 2 | 200 | 200 |
| Sub-total: | 19 | \$ 6,746 | \$ 6,746 |
| Acquired loans with deteriorated credit: | | | |
| Residential one-to-four family | — | \$ — | \$ — |
| Commercial and Multi-family Construction | — — | — — | — — |
| Commercial business ⁽¹⁾ | — | — | — |
| Home equity ⁽²⁾ | — | — | — |
| Consumer | — | — | — |
| Sub-total: | — | \$ — | \$ — |
| Total | 33 | \$ 13,796 | \$ 13,796 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes information in regards to troubled debt restructurings for which there was a payment default within twelve months of restructuring during the nine months ended September 30, 2012. (In Thousands):

Nine Months Ended September 30, 2012

| | Number of Contracts | Recorded Investment |
|--|---------------------|---------------------|
| Originated loans: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Acquired loans recorded at fair value: | | |
| Residential one-to-four family | 4 | \$ 606 |
| Commercial and Multi-family | 1 | 658 |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | 5 | \$ 1,264 |
| Acquired loans with deteriorated credit: | | |
| Residential one-to-four family | — | \$ — |
| Commercial and Multi-family | — | — |
| Construction | — | — |
| Commercial business ⁽¹⁾ | — | — |
| Home equity ⁽²⁾ | — | — |
| Consumer | — | — |
| Sub-total: | — | \$ — |
| Total | 5 | \$ 1,264 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the delinquency status of total loans receivable as of September 30, 2013:

| | 30-59 Days Past Due (In Thousands) | 60-90 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivable | Loans Receivable >90 Days and Accruing |
|--|--|------------------------------|----------------------------|----------------------|------------|------------------------------|---|
| Originated loans: | | | | | | | |
| Residential one-to-four family | \$ 1,073 | \$ 808 | \$ — | \$ 1,881 | \$ 90,947 | \$ 92,828 | \$ — |
| Commercial and multi-family | 8,405 | 672 | 2,784 | 11,861 | 511,767 | 523,628 | — |
| Construction | 340 | — | — | 340 | 34,251 | 34,591 | — |
| Commercial business ⁽¹⁾ | 1,288 | — | 980 | 2,268 | 44,638 | 46,906 | — |
| Home equity ⁽²⁾ | 500 | 70 | 27 | 597 | 26,931 | 27,528 | — |
| Consumer | — | — | — | — | 590 | 590 | — |
| Sub-total: | \$ 11,606 | \$ 1,550 | \$ 3,791 | \$ 16,947 | \$ 709,124 | \$ 726,071 | \$ — |
| Acquired loans recorded at fair value: | | | | | | | |
| Residential one-to-four family | \$ 4,079 | \$ 304 | \$ 1,463 | \$ 5,846 | \$ 98,299 | 104,145 | \$ — |
| Commercial and multi-family | 7,421 | 1,010 | 3,482 | 11,913 | 119,369 | 131,282 | — |
| Construction | — | — | — | — | 205 | 205 | — |
| Commercial business ⁽¹⁾ | — | — | — | — | 7,568 | 7,568 | — |
| Home equity ⁽²⁾ | 994 | — | 382 | 1,376 | 27,147 | 28,523 | — |
| Consumer | — | — | — | — | 961 | 961 | — |
| Sub-total: | \$ 12,494 | \$ 1,314 | \$ 5,327 | \$ 19,135 | \$ 253,549 | \$ 272,684 | \$ — |
| Acquired loans with deteriorated credit: | | | | | | | |
| Residential one-to-four family | \$ — | \$ — | \$ — | \$ — | \$ 2,148 | 2,148 | \$ — |
| Commercial and multi-family | — | — | — | — | 2,089 | 2,089 | — |
| Construction | — | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — | — | 375 | 375 | — |
| Home equity ⁽²⁾ | 91 | — | — | 91 | — | 91 | — |
| Consumer | — | — | — | — | — | — | — |
| Sub-total: | \$ 91 | \$ — | \$ — | \$ 91 | \$ 4,612 | \$ 4,703 | \$ — |
| Total | \$ 24,191 | \$ 2,864 | \$ 9,118 | \$ 36,173 | \$ 967,285 | \$ 1,003,458 | \$ — |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the delinquency status of total loans receivable at December 31, 2012:

| | 30-59 Days Past Due (In Thousands) | 60-90 Days Past Due | Greater Than 90 Days | Total Past Due | Current | Total Loans Receivable | Loans Receivable >90 Days and Accruing |
|--|--|------------------------------|----------------------------|----------------------|-----------|------------------------------|--|
| Originated loans: | | | | | | | |
| Residential one-to-four family | \$2,055 | \$ 367 | \$— | \$2,422 | \$75,585 | \$78,007 | \$— |
| Commercial and multi-family | 14,370 | 2,898 | 690 | 17,958 | 417,413 | 435,371 | — |
| Construction | 2,236 | 1,174 | — | 3,410 | 18,857 | 22,267 | — |
| Commercial business ⁽¹⁾ | 1,495 | 152 | 840 | 2,487 | 44,763 | 47,250 | — |
| Home equity ⁽²⁾ | 342 | 394 | 129 | 865 | 25,099 | 25,964 | — |
| Consumer | — | — | — | — | 565 | 565 | — |
| Sub-total: | \$20,498 | \$4,985 | \$1,659 | \$27,142 | \$582,282 | \$609,424 | \$— |
| Acquired loans recorded at fair value: | | | | | | | |
| Residential one-to-four family | \$5,511 | \$1,574 | \$2,348 | \$9,433 | \$112,550 | 121,983 | \$1,223 |
| Commercial and multi-family | 9,446 | 2,347 | 7,183 | 18,976 | 130,478 | 149,454 | 1,386 |
| Construction | 301 | — | 130 | 431 | 612 | 1,043 | — |
| Commercial business ⁽¹⁾ | — | — | 674 | 674 | 11,503 | 12,177 | — |
| Home equity ⁽²⁾ | 1,038 | 323 | 1,387 | 2,748 | 31,541 | 34,289 | 227 |
| Consumer | — | — | — | — | 1,069 | 1,069 | — |
| Sub-total: | \$16,296 | \$4,244 | \$11,722 | \$32,262 | \$287,753 | \$320,015 | \$2,836 |
| Acquired loans with deteriorated credit: | | | | | | | |
| Residential one-to-four family | \$— | \$— | \$— | \$— | \$2,936 | 2,936 | \$— |
| Commercial and multi-family | — | — | 1,402 | 1,402 | 2,041 | 3,443 | — |
| Construction | — | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | — | — | — | — | 241 | 241 | — |
| Home equity ⁽²⁾ | — | — | — | — | 140 | 140 | — |
| Consumer | — | — | — | — | — | — | — |
| Sub-total: | \$— | \$— | \$1,402 | \$1,402 | \$5,358 | \$6,760 | \$— |
| Total | \$36,794 | \$9,229 | \$14,783 | \$60,806 | \$875,393 | \$936,199 | \$2,836 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention, substandard, doubtful, and loss within the Company's internal risk rating system as of September 30, 2013. (In Thousands):

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|--|-----------|-----------------|-------------|----------|------|-------------|
| Originated loans: | | | | | | |
| Residential one-to-four family | \$91,074 | \$ 1,050 | \$ 505 | \$ 199 | \$ — | \$92,828 |
| Commercial and multi-family | 513,483 | 4,501 | 3,008 | 2,636 | — | 523,628 |
| Construction | 34,591 | — | — | — | — | 34,591 |
| Commercial business ⁽¹⁾ | 42,349 | 2,422 | 794 | 1,341 | — | 46,906 |
| Home equity ⁽²⁾ | 26,856 | 296 | 376 | — | — | 27,528 |
| Consumer | 550 | 40 | — | — | — | 590 |
| Sub-total: | \$708,903 | \$ 8,309 | \$ 4,683 | \$ 4,176 | \$ — | \$726,071 |
| Acquired loans recorded at fair value: | | | | | | |
| Residential one-to-four family | \$95,771 | \$ 2,949 | \$ 5,020 | \$ 405 | \$ — | 104,145 |
| Commercial and multi-family | 119,459 | 4,480 | 5,551 | 1,792 | — | 131,282 |
| Construction | 205 | — | — | — | — | 205 |
| Commercial business ⁽¹⁾ | 7,524 | — | 44 | — | — | 7,568 |
| Home equity ⁽²⁾ | 27,303 | 327 | 856 | 37 | — | 28,523 |
| Consumer | 956 | — | 5 | — | — | 961 |
| Sub-total: | \$251,218 | \$ 7,756 | \$ 11,476 | \$ 2,234 | \$ — | \$272,684 |
| Acquired loans with deteriorated credit: | | | | | | |
| Residential one-to-four family | \$276 | \$ 1,350 | \$ 479 | \$ 43 | \$ — | 2,148 |
| Commercial and multi-family | 1,335 | 754 | — | — | — | 2,089 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | — | — | 375 | — | — | 375 |
| Home equity ⁽²⁾ | — | — | 91 | — | — | 91 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$1,611 | \$ 2,104 | \$ 945 | \$ 43 | \$ — | \$4,703 |
| Total Gross Loans | \$961,732 | \$ 18,169 | \$ 17,104 | \$ 6,453 | \$ — | \$1,003,458 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention, substandard, doubtful, and loss within the Company's internal risk rating system as of December 31, 2012. (In Thousands):

| | Pass | Special Mention | Substandard | Doubtful | Loss | Total |
|--|-----------|-----------------|-------------|----------|------|-----------|
| Originated loans: | | | | | | |
| Residential one-to-four family | \$75,151 | \$ 1,293 | \$ 1,563 | \$ — | \$ — | \$78,007 |
| Commercial and multi-family | 421,515 | 6,274 | 5,600 | 1,982 | — | 435,371 |
| Construction | 21,826 | — | 441 | — | — | 22,267 |
| Commercial business ⁽¹⁾ | 42,442 | 2,915 | 821 | 1,072 | — | 47,250 |
| Home equity ⁽²⁾ | 25,190 | 589 | 185 | — | — | 25,964 |
| Consumer | 529 | — | 36 | — | — | 565 |
| Sub-total: | \$586,653 | \$ 11,071 | \$ 8,646 | \$ 3,054 | \$ — | \$609,424 |
| Acquired loans recorded at fair value: | | | | | | |
| Residential one-to-four family | \$114,027 | \$ 4,445 | \$ 2,592 | \$ 919 | \$ — | \$121,983 |
| Commercial and multi-family | 133,836 | 6,756 | 7,632 | 1,230 | — | 149,454 |
| Construction | 913 | — | — | 130 | — | 1,043 |
| Commercial business ⁽¹⁾ | 11,561 | — | 267 | 349 | — | 12,177 |
| Home equity ⁽²⁾ | 32,620 | 409 | 1,260 | — | — | 34,289 |
| Consumer | 1,069 | — | — | — | — | 1,069 |
| Sub-total: | \$294,026 | \$ 11,610 | \$ 11,751 | \$ 2,628 | \$ — | \$320,015 |
| Acquired loans with deteriorated credit: | | | | | | |
| Residential one-to-four family | \$875 | \$ 563 | \$ 1,498 | \$ — | \$ — | \$2,936 |
| Commercial and multi-family | 1,645 | 1,787 | 11 | — | — | 3,443 |
| Construction | — | — | — | — | — | — |
| Commercial business ⁽¹⁾ | — | — | 241 | — | — | 241 |
| Home equity ⁽²⁾ | 47 | 93 | — | — | — | 140 |
| Consumer | — | — | — | — | — | — |
| Sub-total: | \$2,567 | \$ 2,443 | \$ 1,750 | \$ — | \$ — | \$6,760 |
| Total Gross Loans | \$883,246 | \$ 25,124 | \$ 22,147 | \$ 5,682 | \$ — | \$936,199 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table presents the unpaid principal balance and the related recorded investment of acquired loans included in our Consolidated Statements of Financial Condition. (In Thousands):

| | September 30, 2013 | December 31, 2012 |
|--------------------------|-----------------------|----------------------|
| Unpaid principal balance | \$ 281,127 | \$ 330,090 |
| Recorded investment | 277,388 | 326,775 |

The following table presents changes in the accretable discount on loans acquired for the three and nine months ended September 30, 2013 and 2012. (In Thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 115,536 | \$ 152,673 | \$ 136,209 | \$ 180,722 |
| Acquisitions | — | — | — | — |
| Accretion | (7,760) | (10,307) | (28,453) | (38,356) |
| Net Reclassification from Non-Accretable Difference | 112 | — | 132 | — |
| Balance, End of Period | \$ 107,888 | \$ 142,366 | \$ 107,888 | \$ 142,366 |

The following table presents changes in the non-accretable yield on loans acquired for the three and nine months ended September 30, 2013 and 2012. (In Thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Balance, Beginning of Period | \$ 4,614 | \$ 6,653 | \$ 4,835 | \$ 7,867 |
| Loans Sold | — | (1,281) | — | (2,150) |
| Amounts not recognized due to chargeoffs on transfers to other real estate | — | (64) | (201) | (409) |
| Net Reclassification to Accretable Difference | (112) | — | (132) | — |

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| | | | | |
|------------------------|----------|----------|----------|----------|
| Balance, End of Period | \$ 4,502 | \$ 5,308 | \$ 4,502 | \$ 5,308 |
|------------------------|----------|----------|----------|----------|

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Index**Note 8 – Fair Values of Financial Instruments (Continued)**

Guidance on fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The only assets or liabilities that the Company measured at fair value on a recurring basis were as follows. (In Thousands):

| Description | Total | (Level 1) | (Level 2) | (Level 3) |
|---|---------|--|-------------------------------------|---------------------------------|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Unobservable Inputs |
| As of September 30, 2013: | | | | |
| Securities available for sale — Equity Securities | \$789 | \$789 | \$ — | \$ — |
| As of December 31, 2012: | | | | |
| Securities available for sale — Equity Securities | \$1,240 | \$1,240 | \$ — | \$ — |

There were no transfers of assets or liabilities into or out of Level 1, Level 2, or Level 3 of the fair value hierarchy during the nine months ended September 30, 2013.

The Company's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities into or out of Level 1, Level 2, or

Level 3 of the fair value hierarchy during the nine months ended September 30, 2013.

The only assets or liabilities that the Company measured at fair value on a nonrecurring basis were as follows. (In Thousands):

| Description | Total | (Level 1) Quoted Prices in Active Markets for Identical Assets | (Level 2) Significant Other Observable Inputs | (Level 3) Significant Unobservable Inputs |
|---------------------------|----------|--|---|--|
| As of September 30, 2013: | | | | |
| Impaired Loans | \$21,049 | \$ — | \$ — | \$ 21,049 |
| As of December 31, 2012: | | | | |
| Impaired Loans | \$20,967 | \$ — | \$ — | \$ 20,967 |
| Other Real Estate Owned | \$2,215 | \$ — | \$ — | \$ 2,215 |

Index**Note 8 – Fair Values of Financial Instruments (Continued)**

The following tables present additional quantitative information as of September 30, 2013 and December 31, 2012 about assets measured at fair value on a nonrecurring basis and for which the Company has utilized adjusted Level 3 inputs to determine fair value. (Dollars in thousands):

Quantitative Information about Level 3 Fair Value Measurements

| | Fair Value Valuation Estimate Techniques | | Unobservable Input | Range ‘ |
|--------------------------------|--|-----------------------------|---------------------------|---------|
| September 30, 2013: | | | | |
| Impaired Loans | \$ 21,049 | Appraisal of collateral (1) | Appraisal adjustments (2) | 0%-10% |
| | | | Liquidation expenses (3) | 0%-10% |
| | | | | |
| | Fair Value Valuation Estimate Techniques | | Unobservable Input | Range |
| December 31, 2012: | | | | |
| Impaired Loans | \$ 20,967 | Appraisal of collateral (1) | Appraisal adjustments (2) | 0%-10% |
| | | | Liquidation expenses (3) | 0%-10% |
| Other Real Estate Owned | \$2,215 | Appraisal of collateral (1) | Appraisal adjustments (2) | 0%-20% |

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated (2) liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

(3) Includes qualitative adjustments by management and estimated liquidation expenses.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments as of September 30, 2013 and December 31, 2012.

Cash and Cash Equivalents and Interest-Earning Time Deposits (Carried at Cost)

The carrying amounts reported in the consolidated statements of financial condition for cash and short-term instruments approximate those assets' fair values.

Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets and/or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

Loans Held for Sale (Carried at Lower of Cost or Fair Value)

The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted prices exist, the fair value of a loan is determined using quoted prices for a similar loan or loans, adjusted for specific attributes of that loan. Loans held for sale are carried at their cost as of September 30, 2013 and December 31, 2012.

Loans Receivable (Carried at Cost)

The fair value of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

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Note 8 – Fair Values of Financial Instruments (Continued)

Impaired Loans (Generally Carried at Fair Value)

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loans observable market price or the fair value of the collateral if the loan is collateral dependent. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value at September 30, 2013 and December 31, 2012 consists of the loan balances of \$23.8 million and \$23.1 million, net of a valuation allowance of \$2.7 million and \$2.1 million, respectively.

Real Estate Owned (Generally Carried at Fair Value)

Real Estate Owned is generally carried at fair value, when the carrying value is written down to fair value, which is determined based upon independent third-party appraisals of the properties, or based upon the expected proceeds from a pending sale. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

FHLB of New York Stock (Carried at Cost)

The carrying amount of restricted investment in bank stock approximates fair value, and considers the limited marketability of such securities.

Interest Receivable and Payable (Carried at Cost)

The carrying amount of interest receivable and interest payable approximates its fair value.

Deposits (Carried at Cost)

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Long-Term Debt (Carried at Cost)

Fair values of long-term debt are estimated using discounted cash flow analysis, based on quoted prices for new long-term debt with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments

Fair values for the Company's off-balance sheet financial instruments (lending commitments and unused lines of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing. The fair value of these commitments was deemed immaterial and is not presented in the accompanying table.

Index**Note 8 – Fair Values of Financial Instruments (Continued)**

The carrying values and estimated fair values of financial instruments were as follows as of September 30, 2013 and December 31, 2012:

As of September 30, 2013

| Carrying | Fair Value | Quoted Prices in | Significant | Significant |
|---------------------------------|------------|------------------|-------------|--------------|
| | | Markets for | Other | Unobservable |
| Value | | Identical Assets | Observable | Inputs |
| | | (Level 1) | Inputs | (Level 3) |
| | | | (Level 2) | |
| (In Thousands) | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | \$32,189 | \$32,189 | \$ 32,189 | \$ — |
| Interest-earning time deposits | 986 | 986 | 986 | — |
| Securities available for sale | 789 | 789 | 789 | — |
| Securities held to maturity | 118,947 | 120,980 | — | 120,980 |
| Loans held for sale | 1,370 | 1,388 | — | 1,388 |
| Loans receivable, net | 987,436 | 1,017,803 | — | — |
| FHLB of New York stock, at cost | 7,030 | 7,030 | — | 7,030 |
| Interest receivable | 4,049 | 4,049 | — | 4,049 |
| Financial liabilities: | | | | |
| Deposits | 967,967 | 972,042 | 574,944 | 397,098 |
| Long-term debt | 114,124 | 123,557 | — | 123,557 |
| Interest payable | 404 | 404 | — | 404 |

As of December 31, 2012

| Carrying | Fair Value | Quoted Prices in | Significant | Significant |
|--------------------------------|------------|------------------|------------------|--------------|
| | | Markets for | Other Observable | Unobservable |
| Value | | Identical Assets | Inputs | Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| (In Thousands) | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | \$34,147 | \$34,147 | \$ 34,147 | \$ — |
| Interest-earning time deposits | 986 | 986 | 986 | — |

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| | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| Securities available for sale | 1,240 | 1,240 | 1,240 | — | — |
| Securities held to maturity | 164,648 | 171,603 | — | 171,603 | — |
| Loans held for sale | 1,602 | 1,637 | — | 1,637 | — |
| Loans receivable, net | 922,301 | 963,472 | — | — | 963,472 |
| FHLB of New York stock, at cost | 7,698 | 7,698 | — | 7,698 | — |
| Interest receivable | 4,063 | 4,063 | — | 4,063 | — |
| Financial liabilities: | | | | | |
| Deposits | 940,786 | 944,960 | 527,318 | 417,642 | — |
| Long-term debt | 131,124 | 144,211 | — | 144,211 | — |
| Interest payable | 789 | 789 | — | 789 | — |

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ITEM 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Total assets increased by \$12.0 million or 1.0% to \$1.183 billion at September 30, 2013 from \$1.171 billion at December 31, 2012. The increase in total assets occurred as a result of an increase in net loans receivable of \$65.1 million, partially offset by a decrease in securities held to maturity of \$45.7 million and a decrease in total cash and cash equivalents of \$1.9 million. Management has historically concentrated on maintaining adequate liquidity in anticipation of funding loans in the loan pipeline as well as seeking opportunities in the secondary market that provide competitive returns in a risk-mitigated environment. During 2013 we have utilized our liquidity to take advantage of lending opportunities. It is our intention to grow the balance sheet at a measured pace consistent with our capital levels and as business opportunities permit.

Total cash and cash equivalents decreased by \$1.9 million or 5.6% to \$32.2 million at September 30, 2013 from \$34.1 million at December 31, 2012. Investment securities classified as held-to-maturity decreased by \$45.7 million or 27.8% to \$118.9 million at September 30, 2013 from \$164.6 million at December 31, 2012. This decrease in investment securities held-to-maturity resulted primarily from allowable sales of \$9.5 million of mortgage-backed securities from the held-to-maturity portfolio and \$39.0 million of repayments and prepayments in the mortgage-backed securities portfolio, partially offset by purchases of \$3.6 million in investment securities. The funds received have been utilized to fund loan originations.

Net loans receivable increased by \$65.1 million or 7.1% to \$987.4 million at September 30, 2013 from \$922.3 million at December 31, 2012. The increase resulted primarily from a \$76.4 million increase in real estate mortgages comprising residential, commercial and multi-family, construction and participation loans with other financial institutions partially offset by a decrease of \$4.3 million in consumer loans, net of amortization, along with a \$4.8 million decrease in commercial loans comprising business loans and commercial lines of credit, net of amortization, partially offset by a \$1.5 million increase in the allowance for loan losses. During the second quarter of 2013, the Company sold at par \$24.2 million in commercial real estate participation loans in which no gain or loss was incurred. As of September 30, 2013, the allowance for loan losses was \$13.9 million or 66.2% of non-performing loans and 1.39% of gross loans. As a result of the loans acquired in the business combination transactions being recorded at their fair value, the balances in the allowance for loan losses that were on the balance sheets of the former Pamrapo Bancorp, Inc., and Allegiance Community Bank are precluded from being reported in the allowance balance previously discussed, consistent with generally accepted accounting principles.

Deposit liabilities increased by \$27.2 million or 2.9% to \$968.0 million at September 30, 2013 from \$940.8 million at December 31, 2012. The increase resulted primarily from a \$17.7 million increase in non-interest bearing deposits, an increase of \$18.7 million in NOW deposits, an increase of \$8.9 million in savings and club deposits and an increase of \$2.3 million in money market interest bearing deposits which more than offset a \$20.4 million decrease in time deposits. Consistent with our customers' preferences, we have attempted to shift our funding from higher cost time deposit accounts to more liquid and lower cost core deposits. During the quarter ended September 30, 2013, the Federal Open Market Committee (FOMC) has continued its mindset of a continuing accommodative monetary policy. This has resulted in historically low short term market rates that have further resulted in low time deposit account yields which in turn has had the effect of decreasing interest expense.

We had no outstanding short-term borrowing money at September 30, 2013 compared with \$17.0 million in short-term borrowings at December 31, 2012. Long-term borrowed money remained constant at \$114.1 million at September 30, 2013 and December 31, 2012, respectively. The purpose of the borrowings reflects the use of long term and short term Federal Home Loan Bank advances to augment deposits as the Company's funding source for originating loans and investing in GSE investment securities.

Stockholders' equity increased by \$2.3 million or 2.5% to \$93.9 million at September 30, 2013 from \$91.6 million at December 31, 2012. The increase in stockholders' equity is primarily attributable to net income of \$7.1 million offset by the Company repurchasing during the period 183,199 shares of the Company's common stock at a cost of \$1.9 million along with cash dividends paid during the period totaling \$3.0 million on outstanding common shares of stock and \$390,000 on outstanding preferred shares of stock. The Company accrued a dividend payable for the third quarter on the preferred shares for \$130,000 which will be paid in the fourth quarter. As of September 30, 2013, the Bank's Tier 1, Tier 1 Risk-Based and Total Risk Based Capital Ratios were 8.39%, 12.13% and 13.38% respectively.

Three Months of Operation

Net income was \$2.14 million for the three months ended September 30, 2013 compared with a net loss of (\$1.35) million for three months ended September 30, 2012. Our net income is primarily reflective of an increase in total interest income and total non-interest income as well as decreases in total interest expense, provision for loan losses and non-interest expense, partially offset by an increase in the income tax provision.

Net interest income increased by \$1.3 million or 12.6% to \$11.6 million for the three months ended September 30, 2013 from \$10.3 million for the three months ended September 30, 2012. The increase in net interest income resulted primarily from an increase in the average yield on interest earning assets of thirty-four basis points to 4.92% for the three months ended September 30, 2013 from 4.58% for the three months ended September 30, 2012, along with an increase in the average balance of interest earning assets of \$13.0 million or 1.1% to \$1.158 billion for the three months ended September 30, 2013 from \$1.145 billion for the three months ended September 30, 2012. While yields on the individual components of interest-earning assets generally declined, the overall yield on interest-earning assets increased due to a reallocation of assets into higher yielding loans. The average balance of interest bearing liabilities decreased by \$15.7 million or 1.6% to \$976.3 million for the three months ended September 30, 2013 from \$992.0 million for the three months ended September 30, 2012, while the average cost of interest bearing liabilities decreased

by six basis points to 1.09% for the three months ended September 30, 2013 from 1.15% for the three months ended September 30, 2012. As a consequence of the aforementioned, our net interest margin increased by forty-two basis points to 4.00% for the three months ended September 30, 2013 from 3.58% for the three months ended September 30, 2012.

Interest income on loans receivable increased by \$1.71 million or 14.7% to \$13.34 million for the three months ended September 30, 2013 from \$11.63 million for the three months ended September 30, 2012. The increase was primarily attributable to an increase in the average balance of loans receivable of \$131.5 million or 15.4% to \$984.3 million for the three months ended September 30, 2013 from \$852.8 million for the three months ended September 30, 2012, partially offset by a slight decrease in the average yield on loans receivable to 5.42% for the three months ended September 30, 2013 from 5.46% for the three months ended September 30, 2012. The decrease in average yield reflects the competitive price environment prevalent in the Company's primary market area on loan facilities as well as the repricing downward of certain variable rate loans.

Interest income on securities decreased by \$569,000 or 39.2% to \$884,000 for the three months ended September 30, 2013 from \$1.45 million for the three months ended September 30, 2012. This decrease was primarily due to a decrease in the average balance of securities held-to-maturity of \$74.0 million or 36.1% to \$131.0 million for the three months ended September 30, 2013 from \$205.0 million for the three months ended September 30, 2012, as well as a decrease in the average yield of securities held-to-maturity to 2.70% for the three months ended September 30, 2013 from 2.84% for the three months ended September 30, 2012. The decrease in the average yield reflects the persistent low interest rate environment for the three months ended September 30, 2013.

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Interest income on other interest-earning assets decreased by \$12,000 or 46.2% to \$14,000 for the three months ended September 30, 2013 from \$26,000 for the three months ended September 30, 2012. This decrease was primarily due to a decrease of \$44.3 million or 50.6% in the average balance of other interest-earning assets to \$43.2 million for the three months ended September 30, 2013 from \$87.5 million for the three months ended September 30, 2012. The average yield on other interest-earning assets increased marginally to 0.13% for the three months ended September 30, 2013 from 0.12% for the three months ended September 30, 2012. The static nature of the average yield on other interest-earning assets reflects the current philosophy of the FOMC of keeping short term interest rates at historically low levels for the last several years. The decreased balance of other interest earning assets reflects management's decision to reallocate excess liquidity into higher yielding, regularly repricing loan product during a period of historically low money market interest rates.

Total interest expense decreased by \$204,000 or 7.2% to \$2.65 million for the three months ended September 30, 2013 from \$2.85 million for the three months ended September 30, 2012. The decrease resulted primarily from a decrease in the balance of average interest-bearing liabilities of \$15.7 million or 1.6% to \$976.3 million for the three months ended September 30, 2013 from \$992.0 million for the three months ended September 30, 2012, along with a decrease in the average cost of interest-bearing liabilities of six basis points to 1.09% for the three months ended September 30, 2013 from 1.15% for the three months ended September 30, 2012. The decrease in the balance of average interest-bearing liabilities is primarily attributable to the decrease in the average balance of time deposits of \$38.7 million or 8.9% to \$395.6 million for the three months ended September 30, 2013 from \$434.3 million for the three months ended September 30, 2012 along with a decrease in the average balance of money market deposits of \$3.2 million or 4.7% to \$64.3 million for the three months ended September 30, 2013 from \$67.5 million for the three months ended September 30, 2012, which more than offset an increase in the average balance of interest-bearing demand deposits of \$18.1 million or 15.4% to \$135.6 million for the three months ended September 30, 2013 from \$117.5 million for the three months ended September 30, 2012 along with an increase in the average balance of savings deposits of \$8.1 million or 3.1% to \$266.6 million for the three months ended September 30, 2013 from \$258.5 million for the three months ended September 30, 2012. The decrease in the average cost reflects the lower short term interest rate environment and our ability to reduce our pricing on a select number of retail deposit products.

The provision for loan losses totaled \$450,000 and \$1.6 million for the three months ended September 30, 2013 and 2012, respectively. The provision for loan losses is established based upon management's review of the Company's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the dynamic activity and fluctuating balance of loans receivable, and (5) the existing level of reserves for loan losses that are probable and estimable. During the three months ended September 30, 2013, the Company experienced \$242,000 in net charge-offs (consisting of \$387,000 in charge-offs and \$145,000 in recoveries). During the year ended December 31, 2012, the Company experienced \$3.05 million in net charge-offs (consisting of \$3.08 million in charge-offs and \$35,000 in recoveries). The Bank had non-performing loans totaling \$21.0 million or 2.10% of gross loans at September 30, 2013 and \$22.9 million or 2.45% of gross loans at December 31, 2012. The allowance for loan losses was \$13.9 million or 1.39% of gross loans at September 30, 2013, \$12.4 million or 1.32% of gross loans at December 31, 2012 and \$11.9 million or 1.38% of gross loans at September 30, 2012. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Company to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at September 30, 2013, December 31, 2012 and September 30, 2012.

Total non-interest income (loss) was \$763,000 for the three months ended September 30, 2013 compared with a (\$2.7) million loss for the three months ended September 30, 2012. Non-interest income reflected a (\$3.5) million loss on the sale of non-performing loans in the third quarter of 2012 with no corresponding transaction for the third quarter 2013 along with an increase of \$76,000 or 20.7% in fees and service charges to \$444,000 for the three months ended September 30, 2013 from \$368,000 for the three months ended September 30, 2012 and an increase of \$2,000 or 5.6% in other non-interest income to \$38,000 for the three months ended September 30, 2013 from \$36,000 for the three months ended September 30, 2012, partially offset by a decrease of \$13,000 or 41.9% in gain on sale of securities held to maturity to \$18,000 for the three months ended September 30, 2013 from \$31,000 for the three months ended September 30, 2012 along with a decrease of \$25,000 or 8.7% in gain on sale of loans originated for sale to \$263,000 for the three months ended September 30, 2013 from \$288,000 for the three months ended September 30, 2012. The securities sold consisted of mortgage-backed securities that had already returned at least 85% of the original principal purchased. The increase in fees and service charges is primarily due to increased deposit service charges of \$77,000 or 160.4% to \$125,000 for the three months ended September 30, 2013 from \$48,000 for the three months ended September 30, 2012. The decrease in gain on sale of loans originated for sale occurred primarily as a result of a decrease in sales activity for the three months ended September 30, 2013.

Total non-interest expense decreased by \$668,000 or 7.4% to \$8.3 million for the three months ended September 30, 2013 from \$9.0 million for the three months ended September 30, 2012. Salaries and employee benefits expense increased by \$244,000 or 6.5% to \$4.02 million for the three months ended September 30, 2013 from \$3.78 million for the three months ended September 30, 2012. The increase resulted primarily from an increase in employee salaries of \$249,000, an increase in commissions paid to mortgage originators on loans held for sale of \$38,000 compared to the three months ended September 30, 2012, partially offset by a decrease in employee benefits of \$38,000 compared to the three months ended September 30, 2012. Occupancy expense increased by \$78,000 or 9.1% to \$933,000 for the three months ended September 30, 2013 from \$855,000 for the three months ended September 30, 2012. The increase resulted primarily from increases in building repairs and supplies of \$25,000 and rental expense of \$33,000 compared with the three months ended September 30, 2012. Equipment expense increased by \$250,000 or 21.8% to \$1.40 million for the three months ended September 30, 2013 from \$1.15 million for the three months ended September 30, 2012. The increase resulted primarily from increases in data processing charges, maintenance contracts, furniture and fixtures and depreciation of \$235,000 compared to the three months ended September 30, 2012. Professional fees decreased by \$651,000 or 48.4% to \$693,000 for the three months ended September 30, 2013 from \$1.34 million for the three months ended September 30, 2012. The decrease resulted primarily from a decrease in legal and legacy costs associated with the sale of the non-performing loan portfolio in 2012. Director fees remained static at \$168,000 for the three months ended September 30, 2013 and September 30, 2012, respectively. Regulatory assessments decreased by \$8,000 or 2.7% to \$286,000 for the three months ended September 30, 2013 from \$294,000 for the three months ended September 30, 2012. Advertising expense increased by \$24,000 or 19.2% to \$149,000 for the three months ended September 30, 2013 from \$125,000 for the three months ended September 30, 2012. The increase was primarily due to our marketing efforts to increase business at the Woodbridge Branch location. Other real estate owned (OREO) (income)/expenses decreased by \$344,000 or 77.7% to \$99,000 for the three months ended September 30, 2013 from \$443,000 for the three months ended September 30, 2012. The decrease in expenses was primarily due to an decrease in loss on sale of OREO properties of \$347,000 or 91.1% to \$34,000 for the three months ended September 30, 2013 from a loss on sale of OREO properties of \$381,000 for the three months ended September 30, 2012 along with a decrease in OREO expenses of \$16,000 or 15.7% to \$86,000 for the three months ended September 30, 2013 from \$102,000 for the three months ended September 30, 2012, partially offset by a decrease in OREO rental income of \$19,000 or 48.7% to (\$20,000) for the three months ended September 30, 2013 from (\$39,000) for the three months ended September 30, 2012. Other non-interest expense decreased by \$261,000 or 30.9% to \$584,000 for the three months ended September 30, 2013 from \$845,000 for the three months ended September 30, 2012. The decrease was primarily due to the sale of the non-performing loan portfolio in 2012 which alleviated the carrying and legacy costs

associated with these non-performing loans. Other non-interest expense is comprised of loan expense, stationary, forms and printing, check printing, correspondent bank fees, telephone and communication, and other fees and expenses.

Income tax provision (benefit) increased by \$3.2 million to an income tax provision of \$1.43 million for the three months ended September 30, 2013 compared with an income tax benefit of \$1.74 million for the three months ended September 30, 2012. The increase in income tax provision was a result of increased taxable income during the three month time period ended September 30, 2013 as compared to the three months ended September 30, 2012. The consolidated effective tax rate for the three months ended September 30, 2013 was 40.0% compared to a tax benefit of 56.4% for the three months ended September 30, 2012.

Index**Nine Months of Operations**

Net income was \$7.1 million for the nine months ended September 30, 2013 compared with a net loss of (\$3.1) million for the nine months ended September 30, 2012. Our net income reflects increases in net interest income and non-interest income and decreases in non-interest expense and provision for loan losses, partially offset by an increase in income tax provision. Net interest income increased by \$3.8 million or 12.3% to \$34.6 million for the nine months ended September 30, 2013 from \$30.8 million for the nine months ended September 30, 2012. This increase in net interest income resulted primarily from an increase in the average yield of interest earning assets to 4.95% for the nine months ended September 30, 2013 from 4.55% for the nine months ended September 30, 2012, partially offset by a decrease of \$25.0 million or 2.1% in the average balance of interest earning assets to \$1.146 billion for the nine months ended September 30, 2013 from \$1.171 billion for the nine months ended September 30, 2012. The average balance of interest bearing liabilities decreased by \$42.4 million or 4.2% to \$971.6 million for the nine months ended September 30, 2013 from \$1.014 billion for the nine months ended September 30, 2012, while the average cost of interest bearing liabilities decreased to 1.09% for the nine months ended September 30, 2013 from 1.21% for the nine months ended September 30, 2012. As a consequence of the aforementioned, our net interest margin increased to 4.02% for the nine months ended September 30, 2013 from 3.51% for the nine months ended September 30, 2012. The increase in the average yield of interest earning assets and the decrease in the average cost of interest bearing liabilities represents management's efforts to competitively price certain products to maximize profitability. The decrease in the average balance of both interest earning assets and interest bearing liabilities represents a pre-planned minor deleveraging of the balance sheet.

Interest income on loans receivable increased by \$4.2 million or 11.9% to \$39.6 million for the nine months ended September 30, 2013 from \$35.4 million for the nine months ended September 30, 2012. The increase was primarily attributable to an increase in the average balance of loans receivable of \$110.4 million or 12.9% to \$967.5 million for the nine months ended September 30, 2013 from \$857.1 million for the nine months ended September 30, 2012, partially offset by a slight decrease in the average yield of loans receivable to 5.46% for the nine months ended September 30, 2013 from 5.50% for the nine months ended September 30, 2012. The increase in the average balance of loans is primarily attributable to the re-allocation of excess liquidity into higher yielding loan products. The decrease in average yield reflects the competitive price environment prevalent in the Bank's primary market area on loan facilities as well as the repricing downward of variable rate loans.

Interest income on securities decreased by \$1.63 million or 36.0% to \$2.9 million for the nine months ended September 30, 2013 from \$4.53 million for the nine months ended September 30, 2012. This decrease was primarily due to a decrease in the average balance of securities held-to-maturity of \$65.8 million or 31.1% to \$145.7 million for the nine months ended September 30, 2013 from \$211.5 million for the nine months ended September 30, 2012, as well as a decrease in the average yield of securities held-to-maturity to 2.65% for the nine months ended September 30, 2013 from 2.86% for the nine months ended September 30, 2012. The decrease in the average balance represents the amortization of the portfolio in the absence of any material purchases of investment securities. The decrease in the average yield reflects the low interest rate environment during the nine months ended September 30, 2013.

Interest income on other interest-earning assets decreased by \$53,000 or 58.2% to \$38,000 for the nine months ended September 30, 2013 from \$91,000 for the nine months ended September 30, 2012. This decrease was primarily due to

a decrease of \$70.3 million or 68.4% in the average balance of other interest-earning assets to \$32.5 million for the nine months ended September 30, 2013 from \$102.8 million for the nine months ended September 30, 2012. The average yield on other interest-earning assets increased slightly to 0.16% for the nine months ended September 30, 2013 from 0.12% for the nine months ended September 30, 2012. The somewhat static nature of the average yield on other interest-earning assets reflects the current philosophy by the FOMC of keeping short term interest rates at historically low levels for the last several years.

Total interest expense decreased by \$1.24 million or 13.5% to \$7.94 million for the nine months ended September 30, 2013 from \$9.18 million for the nine months ended September 30, 2012. The decrease resulted primarily from a decrease in the average balance of interest bearing liabilities of \$42.4 million or 4.2% to \$971.6 million for the nine months ended September 30, 2013 from \$1.014 billion for the nine months ended September 30, 2012 as well as a decrease in the cost of interest-bearing liabilities of twelve basis points to 1.09% for the nine months ended September 30, 2013 from 1.21% for the nine months ended September 30, 2012. The decrease in the average cost of interest bearing liabilities reflects the Company's reaction to the lower short term interest rate environment and our ability to reduce our pricing on a select number of retail deposit products.

The provision for loan losses totaled \$2.25 million and \$3.4 million for the nine months ended September 30, 2013 and September 30, 2012, respectively. The provision for loan losses is established based upon management's review of the Bank's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the activity and fluctuating balance of loans receivable, and (5) the existing level of reserves for loan losses that are probable and estimable. During the nine months ended September 30, 2013, the Company experienced \$732,000 in net charge-offs (consisting of \$932,000 in charge-offs and \$200,000 in recoveries). During the nine months ended September 30, 2012, the Company experienced \$1.99 million in net charge-offs (consisting of \$1.99 million in charge-offs and no recoveries). The Bank had non-performing loans totaling \$21.0 million or 2.10% of gross loans at September 30, 2013, \$22.9 million or 2.45% of gross loans at December 31, 2012 and \$25.0 million or 2.91% of gross loans at September 30, 2012. The decrease in non-performing loans resulted primarily from the sales of approximately \$25.9 million in non-performing loans during the second and third quarters of 2012. The sale resulted in a pre-tax loss of approximately \$10.8 million. The primary reason for these transactions was the elimination of carrying and legacy costs associated with these non-interest earning assets. The allowance for loan losses was \$13.9 million or 1.39% of gross loans at September 30, 2013, \$12.4 million or 1.32% of gross loans at December 31, 2012 and \$11.9 million or 1.38% of gross loans at September 30, 2012. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Company to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at September 30, 2013, December 31, 2012 and September 30, 2012.

Total non-interest income was \$2.43 million for the nine months ended September 30, 2013 compared with a loss of \$7.77 million for the nine months ended September 30, 2012. Our non-interest income reflects the fact that no loss on the bulk sale of impaired loans occurred during the nine months ended September 30, 2013 compared with a loss of \$10.8 million for the nine months ended September 30, 2012. Gain on sale of securities held to maturity increased by

\$154,000 or 68.8% to \$378,000 for the nine months ended September 30, 2013 from \$224,000 for the nine months ended September 30, 2012. These increases were partially offset by a decrease in gain on sale of loans acquired as for the nine months ended September 30, 2012, the Company sold approximately \$10.7 million of commercial business loans acquired in the Allegiance Community Bank acquisition which resulted in a gain of approximately \$286,000. No such transaction occurred during the nine months ended September 30 2013. Gain on sale of loans originated for sale decreased by \$348,000 or 36.4% to \$609,000 for the nine months ended September 30, 2013 from \$957,000 for the nine months ended September 30, 2012. The decrease in gain on sale of loans originated for sale occurred primarily as a result of a decrease in refinance activity of one-to-four family residential mortgages in our primary market area. Fees and service charges and other non-interest income decreased by \$127,000 or 8.1% to \$1.44 million for the nine months ended September 30, 2013 from \$1.57 million for the nine months ended September 30, 2012.

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Total non-interest expense decreased by \$2.6 million or 10.2% to \$22.8 million for the nine months ended September 30, 2013 from \$25.4 million for the nine months ended September 30, 2012. Salaries and employee benefits expense decreased by \$393,000 or 3.4% to \$11.21 million for the nine months ended September 30, 2013 from \$11.60 million for the nine months ended September 30, 2012. The decrease resulted primarily from a decrease in employee benefits of \$537,000 along with decreases in overtime paid of \$132,000 and commissions paid to mortgage originators of \$107,000 compared to September 30, 2012, which more than offset an increase of \$370,000 in employee salaries. Occupancy expense increased by \$25,000 or 1.0% to \$2.61 million for the nine months ended September 30, 2013 from \$2.59 million for the nine months ended September 30, 2012. Equipment expense increased by \$99,000 or 2.6% to \$3.85 million for the nine months ended September 30, 2013 from \$3.75 million for the nine months ended September 30, 2012. The primary component of this expense item is data service provider expense. Professional fees decreased by \$650,000 or 27.4% to \$1.72 million for the nine months ended September 30, 2013 from \$2.37 million for the nine months ended September 30, 2012. The decrease resulted primarily from a decrease in legal and legacy costs associated with the sale of the non-performing loan portfolio in 2012. Director fees decreased by \$56,000 or 10.0% to \$504,000 for the nine months ended September 30, 2013 from \$560,000 for the nine months ended September 30, 2012. Regulatory assessments decreased by \$71,000 or 7.9% to \$829,000 for the nine months ended September 30, 2013 from \$900,000 for the nine months ended September 30, 2012 primarily due to the new assessment base methodology pursuant to Dodd-Frank which lowered the Bank's deposit insurance premiums. Advertising expense increased by \$58,000 or 15.6% to \$429,000 for the nine months ended September 30, 2013 from \$371,000 for the nine months ended September 30, 2012. The increase was primarily due to our marketing efforts to increase business at the Woodbridge Branch location. Other real estate owned expense decreased by \$722,000 or 102.4% to a gain of \$17,000 for the nine months ended September 30, 2013 from an expense of \$705,000 for the nine months ended September 30, 2012. The decrease in OREO expenses was primarily due to a decrease in loss on sale of OREO properties of \$569,000 or 118.8% to a gain of \$90,000 for the nine months ended September 30, 2013 from a loss on sale of OREO properties of \$479,000 for the nine months ended September 30, 2012 along with a decrease in OREO expenses of \$112,000 or 33.4% to \$223,000 for the nine months ended September 30, 2013 from \$335,000 for the nine months ended September 30, 2012, partially offset by a decrease in OREO rental income of \$70,000 or 64.2% to (\$39,000) for the nine months ended September 30, 2013 from (\$109,000) for the nine months ended September 30, 2012. Other non-interest expense decreased by \$847,000 or 33.3% to \$1.69 million for the nine months ended September 30, 2013 from \$2.54 million for the nine months ended September 30, 2012. The decrease was primarily due to the sale of the non-performing loan portfolio in 2012 which alleviated the carrying and legacy costs associated with these non-performing loans. Other non-interest expense is comprised of loan expense, stationary, forms and printing, check printing, correspondent bank fees, telephone and communication, and other fees and expenses.

Income tax provision was \$4.8 million for the nine months ended September 30, 2013 compared with an income tax benefit of \$2.6 million for the nine months ended September 30, 2012, reflecting increased taxable income during the nine month period ended September 30, 2013. The consolidated effective tax rate for the nine months ended September 30, 2013 was a tax provision of 40.4% compared to a tax benefit of 45.8% for the nine months ended September 30, 2012.

Index**Item 3. Quantitative and Qualitative Disclosures About Market Risk****Management of Market Risk**

General. The majority of our assets and liabilities are monetary in nature. Consequently, one of our most significant forms of market risk is interest rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result, a principal part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates. Accordingly, our Board of Directors has established an Asset/Liability Committee which is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the Board of Directors. Senior management monitors the level of interest rate risk on a regular basis and the Asset/Liability Committee, which consists of senior management and outside directors operating under a policy adopted by the Board of Directors, meets as needed to review our asset/liability policies and interest rate risk position.

The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of September 30, 2013. Assumptions have been made by the Company relating to interest rates, loan prepayment rates, core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates were used for fixed rate loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based upon management's judgment of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. Variable rate loans were scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table include prepayment rates on loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months, and money market and non-interest bearing accounts were scheduled with an assumed term of 24 months. The NPV at "PAR" represents the difference between the Company's estimated value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 200 to 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of September 30, 2013. The following sets forth the Company's NPV as of that date.

| Change in Calculation | Net Portfolio Value | \$ Change from PAR | % Change from PAR | NPV as a % of Assets | | | |
|-----------------------|---------------------|--------------------|-------------------|----------------------|--------|---|-----------|
| | | | | NPV Ratio | Change | | |
| +300bp | \$ 88,003 | \$ (52,644) | (37.43) | % | 8.00 | % | (359) bps |
| +200bp | 114,521 | (26,126) | (18.58) | | 10.03 | | (156) bps |
| +100bp | 133,289 | (7,358) | (5.23) | | 11.29 | | (30) bps |
| PAR | 140,647 | - | - | | 11.59 | | - bps |
| -100bp | 155,964 | 15,317 | 10.89 | | 12.55 | | 96 bps |

bp – basis points

The table above indicates that as of September 30, 2013, in the event of a 100 basis point increase in interest rates, we would experience a 5.23% decrease in NPV.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in NPV require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the NPV table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income, and will differ from actual results.

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ITEM 4.

Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business. Other than as set forth below, as of September 30, 2013, we were not involved in any material legal proceedings, the outcome of which, if determined in a manner adverse to the Company, would have a material adverse affect on our financial condition or results of operations.

The Company is a named defendant in the lawsuit Kontos v. Robbins, et al., filed in the Superior Court of New Jersey on May 15, 2012. The lawsuit alleges that Spencer Robbins, the former Chairman of the Board of Allegiance Community Bank and currently a director of the Company, and others misled Mr. Kontos with respect to his investment in a real estate project and induced Mr. Kontos to borrow money from Allegiance Community Bank, also a named defendant. The lawsuit seeks an unspecified dollar amount of damages. Insurance coverage is currently in effect. The Company has filed its Answer to the lawsuit. The Company, after preliminary review, believes the lawsuit is without merit and frivolous. The Company is vigorously defending its interests in this litigation.

The Company is the successor to Pamrapo Bancorp, Inc., a named defendant in the lawsuit Brian Campbell v. Pamrapo Bancorp, Inc., et al., filed in the Superior Court of New Jersey in December 2010. The lawsuit alleges that Mr. Campbell sustained personal injuries in an automobile accident while on a work-related trip and should be compensated for his injuries. Insurance coverage is currently in effect. The Company believes that the lawsuit is without merit and is vigorously defending its interests in this litigation.

The Company, as the successor to Pamrapo Bancorp, Inc., and in its own corporate capacity, is a named defendant in a shareholder, putative class action lawsuit, Kube, et al. v. Pamrapo Bancorp, Inc., et al., filed in the Superior Court of New Jersey, Hudson County, Chancery Division, General Equity. On May 9, 2012, the Company obtained partial summary judgment, dismissing three of the five Counts of the Complaint. On May 9, 2012, plaintiff's counsel was awarded interim legal fees of approximately \$350,000. The Company's obligation to pay that amount has been stayed. The Company's motion for leave to file an interlocutory appeal of that award was denied by the Appellate Division of the Superior Court of New Jersey. The Company is vigorously defending its interests in this litigation.

The Company is a named defendant in a lawsuit, Armstrong v. BCB Bancorp, Inc., and Brian M. Campbell, which was filed in the Superior Court of New Jersey, Atlantic County, Law Division, on September 27, 2011. The Company is a named defendant as the successor to Pamrapo Bancorp, Inc. The lawsuit accuses Brian Campbell, the former Managing Director of Pamrapo Services Corporation, a wholly-owned subsidiary of Pamrapo Bancorp, Inc., of various violations of federal and state securities laws, fraud, breach of fiduciary duty and negligence. Prime Capital, Inc., and other entities have been named as additional, potentially-responsible parties by the Company and/or the plaintiff. The case has been transferred to FINRA arbitration. The arbitration is in its early stages. The plaintiff is

seeking unspecified damages. Insurance coverage is currently in effect for the Company. The Company is vigorously defending its interests in this litigation.

ITEM 1.A. RISK FACTORS

Other than as set forth below, there have been no changes to the risk factors set forth under Item 1.A Risk Factors as set forth in the Company's Form 10-K for the year ended December 31, 2012.

The asset quality of our loan portfolio may deteriorate if the economy falters, resulting in a portion of our loans failing to perform in accordance with their terms. Under such circumstances our profitability will be adversely affected.

At September 30, 2013, the Company had \$41.7 million in classified loans of which \$6.5 million were classified as doubtful, \$17.1 million were classified as substandard and \$18.2 million were classified as special mention. In addition, at that date we had \$21.0 million in non-accruing loans. While we have adhered to stringent underwriting standards in the origination of loans, a large percentage of our loan portfolio was obtained in connection with our acquisition of Pamrapo Bancorp, Inc. and Allegiance Community Bank. In addition, there can be no assurance that loans that we originated will not experience asset quality deterioration as a result of a downturn in the local economy. Should our local economy weaken, our asset quality may deteriorate resulting in losses to the Company.

The effects of Hurricane Sandy impacted our operations and disrupted our branch network and potentially affected loan facilities in those areas affected by the storm. Under such circumstances our profitability will be adversely affected.

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. The Company conducted in 2012 a quantitative analysis identifying 122 loans with outstanding principal loan balances totaling approximately \$38.0 million. At September 30, 2013, \$29.1 million of the loans identified have either fully completed the restoration process or have paid the loan in full. The remaining \$8.9 million are at various stages of completion and are continually monitored by the Company. Based on this updated, current analysis, the Company which had initially established an additional Sandy related provision for loan losses totaling \$500,000 to mitigate any potential losses has reduced this provision to \$43,000 at September 30, 2013. The Company will continue to monitor the ongoing status of the Sandy impacted loans to determine if the established provision requires adjustment.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Securities sold within the past three years without registering the securities under the Securities Act of 1933

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On June 28, 2012, the Company announced a seventh stock repurchase plan to repurchase 5% or 440,000 shares of the Company's common stock. On July 17, 2013, the Company announced an eighth stock repurchase plan to repurchase 5% or 400,000 shares of the Company's common stock. The Company's stock purchases for the three months ended September 30, 2013 are as follows:

| Period | Shares Purchased | Average Price | Total Number of Shares Purchased | Maximum Number of Shares That May Yet be Purchased |
|---------------------------------|------------------|---------------|----------------------------------|--|
| July 1- July 31, 2013 | — | \$ — | — | 476,655 |
| August 1- August 31, 2013 | 11,163 | \$ 10.67 | 11,163 | 465,492 |
| September 1- September 30, 2013 | 48,094 | \$ 10.80 | 59,257 | 417,398 |
| Total | 59,257 | \$ 10.77 | 59,257 | 417,398 |

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| | |
|-----------------------|--|
| Exhibit 11.0 | Computation of Earnings per Share. |
| Exhibit 31.1 and 31.2 | Officers' Certification filed pursuant to section 302 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32 | Officers' Certification filed pursuant to section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 101.INS | XBRL Instance Document |
| Exhibit 101.SCH | XBRL Taxonomy Extension Schema |
| Exhibit 101.CAL | XBRL Taxonomy Extension Calculation LinkBase |
| Exhibit 101.DEF | XBRL Taxonomy Extension Definition LinkBase |
| Exhibit 101.LAB | XBRL Taxonomy Extension Label LinkBase |
| Exhibit 101.PRE | XBRL Taxonomy Extension Presentation LinkBase |

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Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

BCB BANCORP, INC.

Date: November 8, 2013 By: /s/ Donald Mindiak
Donald Mindiak
Chief Executive Officer

Date: November 8, 2013 By: /s/ Kenneth D. Walter
Kenneth D. Walter
Chief Financial Officer