BCB BANCORP INC
Form 10-Q
August 07, 2014

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 June 30, 2014

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

New Jersey	26-0065262

(State or other jurisdiction of	(IRS Employer
incorporation or organization)	I.D. No.)
104-110 Avenue C Bayonne, New Jersey (Address of principal executive offices)	07002 (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 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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 4, 2014, BCB Bancorp, Inc., had 8,373,286 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

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

	June 30, 2014	December 31, 2013
ASSETS		
Cash and amounts due from depository institutions	$ 8,776	$ 10,847
Interest-earning deposits	15,553	18,997
Total cash and cash equivalents	24,329	29,844
Interest-earning time deposits	990	990
Securities available for sale	-	1,104
Securities held to maturity, fair value $110,750 and $115,158, respectively	107,766	114,216
Loans held for sale	3,256	1,663
Loans receivable, net of allowance for loan losses of $14,952 and $14,342, respectively	1,096,232	1,020,344
Federal Home Loan Bank of New York stock, at cost	9,284	7,840
Premises and equipment, net	13,420	13,853
Accrued interest receivable	4,086	4,157
Other real estate owned	3,295	2,227
Deferred income taxes	10,970	9,942
Other assets	4,747	1,779
Total Assets	$ 1,278,375	$ 1,207,959
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing deposits	$ 126,419	$ 107,613
Interest bearing deposits	883,122	861,057
Total deposits	1,009,541	968,670
Short-term Debt	45,500	18,000

Long-term Debt	110,000	110,000
Subordinated Debentures	4,124	4,124
Other Liabilities	6,355	7,105
Total Liabilities	1,175,520	1,107,899
STOCKHOLDERS' EQUITY		
Preferred stock: $0.01 par value, 10,000,000 shares authorized, issued and outstanding 1,343 shares of series A and B 6% noncumulative perpetual preferred stock (liquidation value $10,000 per share)	-	-
Additional paid-in capital preferred stock	13,326	12,556
Common stock; $0.064 stated value; 20,000,000 shares authorized, issued 10,901,627 and 10,861,129 shares at June 30, 2014 and December 31, 2013, respectively outstanding 8,371,364 shares and 8,331,750 shares, respectively	697	694
Additional paid-in capital common stock	92,395	92,064
Retained earnings	26,008	23,710
Accumulated other comprehensive (loss) income	(466)	129
Treasury stock, at cost, 2,530,263 and 2,529,379 shares, respectively	(29,105)	(29,093)
Total Stockholders' Equity	102,855	100,060
Total Liabilities and Stockholders' Equity	$ 1,278,375	$ 1,207,959

See accompanying notes to unaudited consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income:				
Loans, including fees	$ 13,881	$ 13,246	$ 27,562	$ 26,239
Investments, taxable	878	928	1,793	1,989
Investments, non-taxable	13	12	25	25
Other interest-earning assets	11	13	24	24
Total interest income	14,783	14,199	29,404	28,277
Interest expense:				
Deposits:				
Demand	127	107	248	210
Savings and club	91	91	182	177
Certificates of deposit	1,049	1,192	2,141	2,441
	1,267	1,390	2,571	2,828
Borrowed money	1,272	1,241	2,525	2,464
Total interest expense	2,539	2,631	5,096	5,292
Net interest income	12,244	11,568	24,308	22,985
Provision for loan losses	450	600	1,450	1,800
Net interest income after provision for loan losses	11,794	10,968	22,858	21,185
Non-interest income:				
Fees and service charges	528	479	1,032	903
Gain on sales of loans	230	227	1,007	346
Gain on sales of securities held to maturity	39	135	39	360
Gain on sale of securities available for sale	1,223	-	1,223	-
Other	18	40	37	56
Total non-interest income	2,038	881	3,338	1,665

Non-interest expense:				
Salaries and employee benefits	5,042	3,719	9,503	7,186
Occupancy expense of premises	964	866	1,944	1,679
Equipment	1,341	1,282	2,698	2,448
Professional fees	533	568	1,023	1,027
Director fees	194	168	362	336
Regulatory assessments	282	278	534	543
Advertising	266	178	440	280
Other real estate owned, net	32	(32)	40	(116)
Other	812	562	1,478	1,109
Total non-interest expense	9,466	7,589	18,022	14,492
Income before income tax provision	4,366	4,260	8,174	8,358
Income tax provision	1,736	1,707	3,309	3,395
Net Income	$ 2,630	$ 2,553	$ 4,865	$ 4,963
Preferred stock dividends	204	130	397	260
Net Income available to common stockholders	$ 2,426	$ 2,423	$ 4,468	$ 4,703
Net Income per common share-basic and diluted				
Basic	$ 0.29	$ 0.29	$ 0.54	$ 0.56
Diluted	$ 0.29	$ 0.29	$ 0.53	$ 0.56
Weighted average number of common shares outstanding				
Basic	8,353	8,411	8,346	8,446
Diluted	8,401	8,417	8,396	8,450

See accompanying notes to unaudited consolidated financial statements.

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income	$ 2,630	$ 2,553	$ 4,865	$ 4,963
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale securities:				
Unrealized holding gains arising during the period (a)	-	142	126	249
Less: reclassification adjustment for gains included in net income (b) (d)	(721)	-	(721)	-
Benefit plans (c)	-	11	-	22
Other comprehensive income	(721)	153	(595)	271
Comprehensive income	$ 1,909	$ 2,706	$ 4,270	$ 5,234

(a) Represents the net change of the unrealized gain on available-for-sale securities. Represents unrealized gains of $0, $239,000, $213,000, and $421,000, respectively, less deferred taxes of $0, $97,000, $87,000 and $172,000, respectively. The Statements of Income line items impacted by these amounts are gains on sales of securities and income tax provision.

(b) Represents the sale of available-for-sale securities during the three months ended June 30, 2014, for which unrealized gains were previously reported totaling $1.2 million, less deferred taxes of $498,000. No sales of available-for-sale securities occurred during the three months ended June 30, 2014 and the three months ended March 31, 2014 and 2013.

(c) Represents the net change of unrecognized loss included in net periodic pension cost. Represents a gross change of $0, $18,000, $0, and $36,000, respectively, less deferred taxes of $0, $7,000, $0, and $14,000, respectively. The Statements of Income line items impacted by these amounts are salaries and employee benefits and income tax provision.

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

See accompanying notes to 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)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Beginning Balance at January 1, 2014	$ —	$ 694	$ 104,620	$ 23,710	$ (29,093)	$ 129	$ 100,060
Proceeds from issuance of Series B preferred stock	—	—	770	—	—	—	770
Exercise of Stock Options (116,584 shares)	—	3	305	—	—	—	308
Stock-based compensation expense	—	—	26	—	—	—	26
Treasury Stock Purchases (884 shares)	—	—	—	—	(12)	—	(12)
Dividends payable on Series A and Series B 6% noncumulative perpetual preferred stock	—	—	—	(397)	—	—	(397)
Cash dividends on common stock ($0.12 per share in February and $0.14 per share in May) declared	—	—	—	(2,170)	—	—	(2,170)
Net income	—	—	—	4,865	—	—	4,865
Other comprehensive income	—	—	—	—	—	(595)	(595)

Ending Balance at June 30, 2014	$ —	$ 697	$ 105,721	$ 26,008	$ (29,105)	$ (466)	$ 102,855

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)

	Six Months Ended June 30, 2014	2013
Cash Flows from Operating Activities :		
Net Income	$ 4,865	$ 4,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	719	645
Amortization and accretion, net	(307)	604
Provision for loan losses	1,450	1,800
Deferred income tax (benefit)	(616)	(538)
Loans originated for sale	(11,458)	(11,909)
Proceeds from sale of loans originated for sale	10,412	9,314
Gain on sales of loans originated for sale	(1,007)	(346)
Gain on sales of other real estate owned	-	(123)
Fair value adjustment of other real estate owned	-	(110)
Gain on sales of securities held to maturity	(39)	(360)
Gain on sales of securities available for sale	(1,223)	-
Stock compensation expense	26	17
Decrease (increase) in interest receivable	71	(151)
(Increase) decrease in other assets	(2,968)	3,939
(Decrease) in accrued interest payable	(12)	(54)
(Decrease) increase in other liabilities	(738)	326
Net Cash (Used In) Provided by Operating Activities	(825)	8,017
Cash flows from investing activities:		
Proceeds from repayments and calls on securities held to maturity	8,717	29,012
Proceeds from call of securities available for sale	-	1,000
Purchases of securities held to maturity	(3,034)	(1,359)
Proceeds from sales of securities held to maturity	536	8,591
Proceeds from sales of securities available for sale	1,320	-
Proceeds from sales of other real estate owned	-	3,042
Proceeds from sale of participation loans held in portfolio	-	24,224
Participation loans sold held in portfolio		(24,224)
Purchases of loans	-	(2,334)
Net (Increase) in loans receivable	(77,369)	(19,194)
Additions to premises and equipment	(286)	(1,181)

Purchase/Redemption of Federal Home Loan Bank of New York stock, net	(1,444)	668
Net Cash (Used In) Provided By Investing Activities	(71,560)	18,245
Cash flows from financing activities:		
Net increase in deposits	40,871	11,207
Net change in short-term debt	27,500	(17,000)
Purchases of treasury stock	(12)	(1,257)
Cash dividend paid on common stock	(2,170)	(2,025)
Cash dividend paid on preferred stock	(397)	(130)
Net proceeds from Issuance of common stock	305	-
Net proceeds from Issuance of preferred stock	770	-
Exercise of stock options	3	12
Net Cash Provided by (Used In) Financing Activities	66,870	(9,193)
Net (Decrease) Increase In Cash and Cash Equivalents	(5,515)	17,069
Cash and Cash Equivalents-Beginning	29,844	34,147
Cash and Cash Equivalents-Ending	$ 24,329	$ 51,216
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	$ 6,744	$ 27
Interest	$ 5,108	$ 5,346
Non-cash items:		
Transfer of loans to other real estate owned	$ 1,068	$ 3,010
Reclassification of loans originated for sale to held to maturity	$ 460	$ 2,875

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, 2014 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, 2013, 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 December 31, 2013, and the date these consolidated financial statements were issued.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") has issued ASU No. 2014-04, Receivable-Troubled Debt Restructurings by Creditors (Sub-Topic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure. The amendments in this ASU are intended to clarify when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan should be derecognized and the real estate recognized. They clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either: (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure, or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments in this ASU are effective for annual periods and interim periods within those annual periods beginning after December 15, 2014. Early adoption is permitted. 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 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. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The adoption of ASU 2013-11 did not have a significant impact on the Company's financial condition, results of operations, or cash flows.

Note 2 – Reclassification

Certain amounts as of December 31, 2013 and the three and six month periods ended June 30, 2013 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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Pension plan:				
Interest cost	$ 199	$ 98	$ 100	$ 196

Expected return on plan assets	(308)	(137)	(154)	(274)
Amortization of unrecognized loss	-	18	-	36
Net periodic pension cost	(109)	(21)	(54)	(42)
SERP plan:				
Interest cost	$ 10	$ 4	$ 5	$ 8
Net periodic postretirement cost	$ 10	$ 4	$ 5	$ 8

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Note 3 – Pension and Other Postretirement Plans (Continued)

The Company, under the plan approved by its shareholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. On March 7, 2014, a grant of 110,000 options was declared for 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 March 7, 2014 and a Form 4 was filed for each Director who received a grant with the Securities and Exchange Commission consistent with their filing requirements. On January 17, 2013, a grant of 130,000 options was declared for certain members of the Board of Directors. 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 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.

Compensation expense recognized for all option grants is net of estimated forfeitures and is recognized over the awards’ respective requisite service periods. The fair values relating to all options granted are estimated using a Black-Scholes option pricing model. Expected volatilities are based on historical volatility of our stock and other factors, such as implied market volatility using this options expected term. The Company used the mid-point of the original vesting period and original option life to estimate the options’ expected term, which represents the period of time that the options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company recognizes compensation expense for the fair values of these option awards, which have graded vesting, on a straight-line basis over the requisite service period of these awards.

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, 2013	344,128	$ 8.93-18.41	$ 11.09
Options granted	110,000	13.32	13.32
Options exercised	(116,584)	8.93-11.84	11.56

Options forfeited	(13,569)	8.93-29.25	19.90
Options expired	(6,000)	29.25	
Outstanding at June 30, 2014	317,975	$ 8.93-15.65	$ 11.15

As of June 30, 2014, stock options which are granted and were exercisable totaled 59,975 stock options.

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 59,975 shares underlying unexercised options outstanding as of June 30, 2014 is $534,667 over a weighted average period of 9.09 years.

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Note 4 – Net Income per Common Share

Basic net income per common share is computed by dividing net income less dividends on preferred stock by the weighted average number of shares of common stock outstanding. The diluted net income per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effects of outstanding stock options, if dilutive, using the treasury stock method. Dilution is not applicable in periods of net loss. For the three and six months ended June 30, 2014 and 2013, the difference in the weighted average number of basic and diluted common shares was due solely to the effects of outstanding stock options. No adjustments to net income were necessary in calculating basic and diluted net income per share. For the three months ended June 30, 2014 and 2013, the weighted average number of outstanding options considered to be anti-dilutive were 31,044, and 343,252, respectively, and for the six months ended June 30, 2014 and 2013, the weighted average number of outstanding options considered to be anti-dilutive were 15,522 and 343,252, respectively.

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

	For the Three Months Ended June 30,					
	2014			2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	$ 2,426			$ 2,423		
Basic earnings per share- Income available to Common stockholders	$ 2,426	8,353	$ 0.29	$ 2,423	8,411	$ 0.29

Effect of dilutive securities: Stock options	-	48		-	6	
Diluted earnings per share- Income available to Common stockholders	$ 2,426	8,401	$ 0.29	$ 2,423	8,417	$ 0.29

	For the Six Months Ended June 30, 2014			2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	$ 4,468			$ 4,703		
Basic earnings per share- Income available to Common stockholders	$ 4,468	8,346	$ 0.54	$ 4,703	8,446	$ 0.56
Effect of dilutive securities: Stock options	-	50		-	4	
Diluted earnings per share- Income available to Common stockholders	$ 4,468	8,396	$ 0.53	$ 4,703	8,450	$ 0.56

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Note 5 – Securities Available for Sale

The following tables present the cost and gross unrealized gains and losses on securities available for sale as of June 30, 2014 and December 31, 2013:

	June 30, 2014			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$ —	$ —	$ —	$ —

	December 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$ 97	$ 1,007	$ —	$ 1,104

Note 6 – Securities Held to Maturity

The following table presents by maturity the amortized cost and gross unrealized gains and losses on securities held to maturity as of June 30, 2014 and

December 31, 2013:

	June 30, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Residential mortgage-backed securities:				
Due after one year through five years	$ 2,172	$ —	$ (6)	$ 2,166
Due after five years through ten years	4,017	33	(73)	3,977
Due after ten years	100,223	3,367	(412)	103,178
	106,412	3,400	(491)	109,321
Municipal obligations:				
Due after five to ten years	1,354	75	—	1,429
	$ 107,766	$ 3,475	$ (491)	$ 110,750

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Residential mortgage-backed securities:				

Due after one year through five years	$ 998	$ —	$ (2)	$ 996
Due after five years through ten years	3,163	—	(135)	3,028
Due after ten years	108,698	2,239	(1,192)	109,745
	112,859	2,239	(1,329)	113,769
Municipal obligations:				
Due after five to ten years	1,357	32	—	1,389
	$ 114,216	$ 2,271	$ (1,329)	$ 115,158

The amortized cost and carrying values shown above are categorized by contractual final maturity. Actual maturities will differ from contractual final maturities due to scheduled monthly payments related to mortgage–backed securities and due to the borrowers having the right to prepay obligations with or without prepayment penalties. As of June 30, 2014 and December 31, 2013, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

In 2013, management 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 to maturity, ASC 320 (formerly FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance purchased has been amortized prior to the sale. During the six months ended June 30, 2014, proceeds from sales of securities held to maturity meeting the 85% threshold totaled approximately $537,000, and resulted in gross gains of approximately $40,000, and gross losses of approximately $1,000. There were no sales of held to maturity securities that did not meet the 85% threshold. During the six months ended June 30, 2013, proceeds from sales of securities held to maturity meeting the 85% threshold totaled approximately $8.6 million, and resulted in gross gains of approximately $375,000, and gross losses of approximately $15,000. There were no sales of held to maturity securities that did not meet the 85% threshold.

Note 6 – Securities Held to Maturity (Continued)

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

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
June 30, 2014						
Residential mortgage-backed securities	$ 18,862	$ (188)	$ 8,332	$ (303)	$ 27,194	$ (491)
	$ 18,862	$ (188)	$ 8,332	$ (303)	$ 27,194	$ (491)
December 31, 2013						
Residential mortgage-backed securities	$ 42,894	$ (1,329)	$ -	$ -	$ 42,894	$ (1,329)
	$ 42,894	$ (1,329)	$ -	$ -	$ 42,894	$ (1,329)

Management does not believe that any of the unrealized losses as of June 30, 2014, (which are related to twenty-five 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.

Note 7 - Loans Receivable and Allowance for Loan Losses

The following table presents the recorded investment in loans receivable as of June 30, 2014 and December 31, 2013 by segment and class:

	June 30, 2014	December 31, 2013
	(In Thousands)	
Originated loans:		
Residential one-to-four family	$ 102,973	$ 97,581
Commercial and multi-family	630,961	549,918
Construction	42,564	37,307
Commercial business(1)	62,859	52,659
Home equity(2)	29,128	28,660
Consumer	1,307	533
Sub-total	869,792	766,658
Acquired loans recorded at fair value:		
Residential one-to-four family	92,910	100,612
Commercial and multi-family	113,400	126,123
Construction	1	200
Commercial business(1)	8,103	10,478
Home equity(2)	24,866	27,313
Consumer	729	919
Sub-total	240,009	265,645
Acquired loans with deteriorated credit:		
Residential one-to-four family	1,594	2,141
Commercial and multi-family	1,868	2,081
Construction	-	-
Commercial business(1)	371	371
Home equity(2)	85	90
Consumer	-	-
Sub-total	3,918	4,683
Total Loans	1,113,719	1,036,986
Less:		

Deferred loan fees, net	(2,535)	(2,300)
Allowance for loan losses	(14,952)	(14,342)
	(17,487)	(16,642)
Total Loans, net	$ 1,096,232	$ 1,020,344

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

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

Allowance for Loan Losses

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

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.

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

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

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

When the Company classifies problem loans, it may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. As of June 30, 2014, we had $40.5 million in loans classified as substandard, $12.9 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.

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

The following table sets forth the activity in the Company’s allowance for loan losses for the three months ended June 30, 2014 and recorded investment in loans receivable at June 30, 2014. 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	Total
Allowance for loan losses:								
Originated Loans:	$ 1,627	$ 8,521	$ 655	$ 1,252	$ 370	$ 138	$ 147	$ 12,710
Acquired loans recorded at fair value:	707	779	-	-	128	15	-	1,629
Acquired loans with deteriorated credit:	69	81	-	154	3	-	-	307
Beginning Balance, March 31, 2014	2,403	9,381	655	1,406	501	153	147	14,646
Charge-offs:								
Originated Loans:	-	256	-	-	-	-	-	- 256
Acquired loans recorded at fair value:	-	32	-	-	-	-	-	- 32
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	- -
Sub-total:	-	288	-	-	-	-	-	288

Recoveries:								
Originated Loans:	-	-	-	-	-	-	-	-
Acquired loans recorded at fair value:	-	73	65	-	6	-	-	144
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	-
Sub-total:	-	73	65	-	6	-	-	144
Provisions:								
Originated Loans:	707	115	13	(341)	152	(6)	196	836
Acquired loans recorded at fair value:	(81)	(124)	(65)	-	(73)	(9)	-	(352)
Acquired loans with deteriorated credit:	(6)	-	-	(28)	-	-	-	(34)
Sub-total:	620	(9)	(52)	(369)	79	(15)	196	450
Totals:								
Originated Loans:	2,334	8,380	668	911	522	132	343	13,290
Acquired loans recorded at fair value:	626	696	-	-	61	6	-	1,389
Acquired loans with deteriorated credit:	63	81	-	126	3	-	-	273
Ending Balance, June 30, 2014	$ 3,023	$ 9,157	$ 668	$ 1,037	$ 586	$ 138	$ 343	$ 14,952
Loans Receivable:								
Ending Balance Originated Loans:	102,973	630,961	42,564	62,859	29,128	1,307	-	869,792
Ending Balance	92,910	113,400	1	8,103	24,866	729	-	240,009

Acquired loans recorded at fair value:								
Ending Balance Acquired loans with deteriorated credit:	1,594	1,868	-	371	85	-	-	3,918
Total Gross Loans:	$ 197,477	$ 746,229	$ 42,565	$ 71,333	$ 54,079	$ 2,036	$ -	$ 1,113,719
Ending Balance: Loans individually evaluated for impairment:								
Ending Balance Originated Loans:	8,710	13,038	-	-	1,312	1,046	-	24,106
Ending Balance Acquired loans recorded at fair value:	13,288	12,431	-	-	620	1	-	26,340
Ending Balance Acquired loans with deteriorated credit:	1,594	1,609	-	371	85	-	-	3,659
Ending Balance Loans individually evaluated for impairment:	$ 23,592	$ 27,078	$ -	$ 371	$ 2,017	$ 1,047	$ -	$ 54,105
Ending Balance: Loans collectively evaluated for impairment:								

Ending Balance Originated Loans:	94,263	617,923	42,564	62,859	27,816	261	-	845,686
Ending Balance Acquired loans recorded at fair value:	79,622	100,969	1	8,103	24,246	728	-	213,669
Ending Balance Acquired loans with deteriorated credit:	-	259	-	-	-	-	-	259
Ending Balance Loans collectively evaluated for impairment:	$ 173,885	$ 719,151	$ 42,565	$ 70,962	$ 52,062	$ 989	$ -	$ 1,059,614

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

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

The following table sets forth the activity in the Company's allowance for loan losses for the six months ended June 30, 2014. (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	$ 1,729	$ 7,419	$ 700	$ 1,295	$ 363	$ 3	$ 83	$ 11,592
Acquired loans recorded at fair value:	832	1,744	1	44	129	-	-	2,750
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	-
Beginning Balance, December 31, 2013	2,561	9,163	701	1,339	492	3	83	14,342
Charge-offs:								
Originated Loans:	-	308	-	126	27	-	-	- 461
Acquired loans recorded at fair value:	-	521	-	-	-	2	-	- 523
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	- -
Sub-total:	-	829	-	126	27	2	-	984
Recoveries:								
Originated Loans:	-	-	-	-	-	-	-	-
Acquired loans recorded at fair value:	-	73	65	-	6	-	-	144
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	-
Sub-total:	-	73	65	-	6	-	-	144
Provisions:								
Originated Loans:	605	1,269	(32)	(258)	186	129	260	2,159
Acquired loans recorded at fair value:	(206)	(600)	(66)	(44)	(74)	8	-	(982)

Acquired loans with deteriorated credit:	63	81	-	126	3	-	-	273
Sub-total:	462	750	(98)	(176)	115	137	260	1,450
Totals:								
Originated Loans:	2,334	8,380	668	911	522	132	343	13,290
Acquired loans recorded at fair value:	626	696	-	-	61	6	-	1,389
Acquired loans with deteriorated credit:	63	81	-	126	3	-	-	273
Ending Balance, June 30, 2014	$ 3,023	$ 9,157	$ 668	$ 1,037	$ 586	$ 138	$ 343	$ 14,952

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

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

The following table sets forth the activity in the Company's allowance for loan losses for the year ended December 31, 2013 and recorded investment in loans receivable at December 31, 2013. The table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan class. (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home equity (2)	Consumer	Unallocated	Total
Allowance for loan 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	132	141	- 301	- -	- -	- 686
Acquired loans with deteriorated credit:	11	- 7	-	-	- -	- -	- -	- 18
Sub-total:	40	123	132	374	302	-	-	971
Recoveries:								
Originated Loans:	42	-	3	-	6	-	-	51
	-	95	-	31	-	-	-	126

Acquired loans recorded at fair value:								
Acquired loans with deteriorated credit:	4	1	-	16	2	-	-	23
Sub-total:	46	96	3	47	8	-	-	200
Provisions:								
Originated Loans:	550	358	(169)	952	74	(38)	51	1,778
Acquired loans recorded at fair value:	136	775	40	(90)	239	(18)	-	1,082
Acquired loans with deteriorated credit:	(98)	6	-	(16)	(2)	-	-	(110)
Sub-total:	588	1,139	(129)	846	311	(56)	51	2,750
Totals:								
Originated Loans:	1,729	7,419	700	1,295	363	3	83	11,592
Acquired loans recorded at fair value:	832	1,744	1	44	129	-	-	2,750
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	-
Ending Balance, December 31, 2013	$ 2,561	$ 9,163	$ 701	$ 1,339	$ 492	$ 3	$ 83	$ 14,342
Loans Receivables:								
Ending Balance Originated Loans:	97,581	549,918	37,307	52,659	28,660	533	-	766,658
Ending Balance Acquired Loans:	100,612	126,123	200	10,478	27,313	919	-	265,645
Ending Balance Acquired loans with	2,141	2,081	-	371	90	-	-	4,683

deteriorated credit:								
Total Gross Loans:	$ 200,334	$ 678,122	$ 37,507	$ 63,508	$ 56,063	$ 1,452	$ -	$ 1,036,986
Ending Balance: Loans individually evaluated for impairment:								
Ending Balance Originated Loans:	1,840	8,638	-	3,870	833	-	-	15,181
Ending Balance Acquired Loans:	9,930	13,434	-	-	1,460	5	-	24,829
Ending Balance Acquired loans with deteriorated credit:	2,141	1,815	-	371	90	-	-	4,417
Ending Balance Loans individually evaluated for impairment:	$ 13,911	$ 23,887	$ -	$ 4,241	$ 2,383	$ 5	$ -	$ 44,427
Ending Balance: Loans collectively evaluated for impairment:								
Ending Balance Originated Loans:	95,741	541,280	37,307	48,789	27,827	533	-	751,477
Ending Balance Acquired Loans:	90,682	112,689	200	10,478	25,853	914	-	240,816
Ending Balance	-	266	-	-	-	-	-	266

Acquired loans with deteriorated credit:

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Ending Balance Loans collectively evaluated for impairment:	$ 186,423	$ 654,235	$ 37,507	$ 59,267	$ 53,680	$ 1,447	$ -	$ 992,559

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

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

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

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	$ 1,416	$ 6,957	$ 659	$ 1,332	$ 325	$ 48	$ 183	$ 10,920
Acquired loans recorded at fair value:	622	1,323	101	43	218	5	-	2,312
Acquired loans with deteriorated credit:	112	-	-	-	-	-	-	112
Beginning Balance, March 31, 2013	$ 2,150	$ 8,280	$ 760	$ 1,375	$ 543	$ 53	$ 183	$ 13,344
Charge-offs:								
Originated Loans:	-	- -	- -	- -	- -	- -	- -	- -
Acquired loans recorded at fair value:	-	- 85	- -	- -	- 237	- -	- -	- 322
Acquired loans with deteriorated credit:	-	- -	- -	- -	- -	- -	- -	- -
Sub-total:	-	85	-	-	237	-	-	322

Recoveries:								
Originated Loans:	35	-	-	-	-	-	-	35
Acquired loans recorded at fair value:	-	-	-	16	-	-	-	16
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-	-
Sub-total:	35	-	-	16	-	-	-	51
Provisions:								
Originated Loans:	210	(92)	406	225	(26)	(31)	205	897
Acquired loans recorded at fair value:	(57)	(372)	33	(42)	207	32	-	(199)
Acquired loans with deteriorated credit:	(98)	-	-	-	-	-	-	(98)
Sub-total:	55	(464)	439	183	181	1	205	600
Totals:								
Originated Loans:	1,661	6,865	1,065	1,557	299	17	388	11,852
Acquired loans recorded at fair value:	565	866	134	17	188	37	-	1,807
Acquired loans with deteriorated credit:	14	-	-	-	-	-	-	14
Ending Balance, June 30, 2013	$ 2,240	$ 7,731	$ 1,199	$ 1,574	$ 487	$ 54	$ 388	$ 13,673
Loans Receivable:								
Ending Balance Originated Loans:	86,153	478,277	26,078	47,078	25,755	438	-	663,779
Ending Balance Acquired loans recorded at fair value:	109,853	140,211	334	7,409	30,450	999	-	289,256
	2,154	2,071	-	324	92	-	-	4,641

Ending Balance Acquired loans with deteriorated credit: Total Gross Loans:	$ 198,160	$ 620,559	$ 26,412	$ 54,811	$ 56,297	$ 1,437	$ -	$ 957,676
Ending Balance: Loans individually evaluated for impairment:								
Ending Balance Originated Loans:	1,995	12,660	-	3,412	784	29	-	18,880
Ending Balance Acquired loans recorded at fair value:	10,708	15,412	130	1,014	1,087	3	-	28,354
Ending Balance Acquired loans with deteriorated credit:	2,154	1,801	-	324	92	-	-	4,371
Ending Balance Loans individually evaluated for impairment:	$ 14,857	$ 29,873	$ 130	$ 4,750	$ 1,963	$ 32	$ -	$ 51,605
Ending Balance: Loans collectively evaluated for impairment:								
Ending Balance Originated Loans:	84,158	465,617	26,078	43,666	24,971	409	-	644,899
Ending Balance	99,145	124,799	204	6,395	29,363	996	-	260,902

Acquired loans recorded at fair value: Ending Balance Acquired loans with deteriorated credit:	-	270	-	-	-	-	-	270
Ending Balance Loans collectively evaluated for impairment:	$ 183,303	$ 590,686	$ 26,282	$ 50,061	$ 54,334	$ 1,405	$ -	$ 906,071

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

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

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

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	$ 1,143	$ 7,088	$ 866	$ 576	$ 284	$ 41	$ 32	$ 10,030
Acquired loans recorded at fair value:	719	963	93	244	191	18	-	2,228
Acquired loans with deteriorated credit:	105	-	-	-	-	-	-	105
Beginning Balance, December 31, 2012	$ 1,967	$ 8,051	$ 959	$ 820	$ 475	$ 59	$ 32	$ 12,363
Charge-offs:								
Originated Loans:	-	- -	- -	- 223	- -	- -	- -	- 223
Acquired loans recorded at fair value:	-	- 85	- -	- -	- 237	- -	- -	- 322
Acquired loans with deteriorated credit:	-	- -	- -	- -	- -	- -	- -	- -
Sub-total:	-	85	-	223	237	-	-	545
Recoveries:								
Originated Loans:	35	-	3	-	-	-	-	38
Acquired loans recorded at fair value:	-	-	-	17	-	-	-	17
	-	-	-	-	-	-	-	-

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

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

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

The table below sets forth the amounts and types of non-accrual loans in the Company's loan portfolio as of June 30, 2014 and December 31, 2013. Loans are placed on non-accrual status when they become more than 90 days delinquent, or when the collection of principal and/or interest become doubtful. As of June 30, 2014 and December 31, 2013, total non-accrual loans differed from the amount of total loans past due greater than 90 days due to troubled debt restructuring of loans which are maintained on non-accrual status for a minimum of six months until the borrower has demonstrated its ability to satisfy the terms of the restructured loan.

	As of June 30, 2014 (In Thousands)	As of December 31, 2013 (In Thousands)
Non-Accruing Loans:		
Originated loans:		
Residential one-to-four family	$ 721	$ 144
Commercial and multi-family	11,085	5,158
Construction	-	521
Commercial business(1)	2,377	2,279
Home equity(2)	225	309
Consumer	-	-
Sub-total:	$ 14,408	$ 8,411
Acquired loans recorded at fair value:		
Residential one-to-four family	$ 5,042	$ 4,685
Commercial and multi-family	9,776	6,575
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	1,110	757
Consumer	-	-
Sub-total:	$ 15,928	$ 12,017
Acquired loans with deteriorated credit:		
Residential one-to-four family	$ 1,104	$ -
Commercial and multi-family	-	-

Construction	-	-
Commercial business(1)	-	-
Home equity(2)	85	137
Consumer	-	-
Sub-total:	$ 1,189	$ 137
Total	$ 31,525	$ 20,565

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes the average recorded investment and interest income recognized on impaired loans with no related allowance recorded by portfolio class for the three and six months ended June 30, 2014 and 2013. (In Thousands):

	Three Months Ended June 30,				Six Months Ended June 30,		
	2014	2014	2013	2013	2014	2014	2013
Originated loans With no related allowance recorded:	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
Residential one-to-four family	$ 2,750	$ 47	$ 518	$ 5	$ 2,422	$ 94	$ 485
Commercial and Multi-family	6,721	20	5,954	96	6,266	40	5,368
Construction	-	-	-	-	-	-	-
Commercial business(1)	1,490	-	2,187	18	1,383	-	2,059
Home equity(2)	303	3	319	2	282	5	312
Consumer	-	-	15	1	-	-	10
Sub-total:	$ 11,264	$ 70	$ 8,993	$ 122	$ 10,353	$ 139	$ 8,234

Acquired loans recorded at fair value

With no related allowance recorded:							
Residential one-to-four family	$ 5,667	$ 22	$ 4,253	$ 46	$ 5,655	$ 43	$ 3,812
Commercial and Multi-family	8,793	43	6,056	53	5,455	87	6,099
Construction	-	-	101	-	-	-	67
Commercial business(1)	-	-	88	3	-	-	101
Home equity(2)	731	-	1,532	13	661	-	1,529
Consumer	2	-	2	-	3	-	1
Sub-total	$ 15,193	$ 65	$ 12,032	$ 115	$ 11,774	$ 130	$ 11,609
Acquired loans with deteriorated credit With no related allowance recorded:							
Residential one-to-four family	$ 1,515	$ 14	$ 1,740	$ 29	$ 1,821	$ 27	$ 1,719
Commercial and Multi-family	1,610	29	2,164	26	1,712	57	2,376
Construction	-	-	-	-	-	-	-
Commercial business(1)	1	-	325	1	186	-	326
Home equity(2)	87	1	93	5	88	3	93
Consumer	-	-	-	-	-	-	-
Sub-total:	$ 3,213	$ 44	$ 4,322	$ 61	$ 3,807	$ 87	$ 4,514
Total Impaired Loans With no related allowance recorded:	$ 29,670	$ 179	$ 25,347	$ 298	$ 25,934	$ 356	$ 24,357

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

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

The following table summarizes the average recorded investment and interest income recognized on impaired loans with allowance recorded by portfolio class for the three and six months ended June 30, 2014 and 2013. (In Thousands):

	Three Months Ended June 30,				Six Months Ended June 30,		
	2014	2014	2013	2013	2014	2014	2013
Originated loans with an allowance recorded:	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
Residential one-to-four family	$ 3,156	$ 19	$ 1,153	$ 11	$ 2,854	$ 38	$ 1,012
Commercial and Multi-family	3,875	-	5,100	6	4,571	-	5,104
Construction	-	-	-	-	-	-	-
Commercial business(1)	709	-	1,205	13	552	-	1,161
Home equity(2)	902	21	268	0	791	42	211
Consumer	586	-	-	-	523	-	-
Sub-total:	$ 9,228	$ 40	$ 7,726	$ 30	$ 9,291	$ 80	$ 7,488
Acquired loans recorded at fair value							

with an allowance recorded:							
Residential one-to-four family	$ 5,928	$ 67	$ 6,380	$ -	$ 5,954	$ 134	$ 6,511
Commercial and Multi-family	4,537	28	8,569	-	7,478	55	8,409
Construction	-	-	130	-	-	-	130
Commercial business(1)	-	-	485	-	-	-	425
Home equity(2)	329	2	415	-	379	3	490
Consumer	-	-	3	-	-	-	2
Sub-total	$ 10,794	$ 97	$ 15,982	$ -	$ 13,811	$ 192	$ 15,967
Acquired loans with deteriorated credit with an allowance recorded:							
Residential one-to-four family	$ 92	$ 4	$ 417	$ -	$ 46	$ 9	$ 447
Commercial and Multi-family	-	6	-	-	-	13	-
Construction	-	-	-	-	-	-	-
Commercial business(1)	371	-	-	-	185	-	-
Home equity(2)	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-
Sub-total:	$ 463	$ 10	$ 417	$ -	$ 231	$ 22	$ 447
Total Impaired Loans with an allowance recorded:	$ 20,485	$ 147	$ 24,125	$ 30	$ 23,333	$ 294	$ 23,902

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

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

The following table summarizes the recorded investment and unpaid principal balances where there is no related allowance on impaired loans by portfolio class at

June 30, 2014 and December 31, 2013. (In Thousands):

	As of June 30, 2014			As of December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Originated loans with no related allowance recorded:						
Residential one-to-four family	$ 4,426	$ 4,433	$ -	$ 417	$ 444	$ -
Commercial and multi-family	9,145	9,531	-	3,388	3,394	-
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	2,766	2,776	-
Home equity(2)	161	161	-	402	402	-
Consumer	-	-	-	-	-	-
Sub-total:	$ 13,732	$ 14,125	$ -	$ 6,973	$ 7,016	$ -
Acquired loans recorded at fair value with no related allowance recorded:						
Residential one-to-four family	$ 6,848	$ 6,941	$ -	$ 4,463	$ 4,489	$ -
Commercial and Multi-family	7,845	8,142	-	3,064	3,098	-
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-

Home equity(2)	487	504	-	835	922	-
Consumer	1	1	-	5	5	-
Sub-total:	$ 15,181	$ 15,588	$ -	$ 8,367	$ 8,514	$ -
Acquired loans with deteriorated credit with no related allowance recorded:						
Residential one-to-four family	$ 1,503	$ 2,149	$ -	$ 2,141	$ 2,879	$ -
Commercial and Multi-family	1,609	1,971	-	1,815	2,312	-
Construction	-	-	-	-	-	-
Commercial business(1)	-	181	-	371	652	-
Home equity(2)	85	137	-	90	138	-
Consumer	-	-	-	-	-	-
Sub-total:	$ 3,197	$ 4,438	$ -	$ 4,417	$ 5,981	$ -
Total Impaired Loans with no related allowance recorded:	$ 32,110	$ 34,151	$ -	$ 19,757	$ 21,511	$ -

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

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

The following table summarizes the recorded investment, unpaid principal balance, and the related allowance on impaired loans by portfolio class at June 30, 2014 and December 31, 2013. (In Thousands):

	As of June 30, 2014			As of December 31, 2013		
Originated loans with an allowance recorded:	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Residential one-to-four family	$ 4,284	$ 4,284	$ 1,022	$ 1,423	$ 1,423	$ 159
Commercial and Multi-family	3,893	3,927	122	5,250	5,328	298
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	1,104	1,104	498
Home equity(2)	1,151	1,151	201	431	431	6
Consumer	1,046	1,046	126	-	-	-
Sub-total:	$ 10,374	$ 10,408	$ 1,471	$ 8,208	$ 8,286	$ 961
Acquired loans recorded at fair value with an allowance recorded:						
Residential one-to-four family	$ 6,440	$ 6,483	$ 384	$ 5,467	$ 5,477	$ 331
Commercial and Multi-family	4,586	4,627	369	10,370	10,418	1,276
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-
Home equity(2)	133	134	36	625	625	64
Consumer	-	-	-	-	-	-
Sub-total	$ 11,159	$ 11,244	$ 789	$ 16,462	$ 16,520	$ 1,671

Acquired loans with deteriorated credit with an allowance recorded:						
Residential one-to-four family	$ 91	$ 106	$ 14	$ -	$ -	$ -
Commercial and Multi-family	-	120	45	-	-	-
Construction	-	-	-	-	-	-
Commercial business(1)	371	466	110	-	-	-
Home equity(2)	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Sub-total:	$ 462	$ 692	$ 169	$ -	$ -	$ -
Total Impaired Loans with an allowance recorded:	$ 21,995	$ 22,344	$ 2,429	$ 24,670	$ 24,806	$ 2,632
Total Impaired Loans with no related allowance recorded:	$ 32,110	$ 34,151	$ -	$ 19,757	$ 21,511	$ -
Total Impaired Loans:	$ 54,105	$ 56,495	$ 2,429	$ 44,427	$ 46,317	$ 2,632

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

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

The following table presents the total troubled debt restructured loans at June 30, 2014, excluding the purchase impairment mark on the acquired loans with deteriorated credit. (Dollars In Thousands):

June 30, 2014	Accrual # of Loans	Amount	Non-accrual # of Loans	Amount	Total # of Loans	Amount
Originated loans:						
Residential one-to-four family	11	$ 4,559	4	$ 849	15	$ 5,408
Commercial and multi-family	3	1,072	9	7,934	12	9,006
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-
Home equity(2)	2	1,151	-	-	2	1,151
Consumer	-	-	-	-	-	-
Sub-total:	16	$ 6,782	13	$ 8,783	29	$ 15,565
Acquired loans recorded at fair value:						
Residential one-to-four family	29	$ 6,017	11	$ 3,400	40	$ 9,417
Commercial and Multi-family	14	4,673	10	4,241	24	8,914
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-
Home equity(2)	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Sub-total:	43	$ 10,690	21	$ 7,641	64	$ 18,331
Acquired loans with deteriorated credit:						
Residential one-to-four family	5	$ 485	3	$ 1,189	8	$ 1,674
Commercial and Multi-family	4	1,272	-	-	4	1,272
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-
Home equity(2)	1	90	-	-	1	90
Consumer	-	-	-	-	-	-
Sub-total:	10	$ 1,847	3	$ 1,189	13	$ 3,036
Total	69	$ 19,319	37	$ 17,613	106	$ 36,932

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

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

The following table presents the total troubled debt restructured loans at December 31, 2013. (Dollars In Thousands):

December 31, 2013	Accrual # of Loans	Amount	Non-accrual # of Loans	Amount	Total # of Loans	Amount
Originated loans:						
Residential one-to-four family	7	$ 1,988	1	$ 27	8	$ 2,015
Commercial and multi-family	4	3,052	8	4,139	12	7,191
Construction	-	-	-	-	-	-
Commercial business(1)	3	1,591	-	-	3	1,591
Home equity(2)	3	571	-	-	3	571
Consumer	-	-	-	-	-	-
Sub-total:	17	$ 7,202	9	$ 4,166	26	$ 11,368
Acquired loans recorded at fair value:						
Residential one-to-four family	25	$ 5,673	8	$ 2,564	33	$ 8,237
Commercial and Multi-family	15	6,545	9	3,606	24	10,151
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	-	-
Home equity(2)	6	704	-	-	6	704
Consumer	-	-	-	-	-	-
Sub-total:	46	$ 12,922	17	$ 6,170	63	$ 19,092
Acquired loans with deteriorated credit:						
Residential one-to-four family	7	$ 1,795	-	$ -	7	$ 1,795
Commercial and Multi-family	4	1,816	-	-	4	1,816
Construction	-	-	-	-	-	-
Commercial business(1)	4	371	-	-	4	371
Home equity(2)	-	-	1	91	1	91
Consumer	-	-	-	-	-	-
Sub-total:	15	$ 3,982	1	$ 91	16	$ 4,073
Total	78	$ 24,106	27	$ 10,427	105	$ 34,533

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

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.

The following table summarizes information in regards to troubled debt restructurings which occurred during the three months ended June 30, 2014. (Dollars In Thousands):

Three Months Ended June 30, 2014	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	1	$ 192	$ 211
Commercial and multi-family	2	2,536	2,536
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	-	-	-
Consumer	-	-	-
Sub-total:	3	$ 2,728	$ 2,747
Acquired loans recorded at fair value:			
Residential one-to-four family	3	$ 1,267	$ 1,270
Commercial and Multi-family	-	-	-
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	1	256	262
Consumer	-	-	-

Sub-total:	4	$ 1,523	$ 1,532
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	7	$ 4,251	$ 4,279

(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. 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.

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 June 30, 2014. (Dollars In Thousands):

Three Months Ended June 30, 2014	Number of Contracts	Recorded Investment
Originated loans:		
Residential one-to-four family	-	$ -
Commercial and multi-family	1	460
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	1	$ 460
Acquired loans recorded at fair value:		
Residential one-to-four family	-	$ -
Commercial and Multi-family	1	652
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	1	$ 652
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	2	$ 1,112

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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 six months ended June 30, 2014. (Dollars In Thousands):

Six Months Ended June 30, 2014	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	1	$ 192	$ 211
Commercial and multi-family	2	2,536	2,536
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	-	-	-
Consumer	-	-	-
Sub-total:	3	$ 2,728	$ 2,747
Acquired loans recorded at fair value:			
Residential one-to-four family	4	$ 1,699	$ 1,702
Commercial and Multi-family	1	187	205
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	1	256	262
Consumer	-	-	-
Sub-total:	6	$ 2,142	$ 2,169
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	9	$ 4,870	$ 4,916

(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. 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.

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 six months ended June 30, 2014. (Dollars In Thousands):

Six Months Ended June 30, 2014	Number of Contracts	Recorded Investment
Originated loans:		
Residential one-to-four family	-	$ -
Commercial and multi-family	1	460
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	1	$ 460
Acquired loans recorded at fair value:		
Residential one-to-four family	-	$ -
Commercial and Multi-family	1	652
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	1	$ 652
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	2	$ 1,112

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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 June 30, 2013. (Dollars In Thousands):

Three Months Ended June 30, 2013	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	2	$ 509	$ 652
Commercial and multi-family	1	432	432
Construction	-	-	-
Commercial business(1)	1	822	822
Home equity(2)	2	393	398
Consumer	-	-	-
Sub-total:	6	$ 2,156	$ 2,304
Acquired loans recorded at fair value:			
Residential one-to-four family	5	$ 1,963	$ 1,993
Commercial and Multi-family	4	2,220	2,386
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	1	99	100
Consumer	-	-	-
Sub-total:	10	$ 4,282	$ 4,479
Acquired loans with deteriorated credit:			
Residential one-to-four family	-	$ -	$ -
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	22	$ 8,496	$ 8,104

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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 June 30, 2013. (Dollars In Thousands):

Three Months Ended June 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	3	$ 608
Commercial and Multi-family	3	477
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	6	$ 1,085
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	6	$ 1,085

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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 six months ended June 30, 2013. (Dollars In Thousands):

Six Months Ended June 30, 2013	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	2	$ 509	$ 652
Commercial and multi-family	2	526	526
Construction	-	-	-
Commercial business(1)	1	822	822
Home equity(2)	2	393	398
Consumer	-	-	-
Sub-total:	7	$ 2,250	$ 2,398
Acquired loans recorded at fair value:			
Residential one-to-four family	5	$ 1,963	$ 1,993
Commercial and Multi-family	4	2,220	2,386
Construction	-	-	-
Commercial business(1)	-	-	-
Home equity(2)	2	200	201
Consumer	-	-	-
Sub-total:	11	$ 4,383	$ 4,580
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	24	$ 8,691	$ 8,299

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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 six months ended June 30, 2013. (Dollars In Thousands):

Six Months Ended June 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	4	$ 829
Commercial and Multi-family	3	477
Construction	-	-
Commercial business(1)	-	-
Home equity(2)	-	-
Consumer	-	-
Sub-total:	7	1,306
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	8	$ 2,033

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the delinquency status of total loans receivable as of June 30, 2014. (In Thousands):

	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
	(In Thousands)						
Originated loans:							
Residential one-to-four family	$ 1,137	$ 511	$ -	$ 1,648	$ 101,325	$ 102,973	$ -
Commercial and multi-family	7,670	4,216	2,759	14,645	616,316	630,961	-
Construction	-	-	-	-	42,564	42,564	-
Commercial business(1)	152	117	2,129	2,398	60,461	62,859	-
Home equity(2)	378	56	-	434	28,694	29,128	-
Consumer	-	-	-	-	1,307	1,307	-
Sub-total:	$ 9,337	$ 4,900	$ 4,888	$ 19,125	$ 850,667	$ 869,792	$ -
Acquired loans recorded at fair value:							
Residential one-to-four family	$ 3,215	$ 1,105	$ 2,389	$ 6,709	$ 86,201	92,910	$ -
Commercial and multi-family	2,151	2,500	3,507	8,158	105,242	113,400	-
Construction	-	-	-	-	1	1	-
Commercial business(1)	-	-	-	-	8,103	8,103	-
Home equity(2)	589	85	323	997	23,869	24,866	-
Consumer	12	1	-	13	716	729	-
Sub-total:	$ 5,967	$ 3,691	$ 6,219	$ 15,877	$ 224,132	$ 240,009	$ -
Acquired loans with deteriorated credit:							
Residential one-to-four family	$ -	$ -	$ -	$ -	$ 1,594	1,594	$ -
Commercial and multi-family	-	-	-	-	1,868	1,868	-
Construction	-	-	-	-	-	-	-
Commercial business(1)	-	370	-	370	1	371	-
Home equity(2)	-	-	-	-	85	85	-
Consumer	-	-	-	-	-	-	-
Sub-total:	$ -	$ 370	$ -	$ 370	$ 3,548	$ 3,918	$ -
Total	$ 15,304	$ 8,961	$ 11,107	$ 35,372	$ 1,078,347	$ 1,113,719	$ -

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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, 2013. (In Thousands):

	30-59 Days Past Due	60-90 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
	(In Thousands)						
Originated loans:							
Residential one-to-four family	$ 1,221	$ 1,446	$ -	$ 2,667	$ 94,914	$ 97,581	$ -
Commercial and multi-family	7,170	-	873	8,043	541,875	549,918	-
Construction	1,174	-	-	1,174	36,133	37,307	-
Commercial business(1)	627	-	290	917	51,742	52,659	-
Home equity(2)	126	-	49	175	28,485	28,660	-
Consumer	8	-	-	8	525	533	-
Sub-total:	$ 10,326	$ 1,446	$ 1,212	$ 12,984	$ 753,674	$ 766,658	$ -
Acquired loans recorded at fair value:							
Residential one-to-four family	$ 2,223	$ 1,341	$ 2,148	$ 5,712	$ 94,900	100,612	$ -
Commercial and multi-family	5,638	2,882	3,479	11,999	114,124	126,123	-
Construction	-	-	-	-	200	200	-
Commercial business(1)	175	-	-	175	10,303	10,478	-
Home equity(2)	1,220	153	149	1,522	25,791	27,313	-
Consumer	28	2	-	30	889	919	-
Sub-total:	$ 9,284	$ 4,378	$ 5,776	$ 19,438	$ 246,207	$ 265,645	$ -
Acquired loans with deteriorated credit:							
Residential one-to-four family	$ -	$ -	$ -	$ -	$ 2,141	$ 2,141	$ -
Commercial and multi-family	-	-	-	-	2,081	2,081	-
Construction	-	-	-	-	-	-	-
Commercial business(1)	-	-	-	-	371	371	-
Home equity(2)	-	-	-	-	90	90	-
Consumer	-	-	-	-	-	-	-
Sub-total:	$ -	$ -	$ -	$ -	$ 4,683	$ 4,683	$ -

Total	$ 19,610	$ 5,824	$ 6,988	$ 32,422	$ 1,004,564	$ 1,036,986	$ -

(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 June 30, 2014. (In Thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Originated loans:						
Residential one-to-four family	$ 100,424	$ 641	$ 1,908	$ -	$ -	$ 102,973
Commercial and multi-family	615,399	1,690	13,872	-	-	630,961
Construction	42,564	-	-	-	-	42,564
Commercial business(1)	54,781	3,415	4,663	-	-	62,859
Home equity(2)	28,177	532	419	-	-	29,128
Consumer	1,273	34	-	-	-	1,307
Sub-total:	$ 842,618	$ 6,312	$ 20,862	$ -	$ -	$ 869,792
Acquired loans recorded at fair value:						
Residential one-to-four family	$ 84,028	$ 2,844	$ 6,038	$ -	$	92,910
Commercial and multi-family	100,203	2,740	10,457	-	-	113,400
Construction	1	-	-	-	-	1
Commercial business(1)	8,103	-	-	-	-	8,103
Home equity(2)	23,139	143	1,584	-	-	24,866
Consumer	728	-	1	-	-	729
Sub-total:	$ 216,202	$ 5,727	$ 18,080	$ -	$ -	$ 240,009
Residential one-to-four family	$ 239	$ 287	$ 1,068	$ -	$ -	1,594
Commercial and multi-family	1,323	545	-	-	-	1,868
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	371	-	-	371
Home equity(2)	-	-	85	-	-	85
Consumer	-	-	-	-	-	-
Sub-total:	$ 1,562	$ 832	$ 1,524	$ -	$ -	$ 3,918
Total Gross Loans	$ 1,060,382	$ 12,871	$ 40,466	$ -	$ -	$ 1,113,719

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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, 2013. (In Thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Originated loans:						
Residential one-to-four family	$ 95,585	$ 553	$ 1,245	$ 198	$ -	$ 97,581
Commercial and multi-family	539,796	5,022	2,899	2,201	-	549,918
Construction	37,307	-	-	-	-	37,307
Commercial business(1)	45,010	6,581	524	544	-	52,659
Home equity(2)	27,643	642	375	-	-	28,660
Consumer	495	38	-	-	-	533
Sub-total:	$ 745,836	$ 12,836	$ 5,043	$ 2,943	$ -	$ 766,658
Acquired loans recorded at fair value:						
Residential one-to-four family	$ 92,351	$ 3,049	$ 5,212	$ -	$ -	100,612
Commercial and multi-family	114,034	4,594	5,214	2,281	-	126,123
Construction	200	-	-	-	-	200
Commercial business(1)	10,478	-	-	-	-	10,478
Home equity(2)	26,254	264	795	-	-	27,313
Consumer	914	-	5	-	-	919
Sub-total:	$ 244,231	$ 7,907	$ 11,226	$ 2,281	$ -	$ 265,645
Acquired loans with deteriorated credit:						
Residential one-to-four family	$ 278	$ 1,040	$ 823	$ -	$ -	2,141
Commercial and multi-family	1,332	749	-	-	-	2,081
Construction	-	-	-	-	-	-
Commercial business(1)	-	-	371	-	-	371
Home equity(2)	-	-	90	-	-	90
Consumer	-	-	-	-	-	-
Sub-total:	$ 1,610	$ 1,789	$ 1,284	$ -	$ -	$ 4,683
Total Gross Loans	$ 991,677	$ 22,532	$ 17,553	$ 5,224	$ -	$ 1,036,986

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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):

	June 30, 2014	December 31, 2013
Unpaid principal balance	$ 247,716	$ 274,205
Recorded investment	243,927	270,328

The following table presents changes in the accretable discount on loans acquired for the three and six months ended June 30, 2014 and 2013. (In Thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Balance, Beginning of Period	$ 95,031	$ 124,678	$ 102,454	$ 136,209
Acquisitions	-	-	-	-
Accretion	(10,055)	(9,300)	(17,571)	(20,693)
Net Reclassification from Non-Accretable Difference	88	158	181	20
Balance, End of Period	$ 85,064	$ 115,536	$ 85,064	$ 115,536

The following table presents changes in the non-accretable yield on loans acquired for the three and six months ended June 30, 2014 and 2013. (In Thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Balance, Beginning of Period	$ 4,229	$ 4,772	$ 4,413	$ 4,835
Loans Sold	-	-	(91)	-
Amounts not recognized due to chargeoffs on transfers to other real estate	-	-	-	(201)
Net Reclassification to Accretable Difference	(88)	(158)	(181)	(20)
Balance, End of Period	$ 4,141	$ 4,614	$ 4,141	$ 4,614

Note 8 – Fair Values of Financial Instruments

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) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
As of June 30, 2014:				
Securities available for sale — Equity Securities	$ -	$ -	$ —	$ —
As of December 31, 2013:				
Securities available for sale — Equity Securities	$ 1,104	$ 1,104	$ —	$ —

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 six months ended June 30, 2014.

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 June 30, 2014				
Impaired Loans	$ 19,915	$ —	$ —	$ 19,915
As of December 31, 2013:				
Impaired Loans	$ 22,174	$ —	$ —	$ 22,174

Note 8 – Fair Values of Financial Instruments (Continued)

The following tables present additional quantitative information as of June 30, 2014 and December 31, 2013 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 Estimate	Valuation Techniques	Unobservable Input	Range
June 30, 2014:				
Impaired Loans	$ 19,915	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%
			Liquidation expenses (3)	0%-10%

	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
December 31, 2013:				
Impaired Loans	$ 22,174	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%
			Liquidation expenses (3)	0%-10%

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated 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 June 30, 2014 and December 31, 2013.

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.

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 June 30, 2014 and December 31, 2013.

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.

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 June 30, 2014 and December 31, 2013 consists of the loan balances of $22.3 million and $24.8 million, net of a valuation allowance of $2.4 million and $2.6 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.

Note 8 – Fair Values of Financial Instruments (Continued)

The carrying values and estimated fair values of financial instruments were as follows as of June 30, 2014 and December 31, 2013:

	As of June 30, 2014				
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 24,329	$ 24,329	$ 24,329	$ -	$ -
Interest-earning time deposits	990	990	990	-	-
Securities available for sale	-	-	-	-	-
Securities held to maturity	107,766	110,750	-	110,750	-
Loans held for sale	3,256	3,340	-	3,340	-
Loans receivable, net	1,096,232	1,116,742	-	-	1,116,742
FHLB of New York stock, at cost	9,284	9,284	-	9,284	-
Accrued interest receivable	4,086	4,086	-	4,086	-
Financial liabilities:					
Deposits	1,009,541	1,013,599	595,349	418,250	-
Borrowings	155,500	162,015	-	162,015	-
Subordinated debentures	4,124	4,297	-	4,297	-
Accrued interest payable	755	755	-	755	-

As of December 31, 2013

	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 29,844	$ 29,844	$ 29,844	$ -	$ -
Interest-earning time deposits	990	990	990	-	-
Securities available for sale	1,104	1,104	1,104	-	-
Securities held to maturity	114,216	115,158	-	115,158	-
Loans held for sale	1,663	1,685	-	1,685	-
Loans receivable, net	1,020,344	1,042,552	-	-	1,042,552
FHLB of New York stock, at cost	7,840	7,840	-	7,840	-
Accrued interest receivable	4,157	4,157	-	4,157	-
Financial liabilities:					
Deposits	968,670	972,911	587,889	385,022	-
Borrowings	128,000	135,574	-	135,574	-
Subordinated debentures	4,124	4,368	-	4,368	-
Accrued interest payable	768	768	-	768	-

Note 9 - Subsequent Events

Sale of Investment Securities. On July 16, 2014, the Board of Directors of the Bank authorized a change of designation of the Bank's Investment Portfolio, previously designated as Held to Maturity, to the new designation of Available for Sale. The Bank is required to designate all securities held within the Investment Portfolio as Available for Sale for a period of two (2) years as a result of the aforementioned re-designation on July 16, 2014. On July 17, 2014, the Bank executed a sale of approximately $98.2 million of the outstanding principal balance of securities within the portfolio, and recognized a pre-tax gain on sale of approximately $2.2 million. The investment portfolio remaining after settlement of the securities sold approximates $9.8 million of the outstanding principal balance. The securities sold were primarily longer term maturity mortgage backed securities issued by GNMA, FNMA and FHLMC. The Bank retained securities originally purchased in conjunction with the satisfaction of requirements for the Investment Test under Community Re-investment Act (CRA) initiatives. From a quantitative perspective, proceeds from the sale(s) will be utilized to reduce short term borrowings and provide additional funding capacity for loan originations, and from a qualitative perspective, this transaction provides the Bank with greater flexibility in overall balance sheet management. The resulting reduction in short term borrowings, (Liabilities), coupled with a parallel reduction in long maturity term mortgage backed securities, (Assets), additionally enhances the Bank's Interest Rate Risk exposure.

Departure of CEO/President. On August 4, 2014, Donald Mindiak advised the Company and the Bank that he: (1) was resigning as a director of both the Company and the Bank; (2) was resigning his positions as Chief Executive Officer and President of the Company; and (3) was resigning his position as an Executive Vice President of the Bank. On August 6, 2014, the Board of the Company appointed Thomas Coughlin as the Chief Executive Officer and President of the Company, effective as of August 4, 2014. Mr. Coughlin's position as Chief Executive Officer and President of the Company will be in addition to his current duties as President and Chief Executive Officer of the Bank.

The Board of the Bank, as of August 7, 2014, has made no decision regarding filling the position of Executive Vice President caused by Mr. Mindiak's resignation.

Mr. Coughlin, 54, has been employed by the Company and the Bank since its inception in November 2000, most recently as Chief Operating Officer of the Company and President and Chief Executive Officer of the Bank. Prior to that, Mr. Coughlin was Chief Financial Officer of the Company and the Bank from 2000 to 2010. Mr. Coughlin was formerly Vice President of Chatham Savings Bank and, prior to that, Controller and Corporate Secretary of First Savings Bank of New Jersey. Mr. Coughlin, who received his CPA designation in 1982, is the past President of the American Heart Association and has served as Trustee of D.A.R.E. and the Bayonne P.A.L. Mr. Coughlin attended Saint Vincent DePaul Grammar School and Bayonne High School, and received a B.S. degree from Saint Peter's College.

The Bank leases its 860 Broadway branch office from a limited liability company owned, in part, by Mr. Coughlin, among other current and former directors of the Bank. Based upon a market rental value appraisal obtained prior to entering into the lease agreement, the Company believes that the terms and conditions of the lease are comparable to terms that would have been available from a third party that was unaffiliated with the Bank. During 2013, total lease payments of $165,000 were made to the limited liability company. Payments under the lease currently total $13,750 per month. Each director and former director's percentage ownership in the limited liability corporation is divided equally among 10 individuals.

ITEM 2.

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

Financial Condition

Total assets increased by $70.4 million or 5.8% to $1.278 billion at June 30, 2014 from $1.208 billion at December 31, 2013. The increase in total assets occurred primarily as a result of an increase in loans receivable, net of $75.9 million, partially offset by a decrease in securities held to maturity of $6.4 million and a decrease in total cash and cash equivalents of $5.5 million. Management is focusing on maintaining adequate liquidity in anticipation of funding loans in the loan pipeline as well as seeking opportunities to purchase loans in the secondary market that provide competitive returns in a risk-mitigated environment. It is our intention to grow our assets at a measured pace consistent with our capital levels and as business opportunities permit. Organic growth should occur consistent with our strategic plan under which we anticipate opening additional branch offices beginning in the second half of 2014.

Total cash and cash equivalents decreased by $5.5 million or 18.5% to $24.3 million at June 30, 2014 from $29.8 million at December 31, 2013 in order to fund loan growth. Investment securities classified as held-to-maturity decreased by $6.4 million or 5.6% to $107.8 million at June 30, 2014 from $114.2 million at December 31, 2013. This decrease in investment securities held-to-maturity resulted primarily from $9.2 million of repayments and calls in the mortgage-backed securities portfolio, partially offset by purchases of $3.0 million of investment securities.

Loans receivable, net increased by $75.9 million or 7.4% to $1.096 billion at June 30, 2014 from $1.020 billion at December 31, 2013. The increase resulted primarily from a $74.2 million increase in real estate mortgages comprising commercial and multi-family, construction and participation loans with other financial institutions along with a $7.8 million increase in business loans and commercial lines of credit, partially offset by a decrease of $3.8 million in residential real estate loans, a $2.0 million decrease in home equity loans and home equity lines of credit and a $600,000 increase in the allowance for loan losses. As of June 30, 2014, the allowance for loan losses was $15.0 million or 47.4% of non-performing loans and 1.34% 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 $40.9 million or 4.2% to $1.0 billion at June 30, 2014 from $968.7 million at December 31, 2013. The increase resulted primarily from a $33.1 million increase in certificates of deposit, a $20.6 million increase in non-interest bearing deposits, partly offset by a decrease of $3.6 million in money market interest bearing deposits and a decrease of $8.5 million in NOW deposits. The increase in certificates of deposit primarily was the result of additional CDARS deposits of $37.0 million. Recognizing this shift of sentiment, the attraction and retention of non-interest bearing commercial deposits, and longer dated maturity deposits remains a focus of our retail deposit gathering philosophy. During the six months ended June 30, 2014, the Federal Open Market Committee (FOMC) has continued its accommodative monetary policy. This extended environment of historically low short term market rates has resulted in continuing parallel low retail deposit account yields, directly decreasing interest expense.

Short-term borrowings increased by $27.5 million, or 152.8%, to $45.5 million at June 30, 2014 from $18.0 million at December 31, 2013. These additional borrowings were utilized in the funding of loan products. Long-term borrowed money remained constant at $110.0 million at June 30, 2014 and December 31, 2013. The purpose of these borrowings reflects the use of long 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 $2.8 million or 2.8% to $102.9 million at June 30, 2014 from $100.1 million at December 31, 2013. The increase in stockholders' equity was primarily attributable to net income of $4.9 million, and an increase of $770,000 in preferred stock outstanding as a result of our on-going capital raising efforts, which had concluded by March 31, 2014, partly offset by cash dividends paid during the six months ended June 30, 2014 totaling $2.2 million on outstanding common shares of stock and $400,000 on outstanding preferred stock. The Company accrued a dividend payable for the second quarter on the preferred shares for $204,000 which will be paid in the third quarter. As of June 30, 2014, the Bank's Tier 1, Tier 1 Risk-Based and Total Risk Based Capital Ratios were 8.45%, 11.49% and 12.75% respectively.

Three Months of Operation

Net income was $2.6 million for each of the three-month periods ending June 30, 2014 and June 30, 2013. Net-interest income and non-interest income were higher in the current year period, but this was offset by an increase in non-interest expense.

Net interest income increased by $676,000 or 5.8% to $12.2 million for the three months ended June 30, 2014 from $11.6 million for the three months ended June 30, 2013. The increase in net interest income resulted primarily from an increase in the average balance of interest earning assets of $78.0 million or 6.8% to $1.224 billion for the three months ended June 30, 2014 from $1.146 billion for the three months ended June 30, 2013, partly offset by a decrease in the average yield on interest earning assets of 13 basis points to 4.83% for the three months ended June 30, 2014 from 4.96% for the three months ended June 30, 2013. The average balance of interest bearing liabilities increased by $52.8 million or 5.4% to $1.023 billion for the three months ended June 30, 2014 from $970.6 million for the three months ended June 30, 2013, while the average cost of interest bearing liabilities decreased by nine basis points to 0.99% for the three months ended June 30, 2014 from 1.08% for the three months ended June 30, 2013. Net interest margin was 4.00% for the three months ended June 30, 2014 and 4.04% for the three months ended June 30, 2013.

Interest income on loans receivable increased by $635,000 or 4.8% to $13.9 million for the three months ended June 30, 2014 from $13.3 million for the three months ended June 30, 2013. The increase was primarily attributable to an increase in the average balance of loans receivable of $117.2 million or 12.0% to $1.089 billion for the three months ended June 30, 2014 from $972.3 million for the three months ended June 30, 2013, partially offset by a decrease in the average yield on loans receivable to 5.10% for the three months ended June 30, 2014 from 5.40% for the three months ended June 30, 2013. The increase in the average balance of loans receivable was the result of the successful on-going implementation of our comprehensive loan growth strategy. 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 $49,000 or 5.2% to $891,000 for the three months ended June 30, 2014 from $940,000 for the three months ended June 30, 2013. This decrease was primarily due to a decrease in the average balance of securities of $25.9 million or 18.0% to $118.3 million for the three months ended June 30, 2014 from $144.2 million for the three months ended June 30, 2013, partly offset by an increase in the average yield of securities to 3.01% for the three months ended June 30, 2014 from 2.61% for the three months ended June 30, 2013.

Interest income on other interest-earning assets decreased by $2,000 or 15.4% to $11,000 for the three months ended June 30, 2014 from $13,000 for the three months ended June 30, 2013. This increase was primarily due to a decrease of $13.2 million or 44.4% in the average balance of other interest-earning assets to $16.5 million for the three months ended June 30, 2014 from $29.7 million for the three months ended June 30, 2013. The average yield on other interest-earning assets increased to 0.28% for the three months ended June 30, 2014 from 0.17% for the three months ended June 30, 2013. 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.

Total interest expense decreased by $92,000 or 3.5% to $2.5 million for the three months ended June 30, 2014 from $2.63 million for the three months ended June 30, 2013. The decrease resulted primarily from a decrease in the average cost of interest-bearing liabilities of nine basis points to 0.99% for the three months ended June 30, 2014 from 1.08% for the three months ended June 30, 2013, partly offset by an increase in the average balance of borrowings of $15.5 million or 12.6% to $137.8 million for the three months ended June 30, 2014 from $122.3 million for the three months ended June 30, 2013. The decrease in the average cost of interest bearing liabilities 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 $600,000 for the three months ended June 30, 2014 and 2013, 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 June 30, 2014, the Company experienced $144,000 in net charge-offs (consisting of $288,000 in charge-offs and $144,000 in recoveries). The Bank had non-performing loans totaling $31.5 million or 2.83% of gross loans at June 30, 2014 and $20.6 million or 1.98% of gross loans at December 31, 2013. The allowance for loan losses was $15.0 million or 1.34% of gross loans at June 30, 2014, $14.3 million or 1.38% of gross loans at December 31, 2013 and $13.7 million or 1.43% of gross loans at June 30, 2013. 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 June 30, 2014, December 31, 2013 and June 30, 2013.

Total non-interest income increased by $1.2 million, or 131.3% to $2.0 million for the three months ended June 30, 2014 from $881,000 for the three months ended June 30, 2013, which included a gain on the sale of investment securities available for sale totaling $1.2 million within the three-month period ended June 30, 2014, with no comparable sale in the three-month period ended June 30, 2013, and an increase in fees and service charges to $528,000 for the three months ended June 30, 2014 from $479,000 for the three months ended June 30, 2013. This increase was partly offset by a decrease of $96,000 in gains on sale of securities held to maturity to $39,000 for the three months ended June 30, 2014 from $135,000 for the three months ended June 30, 2013. The securities held to maturity sold consisted of mortgage-backed securities that had already returned at least 85% of the original principal purchased.

Total non-interest expense increased by $1.9 million or 24.7% to $9.5 million for the three months ended June 30, 2014 from $7.6 million for the three months ended June 30, 2013. Salaries and employee benefits expense increased by $1.3 million or 35.6% to $5.0 million for the three months ended June 30, 2014 from $3.7 million for the three months ended June 30, 2013. This increase in both salaries and employee benefits was mainly attributable to an increase of 64 full-time equivalent employees, or 27.2%, to 299 at June 30, 2014 from 235 at June 30, 2013, which relates to the addition of business development and loan administration employees, and the anticipated opening of new branch offices beginning in the second half of 2014, as well as providing health benefits to a greater number of existing employees. Occupancy expense increased by $98,000 or 11.3% to $964,000 for the three months ended June 30, 2014 from $866,000 for the three months ended June 30, 2013. Equipment expense increased by $59,000 or 4.6% to $1.34 million for the three months ended June 30, 2014 from $1.28 million for the three months ended June 30, 2013. The increases in occupancy and equipment expenses related primarily to the anticipated opening of new branch offices beginning in the second half of 2014. Professional fees decreased by $35,000 or 6.2% to $533,000 for the three months ended June 30, 2014 from $568,000 for the three months ended June 30, 2013. Director fees increased by $26,000 or 15.5% to $194,000 for the three months ended June 30, 2014 from $168,000 for the three months ended June 30, 2013. Advertising expense increased by $88,000 or 49.4% to $266,000 for the three months ended June 30, 2014 from $178,000 for the three months ended June 30, 2013. The increase in advertising was primarily due to our marketing efforts related to the previously mentioned expansion of our geographic footprint. Other real estate owned (OREO) (income)/expenses increased by $64,000 to expenses of $32,000 for the three months ended June 30, 2014 from income of $32,000 for the three months ended June 30, 2013. Other non-interest expense increased by $250,000 or 44.5% to $812,000 for the three months ended June 30, 2014 from $562,000 for the three months ended June 30, 2013. 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 increased by $29,000 or 1.7% to $1.74 million for the three months ended June 30, 2014 from $1.71 million for the three months ended June 30, 2013. The increase in income tax provision was a result of higher taxable income during the three-month period ended June 30, 2014 as compared to the three months ended June 30, 2013. The consolidated effective tax rate for the three months ended June 30, 2014 was 39.8% compared to 40.1% for the three months ended June 30, 2013.

Six Months of Operation

Net income was $4.9 million for the six months ended June 30, 2014 compared with $5.0 million for six months ended June 30, 2013. Net-interest income and non-interest income were higher in the current year period, but this was offset by an increase in non-interest expense.

Net interest income increased by $1.3 million or 5.8% to $24.3 million for the six months ended June 30, 2014 from $23.0 million for the six months ended June 30, 2013. The increase in net interest income resulted primarily from an increase in the average balance of interest earning assets of $66.7 million or 5.9% to $1.206 billion for the six months ended June 30, 2014 from $1.139 billion for the six months ended June 30, 2013, partly offset by a decrease in the average yield on interest earning assets of nine basis points to 4.88% for the six months ended June 30, 2014 from 4.97% for the six months ended June 30, 2013. The average balance of interest bearing liabilities increased by $39.6 million or 4.1% to $1.009 billion for the six months ended June 30, 2014 from $969.4 million for the six months ended June 30, 2013, while the average cost of interest bearing liabilities decreased by eight basis points to 1.01% for the six months ended June 30, 2014 from 1.09% for the six months ended June 30, 2013. Net interest margin was 4.03% for each of the six-month periods ended June 30, 2014 and June 30, 2013.

Interest income on loans receivable increased by $1.3 million or 5.0% to $27.6 million for the six months ended June 30, 2014 from $26.3 million for the six months ended June 30, 2013. The increase was primarily attributable to an increase in the average balance of loans receivable of $109.3 million or 11.4% to $1.068 billion for the six months ended June 30, 2014 from $959.1 million for the six months ended June 30, 2013, partially offset by a decrease in the average yield on loans receivable to 5.16%

for the six months ended June 30, 2014 from 5.47% for the six months ended June 30, 2013. The increase in the average balance of loans receivable was the result of our comprehensive loan growth strategy. 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 $196,000 or 9.7% to $1.8 million for the six months ended June 30, 2014 from $2.0 million for the six months ended June 30, 2013. This decrease was primarily due to a decrease in the average balance of securities of $34.3 million or 22.4% to $119.0 million for the six months ended June 30, 2014 from $153.3 million for the six months ended June 30, 2013, partly offset by an increase in the average yield of securities to 3.06% for the six months ended June 30, 2014 from 2.63% for the six months ended June 30, 2013.

Interest income on other interest-earning assets was $24,000 for the six-month periods ending June 30, 2014 and June 30, 2013. The average balance of other interest-earning assets decreased $8.3 million or 30.6% to $18.8 million for the six months ended June 30, 2014 from $27.1 million for the six months ended June 30, 2013. The average yield on other interest-earning assets increased to 0.26% for the six months ended June 30, 2014 from 0.18% for the six months ended June 30, 2013. The low 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.

Total interest expense decreased by $196,000 or 3.7% to $5.10 million for the six months ended June 30, 2014 from $5.29 million for the six months ended June 30, 2013. The decrease resulted primarily from a decrease in the average cost of interest-bearing liabilities of eight basis points to 1.01% for the six months ended June 30, 2014 from 1.09% for the six months ended June 30, 2013, and a decrease in the average balance of certificates of deposit of $14.3 million or 3.6% to $388.4 million for the six months ended June 30, 2014 from $402.7 million for the six months ended June 30, 2013, partly offset by an increase in the average balance of borrowings of $15.2 million or 12.7% to $134.7 million for the six months ended June 30, 2014 from $119.5 million for the six months ended June 30, 2013 . 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 $1.5 million and $1.8 million for the six months ended June 30, 2014 and 2013, 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 six months ended June 30, 2014, the Company experienced $840,000 in net charge-offs (consisting of $984,000 in charge-offs and $144,000 in recoveries). The Bank had non-performing loans totaling $31.5 million or 2.83% of gross loans at June 30, 2014 and $20.6 million or 1.98% of gross loans at December 31, 2013. The allowance for loan losses was $15.0 million or 1.34% of gross loans at June 30, 2014, $14.3 million or 1.38% of gross loans at December 31, 2013 and $13.7 million or 1.43% of gross loans at June 30, 2013. 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 June 30, 2014, December 31, 2013 and June 30, 2013.

Total non-interest income increased by $1.67 million, or 100.5% to $3.34 million for the six months ended June 30, 2014 from $1.67 million for the six months ended June 30, 2013, which included a gain on the sale of investment securities available for sale totaling $1.2 million within the six-month period ended June 30, 2014, with no comparable sale in the six-month period ended June 30, 2013, an increase in gains on sales of loans originated for sale of $661,000, or 191.0%, to $1.01 million for the six months ended June 30, 2014 from $346,000 for the six months ended June 30, 2013 and an increase in fees and service charges to $1.0 million for the six months ended June 30, 2014 from $903,000 for the six months ended June 30, 2013. These increases were partly offset by a decrease of $321,000 in gains on sale of securities held to maturity to $39,000 for the six months ended June 30, 2014 from $360,000 for the six months ended June 30, 2013. The securities held to maturity sold consisted of mortgage-backed securities that had already returned at least 85% of the original principal purchased.

Total non-interest expense increased by $3.5 million or 24.4% to $18.0 million for the six months ended June 30, 2014 from $14.5 million for the six months ended June 30, 2013. Salaries and employee benefits expense increased by $2.3 million or 32.2% to $9.5 million for the six months ended June 30, 2014 from $7.2 million for the six months ended June 30, 2013. This increase in both salaries and employee benefits was mainly attributable to an increase of 64 full-time equivalent employees, or 27.2%, to 299 at June 30, 2014 from 235 at June 30, 2013, which relates to the addition of business development and loan administration employees, and the anticipated opening of new branch offices beginning in the second half of 2014, as well as providing health benefits to a greater number of existing employees. Occupancy expense increased by $265,000 or 15.8% to $1.9 million for the six months ended June 30, 2014 from $1.7 million for the six months ended June 30, 2013. Equipment expense increased by $250,000 or 10.2% to $2.7 million for the six months ended June 30, 2014 from $2.5 million for the six months ended June 30, 2013. The increases in occupancy and equipment expenses related primarily to the anticipated opening of new branch offices beginning in the second half of 2014. Director fees increased by $26,000 or 7.7% to $362,000 for the six months ended June 30, 2014 from $336,000 for the six months ended June 30, 2013. Advertising expense increased by $160,000 or 57.1% to $440,000 for the six months ended June 30, 2014 from $280,000 for the six months ended June 30, 2013. The increase in advertising was primarily due to our marketing efforts related to the previously mentioned expansion of our geographic footprint. Other real estate owned (OREO) (income)/expenses increased by $156,000 to expenses of $40,000 for the six months ended June 30, 2014 from income of $116,000 for the six months ended June 30, 2013. The increase in expenses was primarily due to an upward valuation adjustment of OREO property of $110,000 for the six months ended June 30, 2013 compared to no corresponding adjustment for the six months ended June 30, 2014. Other non-interest expense increased by $369,000 or 33.3% to $1.5 million for the six months ended June 30, 2014 from $1.1 million for the six months ended June 30, 2013. 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 decreased by $86,000 or 2.5% to $3.3 million for the six months ended June 30, 2014 from $3.4 million for the six months ended June 30, 2013. The decrease in income tax provision was a result of lower taxable income during the six-month period ended June 30, 2014 as compared to the six months ended June 30, 2013. The consolidated effective tax rate for the six months ended June 30, 2014 was 40.5% compared to 40.6% for the six months ended June 30, 2013.

Liquidity and Capital Resources

Liquidity

The overall objective of our liquidity management practices is to ensure the availability of sufficient funds to meet financial commitments and to take advantage of lending and investment opportunities. The Company manages liquidity in order to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings and other obligations as they mature, and to fund loan and investment portfolio opportunities as they arise.

The Company's primary sources of funds to satisfy its objectives are net growth in deposits (primarily retail), principal and interest payments on loans and investment securities, proceeds from the sale of originated loans and FHLB and other borrowings. The scheduled amortization of loans is a predictable source of funds. Deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including unsecured overnight lines of credit and other collateralized borrowings from the FHLB and other correspondent banks.

At June 30, 2014, the Company had overnight borrowings outstanding with the FHLB of $45.5 million compared to $18.0 million at December 31, 2013. The Company utilizes overnight borrowings from time to time to fund short-term liquidity needs. The Company had total borrowings of $159.6 million at June 30, 2014 as compared to $132.1 million at December 31, 2013.

The Company had the ability at June 30, 2014 to obtain additional funding from the FHLB of NY and the FRB of approximately $158.0 million, utilizing unencumbered loan collateral of $93.3 million and (net) investment securities of $64.5 million respectively. The Company expects to have sufficient funds available to meet current loan commitments in the normal course of business through typical sources of liquidity. Time deposits scheduled to mature in one year or less totaled $28.0 million at June 30, 2014. Based upon historical experience data, management estimates that a significant portion of such deposits will remain with the Company.

Capital Resources. At June 30, 2014, and December 31, 2013, BCB Community Bank exceeded all of its regulatory capital requirements to which it is subject.

Actual

		For Capital Adequacy Purposes	For Well Capitalized Under Prompt Corrective Action
As of June 30, 2014:			
Tangible capital to tangible assets	8.45%	4.00%	5.00%
Tier I capital (core) (to adjusted total assets)	11.49%	4.00%	6.00%
Total capital (to risk-weighted assets)	12.75%	8.00%	10.00%
As of December 31, 2013:	8.70%	4.00%	5.00%
Tangible capital to tangible assets	12.41%	4.00%	6.00%
Tier I capital (core) (to adjusted total assets)	13.66%	8.00%	10.00%
Total capital (to risk-weighted assets)			

In July 2013, the FDIC and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the new rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule becomes effective for the Bank and the Company on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. The Bank and the Company currently comply with the final rule.

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 June 30, 2014. 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 June 30, 2014. The following sets forth the Company's NPV as of that date. (Dollars In Thousands):

				NPV as a % of Assets	
Change in Calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NPV Ratio	Change
+300bp	$ 101,576	$ (61,091)	(41.36) %	7.24 %	(396) bps
+200bp	129,331	(33,336)	(22.57)	9.23	(197) bps
+100bp	149,999	(12,668)	(8.58)	10.56	(65) bps
PAR	162,667	-	-	11.21	- bps
-100bp	189,499	26,832	18.16	12.84	163 bps

bp – basis points

The table above indicates that as of June 30, 2014, in the event of a 100 basis point increase in interest rates, we would experience a 8.58% 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.

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.

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 June 30, 2014, 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, as the successor to Pamrapo Bancorp, Inc., and in its own corporate capacity, is a named defendant in a shareholder class action lawsuit, Kube 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. By Order, dated December 10, 2013, the court denied the plaintiff's initial motion for class certification. The plaintiff thereafter filed a motion seeking certification for a substantially reduced class. That motion was granted on February 6, 2014. The Company filed a motion for summary judgment, seeking the dismissal of the remaining two Counts of the Complaint. That motion was denied, without prejudice, on February 19, 2014. The parties have conferenced in an effort to resolve this case. A final resolution is being pursued. The Company is vigorously defending its interests in this litigation.

The Company has brought a lawsuit against Progressive Insurance Company ("Progressive"), the Directors' and Officers' Liability insurance carrier for Pamrapo Bancorp, Inc., at the time of its merger with the Company on July 6, 2010, and Colonial American Insurance Company ("Colonial"), the Directors' and Officers' Liability insurance carrier for the Company at the time of the merger. The lawsuit seeks, among other claims, indemnification, payment of and/or contribution toward the above award of interim attorney's fees to the plaintiff class's counsel, and reimbursement of the attorney's fees and defense costs incurred by the Company in defending the Kube v. Pamrapo Bancorp, Inc., et al., case. This lawsuit is pending. Progressive has made a motion for summary judgment seeking the dismissal of the Company's lawsuit against it. That motion is returnable on August 18, 2014. The Company will vigorously oppose that motion.

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, 2013.

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 June 30, 2014, the Company had $53.3 million in classified loans, of which $40.5 million were classified as substandard and $12.9 million were classified as special mention. In addition, at that date we had $31.5 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 acquisitions 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.

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

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 June 30, 2014 are as follows:

Period	Shares Purchased	Average Price	Total Number of Shares Purchased	Maximum Number of Shares That May Yet be Purchased
April 1- April 30, 2014	474	$ 13.09	474	414,905
May 1- May 31, 2014	-	$ -	-	414,905
June 1- June 30, 2014	-	$ -	-	414,905
Total	474	$ 13.09	474	414,905

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFTEY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 10.1 Saleem Agreement

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

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: August 7, 2014	By:	/s/ Thomas Coughlin Thomas Coughlin President and Chief Executive Officer (Principal Executive Officer)
Date: August 7, 2014	By:	/s/ Thomas P. Keating Thomas P. Keating Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)

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