BCB BANCORP INC
Form 10-K/A
March 20, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

T Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934
For the fiscal ended December 31, 2013.

or

*Transition Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934

For the transition period from ______________ to ______________.

Commission file number: 000-50275

BCB BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

YES * NO

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

YES * NO

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

YES * NO

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

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

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

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

(Do not check if a smaller reporting company)

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE:

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

Explanatory Note

We are filing this Amendment No. 1 to our Report on Form 10-K for the year ended December 31, 2013 which was filed with the U.S. Securities and Exchange Commission on March 17, 2014, or the "Original Filing." The sole purpose of this Amendment No. 1 is to correct an omission in the signature page that was included in the Original Filing. We have repeated the entire text of the Original Filing in this Amendment No. 1. We have made no other changes to the Original Filing other than the inclusion of the signatures noted above.

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

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PART I

ITEM 1. BUSINESS

BCB Bancorp, Inc.

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

BCB Community Bank

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

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

· loans, including commercial and multi-family real estate loans, one- to four-family mortgage loans, home equity loans, construction loans, consumer loans and commercial business loans. In recent years the primary growth in our loan portfolio has been in loans secured by commercial real estate and multi-family properties;

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FDIC-insured deposit products, including savings and club accounts, non-interest bearing accounts, money market accounts, certificates of deposit and individual retirement accounts; and

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

Significant Events

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

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

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

On October 29th and 30th, 2012, Hurricane Sandy struck the Northeast section of the country. The Company's market area was significantly impacted by the storm which resulted in widespread flooding, wind damage and power outages. The storm temporarily disrupted our branch network and our ability to service our customers, however within one week, all of our offices were fully functional. In 2012, the Company conducted a quantitative analysis identifying 122 loans with outstanding principal loan balances totaling approximately $38.0 million. At December 31, 2013, borrowers of $30.5 million of the loans have either fully completed the restoration process or have paid the loan in full. The remaining $7.5 million are at various stages of completion and are continually monitored by the Company. Based on this updated, current analysis, the Company which had initially established an additional Hurricane Sandy related provision for loan losses totaling $500,000 to mitigate any potential losses has reduced this provision to $34,000 at December 31, 2013. The Company will continue to monitor the ongoing status of the Hurricane Sandy impacted loans to determine if the established provision requires additional adjustment.

Business Strategy

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

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

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

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

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

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

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

Our Market Area

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

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

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

Competition

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

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

Lending Activities

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

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

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

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

loans

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

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

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

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

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

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

Classified Assets. Our policies provide for a classification system for problem assets. When we classify problem assets, we may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. At December 31, 2013, we had $5.2 million in assets classified as doubtful, of which $5.2 million were classified as impaired, $17.6 million in assets classified as substandard, of which $17.6 million were classified as impaired and $22.5 million in assets classified as special mention, of which $13.9 million were classified as impaired. The loans classified as substandard represent primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily because either updated financial information has not been timely provided, or the collateral underlying the loan is in the process of being revalued.

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

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

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

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

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

Allowances for Loan Losses. A provision for loan losses is charged to operations based on management's evaluation of the losses that may be incurred in our loan portfolio. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available, our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings. Management reviews the adequacy of the allowance on at least a quarterly basis to ensure that the provision for loan losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is adequate based on management's assessment of probable estimated losses. The Company's methodology for assessing the adequacy of the allowance for loan losses consists of several key elements. These elements include a general allocated allowance for impaired loans, a specific allowance for impaired loans, and an unallocated portion.

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

· General economic conditions.

· Trends in charge-offs.

· Trends and levels of delinquent loans.

· Trends and levels of non-performing loans, including loans over 90 days delinquent.

· Trends in volume and terms of loans.

· Levels of allowance for specific classified loans.
· Credit concentrations

The methodology includes the segregation of the loan portfolio into two divisions. Loans that are performing and loans that are impaired. Loans which are performing are evaluated homogeneously by loan class or loan type. The allowance of performing loans is evaluated based on historical loan experience, including consideration of peer loss analysis, with an adjustment for qualitative factors due to economic conditions in the market. Impaired loans are loans which are more than 60 days delinquent or troubled debt restructured. These loans are individually evaluated for loan loss either by current appraisal, estimated economic factor, or net present value. Management reviews the overall estimate for feasibility and bases the loan loss provision accordingly. As of December 31, 2013, non-accrual loans differed from the amount of total loans past due greater than 90 days due to troubled debt restructuring of loans which are maintained on non-accrual status for a minimum of six months until the borrower has demonstrated their ability to satisfy the terms of the restructured loan. The Company also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions which may cause a potential loan loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential loan losses is performed, these estimates lack some element of precision. Management must make estimates using assumptions and information that is often subjective and subject to change.

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

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

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

	December 31,									
	2013		2012		2011		2010		2009	
	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Per of L in e Cat in T Loa
Originated loans:										