

BCB BANCORP INC
Form 10-Q
November 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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	07002

Edgar Filing: BCB BANCORP INC - Form 10-Q

(Address of principal executive offices) (Zip Code)

(201) 823-0700

(Registrant's telephone number, including area code)

Not Applicable

(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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 November 1st, 2018, BCB Bancorp, Inc., had 15,801,875 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

INDEX

	Page
PART I. CONSOLIDATED FINANCIAL INFORMATION	
<u>Item 1. Consolidated Financial Statements</u>	
<u>Consolidated Statements of Financial Condition as of September 30, 2018 (unaudited) and December 31, 2017 (unaudited)</u>	1
<u>Consolidated Statements of Income for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017 (unaudited)</u>	3
<u>Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2018 and 2017 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (unaudited)</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	46
<u>Item 4. Controls and Procedures</u>	47
 PART II. OTHER INFORMATION	 47
<u>Item 1. Legal Proceedings</u>	47
<u>Item 1A. Risk Factors</u>	48
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	48
<u>Item 3. Defaults Upon Senior Securities</u>	48
<u>Item 4. Mine Safety Disclosures</u>	48
<u>Item 5. Other Information</u>	48
<u>Item 6. Exhibits</u>	48

PART I. CONSOLIDATED FINANCIAL INFORMATION

ITEM I. CONSOLIDATED FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

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

	September 30, 2018	December 31, 2017
ASSETS		
Cash and amounts due from depository institutions	\$ 32,459	\$ 16,460
Interest-earning deposits	174,251	107,775
Total cash and cash equivalents	206,710	124,235
Interest-earning time deposits	980	980
Debt securities available for sale	119,811	114,295
Equity investments	8,052	8,294
Loans held for sale	1,772	1,295
Loans receivable, net of allowance for loan losses of \$21,504 and \$17,375 respectively	2,225,001	1,643,677
Federal Home Loan Bank of New York stock, at cost	14,755	10,211
Premises and equipment, net	20,392	18,768
Accrued interest receivable	8,635	6,153
Other real estate owned	1,232	532
Deferred income taxes	11,607	5,144
Goodwill	5,223	-
Other assets	13,698	9,253
Total Assets	\$ 2,637,868	\$ 1,942,837

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing deposits	\$ 276,998	\$ 201,043
Interest bearing deposits	1,839,626	1,368,327
Total deposits	2,116,624	1,569,370
FHLB advances	275,800	185,000
Subordinated debt	36,519	4,124
Other liabilities and accrued interest payable	13,162	7,889
Total Liabilities	2,442,105	1,766,383

STOCKHOLDERS' EQUITY

Edgar Filing: BCB BANCORP INC - Form 10-Q

Preferred stock: \$0.01 par value, 10,000,000 shares authorized; issued and outstanding 7,807 shares of series C 6%, series D 4.5%, (liquidation value \$10,000 per share) and series F 6% (liquidation value \$1,000 per share) noncumulative perpetual preferred stock at September 30, 2018 and 1,342 shares of series C 6% and series D 4.5% (liquidation value \$10,000 per share) noncumulative perpetual preferred stock at December 31, 2017	-	-
Additional paid-in capital preferred stock	19,706	13,241
Common stock: no par value; 20,000,000 shares authorized; issued 18,313,476 and 17,572,942 at September 30, 2018 and December 31, 2017, respectively, outstanding 15,782,713 shares and 15,042,179 shares, at September 30, 2018 and December 31, 2017, respectively	-	-
Additional paid-in capital common stock	175,970	164,230
Retained earnings	35,693	31,241
Accumulated other comprehensive (loss)	(6,490)	(3,142)
Treasury stock, at cost, 2,530,763 shares at September 30, 2018 and December 31, 2017	(29,116)	(29,116)
Total Stockholders' Equity	195,763	176,454
 Total Liabilities and Stockholders' Equity	 \$ 2,637,868	 \$ 1,942,837

See accompanying notes to unaudited consolidated financial statements

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

(In thousands, Except for Per Share Amounts, Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income:				
Loans, including fees	\$ 26,019	\$ 18,399	\$ 69,588	\$ 53,967
Mortgage-backed securities	827	581	2,363	1,712
Municipal bonds and other debt	116	113	416	377
FHLB stock and other interest earning assets	1,009	313	2,242	874
Total interest income	27,971	19,406	74,609	56,930
Interest expense:				
Deposits:				
Demand	1,130	700	2,902	2,050
Savings and club	116	100	318	299
Certificates of deposit	4,591	2,284	10,726	6,437
	5,837	3,084	13,946	8,786
Borrowings	2,054	748	4,153	2,902
Total interest expense	7,891	3,832	18,099	11,688
Net interest income	20,080	15,574	56,510	45,242
Provision for loan losses	907	511	4,309	1,785
Net interest income after provision for loan losses	19,173	15,063	52,201	43,457
Non-interest income:				
Fees and service charges	1,092	749	2,773	2,383
Gain on sales of loans	738	540	1,897	1,611
Loss on bulk sale of impaired loans held in portfolio	-	-	(24)	-
Gain on sales of other real estate owned	14	222	4	1,570
Gain on sale of investment securities	-	97	-	97
Unrealized loss on equity investments	(82)	-	(242)	-
Other	90	25	2,393	307
Total non-interest income	1,852	1,633	6,801	5,968
Non-interest expense:				
Salaries and employee benefits	7,156	5,925	20,548	17,893
Occupancy and equipment	2,490	2,038	7,028	6,185
Data processing and service fees	942	703	2,499	2,034
Professional fees	437	491	1,475	2,237
Director fees	192	198	594	576

Edgar Filing: BCB BANCORP INC - Form 10-Q

Regulatory assessments	419	318	948	1,010
Advertising and promotional	129	117	314	375
Other real estate owned, net	22	9	213	64
Merger related costs	119	-	2,303	-
Other	2,485	1,500	6,460	4,635
Total non-interest expense	14,391	11,299	42,382	35,009
Income before income tax provision	6,634	5,397	16,620	14,416
Income tax provision	2,040	2,180	5,081	5,773
Net Income	\$ 4,594	\$ 3,217	\$ 11,539	\$ 8,643
Preferred stock dividends	263	166	691	449
Net Income available to common stockholders	\$ 4,331	\$ 3,051	\$ 10,848	\$ 8,194
Net Income per common share-basic and diluted				
Basic	\$ 0.27	\$ 0.25	\$ 0.70	\$ 0.71
Diluted	\$ 0.27	\$ 0.25	\$ 0.69	\$ 0.70
Weighted average number of common shares outstanding				
Basic	15,789	12,142	15,482	11,572
Diluted	15,896	12,226	15,609	11,664

See accompanying notes to unaudited consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands, Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net Income	\$ 4,594	\$ 3,217	\$ 11,539	\$ 8,643
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on available-for-sale debt securities:				
Unrealized holding (losses) gains arising during the period	(845)	496	(4,189)	2,833
Tax Effect	155	(203)	967	(1,157)
Net of Tax Effect	(690)	293	(3,222)	- 1,676
Other comprehensive (loss) income	(690)	293	(3,222)	1,676
Comprehensive income	\$ 3,904	\$ 3,510	\$ 8,317	\$ 10,319

See accompanying notes to unaudited consolidated financial statements.

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 Loss	Total
Balance at December 31, 2017	\$ -	\$ -	\$ 177,471	\$ 31,241	\$ (29,116)	\$ (3,142)	\$ 176,454
Acquisition of IA Bancorp	-	-	17,405	-	-	-	17,405
Exercise of Stock Options (200 shares)	-	-	2	-	-	-	2
Stock-based compensation expense	-	-	230	-	-	-	230
Dividends payable on Series C 6%, Series D 4.5%, and Series F 6% noncumulative perpetual preferred stock	-	-	-	(691)	-	-	(691)
Cash dividends on common stock (\$0.14 per share declared)	-	-	-	(6,275)	-	-	(6,275)
Dividend Reinvestment Plan	-	-	247	(247)	-	-	-
Stock Purchase Plan	-	-	321	-	-	-	321
Net income	-	-	-	11,539	-	-	11,539
Reclassification of unrealized gains on AFS equity securities	-	-	-	126	-	(126)	-
Other comprehensive loss	-	-	-	-	-	(3,222)	(3,222)
	\$ -	\$ -	\$ 195,676	\$ 35,693	\$ (29,116)	\$ (6,490)	\$ 195,763

Edgar Filing: BCB BANCORP INC - Form 10-Q

Balance at September 30,
2018

	Preferred Stock	Common Stock	Additional	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2016	\$ -	\$ -	\$ 135,881	\$ 28,159	\$ (29,103)	\$ (3,856)	\$ 131,081
Issuance of Common Stock			42,759				42,759
Redemption of Series A and B Preferred Stock	-	-	(11,720)	-	-	-	(11,720)
Issuance of Series D Preferred Stock	-	-	9,497	-	-	-	9,497
Exercise of Stock Options (200 shares)	-	-	2	-	-	-	2
Stock-based compensation expense	-	-	126	-	-	-	126
Treasury stock purchases	-	-	-	-	(13)	-	(13)
Dividends payable on Series C 6% and Series D 4.5% noncumulative perpetual preferred stock	-	-	-	(449)	-	-	(449)
Cash dividends on common stock (\$0.14 per share declared)	-	-	-	(4,519)	-	-	(4,519)
Dividend Reinvestment Plan	-	-	221	(221)	-	-	-
Stock Purchase Plan	-	-	485	-	-	-	485
Net income	-	-	-	8,643	-	-	8,643
Other comprehensive income	-	-	-	-	-	1,676	1,676

Edgar Filing: BCB BANCORP INC - Form 10-Q

Balance at September 30, 2017 \$ - \$ - \$ 177,251 \$ 31,613 \$ (29,116) \$ (2,180) \$ 177,568

See accompanying notes to unaudited consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands, Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Cash Flows from Operating Activities :		
Net Income	\$ 11,539	\$ 8,643
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	2,039	1,927
Amortization and accretion, net	(2,191)	(1,013)
Provision for loan losses	4,309	1,785
Deferred income tax (benefit)	(284)	2,314
Loans originated for sale	(17,320)	(19,371)
Proceeds from sales of loans	18,740	22,651
Gain on sales of loans originated for sale	(1,897)	(1,611)
Gains on sales of other real estate owned	(4)	(1,570)
Gains on sales of securities available for sale	-	(97)
Fair value adjustment of OREO	101	-
Loss on equity investments	242	-
Loss on bulk sale of impaired loans held in portfolio	24	-
Stock-based compensation expense	230	126
Increase in interest receivable	(1,870)	(235)
(Increase) decrease in other assets	(2,637)	92
Increase (decrease) in accrued interest payable	1,132	(209)
Increase in other liabilities	1,376	311
Net Cash Provided by Operating Activities	13,529	13,743
Cash flows from investing activities:		
Proceeds from calls on securities available for sale	20,286	22,423
Purchases of securities available for sale	(16,353)	(46,298)
Proceeds from sales of other real estate owned	502	4,813
Proceeds from bulk sale of impaired loans held	250	-
Proceeds from sales of securities available for sale	-	21,165
Net increase in loans receivable	(401,888)	(135,657)
Additions to premises and equipment	(829)	(1,804)
(Purchase) Redemption of Federal Home Loan Bank of New York stock	(3,381)	1,210
Cash acquired in acquisition	7,597	-
Cash paid in acquisition	(2,550)	-
Net Cash Used In Investing Activities	(396,366)	(134,148)
Cash flows from financing activities:		
Net increase in deposits	368,818	153,943
Proceeds from Federal Home Loan Bank of New York advances	175,800	38,000
Repayments of Federal Home Loan Bank of New York advances	(105,000)	(55,000)

Edgar Filing: BCB BANCORP INC - Form 10-Q

Net change in short-term debt	-	(20,000)
Purchases/adjustments of treasury stock	-	(13)
Cash dividends paid on common stock	(6,275)	(4,519)
Cash dividends paid on preferred stock	(691)	(449)
Net proceeds from issuance of common stock	321	43,244
Net proceeds from issuance of preferred stock	-	9,497
Net payment on redemption of preferred stock	-	(11,720)
Net proceeds from issuance of subordinated debt	32,337	-
Exercise of stock options	2	2
Net Cash Provided by Financing Activities	465,312	152,985
Net Increase In Cash and Cash Equivalents	82,475	32,580
Cash and Cash Equivalents-Beginning	124,235	65,038
Cash and Cash Equivalents-Ending	\$ 206,710	\$ 97,618
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	\$ 6,706	\$ 4,285
Interest	\$ 16,968	\$ 11,898
Non-cash items:		
Transfer of loans to other real estate owned	\$ 972	\$ 1,128

See accompanying notes to unaudited consolidated financial statements

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 consolidated 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, 2018 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, 2017, 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, the Company evaluated the events and transactions that occurred between September 30, 2018, and the date these consolidated financial statements were issued.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one

year. The scope of ASC 606 excludes net interest income and other revenues associated with financial assets and liabilities, including loans, leases, securities and derivatives, which would then exclude the majority of the Company's revenues. However, the recognition and measurement of certain non-interest income items such as gain on sale of other real estate owned and deposit-related fees, could be affected by ASC 606. The Company adopted the guidance effective January 1, 2018, using the modified retrospective method. Implementation of the guidance did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease requirements in Topic 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of income. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new guidance will be effective for the Company in 2019. Once effective, the standard will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Company is currently assessing the impacts this new standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. ASU 2016-13 requires entities to report "expected" credit losses on financial instruments and other commitments to extend credit rather than the current "incurred loss" model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the consolidated financial statements. The amendments are effective for the Company in 2020. The Company has begun evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements and results of operations. The effect of this change cannot be ascertained at this point, and will depend upon factors including asset components, asset quality and market conditions at the adoption date.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. The amendments in this update require that an entity account for the effects of a modification unless the fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified, the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified and the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The Company adopted ASU 2017-09 on a prospective basis in January 2018. Due to prospective application, the impact on the Company's consolidated financial statements will be dependent upon the terms of future modifications.

In March, 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. ASU 2017-08 was issued to enhance the accounting for the amortization of premiums for purchased callable debt securities. This amendment requires that the amortization of the premium be shortened to the earliest call date. The Company adopted ASU 2017-08 as of

January 1, 2018 with no effect on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments- Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This guidance amends existing guidance to improve accounting standards for financial instruments including clarification and simplification of accounting and disclosure requirements and the requirement for public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. These amendments are effective for public business entities for annual periods and interim periods within those annual periods beginning after December 15, 2017. The Company recorded a cumulative effect adjustment to the balance sheet as of January 1, 2018 in the amount of \$126,000, representing the unrealized gain of \$175,000 at December 31, 2017 net of taxes of \$49,000. For the nine months ended September 30, 2018, the Company recorded a loss to the income statement in the amount of \$242,000. In addition to the change noted above, adoption of this standard will impact the fair value disclosures included in Note 10.

Note 1 – Basis of Presentation (continued)

In February 2018, the FASB issued ASU No. 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The ASU required a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate as a result of the Tax Cuts and Jobs Act. The amount of the reclassification is the difference between the historical corporate income tax rate and the newly enacted twenty-one percent corporate income tax rate. The Company chose to early adopt the new standard for the year ending December 31, 2017, as allowed under the new standard. The amount of the reclassification for the Company was \$557,000, as shown in the Consolidated Statement of Changes in Shareholders' Equity in the Company's Form 10-K filing for the year ended December 31, 2017, subject to Staff Accounting Bulletin 118, Income Tax Implications of the Tax Cuts and Jobs Act ("SAB 118"). SAB 118 provides a measurement period not to extend beyond one year of the enactment date to adjust the accounting for certain elements of the tax reform. The Company does not anticipate a material adjustment to tax expense during the measurement period.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement as a result of a broader disclosure project. The Update amends the disclosure requirements for fair value measurements to improve the effectiveness of the disclosure. The Update removes and modifies certain disclosure requirements, as well as adds requirements for public business entities. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures upon issuance of the Update and delay adoption of the additional disclosures until their effective date. This ASU will affect the Company's disclosures only and will not have a financial statement impact.

Note 2 – Acquisition of IA Bancorp, Inc.

On April 17, 2018, the Company completed its acquisition of IA Bancorp, Inc. ("IAB") and its wholly-owned subsidiary, Indus-American Bank, of Edison, New Jersey. IAB shareholders received 0.189 shares of the Company's common stock for each share of IAB common stock they owned as of the effective date of the acquisition. In addition, the Company issued two series of preferred stock, Series E and F, in exchange for two outstanding series, Series C and D, respectively, of IAB preferred stock. The two series of Company preferred shares have terms substantially similar to the terms of the two series of IAB preferred stock. The aggregate consideration paid to IAB shareholders was \$20.0 million. The results of IAB's operations are included in the Company's unaudited consolidated statements of income beginning April 17, 2018, the date of the acquisition.

Indus-American Bank was founded primarily to meet the banking needs of the South Asian-American community. The Company plans to operate BCB-Indus-American Bank, a division of BCB Community Bank, and it will continue to specialize in core business banking products for small- to medium-sized companies, with an emphasis on real estate-based lending. This transaction will allow the combined entities to further develop our existing markets in Jersey City and Edison, and will provide further opportunities in Parsippany, Plainsboro and Hicksville, New York, three new, attractive markets for the Company.

The acquisition of IAB was accounted for using the acquisition method of accounting and, accordingly, assets acquired, liabilities assumed and consideration paid were recorded at their estimated fair values as of the acquisition date. The \$5.2 million excess consideration paid over the fair value of net assets acquired has been reported as goodwill in the Company's consolidated statements of financial condition as of September 30, 2018.

The assets acquired and liabilities assumed and consideration paid in the acquisition of IAB were recorded at their estimated fair values based on management's best estimates using information available at the date of the acquisition and are subject to adjustment for up to one year after the closing date of the acquisition. While the fair values are not expected to be materially different from the estimates, any material adjustments to the estimates will be reflected, retroactively, as of the date of the acquisition. The items most susceptible to adjustment are the credit fair value adjustments on loans, core deposit intangible and the deferred income tax assets resulting from the acquisition.

In connection with the acquisition, the consideration paid and the fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition are summarized in the following table:

	Estimated Fair Value At September 30, 2018 (in thousands)
Consideration paid:	
Common stock issued in acquisition	\$ 9,952
Cash paid for exchange of IAB shares	2,550
Preferred stock	7,453
Total consideration paid	19,955
Assets acquired:	
Cash and cash equivalents	7,597
Investment securities available for sale	13,811
Restricted investment in bank stocks	1,163
Loans	182,585
Premises and equipment, net	2,834
Other real estate owned, net	328
Accrued interest receivable	612
Core deposit intangible	430
Deferred tax asset	5,212
Other assets	1,273
Total assets acquired	215,845

Liabilities assumed:

Deposits	178,436
Borrowings	20,015
Accrued interest payable	120
Other liabilities	2,542
Total liabilities assumed	201,113
Net assets acquired	14,732
Goodwill recorded in acquisition	\$ 5,223

7

Note 2 – Acquisition of IA Bancorp, Inc. (continued)

Acquired loans (impaired and non-impaired) are initially recorded at their acquisition-date fair values using Level 3 inputs. Fair values are based on a discounted cash flow methodology that involves assumptions and judgments as to credit risk, expected lifetime losses, environmental factors, collateral values, discount rates, expected payments and expected prepayments. Specifically, the Company has prepared three separate loan fair value adjustments that it believes a market participant might employ in estimating the entire fair value adjustment necessary under ASC 820-10 for the acquired loan portfolio. The three separate fair valuation methodologies employed are: (i) an interest rate loan fair value adjustment, (ii) a general credit fair value adjustment, and (iii) a specific credit fair value adjustment for purchased credit impaired loans subject to ASC 310-30 provisions. The acquired loans were recorded at fair value at the acquisition date without carryover of IAB's previously established allowance for loan losses.

The table below illustrates the fair value adjustments made to the amortized cost basis to present a fair value of the loans acquired.

	At September 30, 2018 (in thousands)
Gross principal balance	\$ 192,055
Fair value adjustment on pools of homogeneous loans	(5,895)
Fair value adjustment on acquired impaired loans	(3,575)
Fair value of acquired loans	\$ 182,585

The credit adjustment on acquired impaired loans is derived in accordance with ASC 310-30 and represents the portion of the loan balances that have been deemed uncollectible based on the Company's expectations of future cash flows for each respective loan.

	At September 30, 2018 (in thousands)
Contractually required principal and interest at acquisition	\$ 21,177
Contractual cash flows not expected to be collected (non-accretable)	

Edgar Filing: BCB BANCORP INC - Form 10-Q

discount, includes principal and interest)	(4,892)
Expected cash flows at acquisition	16,285
Interest component of expected cash flows (accretable discount)	(1,399)
Fair value of loans acquired accounted for under ASC 310-30	14,886

For loans acquired without evidence of credit quality deterioration, the Company prepared interest rate loan fair value and credit fair value adjustments. Loans were grouped into homogeneous pools by characteristics such as loan type, term, collateral and rate. Market rates for similar loans were obtained from various internal and external data sources and reviewed for reasonableness. A present value approach was utilized to calculate the interest rate fair value discount of \$1.9 million. Additionally, for loans acquired without credit deterioration, a credit fair value adjustment was calculated using a two-part credit fair value analysis: (i) expected lifetime credit migration losses, and (ii) estimated fair value adjustment for certain qualitative credit factors. The expected lifetime losses were calculated using historical losses observed at IAB. The environmental factor represents potential discount which may arise due to general credit and economic factors. A credit fair value discount of \$3.9 million was determined. The fair value adjustment related to loans acquired without evidence of credit quality deterioration will be substantially recognized as interest income over the expected life of the loans.

In connection with the acquisition of IAB, the Company recorded a net deferred income tax asset of \$5.2 million related to IAB's net operating loss carryforward, as well as other tax attributes of the acquired company, along with the effects of fair value adjustments resulting from applying the acquisition method of accounting.

The fair value of savings and transaction deposit accounts acquired from IAB provide value to the Company as a source of below market rate funds. The fair value of the core deposit intangible was determined based on a discounted cash flow analysis using a discount rate based on the estimated cost of capital for a market participant. To calculate cash flows, the sum of deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the cost of alternative funding sources available to the Company. The expected cash-flows of the deposit base included estimated attrition rates. The core deposit intangible was valued at \$430,000. The core deposit intangible asset is being amortized on an accelerated basis over ten years. Amortization from the April 17, 2018 acquisition date through September 30, 2018 was \$39,000.

The fair value of certificate of deposit accounts was determined by compiling individual account data into groups of equal remaining maturities with corresponding calculated weighted average rates. Each maturity group's weighted average rate was compared to market rates for similar maturities and then priced to yield market rates. This valuation adjustment was determined to be a \$751,000 premium and is being amortized in line with the expected cash flows driven by the maturities of these deposits, primarily over the next five years.

Direct costs related to the merger were accrued and expensed as incurred. During the nine months ended September 30, 2018, the Company incurred \$2.3 million in merger-related expenses, including \$2.0 million of early termination fees from IAB's core system provider. The Company had also incurred merger costs in the fourth quarter of 2017 of \$800,000 including legal and professional fees.

Note 2 – Acquisition of IA Bancorp, Inc. (continued)

Supplemental Pro Forma Financial Information

The following table presents unaudited condensed pro forma financial information assuming the IAB acquisition had been completed as of January 1, 2018 and for the nine months ended September 30, 2018 and as of January 1, 2017 and for the nine months ended September 30, 2017. The table has been prepared for comparative purposes only and is not necessarily indicative of the actual results that would have been attained had the acquisition occurred at the beginning of the periods presented, nor is it indicative of future results.

Furthermore, the unaudited pro forma financial information includes merger-related expenses but does not reflect management's estimate of any revenue-enhancing opportunities, cost savings or the impact of conforming certain accounting policies of IAB to the Company's policies that may have occurred as a result of the integration and consolidation of IAB's operations. The combined pro forma information reflects adjustments related to certain purchase accounting fair value adjustments and amortization of the core deposit intangibles.

	Pro forma Combined Nine Months Ended September 30, 2018 (In thousands, except per share data)	Pro forma Combined Nine Months Ended September 30, 2017 (In thousands, except per share data)
Interest income	\$ 77,616	\$ 59,937
Interest Expense	18,885	12,474
Provision for loan losses	4,309	1,785
Non-interest income	6,914	6,081
Non-interest expense	44,039	36,666
Income Taxes	5,284	5,976
Net Income	12,013	9,117
Earnings per diluted share	\$ 0.73	\$ 0.74

Fair Value Measurement of Assets Acquired and Liabilities Assumed

The methods used to determine the fair value of the assets acquired and the liabilities assumed in the IAB acquisition were as follows. Refer to Note 10, Fair Value Measurements, for a discussion of the fair value hierarchy.

Investment Securities

The estimated fair values of investment securities were calculated utilizing Level 2 inputs. The securities acquired are bought and sold in active markets. Prices for these instruments were determined using matrix pricing, 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.

Note 3 – Reclassification

Certain amounts as of December 31, 2017 and for the three and nine month period ended September 30, 2017, respectively 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 4 – 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.

Net periodic pension benefit for the three and nine months ended September 30, 2018 and September 30, 2017 was \$10,000, \$30,000, \$9,000, and \$27,000 respectively. Net periodic postretirement cost for the SERP plan for the three and nine months ended September 30, 2018 and September 30, 2017 was \$3,000, \$9,000, \$4,000, and \$12,000 respectively.

Share – Based Compensation

The Company, under the plan approved by its stockholders on April 26, 2018 ("2018 Equity Incentive Plan"), authorized the issuance of up to 1,000,000 shares of common stock of the Company pursuant to grants of stock options, restricted stock or restricted stock units. Employees and directors of the Company and the Bank are eligible to participate in the 2018 Equity Incentive 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. Restricted stock units are similar to restricted stock awards, except that no share of stock is actually awarded on the date of grant of a restricted stock unit. A restricted stock unit will be settled in shares of Common Stock, provided, however, that in the sole discretion of the Compensation Committee, a restricted stock unit may be settled in cash. Shares of stock issued pursuant to the exercise of stock options will count against the share limit as one share of stock for every one share of stock to which such exercise relates. Shares of stock issued pursuant to restricted stock awards or restricted stock units will count against the share limit as two shares of stock for every one share of stock issued in connection with the award.

Note 4 – Pension and Other Postretirement Plans (continued)

The Company, under the plan approved by its stockholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of the Company pursuant to grants of stock options. Employees and directors of the Company and the 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 September 13, 2017, a grant of 350,000 options was declared for members of the Board of Directors and Executive Officers which vest at a rate of 10% per year and 20% per year, respectively, commencing on the first anniversary of the grant date. On September 16, 2016, a grant of 160,000 options was declared for members of the Board of Directors and the Chief Executive Officer, which vest at a rate of 10% per year and 33% per year, respectively, commencing on the first anniversary of the grant date. On December 2, 2015, a grant of 120,000 options and on March 7, 2014, a grant of 110,000 options were declared for certain members of the Board of Directors which vest at a rate of 10% per year, over ten years commencing on the first anniversary of the grant date.

	Number of Option Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at December 31, 2017	889,300	\$ 8.93-13.32	\$ 11.42
Options granted	-	-	-
Options exercised	(12,200)	9.03-13.32	10.91
Options forfeited	(53,000)	9.03-13.32	11.69
Options expired	-	-	-
Outstanding at September 30, 2018	824,100	\$ 8.93-13.32	\$ 11.41

As of September 30, 2018, stock options which were granted and were exercisable totaled 242,033 stock options.

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 582,067 shares of unvested options outstanding as of September 30, 2018 was \$1.1 million over a weighted average period of 6.75 years.

	Number of Option Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at December 31, 2016	575,000	\$ 8.93-13.32	\$ 10.78
Options granted	350,000	12.40	12.40
Options exercised	(700)	10.55	-
Options forfeited	(35,000)	8.93-13.32	-
Options expired	-		
Outstanding at September 30, 2017	889,300	\$ 8.93-13.32	\$ 11.42

As of September 30, 2017, stock options which were granted and were exercisable totaled 139,367 stock options.

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to 749,933 shares of unvested options outstanding as of September 30, 2017 was \$1.8 million over a weighted average period of 7.61 years.

Note 5 – 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 nine months ended September 30, 2018 and 2017, 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 September 30, 2018 and 2017 the weighted average number of outstanding options considered to be anti-dilutive were 3,665 and 0 respectively. For the nine months ended September 30, 2018 and 2017 the weighted average number of outstanding options considered to be anti-dilutive were 1,896 and 0 respectively. At September 30, 2018, the Company has 6,465 shares of its Series F 6% noncumulative perpetual preferred stock (“Series F shares”) issued and outstanding, which are convertible into the Company’s common stock. The conversion of Series F shares to common shares was not included in the computation of diluted earnings per share as they would be anti-dilutive.

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

	For the Three Months Ended September 30, 2018			2017		
	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	\$ 4,331			\$ 3,051		
Basic earnings per share-						
Income available to Common stockholders	\$ 4,331	15,789	\$ 0.27	\$ 3,051	12,142	\$ 0.25
Effect of dilutive securities:						
Stock options	-	107		-	84	

Edgar Filing: BCB BANCORP INC - Form 10-Q

Diluted earnings per share- Income available to Common stockholders	\$ 4,331	15,896	\$ 0.27	\$ 3,051	12,226	\$ 0.25
--	----------	--------	---------	----------	--------	---------

For the Nine Months Ended September 30,
2018

2017

	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

\$ 10,848

\$ 8,194

Basic earnings per share-
Income available to Common stockholders

\$ 10,848

15,482

\$ 0.70

\$ 8,194

11,572

\$ 0.71

Effect of dilutive securities:

Stock options

-

127

-

92

Diluted earnings per share-
Income available to Common stockholders

\$ 10,848

15,609

\$ 0.69

\$ 8,194

11,664

\$ 0.70

Note 6 –Debt Securities Available for Sale

The following tables present by maturity the amortized cost, gross unrealized gains and losses on, and fair value of, securities available for sale as of September 30, 2018 and December 31, 2017:

	September 30, 2018			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
	(In thousands)	Gains	Losses	
Mortgage-backed securities:				
Due after one year through five years	\$ 5,677	\$ -	\$ 181	\$ 5,496
Due after five years through ten years	3,444	-	38	3,406
Due after ten years	113,469	26	6,230	107,265
Municipal obligations:				
Due after one year through five years	494	-	1	493
Due after five years through ten years	2,141	-	26	2,115
Due after ten years	1,040	-	4	1,036
	\$ 126,265	\$ 26	\$ 6,480	\$ 119,811

	December 31, 2017			
	Amortized	Gross	Gross	Fair Value
	Cost	Unrealized	Unrealized	
	(In thousands)	Gains	Losses	
Mortgage-backed securities:				
Due after one year through five years	\$ 3,276	\$ 3	\$ 76	\$ 3,203
Due after five years through ten years	622	-	10	612
Due after ten years	110,156	44	2,222	107,978
Municipal obligations:				
Due within one year	2,506	-	4	2,502
	\$ 116,560	\$ 47	\$ 2,312	\$ 114,295

The unrealized losses, categorized by the length of time of continuous loss position, and fair value of related securities available for sale were as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In thousands)						
September 30, 2018						
Residential mortgage-backed securities	\$ 68,892	\$ 2,497	\$ 45,932	\$ 3,952	\$ 114,824	\$ 6,449
Municipal obligations	3,644	31	-	-	3,644	31
	\$ 72,536	\$ 2,528	\$ 45,932	\$ 3,952	\$ 118,468	\$ 6,480
December 31, 2017						
Residential mortgage-backed securities	\$ 94,909	\$ 1,951	\$ 12,309	\$ 357	\$ 107,218	\$ 2,308
Municipal obligations	2,502	4	-	-	2,502	4
	\$ 97,411	\$ 1,955	\$ 12,309	\$ 357	\$ 109,720	\$ 2,312

Management evaluates securities for other-than-temporary impairment (“OTTI”) at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether the Company intends to sell the security or more likely than not will be required to sell the security before its anticipated recovery. At September 30, 2018 and December 31, 2017, management performed an assessment for possible OTTI of the Company’s residential mortgage-backed securities on an issue-by-issue basis, relying on information obtained from various sources, including publicly available financial data, ratings by external agencies, brokers and other sources. The extent of individual analysis applied to each security depended on the size of the Company’s investment, as well as management’s perception of the credit risk associated with each security. Based on the results of the assessment, management believes impairment of these securities, at September 30, 2018 and December 31, 2017, to be temporary.

Note 7 - Loans Receivable and Allowance for Loan Losses

The following table presents the recorded investment in loans receivable as of September 30, 2018 and December 31, 2017 by segment and class:

	September 30, 2018	December 31, 2017
	(In thousands)	
Originated loans:		
Residential one-to-four family	\$ 207,238	\$ 182,544
Commercial and multi-family	1,530,966	1,213,390
Construction	74,029	50,497
Commercial business(1)	112,555	66,775
Home equity(2)	53,332	38,725
Consumer	1,278	1,183
Sub-total	1,979,398	1,553,114
Acquired loans initially recorded at fair value:		
Residential one-to-four family	45,515	47,808
Commercial and multi-family	159,523	46,609
Construction	1,572	-
Commercial business(1)	27,762	4,057
Home equity(2)	19,984	8,955
Consumer	90	122
Sub-total	254,446	107,551
Acquired loans with deteriorated credit:		
Residential one-to-four family	1,396	1,413
Commercial and multi-family	10,616	731
Construction	-	-
Commercial business(1)	1,995	-
Home equity(2)	398	-
Consumer	-	-
Sub-total	14,405	2,144
Total Loans	2,248,249	1,662,809
Less:		
Deferred loan fees, net	(1,744)	(1,757)
Allowance for loan losses	(21,504)	(17,375)

Sub-total	(23,248)	(19,132)
Total Loans, net	\$ 2,225,001	\$ 1,643,677

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

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

Purchased Credit Impaired Loans

The carrying value of loans acquired in the IAB acquisition and accounted for in accordance with ASC Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," was \$13.3 million at September 30, 2018, which was \$1.6 million less than the balance at the time of acquisition on April 17, 2018. Under ASC Subtopic 310-30, these loans, referred to as purchased credit impaired ("PCI") loans, may be aggregated and accounted for as pools of loans if the loans being aggregated have common risk characteristics. The Company elected to account for the loans with evidence of credit deterioration individually rather than aggregate them into pools. The difference between the undiscounted cash flows expected at acquisition and the investment in the acquired loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of each loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," are not recognized as a yield adjustment, as a loss accrual or as a valuation allowance.

Increases in expected cash flows subsequent to the acquisition are recognized prospectively through an adjustment of the yield on the loans over the remaining life, while decreases in expected cash flows are recognized as impairments through a loss provision and an increase in the allowance for loan and lease losses. Valuation allowances (recognized in the allowance for loan and lease losses) on these impaired loans reflect only losses incurred after the acquisition (representing all cash flows that were expected at acquisition but currently are not expected to be received).

The following table presents changes in the accretable yield for PCI loans:

	Nine months ended September 30, 2018
(Dollars in thousands)	
Accretable yield, beginning balance	\$ -
Acquisition of impaired loans	1,399
Accretable yield amortized to interest income	(388)
Reclassification from non-accretable difference	-
Accretable yield, ending balance	\$ 1,011

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

Allowance for Loan Losses

The allowance for loan loss is evaluated regularly by management and reflects consideration of all significant factors that affect the collectability of the loan portfolio. The Company's methodology for assessing the adequacy of the allowance for loan losses consists of several key elements. These elements include a general allocated reserve for performing loans, a specific reserve for impaired loans and an unallocated portion.

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

- Lending Policies and Procedures
- Personnel responsible for the particular portfolio - relative to experience and ability of staff
- Trend for past due, criticized and classified loans
- Relevant economic factors
- Quality of the loan review system
- Value of collateral for collateral dependent loans
- The effect of any concentrations of credit and the changes in the level of such concentrations
- Other external factors

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 by loan class or loan type. The allowance for performing loans is evaluated based on historical loan experience with an adjustment for qualitative factors referred to above. Impaired loans are loans which are more than 90 days delinquent, troubled debt restructured, or adversely classified. These loans are individually evaluated for loan loss either by current appraisal, or net present value. Management reviews the overall estimate for feasibility and bases the loan loss provision accordingly.

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

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 Bank 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 properties may be adversely affected by higher interest rates. Repayment risk may be affected by a number of factors including, but not necessarily limited to, job loss, divorce, illness and personal bankruptcy of the borrower.

Commercial and multi-family real estate lending entails 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 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 estimated cost (including interest) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor. In addition, speculative construction loans to a builder are not necessarily pre-sold and thus pose a greater potential risk to the Bank than construction loans to individuals on their personal residence.

Commercial business lending, including lines of credit, is generally considered higher risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on the business. Commercial business loans 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 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. In many cases, the Bank's position in these loans is as a junior lien holder to another institution's superior lien. 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 Bank 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.

Other consumer loans generally have more credit risk 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.

An unallocated component is maintained to cover uncertainties that could affect management's estimates of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in underlying

assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

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

The following table sets forth the activity in the Company's allowance for loan losses for the three months ended September 30, 2018. The table also details the amount of total loans receivable, 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, as of September 30, 2018 (In thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Commercial Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	\$ 2,249	\$ 13,084	\$ 516	\$ 3,400	\$ 447	\$ 41	\$ 288	\$ 20,015
Acquired loans initially recorded at fair value:	418	92	-	40	-	-	-	550
Acquired loans with deteriorated credit:	53	12	-	-	-	-	-	65
Beginning Balance, June 30, 2018	2,720	13,188	516	3,440	447	41	288	20,640
Charge-offs:								
Originated Loans:	-	-	-	10	9	42	-	61
Sub-total:	-	-	-	10	9	42	-	61
Recoveries:								
Acquired loans initially recorded at fair value:	-	-	-	15	3	-	-	18
Sub-total:	-	-	-	15	3	-	-	18
Provisions:								
Originated Loans:	137	1,199	136	(179)	(125)	1	(269)	910
Acquired loans initially recorded at fair value:	(138)	(92)	-	(55)	(3)	-	-	(288)
Acquired loans with deteriorated credit:	(15)	241	-	63	6	-	-	285
Sub-total:	(16)	1,348	136	(171)	(122)	1	(269)	910
Totals:								
Originated Loans:	2,386	14,283	652	3,211	313	-	19	20,864
Acquired loans initially recorded at fair value:	280	-	-	-	-	-	-	280
Acquired loans with deteriorated credit:	38	253	-	63	6	-	-	360
Ending Balance, September 30, 2018	\$ 2,704	\$ 14,536	\$ 652	\$ 3,274	\$ 319	\$ -	\$ 19	\$ 21,504

Loans Receivable:

Ending Balance Originated Loans:	\$ 207,238	\$ 1,530,966	\$ 74,029	\$ 112,555	\$ 53,332	\$ 1,278	\$ -	\$ 1
Ending Balance Acquired loans initially recorded at fair value:	45,515	159,523	1,572	27,762	19,984	90	-	2
Ending Balance Acquired loans with deteriorated credit:	1,396	10,616	-	1,995	398	-	-	1
Total Gross Loans:	\$ 254,149	\$ 1,701,105	\$ 75,601	\$ 142,312	\$ 73,714	\$ 1,368	\$ -	\$ 2

Ending Balance: Loans individually evaluated for impairment:

Ending Balance Originated Loans:	\$ 6,207	\$ 12,811	\$ -	\$ 2,452	\$ 1,033	\$ -	\$ -	\$ 2
Ending Balance Acquired loans initially recorded at fair value:	6,584	4,913	-	349	287	-	-	1
Ending Balance Acquired loans with deteriorated credit:	1,396	10,288	-	857	74	-	-	1
Ending Balance Loans individually evaluated for impairment:	\$ 14,187	\$ 28,012	\$ -	\$ 3,658	\$ 1,394	\$ -	\$ -	\$ 4

Ending Balance: Loans collectively evaluated for impairment:

Ending Balance Originated Loans:	\$ 202,325	\$ 1,518,155	\$ 74,029	\$ 110,103	\$ 52,299	\$ 1,278	\$ -	\$ 1
Ending Balance Acquired loans initially recorded at fair value:	37,637	154,610	1,572	27,413	19,697	90	-	2
Ending Balance Acquired loans with deteriorated credit:	-	328	-	1,138	324	-	-	1
Ending Balance Loans collectively evaluated for impairment:	\$ 239,962	\$ 1,673,093	\$ 75,601	\$ 138,654	\$ 72,320	\$ 1,368	\$ -	\$ 2

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Edgar Filing: BCB BANCORP INC - Form 10-Q

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

The following table set forth the activity in the Company's allowance for loan losses for the nine months ended September 30, 2018, and the related portion of the allowances for loan losses that is allocated to each loan class (In thousands):

	Residential	Commercial & Multi-family	Construction	Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	\$ 2,368	\$ 11,656	\$ 518	\$ 2,018	\$ 338	\$ 6	\$ 177	\$ 17,081
Acquired loans initially recorded at fair value:	242	-	-	-	-	-	-	242
Acquired loans with deteriorated credit:	40	12	-	-	-	-	-	52
Beginning Balance, December 31, 2017	2,650	11,668	518	2,018	338	6	177	17,375
Charge-offs:								
Originated Loans:	302	-	-	15	9	42	-	368
Acquired loans initially recorded at fair value:	72	-	-	-	6	-	-	78
Sub-total:	374	-	-	15	15	42	-	446
Recoveries:								
Originated Loans:	1	-	-	6	-	-	-	7
Acquired loans initially recorded at fair value:	85	-	-	27	3	-	-	115
Acquired loans with deteriorated credit:	-	-	-	143	1	-	-	144
Sub-total:	86	-	-	176	4	-	-	266
Provisions:								
Originated Loans:	319	2,627	134	1,202	(16)	36	(158)	4,144
Acquired loans initially recorded at fair value:	25	-	-	(27)	3	-	-	1
Acquired loans with deteriorated credit:	(2)	241	-	(80)	5	-	-	164
Sub-total:	342	2,868	134	1,095	(8)	36	(158)	4,309
Totals:								
Originated Loans:	2,386	14,283	652	3,211	313	-	19	20,864
	280	-	-	-	-	-	-	280

Edgar Filing: BCB BANCORP INC - Form 10-Q

Acquired loans initially recorded at fair value:

Acquired loans with deteriorated credit:	38	253	-	63	6	-	-	360
Ending Balance, September 30, 2018	\$ 2,704	\$ 14,536	\$ 652	\$ 3,274	\$ 319	\$ -	\$ 19	\$ 21,504

(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 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, as of December 31, 2017 (In thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Total
Allowance for credit losses:							
Originated Loans:	\$ 2,098	\$ 10,621	\$ 736	\$ 3,079	\$ 374	\$ 2	\$ 16,979
Acquired loans initially recorded at fair value:	170	-	-	-	4	-	174
Acquired loans with deteriorated credit:	43	13	-	-	-	-	56
Beginning Balance, December 31, 2016	2,311	10,634	736	3,079	378	2	17,209
Charge-offs:							
Originated Loans:	-	190	-	1,553	-	11	1,754
Acquired loans initially recorded at fair value:	336	-	-	-	54	-	390
Acquired loans with deteriorated credit:	-	-	-	-	-	-	-
Sub-total:	336	190	-	1,553	54	11	2,144
Recoveries:							
Originated Loans:	-	182	-	-	-	-	182
Acquired loans recorded	-	-	-	-	-	-	-

Edgar Filing: BCB BANCORP INC - Form 10-Q

at fair value:							
Acquired loans with deteriorated credit:	-	-	-	18	-	-	18
Sub-total:	-	182	-	18	-	-	200
Provisions:							
Originated Loans:	270	1,043	(218)	492	(36)	15	1,674
Acquired loans initially recorded at fair value:							
Acquired loans with deteriorated credit:	408	-	-	-	50	-	458
Sub-total:	(3)	(1)	-	(18)	-	-	(22)
Sub-total:	675	1,042	(218)	474	14	15	2,110
Totals:							
Originated Loans:	2,368	11,656	518	2,018	338	6	17,081
Acquired loans initially recorded at fair value:							
Acquired loans with deteriorated credit:	242	-	-	-	-	-	242
Ending Balance, December 31, 2017	40	12	-	-	-	-	52
Loans Receivables:	\$	\$	\$	\$	\$	\$	\$
Ending Balance Originated Loans:	2,650	11,668	518	2,018	338	6	17,375
Ending Balance Acquired Loans:							
Ending Balance Acquired loans with deteriorated	182,544	1,213,390	50,497	66,775	38,725	1,183	1,553,114
Ending Balance Acquired loans with deteriorated	47,808	46,609	-	4,057	8,955	122	107,551
Ending Balance Acquired loans with deteriorated	1,413	731	-	-	-	-	2,144

Edgar Filing: BCB BANCORP INC - Form 10-Q

credit:							
Total Gross							\$ 1,662,809
Loans:	\$ 231,765	\$ 1,260,730	\$ 50,497	\$ 70,832	\$ 47,680	\$ 1,305	
Ending							
Balance:							
Loans							
individually							
evaluated for							
impairment:							
Ending							
Balance							\$ 22,978
Originated	\$	\$	\$	\$	\$	\$	
Loans:	7,944	12,212	-	1,780	1,042	-	
Ending							
Balance							12,882
Acquired							
Loans:	7,548	5,032	-	-	302	-	
Ending							
Balance							
Acquired							
loans with	1,413	513	-	-	-	-	1,926
deteriorated							
credit:							
Ending							
Balance Loans							
individually							
evaluated							
for							
impairment:	\$ 16,905	\$ 17,757	\$ -	\$ 1,780	\$ 1,344	\$ -	\$ 37,786
Ending							
Balance:							
Loans							
collectively							
evaluated for							
impairment:							
Ending							1,530,136
Balance							
Originated	\$	\$	\$	\$	\$	\$	\$
Loans:	174,600	1,201,178	50,497	64,995	37,683	1,183	
Ending							94,669
Balance							
Acquired							
Loans:	40,260	41,577	-	4,057	8,653	122	
Ending							218
Balance							
Acquired							
loans with	-	218	-	-	-	-	
deteriorated							
credit:							

Ending Balance Loans collectively evaluated for impairment:	\$ 214,860	\$ 1,242,973	\$ 50,497	\$ 69,052	\$ 46,336	\$ 1,305	\$ 1,625,023
---	------------	--------------	-----------	-----------	-----------	----------	--------------

- (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 three months ended September 30, 2017. 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, as of September 30, 2017 (In thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	\$ 2,092	\$ 11,182	\$ 753	\$ 3,229	\$ 347	\$ 5	\$ 99	\$ 17,607
Acquired loans initially recorded at fair value:	203	-	-	-	-	-	-	203
Acquired loans with deteriorated credit:	41	13	-	-	-	-	-	54
Beginning Balance, June 30, 2017	2,336	11,195	753	3,229	347	5	99	17,974
Charge-offs:								
Originated Loans:	-	-	-	1	-	5	-	6
Acquired loans initially recorded at fair value:	-	-	-	-	20	-	-	20
Sub-total:	-	-	-	1	20	5	-	26
Provisions:								
Originated Loans:	234	304	(135)	46	(20)	7	7	443
Acquired loans initially recorded at fair value:	47	3	-	-	20	-	-	70
Acquired loans with deteriorated credit:	(1)	(1)	-	-	-	-	-	(2)
Sub-total:	280	306	(135)	46	-	7	7	511
Totals:								
Originated Loans:	2,326	11,486	618	3,274	327	7	106	18,084
Acquired loans initially recorded at fair value:	250	3	-	-	-	-	-	253
Acquired loans with deteriorated credit:	40	12	-	-	-	-	-	52
Ending Balance, September 30, 2017	\$ 2,616	\$ 11,501	\$ 618	\$ 3,274	\$ 327	\$ 7	\$ 106	\$ 18,449
Loans Receivable:								
Ending Balance Originated Loans:	\$ 178,533	1,182,098	60,699	63,705	38,297	1,239	-	\$ 1,424,571
	50,602	49,546	-	3,355	9,216	156	-	113,814

Edgar Filing: BCB BANCORP INC - Form 10-Q

Ending Balance Acquired loans initially recorded at fair value:									
Ending Balance Acquired loans with deteriorated credit:	1,419	737	-	-	-	-	-	-	2,
Total Gross Loans:	\$ 230,554	\$ 1,232,381	\$ 60,699	\$ 67,060	\$ 47,513	\$ 1,395	\$ -	\$ -	\$ 1,
Ending Balance: Loans individually evaluated for impairment:									
Ending Balance Originated Loans:	\$ 8,257	12,469	-	3,539	1,055	-	-	-	\$ 25
Ending Balance Acquired loans initially recorded at fair value:	7,647	5,662	-	-	429	-	-	-	13
Ending Balance Acquired loans with deteriorated credit:	1,419	515	-	-	-	-	-	-	1,9
Ending Balance Loans individually evaluated for impairment:	\$ 17,323	\$ 18,646	\$ -	\$ 3,539	\$ 1,484	\$ -	\$ -	\$ -	\$ 40
Ending Balance: Loans collectively evaluated for impairment:									
Ending Balance Originated Loans:	\$ 170,276	1,169,629	60,699	60,166	37,242	1,239	-	-	\$ 1,4
Ending Balance Acquired loans initially recorded at fair value:	42,955	43,884	-	3,355	8,787	156	-	-	99
Ending Balance Acquired loans with deteriorated credit:	-	222	-	-	-	-	-	-	22
Ending Balance Loans collectively evaluated for impairment:	\$ 213,231	\$ 1,213,735	\$ 60,699	\$ 63,521	\$ 46,029	\$ 1,395	\$ -	\$ -	\$ 1,5

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Edgar Filing: BCB BANCORP INC - Form 10-Q

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

The following table sets forth the activity in the Company's allowance for loans losses for the nine months ended September 30, 2017, and the related portion of the allowance for loan losses that is allocated to each loan class (in thousands):

	Residential	Commercial & Multi-family	Construction	Business (1)	Commercial Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	\$ 2,098	\$ 10,621	\$ 736	\$ 3,079	\$ 374	\$ 2	\$ 69	\$ 16,979
Acquired loans initially recorded at fair value:	170	-	-	-	4	-	-	174
Acquired loans with deteriorated credit:	43	13	-	-	-	-	-	56
Beginning Balance, December 31, 2016	2,311	10,634	736	3,079	378	2	69	17,209
Charge-offs:								
Originated Loans:	-	190	-	1	-	11	-	202
Acquired loans initially recorded at fair value:	308	-	-	-	54	-	-	362
Sub-total:	308	190	-	1	-	-	-	564
Recoveries:								
Acquired loans with deteriorated credit:	-	-	-	19	-	-	-	19
Sub-total:	-	-	-	19	-	-	-	19
Provisions:								
Originated Loans:	228	1,055	(118)	196	(47)	16	37	1,367
Acquired loans initially recorded at fair value:	388	3	-	-	50	-	-	441
Acquired loans with deteriorated credit:	(3)	(1)	-	(19)	-	-	-	(23)
Sub-total:	613	1,057	(118)	177	3	16	37	1,785
Totals:								
Originated Loans:	2,326	11,486	618	3,274	327	7	106	18,144
Acquired loans initially recorded at fair value:	250	3	-	-	-	-	-	253
Acquired loans with deteriorated credit:	40	12	-	-	-	-	-	52
Ending Balance, September 30, 2017	\$ 2,616	\$ 11,501	\$ 618	\$ 3,274	\$ 327	\$ 7	\$ 106	\$ 18,449

-
- (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 September 30, 2018 and December 31, 2017. Loans are placed on non-accrual status when they become more than 90 days delinquent, or when the collection of principal and/or interest become doubtful. As of September 30, 2018 and December 31, 2017, 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 and until the borrower has demonstrated its ability to satisfy the terms of the restructured loan.

	As of September 30, 2018 (In thousands)	As of December 31, 2017 (In thousands)
Non-Accruing Loans:		
Originated loans:		
Residential one-to-four family	\$ 1,457	\$ 2,545
Commercial and multi-family	5,572	6,762
Commercial business(1)	251	299
Home equity(2)	338	201
Sub-total:	7,618	9,807
Acquired loans initially recorded at fair value:		
Residential one-to-four family	2,590	2,372
Commercial and multi-family	590	850
Commercial business(1)	295	-
Home equity(2)	-	7
Sub-total:	3,475	3,229
Total	\$ 11,093	\$ 13,036

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Nonaccrual loans in the preceding table do not include loans acquired with deteriorated credit quality which were recorded at their fair value at acquisition and totaled \$10.8 million at September 30, 2018, and \$0 at December 31, 2017.

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 months and nine months ended September 30, 2018 and 2017 (In thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,		
	2018	2018	2017	2017	2018	2018	2017
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
Originated loans With no related allowance recorded:							
Residential one-to-four family	\$ 1,921	\$ 7	\$ 2,761	\$ 10	\$ 1,910	\$ 22	\$ 3,121
Commercial and Multi-family	12,345	86	12,269	68	12,090	257	12,397
Commercial business(1)	1,074	43	664	-	910	130	528
Home equity(2)	912	7	879	10	910	22	875
Sub-total:	\$ 16,252	\$ 143	\$ 16,573	\$ 88	\$ 15,820	\$ 431	\$ 16,921
Acquired loans initially recorded at fair value With no related allowance recorded:							
Residential one-to-four family	\$ 3,349	\$ 16	\$ 4,360	\$ 35	\$ 3,443	\$ 76	\$ 4,970
Commercial and Multi-family	3,733	53	4,036	56	3,760	168	4,070

Edgar Filing: BCB BANCORP INC - Form 10-Q

Commercial business(1)	51	1	-	-	34	2	-
Home equity(2)	223	3	462	-	230	10	533
Consumer	11	-	-	4	7	-	-
Sub-total	\$ 7,367	\$ 73	\$ 8,858	\$ 95	\$ 7,474	\$ 256	\$ 9,573
Acquired loans with deteriorated credit							
With no related allowance recorded:							
Residential one-to-four family(3)	\$ 1,030	\$ 16	\$ 1,422	\$ 22	\$ 1,032	\$ 48	\$ 1,426
Commercial and Multi-family(3)	10,980	7	517	7	7,490	20	518
Construction(3)	1,335	-	-	-	890	-	-
Commercial business(1)(3)	922	-	-	-	614	-	-
Home equity(2)(3)	226	-	-	-	151	-	-
Consumer(3)	27	-	-	-	18	-	-
Sub-total:	\$ 14,520	\$ 23	\$ 1,939	\$ 29	\$ 10,195	\$ 68	\$ 1,944
Total Impaired Loans							
With no related allowance recorded:							
	\$ 38,139	\$ 239	\$ 27,370	\$ 212	\$ 33,489	\$ 755	\$ 28,438

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

(3) Does not include accretable yield on loans acquired with deteriorated 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 nine months ended September 30, 2018 and 2017. (In thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,		
	2018	2018	2017	2017	2018	2018	2017
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment
Originated loans with an allowance recorded:							
Residential one-to-four family	\$ 4,310	\$ 47	\$ 5,887	\$ 46	\$ 4,601	\$ 141	\$ 6,075
Commercial and Multi-family	485	-	357	-	485	-	561
Commercial business(1)	1,266	22	3,196	20	1,199	65	3,411
Home equity(2)	155	2	196	2	155	5	242
Consumer	21	-	-	-	14	-	-
Sub-total:	\$ 6,237	\$ 71	\$ 9,636	\$ 68	\$ 6,454	\$ 211	\$ 10,289
Acquired loans initially recorded at fair value with an allowance recorded:							
Residential one-to-four	\$ 3,210	\$ 24	\$ 3,350	\$ 21	\$ 3,384	\$ 73	\$ 2,842

Edgar Filing: BCB BANCORP INC - Form 10-Q

family Commercial and Multi-family Commercial business(1)	916	4	1,712	16	919	13	1,714
Home equity(2)	85	1	96	2	85	4	99
Sub-total	\$ 4,335	\$ 29	\$ 5,158	\$ 39	\$ 4,470	\$ 90	\$ 4,655
Acquired loans with deteriorated credit with an allowance recorded:							
Residential one-to-four family	\$ 369	\$ 5	\$ -	\$ -	\$ 369	\$ 10	\$ -
Sub-total:	\$ 369	\$ 5	\$ -	\$ -	\$ 369	\$ 10	\$ -
Total Impaired Loans with an allowance recorded:	\$ 10,941	\$ 105	\$ 14,794	\$ 107	\$ 11,293	\$ 311	\$ 14,944

(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

September 30, 2018 and December 31, 2017. (In thousands):

	As of September 30, 2018			As of December 31, 2017		
	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	\$ 1,908	\$ 1,964	\$ -	\$ 2,073	\$ 2,236	\$ -
Commercial and multi-family	12,326	12,863	-	12,212	12,763	-
Commercial business(1)	1,043	3,652	-	181	908	-
Home equity(2)	879	898	-	885	932	-
Sub-total:	\$ 16,156	\$ 19,377	\$ -	\$ 15,351	\$ 16,839	\$ -
Acquired loans initially recorded at fair value with no related allowance recorded:						
Residential one-to-four family	\$ 3,560	\$ 3,731	\$ -	\$ 4,119	\$ 4,285	\$ -
Commercial and Multi-family	4,001	4,001	-	3,772	3,773	-
Commercial business(1)	102	605	-	-	-	-
Home equity(2)	202	202	-	216	268	-
Sub-total:	\$ 7,865	\$ 8,539	\$ -	\$ 8,107	\$ 8,326	\$ -
Acquired loans with deteriorated						

credit with no related allowance recorded:

Residential one-to-four family	\$ 1,028	\$ 1,587	\$ -	\$ 1,413	\$ 2,031	\$ -
Commercial and Multi-family	10,288	11,820	-	513	537	-
Commercial business(1)	857	6,987	-	-	-	-
Home equity(2)	74	81	-	-	-	-
Sub-total:	\$ 12,247	\$ 20,475	\$ -	\$ 1,926	\$ 2,568	\$ -
Total Impaired Loans with no related allowance recorded:	\$ 36,268	\$ 48,391	\$ -	\$ 25,384	\$ 27,733	\$ -

(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, unpaid principal balance, and the related allowance on impaired loans by portfolio class at September 30, 2018 and December 31, 2017. (In thousands):

	As of September 30, 2018			As of December 31, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Originated loans with an allowance recorded:						
Residential one-to-four family	\$ 4,299	\$ 4,299	\$ 241	\$ 5,871	\$ 5,871	\$ 508
Commercial and Multi-family	485	526	112	-	-	-
Commercial business(1)	1,409	1,578	898	1,599	2,431	1,033
Home equity(2)	154	154	22	157	157	25
Sub-total:	\$ 6,347	\$ 6,557	\$ 1,273	\$ 7,627	\$ 8,459	\$ 1,566
Acquired loans initially recorded at fair value with an allowance recorded:						
Residential one-to-four family	\$ 3,024	\$ 3,174	\$ 493	\$ 3,429	\$ 3,580	\$ 281
Commercial and Multi-family	912	965	284	1,260	1,313	179
Commercial business(1)	247	247	62	-	-	-
Home equity(2)	85	85	6	86	86	7
Sub-total	\$ 4,268	\$ 4,471	\$ 845	\$ 4,775	\$ 4,979	\$ 467
Acquired loans with deteriorated credit with an allowance recorded:						

Edgar Filing: BCB BANCORP INC - Form 10-Q

Residential one-to-four family	\$ 368	\$ 417	\$ 11	\$ -	\$ -	\$ -
Sub-total:	\$ 368	\$ 417	\$ 11	\$ -	\$ -	\$ -
Total Impaired Loans with an allowance recorded:	\$ 10,983	\$ 11,445	\$ 2,129	\$ 12,402	\$ 13,438	\$ 2,033
Total Impaired Loans with no related allowance recorded:	\$ 36,268	\$ 48,391	\$ -	\$ 25,384	\$ 27,733	\$ -
Total Impaired Loans:	\$ 47,251	\$ 59,836	\$ 2,129	\$ 37,786	\$ 41,171	\$ 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)

A troubled debt restructured (“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. A TDR occurs when a borrower is experiencing, or is expected to experience, financial difficulties and the loan is modified using a concession that would otherwise not be granted to the borrower. The types of concessions granted generally include, but are not limited to interest rate reductions, limitations on the accrued interest charged, term extensions, and deferment of principal. 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.

	At September 30, 2018 (In thousands)	At December 31, 2017
Recorded investment in TDRs:		
Accrual status	\$ 20,581	\$ 20,058
Non-accrual status	7,512	8,408
Total recorded investment in TDRs	\$ 28,093	\$ 28,466

There were no TDRs added during the three months ended September 30, 2018.

The following table summarizes information with regard to troubled debt restructurings which occurred during the three months ended September 30, 2017.

Three Months Ended September 30, 2017 (Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Acquired loans initially recorded at fair value:			
Residential one-to-four family	1	\$ 212	\$ 243

The loan included above is considered a TDR 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 and/or accepting interest only for a period of time or a change in amortization period.

Edgar Filing: BCB BANCORP INC - Form 10-Q

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

Troubled debt restructurings for which there was a payment default within twelve months of restructuring during the three months ended September 30, 2018 totaled \$640,000 for one contract and \$1,174,000 for four contracts during the three months ended September 30, 2017.

The following tables summarize information with regards to troubled debt restructuring which occurred during the nine months ended September 30, 2018 and 2017 (dollars in thousands):

Nine Months Ended September 30, 2018	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	1	\$ 640	\$ 640

Nine Months Ended September 30, 2017	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Originated loans:			
Residential one-to-four family	2	\$ 1,445	\$ 1,556
Commercial and multi-family	3	4,441	4,608
Sub-total:	5	5,886	6,164
Acquired loans initially recorded at fair value:			
Residential one-to-four family	5	1,052	1,266
Sub-total:	5	1,052	1,266
Total	10	\$ 6,938	\$ 7,430

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

Troubled debt restructurings for which there was a payment default within twelve months of restructuring during the nine months ended September 30th, 2018 totaled \$640,000 for one contract in 2018 and \$1,174,000 for four contracts during the three months ended September 30, 2017.

The following table sets forth the delinquency status of total loans receivable as of September 30, 2018:

	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	\$ 2,418	\$ 1,237	\$ 1,566	\$ 5,221	\$ 202,017	\$ 207,238	\$ 367
Commercial and multi-family	13,361	512	485	14,358	1,516,608	1,530,966	-
Construction	-	-	-	-	74,029	74,029	-
Commercial business(1)	1,011	-	1,004	2,015	110,540	112,555	799
Home equity(2)	799	109	44	952	52,380	53,332	-
Consumer	-	-	-	-	1,278	1,278	-
Sub-total:	\$ 17,589	\$ 1,858	\$ 3,099	\$ 22,546	\$ 1,956,852	\$ 1,979,398	\$ 1,166
Acquired loans initially recorded at fair value:							
Residential one-to-four family	\$ 689	\$ 366	\$ 2,040	\$ 3,095	\$ 42,420	45,515	\$ 3
Commercial and multi-family	1,225	1,922	709	3,856	155,667	159,523	119
Construction	594	-	-	594	978	1,572	-
Commercial business(1)	871	2,108	2,272	5,251	22,511	27,762	-
Home equity(2)	295	47	-	342	19,642	19,984	-
Consumer	-	-	-	-	90	90	-
Sub-total:	\$ 3,674	\$ 4,443	\$ 5,021	\$ 13,138	\$ 241,308	\$ 254,446	\$ 122
Acquired loans with deteriorated credit:							
Residential one-to-four family	\$ -	\$ -	\$ -	\$ -	\$ 1,396	1,396	\$ -
Commercial and multi-family	-	-	8,955	8,955	1,661	10,616	-
Commercial business(1)	-	-	818	818	1,177	1,995	-
Home equity(2)	200	-	52	252	146	398	-

Edgar Filing: BCB BANCORP INC - Form 10-Q

Sub-total:	\$ 200	\$ -	\$ 9,825	\$ 10,025	\$ 4,380	\$ 14,405	\$ -
Total	\$ 21,463	\$ 6,301	\$ 17,945	\$ 45,709	\$ 2,202,540	\$ 2,248,249	\$ 1,288

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Edgar Filing: BCB BANCORP INC - Form 10-Q

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, 2017:

	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	\$ 1,358	\$ 1,604	\$ 2,273	\$ 5,235	\$ 177,309	\$ 182,544	\$ -
Commercial and multi-family	20,210	887	-	21,097	1,192,293	1,213,390	-
Construction	5,687	-	-	5,687	44,810	50,497	-
Commercial business(1)	161	640	103	904	65,871	66,775	-
Home equity(2)	314	215	44	573	38,152	38,725	-
Consumer	8	-	-	8	1,175	1,183	-
Sub-total:	\$ 27,738	\$ 3,346	\$ 2,420	\$ 33,504	\$ 1,519,610	\$ 1,553,114	\$ -
Acquired loans initially recorded at fair value:							
Residential one-to-four family	\$ 643	\$ 379	\$ 1,738	\$ 2,760	\$ 45,048	47,808	\$ 315
Commercial and multi-family	1,539	-	850	2,389	44,220	46,609	-
Commercial business(1)	92	-	-	92	3,965	4,057	-
Home equity(2)	240	324	7	571	8,384	8,955	-
Consumer	-	-	-	-	-	-	-