Section 1: 10-Q (10-Q)

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, 2020

Or

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

For the transition period from ___________ to ___________

Commission File Number: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

New Jersey **(State or other jurisdiction of incorporation or organization)**	**26-0065262** **(IRS Employer I.D. No.)**
104-110 Avenue C Bayonne, New Jersey **(Address of principal executive offices)**	**07002** **(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)
Securities registered pursuant to section 12(b) of the Securities and Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	BCBP	The Nasdaq Stock Market, LLC

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. T 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 T No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 1, 2020, BCB Bancorp, Inc., had 17,081,191 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

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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, 2020	December 31, 2019
ASSETS		
Cash and amounts due from depository institutions	**$ 18,938**	$ 24,985
Interest-earning deposits	**141,613**	525,368
Total cash and cash equivalents	**160,551**	**550,353**
Interest-earning time deposits	**735**	735
Debt securities available for sale	**119,643**	91,613
Equity investments	**14,501**	2,500
Loans held for sale	**1,510**	917
Loans receivable, net of allowance for loan losses of $31,760 and $23,734 respectively	**2,391,990**	2,178,407
Federal Home Loan Bank of New York stock, at cost	**13,160**	13,821
Premises and equipment, net	**15,968**	19,920
Accrued interest receivable	**17,746**	8,318
Other real estate owned	**1,623**	1,623
Deferred income taxes	**12,184**	11,180
Goodwill and other intangibles	**5,503**	5,552
Operating lease right-of-use assets	**15,798**	13,246
Bank-owned life insurance ("BOLI")	**60,385**	-
Other assets	**11,022**	9,283
Total Assets	**$ 2,842,319**	$ 2,907,468
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest -bearing deposits	**$ 395,630**	$ 271,702
Interest bearing deposits	**1,877,708**	2,090,361
Total deposits	**2,273,338**	2,362,063
FHLB advances	**259,600**	245,800
Subordinated debentures	**36,984**	36,810
Operating lease liability	**16,004**	13,380
Other liabilities	**13,706**	9,942
Total Liabilities	**2,599,632**	2,667,995
STOCKHOLDERS' EQUITY		
Preferred stock: $0.01 par value, 10,000,000 shares authorized; issued and outstanding 2,371 shares of Series D 4.5%, Series G 6%, and Series H 3.5%, (liquidation value $10,000 per share) noncumulative perpetual preferred stock at September 30, 2020 and 8,340 shares of Series C 6%, Series D 4.5%, Series G 6% (liquidation value $10,000 per share) and Series F 6% (liquidation value $1,000 per share) noncumulative perpetual preferred stock at December 31, 2019	**-**	-
Additional paid-in capital preferred stock	**23,481**	25,016
Common stock: no par value; 40,000,000 shares authorized; issued 19,548,409 and 19,484,046 at September 30, 2020 and December 31, 2019, respectively, outstanding 17,081,191 shares and 17,516,828 shares, at September 30, 2020 and December 31, 2019, respectively	**-**	-
Additional paid-in capital common stock	**191,755**	190,294
Retained earnings	**53,742**	48,429
Accumulated other comprehensive income (loss)	**627**	(2,218)
Treasury stock, at cost, 2,467,218 and 1,967,218 shares at September 30, 2020 and December 31, 2019, respectively	**(26,918)**	(22,048)
Total Stockholders' Equity	**242,687**	239,473
Total Liabilities and Stockholders' Equity	**$ 2,842,319**	$ 2,907,468

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,	
	2020	**2019**	**2020**	**2019**
Interest and dividend income:				
Loans, including fees	**$ 27,126**	$ 28,860	**$ 80,063**	$ 85,727
Mortgage-backed securities	**393**	652	**1,450**	2,160
Other investment securities	**693**	107	**947**	432
FHLB stock and other interest earning assets	**254**	1,750	**2,631**	4,270
Total interest income	**28,466**	31,369	**85,091**	92,589
Interest expense:				
Deposits:				
Demand	**1,157**	1,898	**4,927**	5,224
Savings and club	**113**	102	**324**	325
Certificates of deposit	**4,531**	6,603	**16,658**	18,690
	5,801	8,603	**21,909**	24,239
Borrowings	**1,775**	2,006	**5,523**	5,823
Total interest expense	**7,576**	10,609	**27,432**	30,062
Net interest income	**20,890**	20,760	**57,659**	62,527
Provision for loan losses	**2,726**	900	**7,526**	2,544
Net interest income after provision for loan losses	**18,164**	19,860	**50,133**	59,983
Non-interest income:				
Fees and service charges	**875**	855	**2,138**	2,540
Gain on sales of loans	**174**	89	**292**	844
Gain on bulk sale of impaired loans held in portfolio	**-**	-	**-**	107
Gain on sales of other real estate owned	**-**	124	**-**	177
Gain on sale of investment securities	**306**	283	**306**	304
Gain on sale of premises	**4,378**	-	**4,378**	-
BOLI income	**385**	-	**385**	-
Realized and unrealized gain (loss) on equity investments	**778**	(45)	**820**	220
Other	**59**	77	**427**	179
Total non-interest income	**6,955**	1,383	**8,746**	4,371
Non-interest expense:				
Salaries and employee benefits	**6,385**	7,294	**19,456**	21,127
Occupancy and equipment	**2,996**	2,647	**8,730**	7,926
Data processing and service fees	**937**	776	**2,826**	2,128
Professional fees	**421**	368	**1,289**	1,474
Director fees	**471**	356	**1,194**	990
Regulatory assessments (credits)	**311**	(91)	**883**	783
Advertising and promotional	**18**	64	**105**	260
Other real estate owned, net	**11**	(31)	**58**	77
Loss from extinguishment of debt	**313**	-	**313**	-
Other	**1,479**	2,269	**4,804**	6,558
Total non-interest expense	**13,342**	13,652	**39,658**	41,323
Income before income tax provision	**11,777**	7,591	**19,221**	23,031
Income tax provision	**3,465**	2,359	**5,662**	7,121
Net Income	**$ 8,312**	$ 5,232	**$ 13,559**	$ 15,910
Preferred stock dividends	**332**	342	**1,014**	1,002
Net Income available to common stockholders	**$ 7,980**	$ 4,890	**$ 12,545**	$ 14,908
Net Income per common share-basic and diluted				
Basic	**$ 0.47**	$ 0.30	**$ 0.73**	$ 0.91
Diluted	**$ 0.47**	$ 0.30	**$ 0.73**	$ 0.91
Weighted average number of common shares outstanding				
Basic	**17,069**	16,468	**17,250**	16,320
Diluted	**17,069**	16,523	**17,268**	16,369

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,	
	2020	2019	**2020**	2019
Net Income	**$ 8,312**	$ 5,232	**$ 13,559**	$ 15,910
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on available-for-sale debt securities:				
Unrealized holding (losses) gains arising during the period	**(129)**	(713)	**3,783**	3,488
Tax Effect	**32**	193	**(938)**	(861)
Other comprehensive (loss) income	**(97)**	(520)	**2,845**	2,627
Comprehensive income	**$ 8,215**	$ 4,712	**$ 16,404**	$ 18,537

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 Income (Loss)	Total
Balance at December 31,2019	$ -	$ -	$ 215,310	$ 48,429	$ (22,048)	$ (2,218)	$ 239,473
Net income	-	-	-	13,559	-	-	13,559
Other comprehensive income	-	-	-	-	-	2,845	2,845
Costs for issuance of common stock	-	-	(126)	-	-	-	(126)
Issuance of Series H preferred stock	-	-	8,950	-	-	-	8,950
Redemption of Series C, D, and F preferred stock	-	-	(10,485)	-	-	-	(10,485)
Exercise of stock options (500 shares)	-	-	5	-	-	-	5
Stock-based compensation expense	-	-	944	-	-	-	944
Treasury stock purchases (500,000 shares)	-	-	-	-	(4,870)	-	(4,870)
Dividends payable on Series C 6%, Series D 4.5%, Series F 6%, Series G 6%, and Series H 3.5% noncumulative perpetual preferred stock	-	-	-	(1,014)	-	-	(1,014)
Cash dividends on common stock ($0.14 per share declared)	-	-	-	(6,915)	-	-	(6,915)
Dividend reinvestment plan	-	-	317	(317)	-	-	-
Stock purchase plan	-	-	321	-	-	-	321
Balance at September 30, 2020	$ -	$ -	$ 215,236	$ 53,742	$ (26,918)	$ 627	$ 242,687

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2020	$ -	$ -	$ 219,116	$ 48,097	$ (26,918)	$ 724	$ 241,019
Net income	-	-	-	8,312	-	-	8,312
Other comprehensive loss	-	-	-	-	-	(97)	(97)
Issuance of Series H preferred stock	-	-	5,870	-	-	-	5,870
Redemption of Series C and F preferred stock	-	-	(10,345)	-	-	-	(10,345)
Stock-based compensation expense	-	-	385	-	-	-	385
Dividends payable on Series C 6%, Series D 4.5%, Series F 6%, Series G 6%, and Series H 3.5% noncumulative perpetual preferred stock	-	-	-	(332)	-	-	(332)
Cash dividends on common stock ($0.14 per share declared)	-	-	-	(2,227)	-	-	(2,227)
Dividend reinvestment plan	-	-	108	(108)	-	-	-
Stock purchase plan	-	-	102	-	-	-	102
Balance at September 30, 2020	$ -	$ -	$ 215,236	$ 53,742	$ (26,918)	$ 627	$ 242,687

See accompanying notes to unaudited 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 Income (Loss)	Total
Balance at December 31, 2018	$ -	$ -	$ 195,206	$ 38,405	$ (28,320)	$ (5,076)	$ 200,215
Net income	-	-	-	15,910	-	-	15,910
Other comprehensive income	-	-	-	-	-	2,627	2,627
Issuance of common stock	-	-	6,239	-	-	-	6,239
Issuance of Series G Preferred Stock	-	-	5,310	-	-	-	5,310
Stock-based compensation expense	-	-	688	-	-	-	688
Treasury stock allocated to Common Stock issuance	-	-	(5,707)	(565)	6,272	-	-
Dividends payable on Series C 6%, Series D 4.5%, Series F 6%, and Series G 6% noncumulative perpetual preferred stock	-	-	-	(1,002)	-	-	(1,002)
Cash dividends on common stock ($0.14 per share declared)	-	-	-	(6,516)	-	-	(6,516)
Dividend reinvestment plan	-	-	285	(285)	-	-	-
Stock purchase plan	-	-	248	-	-	-	248
Balance at September 30, 2019	$ -	$ -	$ 202,269	$ 45,947	$ (22,048)	$ (2,449)	$ 223,719

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at June 30, 2019	$ -	$ -	$ 201,783	$ 43,347	$ (22,048)	$ (1,929)	$ 221,153
Net income	-	-	-	5,232	-	-	5,232
Other comprehensive loss	-	-	-	-	-	(520)	(520)
Stock-based compensation expense	-	-	291	-	-	-	291
Dividends payable on Series C 6%, Series D 4.5%, Series F 6%, and Series G 6% noncumulative perpetual preferred stock	-	-	-	(343)	-	-	(343)
Cash dividends on common stock ($0.14 per share declared)	-	-	-	(2,190)	-	-	(2,190)
Dividend reinvestment plan	-	-	99	(99)	-	-	-
Stock purchase plan	-	-	96	-	-	-	96
Balance at September 30, 2019	$ -	$ -	$ 202,269	$ 45,947	$ (22,048)	$ (2,449)	$ 223,719

See accompanying notes to unaudited financial statements.

BCB BANCORP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands, Unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash Flows from Operating Activities :		
Net Income	**$ 13,559**	$ 15,910
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	**2,216**	2,146
Amortization and accretion, net	**(1,864)**	(2,206)
Provision for loan losses	**7,526**	2,544
Deferred income tax benefit	**(1,942)**	(859)
Loans originated for sale	**(13,112)**	(15,065)
Proceeds from sales of loans	**12,811**	13,867
Gain on sales of loans originated for sale	**(292)**	(844)
Gain on sales of other real estate owned	**-**	(177)
Gain on sales of securities available for sale	**(306)**	(304)
Gain on sale of premises	**(4,378)**	-
Realized and unrealized gain on equity investments	**(820)**	(220)
Gain on bulk sale of impaired loans held in portfolio	**-**	(107)
Stock-based compensation expense	**944**	688
BOLI income	**(385)**	-
Increase in interest receivable	**(9,428)**	(581)
Increase in other assets	**(1,739)**	(307)
Decrease in accrued interest payable	**(1,223)**	(331)
Increase in other liabilities	**4,987**	831
Net Cash Provided by Operating Activities	**6,554**	14,985
Cash flows from investing activities:		
Proceeds from repayments, calls, and maturities on securities available for sale	**24,663**	13,691
Purchases of securities	**(70,561)**	(1,153)
Proceeds from sales of other real estate owned	**-**	2,417
Proceeds from bulk sale of impaired loans held	**-**	402
Proceeds from sales of securities	**10,419**	14,234
Purchase of loans	**(48,360)**	-
Net (increase) decrease in loans receivable	**(170,233)**	23,693
Purchases of BOLI	**(60,000)**	-
Additions to premises and equipment	**(1,305)**	(2,168)
Proceeds from the sale of fixed assets and premises	**7,419**	-
Redemption (Purchase) of Federal Home Loan Bank of New York stock	**661**	(1,766)
Net Cash (Used In) Provided by Investing Activities	**(307,297)**	49,350
Cash flows from financing activities:		
Net (decrease) increase in deposits	**(88,725)**	82,733
Proceeds from Federal Home Loan Bank of New York advances	**48,800**	40,000
Repayments of Federal Home Loan Bank of New York advances	**(35,000)**	(10,000)
Purchases of treasury stock	**(4,870)**	-
Cash dividends paid on common stock	**(6,915)**	(6,516)
Cash dividends paid on preferred stock	**(1,014)**	(1,002)
Net proceeds from issuance of common stock	**195**	6,487
Net proceeds from issuance of preferred stock	**8,950**	5,310
Net payment on redemption of preferred stock	**(10,485)**	-
Exercise of stock options	**5**	-
Net Cash (Used In) Provided by Financing Activities	**(89,059)**	117,012
Net (Decrease) Increase in Cash and Cash Equivalents	**(389,802)**	181,347
Cash and Cash Equivalents-Beginning	**550,353**	195,264
Cash and Cash Equivalents-Ending	**$ 160,551**	$ 376,611
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	**$ 10,554**	$ 8,492
Interest	**28,656**	30,393
Non-cash items:		
Transfer of loans to other real estate owned	**$ -**	$ 907

See accompanying 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 Corporation, Pamrapo Service Corporation, Special Asset REO I, LLC., and Special Asset REO II, LLC. 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, 2020 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, 2019, 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 December 31, 2019 and the date these consolidated financial statements were issued.

Risks and Uncertainties - We are subject to risks and uncertainties as a result of the COVID-19 pandemic. The extent of the impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict. Furthermore, capital markets and economies worldwide have also been negatively impacted by the COVID-19 pandemic.

The severity of the impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Company's customers, all of which are uncertain and cannot be predicted. The Company's future results of operations and liquidity could be adversely impacted. As of the date of issuance of these condensed consolidated financial statements, the extent to which the COVID-19 pandemic may materially impact the Company's financial condition, liquidity, or results of operations is uncertain.

Note 2 - Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments - Credit Losses* ASU 2016-13, and related guidance, 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 2023. 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. The Company has created a Current Expected Credit Loss (“CECL”) task group comprised of members of its finance, credit administration, lending, internal audit, loan operations, compliance, and information systems units. The CECL task group has become familiar with the provisions of ASU 2016-13 and is in the process of implementing the new guidance, which includes, but is not limited to: (1) identifying segments and sub-segments within the loan portfolio that have similar risk characteristics; (2) determining the appropriate methodology for each segment; (3) implementing changes that are necessary to its core operating system and interfaces to be able to capture appropriate data requirements; and (4) evaluating qualitative and economic factors to develop appropriate forecasts for integration into the model. The Company is currently evaluating the effect this guidance may have on its operating results and/or financial position, including assessing any potential impact on its capital.

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. This ASU only affected the Company’s disclosures and did not have a financial statement impact.

Note 3 – Reclassification

Certain amounts as of December 31, 2019 and for the three-month and nine-month periods September 30, 2019 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 – Equity Incentive Plans

Equity Incentive Plans

The Company, under the plan approved by its shareholders on April 28, 2011 ("2011 Stock Plan"), authorized the issuance of up to 900,000 shares of common stock of 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.

The Company, under the plan approved by its shareholders 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 and restricted stock units. Employees and directors of the Company and the Bank are eligible to participate in the 2018 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 December 14, 2018, a grant of 300,000 options was declared for members of the Board of Directors of the Bank and the Company which vest at a rate of 50% per year, over two years, commencing on the first anniversary of the grant date. The exercise price was recorded as of close of business on December 14, 2018. On December 14, 2018, an award of 54,000 shares of restricted stock was declared for members of the Board of Directors of the Bank and the Company, which vest over a 2-year period, commencing on the anniversary of the award date. On December 14, 2018, an award of 13,321 shares of restricted stock was declared for certain executive officers of the Bank and the Company, which vest over a 2-year period, commencing on the anniversary of the award date.

On June 14, 2019, a grant of 68,750 options was declared for members of the Board of Directors of the Bank and the Company which vest at a rate of 50% per year, over two years, commencing on the first anniversary of the grant date. The exercise price was recorded as of close of business on June 14, 2019. On June 14, 2019, a grant of 30,125 options was declared for certain executive officers of the Bank and the Company, which vest over a 2-year period, commencing on the anniversary of the award date. The exercise price was recorded as of the close of business on June 14, 2019. On June 14, 2019, an award of 33,110 shares of restricted stock was declared for members of the Board of Directors of the Bank and the Company, which vest over a 2-year period, commencing on the anniversary of the award date. On June 14, 2019, an award of 14,508 shares of restricted stock was declared for certain executive officers of the Bank and the Company, which vest over a 2-year period, commencing on the anniversary of the award date.

Note 4 – Equity Incentive Plans (Continued)

The following table presents a summary of the status of the Company's restricted shares as of September 30, 2020 and 2019.

	Number of Shares Awarded		Weighted Average Grant Date Fair Value
Non-vested at January 1, 2020	**81,278**	**$**	**11.96**
Granted	-		-
Vested	**(25,232)**		**12.40**
Forfeited	**(2,332)**		**11.97**
Non-vested at September 30, 2020	**53,714**	**$**	**11.78**

	Number of Shares Awarded		Weighted Average Grant Date Fair Value
Non-vested at January 1, 2019	**67,321**	**$**	**11.26**
Granted	**47,618**		**12.46**
Vested	-		-
Forfeited	-		-
Non-vested at September 30, 2019	**114,939**	**$**	**11.86**

Expected future expenses relating to the non-vested restricted shares outstanding as of September 30, 2020 was approximately $279,000 over a weighted average period of 0.45 years.

The following tables present a summary of the status of the Company's outstanding stock option awards as of September 30, 2020 and 2019.

	Number of Option Shares		**Range of Exercise Prices**		**Weighted Average Exercise Price**
Outstanding at January 1, 2020	**1,200,975**	**$**	**8.93 - 13.32**	**$**	**11.45**
Options granted	-		-		-
Options exercised	**(500)**		**10.55**		**10.55**
Options forfeited	**(8,127)**		**11.26-12.46**		**11.68**
Options expired	-		-		-
Outstanding at September 30, 2020	**1,192,348**	**$**	**8.93 - 13.32**	**$**	**11.45**

As of September 30, 2020, stock options which were granted and were exercisable totaled 660,736 stock options.

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 531,612 shares of unvested options outstanding as of September, 2020 was $1.0 million over a weighted average period of 4.80 years.

	Number of Option Shares		Range of Exercise Prices		Weighted Average Exercise Price
Outstanding at January 1, 2019	1,104,600	$	8.93-13.32	$	11.36
Options granted	98,875		12.46		12.46
Options exercised	-		-		-
Options forfeited	(1,000)		10.55		10.55
Options expired	-		-		-
Outstanding at September 30, 2019	1,202,475	$	8.93-13.32	$	11.45

As of September 30, 2019, stock options which were granted and were exercisable totaled 268,633 stock options.

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, 2020 and 2019, 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, 2020 and 2019, the weighted average number of outstanding options considered to be anti-dilutive were 0 and 42,958, respectively. For the nine months ended September 30, 2020 and 2019, the weighted average number of outstanding options considered to be anti-dilutive were 0 and 32,054, respectively

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

	For the Three Months Ended September 30,					
	2020			2019		
	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	**$ 7,980**			$ 4,890		
Basic earnings per share:						
Income available to common stockholders	**$ 7,980**	**17,069**	**$ 0.47**	$ 4,890	16,468	$ 0.30
Effect of dilutive securities:						
Stock options	**-**	**-**		-	55	
Diluted earnings per share:						
Income available to common stockholders	**$ 7,980**	**17,069**	**$ 0.47**	$ 4,890	16,523	$ 0.30

	For the Nine Months Ended September 30,					
	2020			2019		
	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	**$ 12,545**			$ 14,908		
Basic earnings per share:						
Income available to common stockholders	**$ 12,545**	**17,250**	**$ 0.73**	$ 14,908	16,320	$ 0.91
Effect of dilutive securities:						
Stock options	**-**	**18**		-	49	
Diluted earnings per share:						
Income available to common stockholders	**$ 12,545**	**17,268**	**$ 0.73**	$ 14,908	16,369	$ 0.91

Note 6 - Securities
Equity Securities

Equity securities are defined to include (a) preferred, common and other ownership interests in entities including partnerships, joint ventures and limited liability companies and (b) rights to acquire or dispose of ownership interest in entities at fixed or determinable prices.

The following is a summary of unrealized and realized gains and losses recognized in net income on equity securities during the three and nine months ended September 30, 2020 and 2019:

(In Thousands)	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Net gains (losses) recognized during the period on equity securities	$ **778**	$ (45)	$ **780**	$ 199
Less: Net gains recognized during the period on equity securities sold during the period	**-**	-	**40**	21
Unrealized gains (losses) recognized during the reporting period on equity securities still held at the reporting date	$ **778**	$ (45)	$ **820**	$ 220

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, 2020 and December 31, 2019:

	September 30, 2020			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
	(In Thousands)			
Residential Mortgage-backed securities:				
More than one to five years	**$ 3,265**	**$ 20**	**$ 61**	**$ 3,224**
More than five to ten years	**5,271**	**317**	**-**	**5,588**
More than ten years	**61,916**	**1,698**	**52**	**63,562**
	70,452	**2,035**	**113**	**72,374**
Corporate Debt securities:				
More than five to ten years	**29,779**	**1,004**	**9**	**30,774**
Municipal obligations:				
Less than one year	**12,048**	**-**	**-**	**12,048**
More than ten years	**4,235**	**212**	**-**	**4,447**
	16,283	**212**	**-**	**16,495**
Total securities	**$ 116,514**	**$ 3,251**	**$ 122**	**$ 119,643**

	December 31, 2019			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Residential Mortgage-backed securities:				
More than one to five years	$ 3,431	$ 8	$ 72	$ 3,367
More than five to ten years	1,566	33	-	1,599
More than ten years	87,269	574	1,196	86,647
	$ 92,266	$ 615	$ 1,268	$ 91,613

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:

	12 Months or Less		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2020						
Residential mortgage-backed securities	**$ 8,829**	**$ 57**	**$ 1,767**	**$ 65**	**$ 10,596**	**$ 122**
December 31, 2019						
Residential mortgage-backed securities	$ 13,073	$ 656	$ 23,212	$ 612	$ 36,285	$ 1,268

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, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, to be temporary.

Note 7 - Loans Receivable and Allowance for Loan Losses

The following tables present the recorded investment in loans receivable as of September 30, 2020 and December 31, 2019 by segment and class:

	September 30, 2020	December 31, 2019
	(In Thousands)	
Residential one-to-four family	$ 241,796	$ 248,381
Commercial and multi-family	1,677,668	1,606,976
Construction	134,769	104,996
Commercial business(1)	311,204	177,642
Home equity(2)	60,973	64,638
Consumer	770	682
	2,427,180	2,203,315
Less:		
Deferred loan fees, net	(3,430)	(1,174)
Allowance for loan losses	(31,760)	(23,734)
Sub-total	(35,190)	(24,908)
Total Loans, net	$ 2,391,990	$ 2,178,407

(1) Includes business lines of credit and Paycheck Protection Program (“PPP”) loans

(2) Includes home equity lines of credit.

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 loss 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 establishes the loan loss provision accordingly.

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

Residential one-to-four family real estate loans involve certain risks such as interest rate risk and risk of non-repayment. Adjustable-rate residential 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 many 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 value 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 affected by job loss, divorce, illness and personal bankruptcy. In many 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, 2020, and the related portion of the allowances for loan losses that is allocated to each loan class, as of September 30, 2020 (in thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	$ 2,649	$ 16,697	$ 1,334	$ 3,158	$ 680	$ 6	$ 2,489	$ 27,013
Acquired loans initially recorded at fair value:	391	226	-	1,110	-	-	-	1,727
Acquired loans with deteriorated credit:	36	19	-	43	4	-	-	102
Beginning Balance, June 30, 2020	3,076	16,942	1,334	4,311	684	6	2,489	28,842
Recoveries:								
Originated Loans:	-	-	-	187	-		-	187
Acquired loans initially recorded at fair value:	-	-	-	3	2	-	-	5
Sub-total:	-	-	-	190	2	-	-	192
Provisions:								
Originated Loans:	33	1,148	395	2,759	(60)	6	(2,292)	1,989
Acquired loans initially recorded at fair value:	28	583	-	134	(2)	-	-	743
Acquired loans with deteriorated credit:	(3)	-	-	(2)	(1)	-	-	(6)
Sub-total:	58	1,731	395	2,891	(63)	6	(2,292)	2,726
Totals:								
Originated Loans:	2,682	17,845	1,729	6,104	620	12	197	29,189
Acquired loans initially recorded at fair value:	419	809	-	1,247	-	-	-	2,475
Acquired loans with deteriorated credit:	33	19	-	41	3	-	-	96
Ending Balance, September 30, 2020	$ 3,134	$ 18,673	$ 1,729	$ 7,392	$ 623	$ 12	$ 197	$ 31,760
Ending allowance attributable to loans:								
Individually evaluated for impairment	$ 385	$ 313	$ -	$ 3,128	$ 27	$ -	$ -	$ 3,853
Collectively evaluated for impairment	2,749	18,360	1,729	4,264	596	12	197	27,907
Total allowance:	$ 3,134	$ 18,673	$ 1,729	$ 7,392	$ 623	$ 12	$ 197	$ 31,760
Ending loan balances:								
Individually evaluated for impairment	$ 8,533	$ 13,980	$ -	$ 7,163	$ 1,642	$ -	$ -	$ 31,318
Collectively evaluated for impairment	233,263	1,663,688	134,769	304,041	59,331	770		2,395,862
Total Gross Loans:	$ 241,796	$ 1,677,668	$ 134,769	$ 311,204	$ 60,973	$ 770	$ -	$ 2,427,180

(1) Includes business lines of credit and PPP loans.

(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 nine months ended September 30, 2020 (in thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	$ 2,422	$ 15,235	$ 1,244	$ 2,945	$ 330	$ -	$ 273	$ 22,449
Acquired loans initially recorded at fair value:	261	58	-	803	-	-	-	1,122
Acquired loans with deteriorated credit:	39	79	-	42	3	-	-	163
Beginning Balance, December 31, 2019	2,722	15,372	1,244	3,790	333	-	273	23,734
Charge-offs:								
Acquired loans initially recorded at fair value:	4	-	-	-	-	-	-	4
Sub-total:	4	-	-	-	-	-	-	4
Recoveries:								
Originated Loans:	-	-	-	489	-	4	-	493
Acquired loans initially recorded at fair value:	-	-	-	3	8	-	-	11
Sub-total:	-	-	-	492	8	4	-	504
Provisions:								
Originated Loans:	260	2,610	485	2,670	290	8	(76)	6,247
Acquired loans initially recorded at fair value:	162	751	-	441	(8)	-	-	1,346
Acquired loans with deteriorated credit:	(6)	(60)	-	(1)		-	-	(67)
Sub-total:	416	3,301	485	3,110	282	8	(76)	7,526
Totals:								
Originated Loans:	2,682	17,845	1,729	6,104	620	12	197	29,189
Acquired loans initially recorded at fair value:	419	809	-	1,247	-	-	-	2,475
Acquired loans with deteriorated credit:	33	19	-	41	3	-	-	96
Ending Balance, September 30, 2020	$ 3,134	$ 18,673	$ 1,729	$ 7,392	$ 623	$ 12	$ 197	$ 31,760

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(1) Includes business lines of credit and PPP loans.

(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, 2019 (in thousands).

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	$ 2,580	$ 14,251	$ 1,454	$ 3,995	$ 274	$ 1	$ 150	$ 22,705
Acquired loans initially recorded at fair value:	731	-	-	-	-	-	-	731
Acquired loans with deteriorated credit:	146	137	-	67	3	-	-	353
Beginning Balance, June 30, 2019	3,457	14,388	1,454	4,062	277	1	150	23,789
Charge-offs:								
Originated Loans:	1							1
Sub-total:	1	-	-	-	-	-	-	1
Recoveries:								
Originated Loans:	-	-	-	-	-	-	-	-
Acquired loans initially recorded at fair value:	-	-	-	-	3	-	-	3
Sub-total:	-	-	-	-	3	-	-	3
Provisions:								
Originated Loans:	(145)	421	83	(29)	15	(1)	208	552
Acquired loans initially recorded at fair value:	(316)	112		627	9	-	-	432
Acquired loans with deteriorated credit:	(106)	23	-	(1)	-	-	-	(84)
Sub-total:	(567)	556	83	597	24	(1)	208	900
Totals:								
Originated Loans:	2,434	14,672	1,537	3,966	289	-	358	23,256
Acquired loans initially recorded at fair value:	415	112		627	12	-	-	1,166
Acquired loans with deteriorated credit:	40	160	-	66	3	-	-	269
Ending Balance, September 30, 2019	$ 2,889	$ 14,944	$ 1,537	$ 4,659	$ 304	$ -	$ 358	$ 24,691

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the activity in the Company's allowance for loan losses for the nine months ended September 30, 2019 (in thousands).

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for loan losses:								
Originated Loans:	$ 2,374	$ 14,000	$ 1,003	$ 3,869	$ 313	$ 2	$ 189	$ 21,750
Acquired loans initially recorded at fair value:	335	-	-	-	-	-	-	335
Acquired loans with deteriorated credit:	39	168	-	64	3	-	-	274
Beginning Balance, December 31, 2018	2,748	14,168	1,003	3,933	316	2	189	22,359
Charge-offs:								
Originated Loans:	1	111	-	145	-	-	-	257
Sub-total:	1	111	-	145	-	-	-	257
Recoveries:								
Originated Loans:	-	-	-	15	-	-	-	15
Acquired loans recorded at fair value:	3	10	-	3	14	-	-	30
Sub-total:	3	10	-	18	14	-	-	45
Provisions:								
Originated Loans:	61	783	534	227	(24)	(2)	169	1,748
Acquired loans initially recorded at fair value:	77	102	-	624	(2)	-	-	801
Acquired loans with deteriorated credit:	1	(8)	-	2	-	-	-	(5)
Sub-total:	139	877	534	853	(26)	(2)	169	2,544
Totals:								
Originated Loans:	2,434	14,672	1,537	3,966	289	-	358	23,256
Acquired loans initially recorded at fair value:	415	112	-	627	12	-	-	1,166
Acquired loans with deteriorated credit:	40	160	-	66	3	-	-	269
Ending Balance, September 30, 2019	$ 2,889	$ 14,944	$ 1,537	$ 4,659	$ 304	$ -	$ 358	$ 24,691

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the amount recorded in loans receivable at December 31, 2019. The table also details the amount of total loans receivable that are evaluated individually, and collectively, for impairment and the related portion of the allowance for loan losses that is allocated to each loan class (in thousands).

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home Equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Originated Loans:	2,422	15,235	1,244	2,945	330	-	273	22,449
Acquired loans initially recorded at fair value:	261	58	-	803	-	-	-	1,122
Acquired loans with deteriorated credit:	39	79	-	42	3	-	-	163
Ending Balance, December 31, 2019	$ 2,722	$ 15,372	$ 1,244	$ 3,790	$ 333	$ -	$ 273	$ 23,734
Ending Balance attributable to loans:								
Individually evaluated for impairment	**$ 8,455**	**$ 13,231**	**$ -**	**$ 3,938**	**$ 1,288**	**$ -**	**$ -**	**$ 26,912**
Collectively evaluated for impairment	**239,926**	**1,593,745**	**104,996**	**173,704**	**63,350**	**682**	**-**	**2,176,403**
Total Gross Loans:	**$ 248,381**	**$ 1,606,976**	**$ 104,996**	**$ 177,642**	**$ 64,638**	**$ 682**	**$ -**	**$ 2,203,315**
Ending ALLL Attributed to loans individually evaluated for impairment	**$ 380**	**$ 342**	**$ -**	**$ 2,518**	**$ 24**	**$ -**	**$ -**	**$ 3,264**
Ending ALLL Attributed to loans collectively evaluated for impairment	**2,342**	**15,030**	**1,244**	**1,272**	**309**	**-**	**273**	**20,470**
Total Ending ALLL:	**$ 2,722**	**$ 15,372**	**$ 1,244**	**$ 3,790**	**$ 333**	**$ -**	**$ 273**	**$ 23,734**

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

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

The following table summarizes the average recorded investment and interest income recognized on impaired loans with no related allowance recorded by portfolio class for the three and nine months ended September 30, 2020 and 2019 (In thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	**2020**	2019	2019	**2020**	**2020**	2019	2019
Originated loans with no related allowance recorded:	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized
Residential one-to-four family	**$ 2,125**	**$ 11**	$ 2,179	$ 20	**$ 2,076**	**$ 51**	$ 2,627	$ 66
Commercial and Multi-family	**5,867**	**8**	8,655	56	**5,211**	**98**	9,680	310
Commercial business(1)	**3,516**	**32**	1,131	43	**2,677**	**183**	1,138	126
Home equity(2)	**966**	**6**	598	6	**855**	**19**	649	18
Sub-total:	**$ 12,474**	**$ 57**	$ 12,563	$ 125	**$ 10,819**	**$ 351**	$ 14,094	$ 520
Acquired loans initially recorded at fair value with no related allowance recorded:								
Residential one-to-four family	**$ 1,555**	**$ 5**	$ 1,931	$ 23	**$ 1,647**	**$ 41**	$ 2,081	$ 73
Commercial and Multi-family	**4,060**	**19**	3,882	55	**4,053**	**113**	3,898	165
Commercial business(1)	**-**	**-**	119	12	**-**	**-**	96	14
Home equity(2)	**221**	**-**	311	3	**214**	**6**	294	9
Consumer	**-**	**-**	-	-		**-**	-	-
Sub-total	**$ 5,836**	**$ 24**	$ 6,243	$ 93	**$ 5,914**	**$ 160**	$ 6,369	$ 261
Acquired loans with deteriorated credit with no related allowance recorded:								
Residential one-to-four family(3)	**$ 984**	**$ -**	$ 839	$ 14	**$ 929**	**$ 28**	$ 898	$ 44
Commercial and Multi-family(3)	**705**	**9**	4,264	7	**710**	**23**	4,666	20
Commercial business(1)(3)	**864**	**21**	894	-	**864**	**25**	849	-
Home equity(2)(3)	**17**	**-**	41	-	**22**		43	-
Sub-total:	**$ 2,570**	**$ 30**	$ 6,038	$ 21	**$ 2,525**	**$ 76**	$ 6,456	$ 64
Total Impaired Loans with no related allowance recorded:	**$ 20,880**	**$ 111**	$ 24,844	$ 239	**$ 19,258**	**$ 587**	$ 26,919	$ 845

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(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 months ended September 30, 2020 and 2019. (In thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020	**2020**	2019	2019	**2020**	**2020**	2019	2019
Originated loans with an allowance recorded:	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized	**Average Recorded Investment**	**Interest Income Recognized**	Average Recorded Investment	Interest Income Recognized
Residential one-to-four family	**$ 908**	**$ -**	$ 2,032	$ 18	**$ 910**	**$ 10**	$ 2,175	$ 67
Commercial and Multi-family	**-**	**-**	-	-	**-**	**-**	-	-
Commercial business(1)	**1,427**	**65**	822	3	**1,314**	**93**	658	57
Home equity(2)	**321**	**1**	268	1	**339**	**6**	229	5
Sub-total:	**$ 2,656**	**$ 66**	$ 3,122	$ 22	**$ 2,563**	**$ 109**	$ 3,062	$ 129
Acquired loans initially recorded at fair value with an allowance recorded:								
Residential one-to-four family	**$ 2,472**	**$ 3**	$ 3,291	$ 30	**$ 2,404**	**$ 33**	$ 3,286	$ 82
Commercial and Multi-family	**1,221**	**-**	881	14	**1,225**	**20**	889	22
Commercial business(1)	**1,403**	**17**	377	-	**1,106**	**47**	251	-
Home equity(2)	**110**	**1**	84	1	**101**	**2**	84	4
Sub-total:	**$ 5,206**	**$ 21**	$ 4,633	$ 45	**$ 4,836**	**$ 102**	$ 4,510	$ 108
Acquired loans with deteriorated credit with an allowance recorded:								
Residential one-to-four family(3)	**$ 340**	**$ -**	$ 527	$ 7	**$ 400**	**$ 7**	$ 473	$ 19
Commercial and Multi-family			943	-		**-**	629	-
Sub-total:	**$ 340**	**$ -**	$ 1,470	$ 7	**$ 400**	**$ 7**	$ 1,102	$ 19
Total Impaired Loans with an allowance recorded:	**$ 8,202**	**$ 87**	$ 9,225	$ 74	**$ 7,799**	**$ 218**	$ 8,674	$ 256

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(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 recorded investment and unpaid principal balances where there is no related allowance on impaired loans by portfolio class at September 30, 2020 and December 31, 2019. (In thousands):

	As of September 30, 2020			As of December 31, 2019		
Originated loans with no related allowance recorded:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Residential one-to-four family	**$ 2,278**	**$ 2,381**	**$ -**	$ 2,010	$ 2,098	$ -
Commercial and multi-family	**7,842**	**7,891**	**-**	4,469	4,527	-
Commercial business(1)	**3,144**	**5,289**	**-**	1,108	4,069	-
Home equity(2)	**938**	**940**	**-**	584	593	-
Sub-total:	**$ 14,202**	**$ 16,501**	**$ -**	$ 8,171	$ 11,287	$ -
Acquired loans initially recorded at fair value with no related allowance recorded:						
Residential one-to-four family	**$ 1,562**	**$ 1,660**	**$ -**	$ 1,843	$ 1,950	$ -
Commercial and Multi-family	**4,227**	**4,227**	**-**	4,401	4,402	-
Commercial business(1)	**-**		**-**	183	589	-
Home equity(2)	**194**	**196**	**-**	205	206	-
Sub-total:	**$ 5,983**	**$ 6,083**	**$ -**	$ 6,632	$ 7,147	$ -
Acquired loans with deteriorated credit with no related allowance recorded:						
Residential one-to-four family	**$ 1,158**	**$ 1,762**	**$ -**	$ 827	$ 1,383	$ -
Commercial and Multi-family	**695**	**1,749**	**-**	3,113	4,166	-
Commercial business(1)	**865**	**5,122**	**-**	867	5,052	-
Home equity(2)	**-**	**-**	**-**	37	47	-
Sub-total:	**$ 2,718**	**$ 8,633**	**$ -**	$ 4,844	$ 10,648	$ -
Total Impaired Loans with no related allowance recorded:	**$ 22,903**	**$ 31,217**	**$ -**	$ 19,647	$ 29,082	$ -

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table summarizes the recorded investment, unpaid principal balance, and the related allowance on impaired loans by portfolio class at September 30, 2020 and December 31, 2019. (In thousands):

	As of September, 2020			As of December 31, 2019		
Originated loans with an allowance recorded:	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	Recorded Investment	Unpaid Principal Balance	Related Allowance
Residential one-to-four family	**$ 904**	**$ 906**	**$ 37**	$ 973	$ 973	$ 48
Commercial business(1)	**1,829**	**4,614**	**1,448**	1,403	3,037	1,029
Home equity(2)	**372**	**379**	**24**	379	382	20
Sub-total:	**$ 3,105**	**$ 5,899**	**$ 1,509**	$ 2,755	$ 4,392	$ 1,097
Acquired loans initially recorded at fair value with an allowance recorded:						
Residential one-to-four family	**$ 2,470**	**$ 2,504**	**$ 347**	$ 2,278	$ 2,293	$ 325
Commercial and Multi-family	**1,216**	**1,417**	**313**	1,248	1,442	342
Commercial business(1)	**1,325**	**2,695**	**1,680**	377	1,489	1,489
Home equity(2)	**138**	**139**	**3**	83	83	4
Sub-total	**$ 5,149**	**$ 6,755**	**$ 2,343**	$ 3,986	$ 5,307	$ 2,160
Acquired loans with deteriorated credit with an allowance recorded:						
Residential one-to-four family	**$ 161**	**$ 161**	**$ 1**	$ 524	$ 571	$ 7
Sub-total:	**$ 161**	**$ 161**	**$ 1**	$ 524	$ 571	$ 7
Total Impaired Loans with an allowance recorded:	**$ 8,415**	**$ 12,815**	**$ 3,853**	$ 7,265	$ 10,270	$ 3,264
Total Impaired Loans with no related allowance recorded:	**$ 22,903**	**$ 31,217**	**$ -**	$ 19,647	$ 29,082	$ -
Total Impaired Loans:	**$ 31,318**	**$ 44,032**	**$ 3,853**	$ 26,912	$ 39,352	$ 3,264

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

A troubled debt restructured loan ("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. Pursuant to the CARES Act, a loan that was current at December 31, 2019 and modified due to the COVID-19 pandemic is not considered a TDR. 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, 2020	At December 31, 2019
	(In thousands)	
Recorded investment in TDRs:		
Accrual status	$ **16,436**	$ 17,030
Non-accrual status	**1,145**	702
Total recorded investment in TDRs	$ **17,581**	$ 17,732

The Company originated five TDR loans totaling $458,181 and three TDR loans totaling $415,652 for the three months ended September 30, 2020 and September 30, 2019, respectively.

The Company originated six TDR loans totaling $674,283 and six TDR loans totaling $1.8 million for the nine months ended September 30, 2020 and September 30, 2019, respectively.

For the three months ended September 30, 2020 and September 30, 2019, TDRs, for which there was a payment default within twelve months of restructuring, totaled $602,274 for two loans and $105,000 for one loan, respectively.

For the nine months ended September 30, 2020 and September 30, 2019, TDRs, for which there was a payment default within twelve months of restructuring, totaled $602,274 for two loans and $105,000 for one loan, respectively.

The following table sets forth the delinquency status of total loans receivable as of September 30, 2020:

	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)			
Residential one-to-four family	**$ 1,393**	**$ 256**	**$ 670**	**$ 2,319**	**$ 239,477**	**$ 241,796**	**$ 159**
Commercial and multi-family	**1,773**	**613**	**2,594**	**4,980**	**1,672,688**	**1,677,668**	**1,416**
Construction	**-**	**-**	**-**	**-**	**134,769**	**134,769**	**-**
Commercial business(1)	**516**	**63**	**2,488**	**3,067**	**308,137**	**311,204**	**149**
Home equity(2)	**242**	**-**	**427**	**669**	**60,304**	**60,973**	**-**
Consumer	**-**	**-**	**-**	**-**	**770**	**770**	**-**
Total	**$ 3,924**	**$ 932**	**$ 6,179**	**$ 11,035**	**$ 2,416,145**	**$ 2,427,180**	**$ 1,724**

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(1) Includes business lines of credit and PPP loans.

(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 Bank's loan portfolio at September 30, 2020 and December 31, 2019, respectively. 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, 2020, and December 31, 2019, non-accrual loans differed from the amount of total loans past due greater than 90 days due to loans which are maintained on non-accrual status for a minimum of six months until the borrower has demonstrated its ability to satisfy the terms of the restructured loan. There were $3.7 million at September 30, 2020 and $1.6 million at December 31, 2019 in nonaccrual loans that were less than ninety days past due. Nonaccrual loans do not include loans acquired with deteriorated credit quality which were recorded at their fair value at acquisition and totaled $1.1 million at September 30, 2020, and $3.5 million at December 31, 2019. Loans subject to COVID-19-related modifications are not be reported as non-accrual, in accordance with regulatory guidance.

	As of September 30, 2020	As of December 31, 2019
	(In Thousands)	(In Thousands)
Non-Accruing Loans:		
Originated loans:		
Residential one-to-four family	**$ 847**	$ 590
Commercial and multi-family	**457**	761
Commercial business(1)	**3,252**	1,428
Home equity(2)	**604**	347
Sub-total:	**5,160**	3,126
Acquired loans initially recorded at fair value:		
Residential one-to-four family	**565**	291
Commercial and multi-family	**979**	217
Commercial business(1)	**378**	513
Home equity(2)	**69**	13
Sub-total:	**1,991**	1,034
Total	**$ 7,151**	$ 4,160

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Had non-accrual loans been performing in accordance with their original terms, the interest income recognized for the nine months ended September 30, 2020 and December 31, 2019 would have been approximately $673,000 and $967,000, respectively. Interest income recognized on loans returned to accrual status was approximately $520,000 and $1.1 million, respectively. The Bank has not committed to lend additional funds to the borrowers whose loans have been placed on nonaccrual status. At September 30, 2020 and December 31, 2019, there were $1.7 million and $795,000, respectively, of loans which were more than ninety days past due and still accruing interest.

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, 2019:

	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	$ 1,087	$ 401	$ -	$ 1,488	$ 210,532	$ 212,020	$ -
Commercial and multi-family	1,290	940	616	2,846	1,482,440	1,485,286	-
Construction	-	-	-	-	104,996	104,996	-
Commercial business(1)	1,874	278	1,265	3,417	153,996	157,413	142
Home equity(2)	161	63	116	340	49,760	50,100	-
Consumer	-	-	-	-	674	674	-
Sub-total:	$ 4,412	$ 1,682	$ 1,997	$ 8,091	$ 2,002,398	$ 2,010,489	$ 142
Acquired loans initially recorded at fair value:							
Residential one-to-four family	$ 265	$ 217	$ 330	$ 812	$ 34,198	35,010	$ 97
Commercial and multi-family	318	-	631	949	117,628	118,577	556
Construction	-	-	-	-	-	-	-
Commercial business(1)	300	-	513	813	18,506	19,319	-
Home equity(2)	190	75	-	265	14,037	14,302	-
Consumer	-	-	-	-	8	8	-
Sub-total:	$ 1,073	$ 292	$ 1,474	$ 2,839	$ 184,377	$ 187,216	$ 653
Acquired loans with deteriorated credit:							
Residential one-to-four family	$ -	$ -	$ -	$ -	$ 1,351	$ 1,351	$ -
Commercial and multi-family	-	-	2,500	2,500	613	3,113	-
Construction	-	-	-	-	-	-	-
Commercial business(1)	-	-	856	856	54	910	-
Home equity(2)	37	199	-	236	-	236	-
Consumer	-	-	-	-	-	-	-
Sub-total:	$ 37	$ 199	$ 3,356	$ 3,592	$ 2,018	$ 5,610	$ -
Total	$ 5,522	$ 2,173	$ 6,827	$ 14,522	$ 2,188,793	$ 2,203,315	$ 795

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

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

Criticized and Classified Assets

Company policies provide for a classification system for problem assets. Under this classification system, problem assets are classified as "substandard," "doubtful," or "loss."

When the Company classifies problem assets, the Company may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. As of September 30, 2020, we had $0 in assets classified as losses, and $18.1 million in assets classified as substandard, of which $18.1 million were classified as impaired. The loans classified as substandard are secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily due to payment status, because 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 1-5) are treated as "pass" for grading purposes. The "criticized" risk rating (6) and the "classified" risk ratings (7-9) are detailed below:

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

7 – 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.

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

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

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention and substandard within the Company's internal risk rating system as of September 30, 2020 (in thousands). As of September 30, 2020, the Company had no loans with the classified rating of doubtful or loss.

	Pass	Special Mention	Substandard	Total
Originated loans:				
Residential one-to-four family	$ 206,900	$ 1,040	$ 1,103	$ 209,043
Commercial and multi-family	1,568,159	2,147	5,152	1,575,458
Construction	134,769	-	-	134,769
Commercial business[1]	286,650	1,426	4,633	292,709
Home equity[2]	49,386	-	711	50,097
Consumer	768	-	-	768
Sub-total:	$ 2,246,632	$ 4,613	$ 11,599	$ 2,262,844
Acquired loans initially recorded at fair value:				
Residential one-to-four family	$ 30,777	$ -	$ 657	$ 31,434
Commercial and multi-family	97,894	205	3,416	101,515
Commercial business[1]	16,132	132	1,325	17,589
Home equity[2]	10,577	-	69	10,646
Consumer	2	-	-	2
Sub-total:	$ 155,382	$ 337	$ 5,467	$ 161,186
Acquired loans with deteriorated credit:				
Residential one-to-four family	$ 768	$ 544	$ 7	$ 1,319
Commercial and multi-family	487	-	208	695
Commercial business[1]	-	49	857	906
Home equity[2]	230	-	-	230
Sub-total:	$ 1,485	$ 593	$ 1,072	$ 3,150
Total Gross Loans	$ 2,403,499	$ 5,543	$ 18,138	$ 2,427,180

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(1) Includes business lines of credit and PPP loans.

(2) Includes home equity lines of credit.

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

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention and substandard within the Company's internal risk rating system as of December 31, 2019. (In thousands). As of December 31, 2019, the Company had no loans with the classified rating of doubtful or loss.

	Pass	Special Mention	Substandard	Total
Originated loans:				
Residential one-to-four family	$ 210,094	$ 1,336	$ 590	$ 212,020
Commercial and multi-family	1,478,472	4,043	2,771	1,485,286
Construction	104,996	-	-	104,996
Commercial business(1)	153,464	1,796	2,153	157,413
Home equity(2)	49,753	-	347	50,100
Consumer	670	4	-	674
Sub-total:	$ 1,997,449	$ 7,179	$ 5,861	$ 2,010,489
Acquired loans initially recorded at fair value:				
Residential one-to-four family	$ 34,624	$ -	$ 386	35,010
Commercial and multi-family	115,130	583	2,864	118,577
Commercial business(1)	17,648	1,159	512	19,319
Home equity(2)	14,270	-	32	14,302
Consumer	8	-	-	8
Sub-total:	$ 181,680	$ 1,742	$ 3,794	$ 187,216
Acquired loans with deteriorated credit:				
Residential one-to-four family	$ 788	$ 248	$ 315	1,351
Commercial and multi-family	-	493	2,620	3,113
Commercial business(1)	-	54	856	910
Home equity(2)	199	-	37	236
Sub-total:	$ 987	$ 795	$ 3,828	$ 5,610
Total Gross Loans	$ 2,180,116	$ 9,716	$ 13,483	$ 2,203,315

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Note 8 – Stockholders' Equity

On September 1, 2020, the Company closed a private placement of its Series H 3.5% Noncumulative Perpetual Preferred Stock, resulting in gross proceeds of $5.9 million for 590 shares.

On August 31, 2020, the Company redeemed all 6,465 outstanding shares of its Series F 6.0% Noncumulative Perpetual Preferred Stock, at their face value of $1,000 per share, for a total redemption amount of $6.5 million.

On August 10, 2020, the Company redeemed all 388 outstanding shares of its Series C 6.0% Noncumulative Perpetual Preferred Stock, at their face value of $10,000 per share, for a total redemption amount of $3.9 million.

On July 13, 2020, the Company closed a private placement of its Series H 3.5% Noncumulative Perpetual Preferred Stock, resulting in gross proceeds of $3.1 million for 308 shares, effective June 29, 2020.

On December 30, 2019, the Company closed a public offering of 1,020,408 shares of its common stock. The offering resulted in gross proceeds of $12.5 million to the Company.

On February 25, 2019, the Company closed a private placement offering of 496,224 shares of its common stock, of which directors and officers of the Company purchased 286,244 shares. The offering resulted in gross proceeds of $6.3 million to the Company.

On January 30, 2019, the Company closed a private placement of Series G 6.0% Noncumulative Perpetual Preferred Stock, resulting in gross proceeds of $5.3 million for 533 shares.

Note 9 – Bank Owned Life Insurance

The Bank purchased $60 million of bank owned life insurance ("BOLI") in August, 2020. BOLI involves life insurance purchased by the Bank on a chosen group of employees, and the Bank is owner and beneficiary of the policies. At September 30, 2020, the Bank had $60.4 million in BOLI. Income earned on BOLI was $385,000 through September 30, 2020. BOLI is accounted for using the cash surrender value method and is recorded at its net realizable value.

Note 10 – Goodwill and Other Intangible Assets

The Company's intangible assets consist of goodwill and core deposit intangibles in connection with the acquisition of IA Bancorp, Inc. as of April 17, 2018. The initial recording of goodwill and other intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets and assumed liabilities. Goodwill is not amortized but is subject to annual tests for impairment or more often if events or circumstances indicate it may be impaired.

The Company's core deposit intangibles are amortized on an accelerated basis using an estimated life of 10 years and in accordance with U.S. GAAP are evaluated annually for impairment. An impairment loss will be recognized if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

The Company believes that the fair values of our goodwill and other intangible assets were in excess of their carrying amounts and there was no impairment at September 30, 2020.

Amortization expense of the core deposit intangibles was $16,000 and $49,000 for the three and nine months ended September 30, 2020, respectively, and $18,000 and $54,000 for the three and nine months ended September 30, 2019, respectively. The unamortized balance of the core deposit intangibles and the amount of goodwill at September 30, 2020 were $250,000 and $5.2 million, respectively, and at September 30, 2019 were $317,000 and $5.3 million, respectively.

The temporary COVID-19 pandemic has clearly caused disruption to the global economy, but the extent and duration of the disruption is uncertain at this time. Accordingly, and in consideration of the relatively recent decline of the stock price below carrying value, management feels that it is not more likely than not that this circumstance indicates that the fair value of the Company is less than its carrying amount, including goodwill, as of September 30, 2020. Management will continue to monitor the activity for loan deferment requests and delinquencies on a regular basis, and will perform the annual goodwill impairment testing in the fourth quarter of 2020.

Note 11 – Fair Values of Financial Instruments

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

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

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

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

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

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

Description	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
As of September 30, 2020:				
Securities				
Debt Securities Available for Sale	**$ 119,643**	**$ -**	**$ 119,643**	**$ -**
Marketable Equities	**$ 14,501**	**$ 14,501**	**$ -**	**$ -**
Total Securities	**$ 134,144**	**$ 14,501**	**$ 119,643**	**$ -**
As of December 31, 2019:				
Securities				
Debt Securities Available for Sale	$ 91,613	$ -	$ 91,613	$ -
Marketable Equities	$ 2,500	$ 2,500	$ -	$ -
Total Securities	$ 94,113	$ 2,500	$ 91,613	$ -

The Company's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers of assets or liabilities into or out of Level 1, Level 2, or Level 3 of the fair value hierarchy during the three or nine months ended September 30, 2020 and 2019.

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

Description	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
As of September 30, 2020				
Impaired Loans	**$ 4,562**	**$ -**	**$ -**	**$ 4,562**
Other real estate owned	**$ 1,623**	**$ -**	**$ -**	**$ 1,623**
As of December 31, 2019:				
Impaired Loans	$ 4,001	$ -	$ -	$ 4,001
Other real estate owned	$ 1,623	$ -	$ -	$ 1,623

Note 11 – Fair Values of Financial Instruments (Continued)

The following tables present additional quantitative information as of September 30, 2020 and December 31, 2019 about assets measured at fair value on a nonrecurring basis and for which the Company has utilized adjusted Level 3 inputs to determine fair value. (Dollars in thousands):

Quantitative Information about Level 3 Fair Value Measurements

	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
September 30, 2020:				
Impaired Loans	**$ 4,562**	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%
Other real estate owned	**$ 1,623**	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range
December 31, 2019:				
Impaired Loans	$ 4,001	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%
Other real estate owned	$ 1,623	Appraisal of collateral (1)	Appraisal adjustments (2)	0%-10%

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

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

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments as of September 30, 2020 and December 31, 2019.

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

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

Securities Available for Sale

The fair value of securities available for sale (carried at fair value) are determined by matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Equity Securities

The fair values of available-for-sale securities are based on quoted market prices (Level 1).

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

The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted prices exist, the fair value of a loan is determined using quoted prices for a similar loan or loans, adjusted for specific attributes of that loan. Loans held for sale are carried at the lower of cost or fair value.

Loans Receivable (Carried at Cost)

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

Note 11 – Fair Values of Financial Instruments (Continued)

Impaired Loans (Generally Carried at Fair Value)

Impaired loans are those for which the Company has measured and recorded an impairment generally based on the fair value of the loan's collateral, less estimated costs to sell. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value at September 30, 2020 and December 31, 2019 consisted of the loan balances of $8.4 million net of a valuation allowance of $3.8 million and $7.3 million net of a valuation of loan allowance of $3.3 million, respectively.

Other Real Estate Owned (Generally Carried at Lower of Cost or Fair Value)

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

FHLB of New York Stock (Carried at Cost)

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

Interest Receivable and Payable (Carried at Cost)

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

Deposits (Carried at Cost)

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

Borrowings and Subordinated Debt (Carried at Cost)

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

Off-Balance Sheet Financial Instruments (Carried at Cost)

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

Note 11 – Fair Values of Financial Instruments (Continued)

The carrying values and estimated fair values of financial instruments were as follows as of September 30, 2020 and December 31, 2019:

	As of September 30, 2020				
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 160,551	$ 160,551	$ 160,551	$ -	$ -
Interest-earning time deposits	735	735	-	735	-
Debt securities available for sale	119,643	119,643	-	119,643	-
Equity investments	14,501	14,501	14,501	-	-
Loans held for sale	1,510	1,510	-	1,510	-
Loans receivable, net	2,391,990	2,426,106	-	-	2,426,106
FHLB of New York stock, at cost	13,160	13,160	-	13,160	-
Accrued interest receivable	17,746	17,746	-	17,746	-
Other Real Estate Owned	1,623	1,623	-	-	1,623
Financial liabilities:					
Deposits	2,273,338	2,280,198	1,497,649	782,549	-
Borrowings	259,600	262,270	-	262,270	-
Subordinated debentures	36,984	37,364	-	37,364	-
Accrued interest payable	1,485	1,485	-	1,485	-

	As of December 31, 2019				
	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In Thousands)				
Financial assets:					
Cash and cash equivalents	$ 550,353	$ 550,353	$ 550,353	$ -	$ -
Interest-earning time deposits	735	735	-	735	-
Debt securities available for sale	91,613	91,613	-	91,613	-
Equity investments	2,500	2,500	2,500	-	-
Loans held for sale	917	917	-	917	-
Loans receivable, net	2,178,407	2,199,497	-	-	2,199,497
FHLB of New York stock, at cost	13,821	13,821	-	13,821	-
Accrued interest receivable	8,318	8,318	-	8,318	-
Other Real Estate Owned	1,623	1,623	-	-	1,623
Financial liabilities:					
Deposits	2,362,063	2,375,089	1,231,658	1,143,431	-
Borrowings	245,800	245,176	-	245,176	-
Subordinated debentures	36,810	36,947	-	36,947	-
Accrued interest payable	2,708	2,708	-	2,708	-

Note 12 – Subordinated debt

On July 30, 2018, the Company issued $33.5 million of fixed-to-floating rate subordinated debentures (the “Notes”) in a private placement. The Notes have a ten-year term and bear interest at a fixed annual rate of 5.625% for the first five years of the term (the "Fixed Interest Rate Period"). From and including August 1, 2023, the interest rate will adjust to a floating rate based on the three-month LIBOR plus 2.72% until redemption or maturity (the "Floating Interest Rate Period"). The Notes are scheduled to mature on August 1, 2028. Subject to limited exceptions, the Company cannot redeem the Notes for the first five years of the term. The Company will pay interest in arrears semi-annually during the Fixed Interest Rate Period and quarterly during the Floating Interest Rate Period during the term of the Notes. The Notes constitute an unsecured and subordinated obligation of the Company and rank junior in right of payment to any senior indebtedness and obligations to general and secured creditors. The Notes qualify as Tier 2 capital for the Company for regulatory purposes, when applicable, and the portion that the Company contributes to the Bank will qualify as Tier 1 capital for the Bank. The additional capital will be used for general corporate purposes including organic growth initiatives. Subordinated debt includes associated deferred costs of $640,000 and $814,000 at September 30, 2020 and December 31, 2019, respectively.

The Company also has $4,124,000 of mandatory redeemable trust preferred securities. The interest rate on these floating rate junior subordinated debentures adjusts quarterly, equal to the three-month LIBOR and 2.65%.

As it is anticipated that LIBOR will be discontinued after 2021, the Company is reviewing the agreements for the above debentures to determine alternative reference rates, and does not anticipate there will be a significant financial statement impact.

Note 13 – Lease Obligations

The Company leases 28 of our offices under various operating lease agreements. The leases have remaining terms of one year to 12 years. The leases contain provisions for the payment by the Company of its pro-rata share of real estate taxes, insurance, common area maintenance and other variable expenses. The Company will allocate payments made under such leases between lease and non-lease components. Some leases contain renewal options and options to purchase the assets.

The Company has elected not to recognize a lease liability and a right of use asset for leases with a lease term of 12 or fewer months.

The following tables present certain information related to the Company’s leases (in thousands):

	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating lease cost	**$ 850**	$ 812	**$ 2,559**	$ 2,374
Variable lease cost-operating leases	**$ 201**	$ 132	**$ 599**	$ 440

	At September 30, 2020	At December 31, 2019
Supplemental balance sheet information related to leases:		
Operating Leases		
Operating lease right-of-use assets	**$ 15,798**	$ 13,246
Current liabilities	**$ 3,054**	$ 2,590
Operating lease liabilities (noncurrent portion)	**12,950**	10,790
Total operating lease liabilities	**$ 16,004**	$ 13,380

The weighted average remaining lease term for operating leases at September 30, 2020 and December 31, 2019 was 6.68 years and 6.69 years, respectively. The weighted average discount rate for operating leases at September 30, 2020 and December 31, 2019 was 2.67 percent and 3.16 percent, respectively.

The following table summarizes the Company’s maturity of lease obligations for operating leases at September 30, 2020 and December 31, 2019 (in thousands):

Maturities of lease liabilities:

	At September 30, 2020 Operating Leases	At December 31, 2019 Operating Leases
One year or less	**$ 3,054**	$ 2,590
Over one year through three years	**5,131**	4,713
Over three years through five years	**3,341**	2,736
Over five years	**4,478**	3,341
Total	**$ 16,004**	$ 13,380

Note 14 – Subsequent Events

On October 22, 2020, the Company announced that its Board of Directors approved the adoption of a new stock repurchase program to be effective at a to-be-determined time. The Company’s Board of Directors plans to consult with its financial advisors and determine the total number of shares to be repurchased under the program. The Company did not repurchase any shares of its common stock during the three month period ended September 30, 2020.

On October 14, 2020, the Board of Directors of the Company declared a common stock dividend of $0.14 per share to shareholders of record on November 6, 2020 with a payment date of November 20, 2020.

The Company is closely monitoring the impact of the COVID-19 pandemic on all aspects of its business. While the Company did not incur significant disruptions during the three and nine months ended September 30, 2020 from the COVID-19 pandemic, it is unable to predict the impact that the COVID-19 pandemic will have on its financial condition, results of operations and cash flows for future periods due to numerous uncertainties.

ITEM 2.

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

Forward-Looking Statements

This report on Form 10-Q contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995, or the PSLRA. Such forward-looking statements, in addition to historical information, involve risk and uncertainties, and are based on the beliefs, assumptions and expectations of our management team. Words such as "expects," "believes," "should," "plans," "anticipates," "will," "potential," "could," "intend," "may," "outlook," "predict," "project," "would," "estimated," "assumes," "likely," and variation of such similar expressions are intended to identify such forward-looking statements. Forward-looking statements speak only as of the date they are made. Because forward-looking statements are subject to assumptions and uncertainties, actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements and future results could differ materially from historical performance.

Factors that could cause future results to vary from current management expectations as reflected in our forward-looking statements include, but are not limited to:

- unfavorable economic conditions in the United States generally and particularly in our primary market area;
- the effects of declines in housing markets and real estate values that may adversely impact the collateral underlying our loans;
- increase in unemployment levels and slowdowns in economic growth;
- our level of non-performing assets and the costs associated with resolving any problem loans including litigation and other costs;
- the impact of changes in interest rates and the credit quality and strength of underlying collateral and the effect of such changes on the market value of our loan and investment securities portfolios;
- the credit risk associated with our loan portfolio;
- changes in the quality and composition of the Bank's loan and investment portfolios;
- changes in our ability to access cost-effective funding;
- deposit flows;
- legislative and regulatory changes, including increases in Federal Deposit Insurance Corporation, or FDIC, insurance rates;
- monetary and fiscal policies of the federal and state governments;
- changes in tax policies, rates and regulations of federal, state and local tax authorities;
- inflation;
- demands for our loan products;
- demand for financial services;
- competition;
- changes in the securities or secondary mortgage markets;
- changes in management's business strategies;
- our ability to enter new markets successfully;
- our ability to successfully integrate acquired businesses;
- changes in consumer spending;
- our ability to retain key employees;
- the effects of any reputational, credit, interest rate, market, operational, legal, liquidity, or regulatory risk;
- expanded regulatory requirements as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which could adversely affect operating results;
- civil unrest in the communities that we serve;
- the global spread of the Coronavirus Disease 2019 ("COVID-19") and the impact that it is having on the United States, in general, and New Jersey and New York, in particular (see Item 1.A. Risk Factors); and
- other factors discussed elsewhere in this report, and in other reports we filed with the SEC, including under "Risk Factors" in Part I, Item 1A of our annual Report on Form 10-K, in Part II, Item 1A of our quarterly reports on Form 10-Q, and our other periodic reports that we file with the SEC.

You should not place undue reliance on these forward-looking statements, which reflect our expectations only as of the date of this Form 10-Q. We do not assume any obligation to revise forward-looking statements except as may be required by law.

Overview

BCB Bancorp, Inc. is a New Jersey corporation, and is the holding company parent of BCB Community Bank, or 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. At September 30, 2020, we had approximately $2.842 billion in consolidated assets, $2.273 billion in deposits and $242.7 million in consolidated stockholders' equity.

BCB Community Bank opened for business on November 1, 2000 as Bayonne Community Bank, a New Jersey chartered commercial bank. The Bank changed its name from Bayonne Community Bank to BCB Community Bank in April 2007. At September 30, 2020 the Bank operated through 31 branches in Bayonne, Carteret, Colonia, Edison, Jersey City, Hoboken, Fairfield, Holmdel, Lodi, Lyndhurst, Maplewood, Monroe Township, Newark, Parsippany, Plainsboro, River Edge, Rutherford, South Orange, Union, and Woodbridge, New Jersey, as well as three branches in Hicksville and Staten Island, NY, and through executive offices located at 104-110 Avenue C and an administrative office located at 591-595 Avenue C, Bayonne, New Jersey 07002. The Bank's deposit accounts are insured by the FDIC, and the Bank is 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 loans and investment securities. 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;
- FDIC-insured deposit products, including savings and club accounts, interest and non-interest bearing demand accounts, money market accounts, certificates of deposit and individual retirement accounts; and
- retail and commercial banking services including wire transfers, money orders, safe deposit boxes, a night depository, debit cards, online banking, mobile banking, gift cards, fraud detection (positive pay), and automated teller services.

Critical Accounting Policies

The preparation of the Consolidated Financial Statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses. We regularly evaluate these estimates and assumptions including those used to determine the allowance for loan losses, deferred taxes, fair value measurements, goodwill and other intangible assets. We base our estimates on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances. These form the basis for making judgments on the carrying value of assets and liabilities that are not readily apparent from other sources. Although our current estimates contemplate current economic conditions and how we expect them to change in the future, for the remainder of 2020, it is reasonably possible that actual conditions may be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Actual results may differ from these estimates under different assumptions or conditions.

See further discussion of these critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2019 and Note 1, Basis of Presentation, to the unaudited Consolidated Financial Statements. There has been no change in critical accounting policies since the Company's last annual report on Form 10-K.

COVID-19 Overview

With the global outbreak of COVID-19, the Company remains focused on protecting the health and wellbeing of its employees and the communities in which it operates while assuring the continuity of its business operations.

The Company activated its dedicated pandemic team that proactively implemented its business continuity plans and has taken a variety of measures to ensure the ongoing availability of services, while taking health and safety measures, including enhanced cleaning and hygiene protocols in all of its facilities and remote work policies, where possible. To date, as a result of these business continuity measures, the Company has not experienced significant disruptions in its operations.

As of September 30, 2020, the Company had over $160 million of cash on hand and available wholesale borrowing capacity of over $700 million.

COVID-19 Response

Operational Initiatives

- The pandemic response team meets on a biweekly basis and actively monitors guidance released by regulators, and banking associations.
- In-person meetings are closely managed and are held on an as needed basis only.
- Some employees are working remotely, temporarily relocated or are working alternate days to increase social distancing.
- Barriers have been installed in branches and back offices to provide protection.
- Branch and operational offices are cleaned and sanitized weekly. This practice will continue until further notice. Employees have access to masks, gloves and disinfectant.
- Masks are required for entry and social distancing is strictly enforced.
- Management provides updates to employees on a regular basis.
- The Call Center is open seven days a week to assist with customer inquiries.

Allowance for Loan Losses ("ALLL")

- Although several of the Company's asset quality metrics have not been adversely affected in a significant manner during the first nine months of 2020, management determined it is prudent to increase its loan loss reserves through the addition of $2.7 million and $7.5 million in loan loss provisions for the three and nine-month periods ended September 30, 2020, respectively, due primarily to the economic downturn as a result of the COVID-19 pandemic. This compares to $900,000 and $2.5 million in loan loss provisions for the three and nine-month periods ended September 30, 2019, respectively. The loan loss reserve to total loans ratio was 1.31 percent at September 30, 2020, compared to 1.08 percent at September 30, 2019. The increased reserve includes provisions taken in response to changes in risks associated with loan classification assignments and a declining economy in New Jersey and New York.
- The Bank considered qualitative factors, such as changes in underwriting policies, current economic conditions, delinquency statistics, the adequacy of the underlying collateral and the financial strength of borrowers in arriving at its loan loss provision. All of these factors are likely to be affected by the COVID-19 pandemic. Individual deferred loans were stress tested to assess potential credit risks. The impact of COVID-19 is likely to be felt over the next several quarters. Adjustments to the ALLL may be required as the full impact of COVID-19 on the borrowers' capacity to make payments and the value of the underlying collateral becomes known.

Loan Deferments

- The Bank, like other financial institutions, has received a significant number of requests to defer principal and/or interest payments, and has agreed to such deferrals or is in the process of doing so on a case by case basis. The banking regulatory agencies, through an Interagency Statement dated April 7, 2020, are encouraging financial institutions to work prudently with borrowers who request loan modifications or deferrals as a result of COVID-19.
- The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law on March 27, 2020, and provided over $2.0 trillion in emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. Under Section 4013 of the CARES Act, loans less than 30 days past due as of December 31, 2019 that were modified or deferred due to COVID-19 will be considered current. A financial institution can then suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as a TDR, and suspend any determination of a loan modified as a result of COVID-19 as being a TDR, including the requirement to determine impairment for accounting purposes. These loans are accruing interest and the Bank is considering the loans within the overall allowance for loan loss analysis.

COVID-19 Response (Continued)

- The Bank began receiving requests for loan deferments on March 13, 2020. The forbearance period provided by the Bank is generally three months with the Bank retaining the sole option to extend the forbearance period for an additional three months. Payments received upon the expiration of the forbearance period will first be applied to interest accrued, then towards escrow advances, and any remaining amount towards principal.

The following is a summary of deferment requests by loan type as of September 30, 2020 and October 16, 2020 (dollars in thousands):

	September 30, 2020			October 16, 2020		
	Number of Loans	Principal Balance	Weighted Average Interest Rate	Number of Loans	Principal Balance	Weighted Average Interest Rate
Residential one-to-four family	2	$ 789	5.0%	-	$ -	-%
Commercial and multi-family	45	54,708	4.5	10	4,023	4.7
Construction	-	-	-	-	-	-
Commercial business(1)	9	3,856	5.6	1	1,149	6.0
Home equity(2)	2	299	5.1	-	-	-
	58	$ 59,652	4.6 %	11	$ 5,172	5.0%

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

Loan deferments peaked at $730.1 million in mid-June 2020. The Bank has worked diligently with our customers by reaching out to them as the end of the three-month deferral term was approaching, and to understand the need for any prudent requests of an extension of the deferral period. The Bank has been encouraged with the results as we have experienced a 99% decline in loan deferment balances through October 16, 2020 since the peak in mid-June.

Loan deferment maturities for the remainder of the year are as follows (in thousands):

	October	November	December	January 2021	Total
1st Deferment	$ -	$ -	$ 1,432	$ 495	$ 1,927
2nd Deferment	-	-	2,155	1,090	3,245
Total Deferments	$ -	$ -	$ 3,587	$ 1,585	$ 5,172

Management continues to perform detail stress testing of loan deferments related to various loan to value and cash flow scenarios. The ALLL reserves allocated to these stress tests are deemed to be adequate and will continue to be analyzed as the economic conditions progress.

Paycheck Protection Program (PPP)

- As a qualified SBA lender, the Bank was automatically authorized to originate PPP loans.
- Through September 30, 2020, the Bank had closed and funded approximately $129 million for almost 1,100 PPP loans.
- The Company had received approximately $4.7 million of processing fees from the SBA through September 30, 2020. These fees, net of direct costs relating to the origination of these loans, have been deferred and are being amortized over the life of the loans. The amount of net deferred fees recorded to interest income through September 30, 2020 was approximately $640,000. The Company anticipates recognizing $375,000 of net deferred fee income in the fourth quarter of 2020, excluding any amounts resulting from loan forgiveness.

Main Street lending Program

- The Main Street Lending Program is a program announced on April 9, 2020, under which the Federal Reserve will purchase loans that banks give to small and mid-sized businesses. The Federal Reserve will purchase 95% of each loan.
- The program is designed to keep credit flowing to small and mid-sized businesses that were in good financial standing before the onset of the COVID-19 crisis, but which are now under extreme stress due to stay-at-home and business closure orders from state and local governments. The Bank has been approved as an eligible lender, and has received inquiries since the program became operational on July 8, 2020. As of September 30, 2020, the Bank has not sold any loans to the Federal Reserve under this program.

Industry Exposure

- The Company has identified various industries that may be particularly adversely impacted by the COVID-19 pandemic. Though the hotspots may change through the progression of the pandemic, the following sectors are currently being disproportionately impacted: Strip Retail, Hospitality/Hotels, Golf Courses and Banquet Halls, Restaurants and Retail.

The following table summarizes the Bank's portfolio and deferment balances for these industries, as a percentage of the total loan portfolio, at September 30, 2020. At October 16, 2020, the Bank only had $400,000 in deferment balances for these industries.

Description	Portfolio Balance ($000s)	Percentage of Loan Portfolio	Deferment Balance ($000s)	Percentage of Loan Portfolio
Strip Retail	$ 119,505	5.0%	$ 10,649	0.4%
Hospitality/Hotel	66,390	2.8%	1,937	0.1%
Golf Courses and Banquet Halls	45,646	1.9%	11,121	0.5%
Restaurant (standalone)	36,226	1.5%	234	0.0%
Retail (one-to-three units)	66,778	2.8%	401	0.0%
	$ 334,545	14.0%	$ 24,342	1.0%

COVID-19 Response (Continued)

IT Changes

- To protect the well-being of our staff and customers, the Company has set up resources for some employees to work from home. To facilitate the move, we allocated laptop computers to staff and enhanced our ability to access the network offsite.

Liquidity and Capital Resources

- The Company was well positioned with adequate levels of cash and liquid assets as of September 30, 2020, as well as wholesale borrowing capacity of over $700 million, to cover the lack of payments for COVID-19 loan deferments. At September 30, 2020, the Company's equity to assets ratio was 8.5% and the Bank's capital was in excess of regulatory requirements. The Company called $10.5 million of its then-outstanding preferred stock in the third quarter, which included all of its Series C 6.0% and Series F 6.0% preferred stock. The Company issued $5.9 million of Series H 3.5% preferred stock in the third quarter of 2020. Total Series H 3.5% preferred stock issued was $9.0 million at September 30, 2020. In September, 2020 the Board of Directors of the Company, extended the issuance of Series H 3.5% preferred stock program through December 31, 2020. The Company had $4.9 million of common stock repurchases for the first six months of 2020, and the program concluded in May 2020. The Company will continue to monitor the effects of COVID-19 in determining future cash dividends and any requirement for additional capital each quarter.

Financial Condition

Total assets decreased by $65.1 million, or 2.2 percent, to $2.842 billion at September 30, 2020 from $2.907 billion at December 31, 2019. The decrease in total assets was mainly related to decreases in total cash and cash equivalents, partly offset by increases in loans receivable, a purchase of $60.0 million of BOLI, and purchases of investment securities.

Total cash and cash equivalents decreased by $389.8 million, or 70.8 percent, to $160.6 million at September 30, 2020 from $550.4 million at December 31, 2019. This decrease was mainly related to increases in loans receivable and investment securities, a purchase of $60.0 million of BOLI, and a decrease in deposits, partly offset by an increase in borrowings.

Loans receivable, net increased by $213.6 million, or 9.8 percent, to $2.392 billion at September 30, 2020 from $2.178 billion at December 31, 2019. The increase in loans included $48.4 million of purchased loans and $127.0 million from the Company's participation in the federal PPP loan program. Total loan increases for the first nine months of 2020 included $133.6 million in commercial business loans, which included PPP loans, $70.7 million in commercial real estate and multi-family loans, $29.8 million in construction loans, and $88,000 in consumer loans, partly offset by decreases of $6.6 million in residential one-to-four family loans and $3.7 million in home equity loans. The allowance for loan losses increased $8.0 million to $31.8 million, or 444.1 percent of non-accruing loans and 1.31 percent of gross loans, at September 30, 2020 as compared to an allowance for loan losses of $23.7 million, or 570.5 percent of non-accruing loans and 1.08 percent of gross loans, at December 31, 2019.

Total investment securities increased by $40.0 million, or 42.5 percent, to $134.1 million at September 30, 2020 from $94.1 million at December 31, 2019, representing purchases of $70.6 million in securities, partly offset by repayments, calls and maturities.

Deposit liabilities decreased by $88.7 million, or 3.8 percent, to $2.273 billion at September 30, 2020 from $2.362 billion at December 31, 2019. The decrease in deposit liabilities mainly related to the maturity of certain high-rate, promotional certificate of deposit accounts in the third quarter. Some of these matured deposits went into other forms of deposits and others were withdrawn from the Bank. Total decreases for the first nine months of 2020 included $355.7 million in certificates of deposit, including listing service and brokered deposit accounts. Listing service and brokered reciprocal certificates of deposit, which were used as additional sources of deposit liquidity to fund loan growth, totaled $2.2 million and $10.0 million, respectively, at September 30, 2020. The decreases in total deposit liabilities was partly offset by increases of $123.9 million in non-interest-bearing deposit accounts, $110.8 million in NOW deposit accounts, $27.0 million in savings and club accounts, and $5.3 million in money market checking accounts.

Debt obligations increased by $14.0 million, or 4.9 percent, to $296.6 million at September 30, 2020 from $282.6 million at December 31, 2019. The weighted average interest rate of FHLB advances was 1.99 percent at September 30, 2020 and 2.16 percent at December 31, 2019. The fixed interest rate of subordinated debt balances was 5.625 percent at September 30, 2020 and December 31, 2019. During the three months ended September 30, 2020, the Company opted to extinguish a $15.0 million FHLB advance which held a rate of 2.68% and was originally set to mature in June, 2021. The effect of the extinguishment of the debt reduced the weighted average cost of FHLB borrowings by approximately four basis points on an annualized basis. The related non-recurring expense for the extinguishment of this debt is included in noninterest expense.

Stockholders' equity increased by $3.2 million, or 1.3 percent, to $242.7 million at September 30, 2020 from $239.5 million at December 31, 2019. Retained earnings increased by $5.3 million, or 11.0 percent, to $53.7 million at September 30, 2020 from $48.4 million at December 31, 2019, related to the net effect of net income less dividends paid and for the first nine months of the year. Accumulated other comprehensive income increased $2.8 million to $627,000 at September 30, 2020 from a loss of $2.2 million at December 31, 2019, related to significant improvements in the value of available-for-sale securities, as a result of the general decrease in market interest rates. Additional paid-in-capital for preferred stock decreased by $1.5 million to $23.5 million at September 30, 2020 from $25.0 million at December 31, 2019, primarily related to the redemption of $10.5 million of the Company's then-outstanding preferred stock, which included the Company's Series C 6% and Series F 6% preferred stock, partly offset by the issuance of $9.0 million of Series H 3.5% preferred stock. Treasury stock increased $4.9 million to $26.9 million at September 30, 2020 from $22.0 million at December 31, 2019, related to the repurchase of Company common shares.

Net Interest Income Analysis

Net interest income represents the difference between income earned on our interest-earning assets and the expense incurred on our interest-bearing liabilities, and is analyzed and monitored by the Company on a regular basis. The following tables set forth average balance sheets, yields, and costs. The yields include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or expense.

	Three Months Ended September 30,					
	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Rate (3)	Average Balance	Interest Earned/Paid	Average Yield/Rate (3)
	(Dollars in thousands)					
Interest-earning assets:						
Loans Receivable	**$ 2,394,997**	**$ 27,126**	**4.53%**	$ 2,309,703	$ 28,860	5.00%
Investment Securities	**138,736**	**1,086**	**3.13%**	111,551	759	2.72%
Interest-earning deposits	**273,620**	**254**	**0.37%**	289,080	1,750	2.42%
Total Interest-earning assets	**2,807,353**	**28,466**	**4.06%**	2,710,334	31,369	4.63%
Non-interest-earning assets	**94,623**			75,904		
Total assets	**$ 2,901,976**			$ 2,786,238		
Interest-bearing liabilities:						
Interest-bearing demand accounts	**$ 498,287**	**$ 650**	**0.52%**	$ 344,439	$ 661	0.77%
Money market accounts	**315,658**	**508**	**0.64%**	269,775	1,237	1.84%
Savings accounts	**283,684**	**113**	**0.16%**	257,392	102	0.16%
Certificates of Deposit	**875,497**	**4,530**	**2.07%**	1,095,481	6,603	2.41%
Total interest-bearing deposits	**1,973,126**	**5,801**	**1.18%**	1,967,087	8,603	1.75%
Borrowed funds	**274,144**	**1,775**	**2.59%**	298,152	2,006	2.69%
Total interest-bearing liabilities	**2,247,270**	**7,576**	**1.35%**	2,265,239	10,609	1.87%
Non-interest-bearing liabilities	**418,184**			299,230		
Total liabilities	**2,665,454**			2,564,469		
Stockholders' equity	**236,522**			221,769		
Total liabilities and stockholders' equity	**$ 2,901,976**			$ 2,786,238		
Net interest income		**$ 20,890**			$ 20,760	
Net interest rate spread(1)			**2.71%**			2.76%
Net interest margin(2)			**2.98%**			3.06%

(1) Net interest rate spread represents the difference between the average yield on average interest-earning assets and the average cost of average interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

(3) Annualized.

Net Interest Income Analysis (Continued)

	Nine Months Ended September 30,					
	2020			2019		
	Average Balance	Interest Earned/Paid	Average Yield/Rate (3)	Average Balance	Interest Earned/Paid	Average Yield/Rate (3)
	(Dollars in thousands)					
Interest-earning assets:						
Loans Receivable	$ 2,285,854	$ 80,063	4.67%	$ 2,318,047	$ 85,727	4.93%
Investment Securities	115,910	2,397	2.76%	120,560	2,592	2.87%
Interest-earning deposits	480,221	2,631	0.73%	220,318	4,270	2.58%
Total Interest-earning assets	2,881,985	85,091	3.94%	2,658,925	92,589	4.64%
Non-interest-earning assets	68,397			72,718		
Total assets	$ 2,950,382			$ 2,731,643		
Interest-bearing liabilities:						
Interest-bearing demand accounts	$ 457,546	$ 2,305	0.67%	$ 342,515	$ 1,913	0.74%
Money market accounts	321,453	2,623	1.09%	253,593	3,311	1.74%
Savings accounts	270,948	324	0.16%	259,093	325	0.17%
Certificates of Deposit	1,007,796	16,657	2.20%	1,079,090	18,690	2.31%
Total interest-bearing deposits	2,057,743	21,909	1.42%	1,934,291	24,239	1.67%
Borrowed funds	281,574	5,523	2.62%	288,399	5,823	2.69%
Total interest-bearing liabilities	2,339,317	27,432	1.56%	2,222,690	30,062	1.80%
Non-interest-bearing liabilities	372,976			293,557		
Total liabilities	2,712,293			2,516,247		
Stockholders' equity	238,089			215,396		
Total liabilities and stockholders' equity	$ 2,950,382			$ 2,731,643		
Net interest income		$ 57,659			$ 62,527	
Net interest rate spread(1)			2.38%			2.84%
Net interest margin(2)			2.67%			3.14%

(1) Net interest rate spread represents the difference between the average yield on average interest-earning assets and the average cost of average interest-bearing liabilities.

(2) Net interest margin represents net interest income divided by average total interest-earning assets.

(3) Annualized.

Results of Operations comparison for the Three Months Ended September 30, 2020 and 2019

Net income increased by $3.1 million, or 58.9 percent, to $8.3 million for the three months ended September 30, 2020 from $5.2 million for the three months ended September 30, 2019. The increase in net income was primarily related to an increase in noninterest income, a decrease in total interest expense, and a decrease in total noninterest expense, partly offset by a decrease total interest income, an increase in the provision for loan losses, and an increase in the income tax provision for the three months ended September 30, 2020 as compared with the three months ended September 30, 2019.

Net interest income increased by $130,000, or 0.6 percent, to $20.9 million for the three months ended September 30, 2020 from $20.8 million for the three months ended September 30, 2019. The increase in net interest income resulted primarily from a $3.0 million decrease in interest expense related to a decrease in the average rate on interest-bearing liabilities of 52 basis points to 1.35 percent for the three months ended September 30, 2020 from 1.87 percent for the three months ended September 30, 2019, as well as a decrease in the average balance of interest-bearing liabilities of $18.0 million, or 0.8 percent, to $2.247 billion for the three months ended September 30, 2020 from $2.265 billion for the three months ended September 30, 2019. Interest income was $2.9 million lower than the prior year, related to a decrease in the average yield on interest-earning assets of 57 basis points to 4.06 percent for the three months ended September 30, 2020 from 4.63 percent for the three months ended September 30, 2019, partly offset by an increase in the average balance of interest-earning assets of $97.0 million, or 3.6 percent, to $2.807 billion for the three months ended September 30, 2020 from $2.710 billion for the three months ended September 30, 2019. The lower rates for interest income and interest expense were driven by the reduction of the federal funds rate by 175 basis points from October, 2019 through September, 2020.

Interest income on loans receivable decreased by $1.7 million, or 6.0 percent, to $27.1 million for the three months ended September 30, 2020 from $28.8 million for the three months ended September 30, 2019. The decrease was primarily attributable to a decrease in the average yield on loans of 47 basis points to 4.53 percent for the three months ended September 30, 2020 from 5.00 percent for the three months ended September 30, 2019, partly offset by an increase in the average balance of loans receivable of $85.3 million, or 3.7 percent, to $2.395 billion for the three months ended September 30, 2020 from $2.310 billion for the three months ended September 30, 2019. The decrease in the average yield on loans followed the declining interest rate environment. The Company curtailed loan growth in the second half of 2019 and in the first three months of 2020. In the second quarter of 2020, the Company purchased $48.4 million in loans and originated $127.0 million in PPP loans, which increased the average balance of loans receivable for the three months ended September 30, 2020, compared to the three months ended September 30, 2019. Interest income on loans also included $230,000 of amortization of purchase credit fair value adjustments for the three months ended September 30, 2020 related to the Company’s April 2018 acquisition of IA Bancorp, Inc. (“IAB”), which added approximately three basis points to the average yield on interest earning assets.

Interest income on securities increased by $327,000 or 43.1 percent, to $1.1 million for the three months ended September 30, 2020 from $759,000 for the three months ended September 30, 2019. This increase was primarily due to an increase in the average balance of securities of $27.2 million, or 24.4 percent, to $138.7 million for the three months ended September 30, 2020 from $111.5 million for the three months ended September 30, 2019, as well as an increase in the average yield on securities of 41 basis points to 3.13 percent for the three months ended September 30, 2020 from 2.72 percent for the three months ended September 30, 2019. The increase in the average balance of securities resulted from purchases of new securities, partly offset by faster prepayment speeds, repayments, calls, and maturities, while the increase in the average yield on securities came as a result of the mix of purchases of new securities.

Interest income on other interest-earning assets decreased by $1.5 million, or 85.5 percent to $254,000 for the three months ended September 30, 2020 from $1.7 million for the three months ended September 30, 2019. This decrease was primarily due to a decrease in the average yield on other interest-earning assets of 205 basis points to 0.37 percent for the three months ended September 30, 2020 from 2.42 percent for the three months ended September 30, 2019, as well as a decrease in the average balance of other interest earning assets of $15.5 million, or 5.3 percent, to $273.6 million for the three months ended September 30, 2020 from $289.1 million for the three months ended September 30, 2019. The decrease in the average yield on other interest-earning assets correlated to the decreases in the Fed funds rate. The decrease in the average balance of other interest-earning assets related to the Company’s current deleveraging strategy and the resulting decrease in cash attributable to decreases in average certificate of deposit balances, average FHLB borrowing balances, and an increase in the average balance of loans receivable.

Total interest expense decreased by $3.0 million, or 28.6 percent, to $7.6 million for the three months ended September 30, 2020 from $10.6 million for the three months ended September 30, 2019. This decrease resulted primarily from a decrease in the average rate on interest-bearing liabilities of 52 basis points to 1.35 percent for the three months ended September 30, 2020 from 1.87 percent for the three months ended September 30, 2019, as well as a decrease in the average balance of interest-bearing liabilities of $18.0 million, or 0.8 percent, to $2.247 billion for the three months ended September 30, 2020 from $2.265 billion for the three months ended September 30, 2019. The decreases in the average cost of funds and the average balance of interest-bearing liabilities primarily resulted from the declining interest rate environment and the Company’s strategy of maintaining strong controls over interest expense as it continues its deleveraging strategy.

Total deposit interest expense decreased by $2.8 million, or 32.6 percent, to $5.8 million for the three months ended September 30, 2020 from $8.6 million for the three months ended September 30, 2019. This decrease resulted primarily from a decrease in the average rate on deposits of 57 basis points to 1.18 percent for the three months ended September 30, 2020 from 1.75 percent for the three months ended September 30, 2019, partly offset by a slight increase in the average balance of deposits of 6.0 million, or 0.3 percent, to $1.973 billion for the three months ended September 30, 2020 from $1.967 billion for the three months ended September 30, 2019. The decrease in the average rate paid on deposits was primarily due to repricing our deposit base to align with the recent Fed rate reductions. The Company has been aggressively managing the cost of funds and it anticipates the opportunity for further reductions. Approximately $445.5 million of certificates of deposit, with a weighted average rate of 2.04%, will mature in the next six months and is projected to be replaced at significantly lower rates.

Total borrowing interest expense decreased by $231,000, or 11.5 percent, to $1.8 million for the three months ended September 30, 2020 from $2.0 million for the three months ended September 30, 2019. The average balance of borrowings decreased by $24.0 million, or 8.1 percent, to $274.1 million for the three months ended September 30, 2020 from $298.1 million for the three months ended September 30, 2019, as well as a decrease in the average rate on borrowings of 10 basis points to 2.59 percent for the three months ended September 30, 2020 from 2.69 percent for the three months ended September 30, 2019. During the three months ended September 30, 2020, the Company opted to extinguish a $15.0 million FHLB advance which held a rate of 2.68% and was originally set to mature in June, 2021. The extinguishment of this debt decreased both the average balance of borrowings and the average rate on borrowings for the three months ended September 30, 2020. The effect of the extinguishment of the debt reduced the weighted average cost of FHLB borrowings by approximately four basis points on an annualized basis. The related non-recurring expense for the extinguishment of this debt is included in noninterest expense.

Net interest margin was 2.98 percent for the third quarter of 2020, compared to 3.06 percent for the third quarter of 2019. The decrease in the net interest margin compared to the third quarter of 2019 was the result of the current volatile financial markets attributable to the COVID-19 pandemic and the low interest rate environment. The Company’s average yield on interest-earning assets decreased by 57 basis points to 4.06 percent for the third quarter of 2020 compared to 4.63 percent for the third quarter of 2019, highlighting the impact market volatility surrounding the pandemic has had on rates. Management has been proactive in managing its cost of funds and decreased the average cost on total interest-costing liabilities by 52 basis points to 1.35 percent for the third quarter of 2020 compared to 1.87 percent for the third quarter of 2019.

The provision for loan losses increased by $1.8 million, to $2.7 million for the three months ended September 30, 2020 from $900,000 for the three months ended September 30, 2019, primarily due to COVID-19 related factors. The provision for loan losses is established based upon management’s review of the Company’s loans and consideration of a variety of factors, including but not limited to: (1) the risk characteristics of the loan portfolio; (2) current economic conditions; (3) actual losses previously experienced; (4) the dynamic activity and fluctuating balance of loans receivable; and (5) the existing level of reserves for loan losses that are probable and estimable. The higher provision for loan losses for the three months ended September 30, 2020 was significantly influenced by the impact of COVID-19 on economic conditions and the increased risk of loan defaults. During the three months ended September 30, 2020, the Company experienced $192,000 in net recoveries compared to

$2,000 in net recoveries for the three months ended September 30, 2019. The Bank had non-accrual loans totaling $7.1 million, or 0.29 percent, of gross loans at September 30, 2020 as compared to $5.1 million, or 0.22 percent, of gross loans at September 30, 2019. The allowance for loan losses was $31.8 million, or 1.31 percent of gross loans at September 30, 2020, and $24.7 million, or 1.08 percent of gross loans at September 30, 2019. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Company to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at September 30, 2020 and September 30, 2019.

Total noninterest income increased by $5.6 million, or 402.9 percent, to $7.0 million for the three months ended September 30, 2020 from $1.4 million for the three months ended September 30, 2019. The increase in total noninterest income was mainly related to a gain on sale of premises of $4.4 million, an increase in the unrealized gain of equity securities of $823,000, and BOLI income of $385,000. The gain on sale of premises relates to the completion of a sale/leaseback of certain offices that the Company sold to a private investor group in September, 2020. The unrealized gains or losses on equity securities are based on market conditions. The increase in BOLI income relates to an initial purchase of $60.0 million of BOLI product in the third quarter of 2020.

Total noninterest expense decreased by $310,000, or 2.3 percent, to $13.3 million for the three months ended September 30, 2020 from $13.6 million for the three months ended September 30, 2019.

Salaries and employee benefits expense decreased by $909,000, or 12.5 percent, to $6.4 million for the three months ended September 30, 2020 from $7.3 million for the three months ended September 30, 2019, primarily related to fewer full-time equivalent employees and $200,000 of costs deferred for PPP loans, partly offset by normal compensation increases. The costs deferred represent current period salaries and benefit costs associated with direct PPP loan origination costs, which are amortized over the life of the loans. The number of full-time equivalent employees for the three months ended September 30, 2020 was 303, as compared with 352 for the same period in 2019.

Occupancy and equipment expense increased by $349,000, or 13.2 percent, to $3.0 million for the three months ended September 30, 2020 from $2.6 million for the three months ended September 30, 2019, largely related to building sanitization costs associated with the COVID-19 pandemic and the relocation of one of our existing branches during 2019.

Data processing and service fees increased by $161,000, or 20.7 percent, to $937,000 for the three months ended September 30, 2020 from $776,000 for the three months ended September 30, 2019. The increase was largely attributable to additional branches and system applications.

Regulatory assessments increased by $402,000 to $311,000 for the three months ended September 30, 2020 from a credit of $91,000 for the three months ended September 30, 2019. The increase was primarily related to the receipt of an FDIC Small Bank Assessment Credit in the three months ended September 30, 2019, and increases in the FDIC assessment rate and in the FDIC assessment base.

The Company recognized a non-recurring expense of $313,000 for a loss on extinguishment of debt, related to the prepayment of higher-cost FHLB borrowings, for the three months ended September 30, 2020.

Other noninterest expense decreased by $790,000, or 34.8 percent, to $1.5 million for the three months ended September 30, 2020 from $2.3 million for the three months ended September 30, 2019. Other noninterest expense consisted of loan expense, business development, office supplies, correspondent bank fees, telephone and communication and miscellaneous fees and expenses. The decrease in the current period was primarily related to a reduction of business development and loan-related expenses, largely attributable to the current pandemic condition.

There were also less significant variances in professional fee expense, advertising expense, other real estate owned expense, and directors' fees, which netted to an increase in expenses of $164,000 for the three months ended September 30, 2020, as compared to the three months ended September 30, 2019.

The income tax provision increased by $1.1 million, or 46.9 percent, to $3.5 million for the three months ended September 30, 2020 from $2.4 million for the three months ended September 30, 2019. The increase in the income tax provision was a result of higher taxable income for the three months ended September 30, 2020 as compared with that same period for 2019. The consolidated effective tax rate for the three months ended September 30, 2020 was 29.4 percent compared to 31.1 percent for the three months ended September 30, 2019. The lower rate in the current period related primarily to non-taxable BOLI income and lower non-deductible costs in the current year period.

Results of Operations comparison for the Nine Months Ended September 30, 2020 and 2019

Net income decreased by $2.3 million, or 14.8 percent, to $13.6 million for the nine months ended September 30, 2020 from $15.9 million for the nine months ended September 30, 2019. The decrease in net income was primarily related to a decrease in total interest income and an increase in the provision for loan losses, partly offset by an increase in total noninterest income, a decrease in total interest expense, a decrease in total noninterest expense, and a decrease in the income tax provision for the nine months ended September 30, 2020 as compared with the nine months ended September 30, 2019.

Net interest income decreased by $4.9 million, or 7.8 percent, to $57.7 million for the nine months ended September 30, 2020 from $62.6 million for the nine months ended September 30, 2019. The decrease in net interest income resulted primarily from a decrease in the average yield on interest-earning assets of 70 basis points to 3.94 percent for the nine months ended September 30, 2020 from 4.64 percent for the nine months ended September 30, 2019, partly offset by an increase in the average balance of interest-earning assets of $223.1 million, or 8.4 percent, to $2.882 billion for the nine months ended September 30, 2020 from $2.659 billion for the nine months ended September 30, 2019. Interest expense decreased related to a decrease in the average rate on interest-bearing liabilities of 24 basis points to 1.56 percent for the nine months ended September 30, 2020 from 1.80 percent for the nine months ended September 30, 2019, partly offset by an increase in the average balance of interest-bearing liabilities of $116.6 million, or 5.2 percent, to $2.339 billion for the nine months ended September 30, 2020 from $2.223 billion for the nine months ended September 30, 2019. The lower rates for interest income and interest expense were driven by the reduction of the federal funds rate by 175 basis points from October, 2019 through September, 2020.

Interest income on loans receivable decreased by $5.7 million, or 6.6 percent, to $80.1 million for the nine months ended September 30, 2020 from $85.8 million for the nine months ended September 30, 2019. The decrease was primarily attributable to a decrease in the average yield on loans of 26 basis points to 4.67 percent for the nine months ended September 30, 2020 from 4.93 percent for the nine months ended September 30, 2019 as well as a decrease in the average balance of loans receivable of $32.2 million, or 1.4 percent, to $2.286 billion for the nine months ended September 30, 2020 from $2.318 billion for the nine months ended September 30, 2019. The Company curtailed loan growth in the second half of 2019 and in the first three months of 2020. In the second quarter of 2020, the Company purchased $48.4 million in loans and originated $127.0 million in PPP loans, which increased the average balance of loans receivable for the nine months ended September 30, 2020, compared to the nine months ended September 30, 2019. The decrease in the average yield on loans followed the declining interest rate environment. Interest income on loans also included $967,000 of amortization of purchase credit fair value adjustments for the nine months ended September 30, 2020 related to the April 2018 acquisition of IAB for the nine months ended September 30, 2020, which added approximately four basis points to the average yield on interest earning assets.

Interest income on securities decreased by $195,000 or 7.5 percent, to $2.4 million for the nine months ended September 30, 2020 from $2.6 million for the nine months ended September 30, 2019. This decrease was primarily due to a decrease in the average balance of securities of $4.7 million, or 3.9 percent, to $115.9 million for the nine months ended September 30, 2020 from $120.6 million for the nine months ended September 30, 2019, as well as a decrease in the average yield on securities of 11 basis points to 2.76 percent for the nine months ended September 30, 2020 from 2.87 percent for the nine months ended September 30, 2019. The decrease in the average balance of securities resulted from faster prepayment speeds, repayments, calls, and maturities, partly offset by purchases of new securities, while the decrease in the average yield on securities also followed current market lower interest rate conditions.

Interest income on other interest-earning assets decreased by $1.6 million, or 38.4 percent to $2.6 million for the nine months ended September 30, 2020 from $4.2 million for the nine months ended September 30, 2019. This decrease was primarily due to a decrease in the average yield on other interest-earning assets of 185 basis points to 0.73 percent for the nine months ended September 30, 2020, from 2.58 percent for the nine months ended September 30, 2019, partly offset by an increase in the average balance of other interest earning assets of $259.9 million, or 118.0 percent, to $480.2 million for the nine months ended September 30, 2020 from $220.3 million for the nine months ended September 30, 2019. The decrease in the average yield on other interest-earning assets correlated to the decreases in the Fed funds rate. The increase in the average balance of other interest-earning assets related to the curtailment of loan growth beginning in 2019, high levels of loan prepayments, an increase in deposits, and the Company's strategy of maintaining strong levels of liquidity.

Total interest expense decreased by $2.6 million, or 8.7 percent, to $27.4 million for the nine months ended September 30, 2020 from $30.1 million for the nine months ended September 30, 2019. This decrease resulted primarily from a decrease in the average rate on interest-bearing liabilities of 24 basis points to 1.56 percent for the nine months ended September 30, 2020 from 1.80 percent for the nine months ended September 30, 2019, partly offset by an increase in the average balance of interest-bearing liabilities of $116.6 million, or 5.2 percent, to $2.339 billion for the nine months ended September 30, 2020 from $2.223 billion for the nine months ended September 30, 2019. The decrease in the average cost of funds related to the declining interest rate environment. The increase in the average balance of interest-bearing liabilities primarily resulted from increased deposits, including those from new branches opened over the last few years.

Total deposit interest expense decreased by $2.3 million, or 9.6 percent, to $21.9 million for the nine months ended September 30, 2020 from $24.2 million for the nine months ended September 30, 2019. This decrease resulted primarily from a decrease in the average rate on deposits of 25 basis points to 1.42 percent for the nine months ended September 30, 2020 from 1.67 percent for the nine months ended September 30, 2019, partly offset by an increase in the average balance of deposits of $123.5 million, or 6.4 percent, to $2.058 billion for the nine months ended September 30, 2020 from $1.934 billion for the nine months ended September 30, 2019. The decrease in the average rate paid on deposits was primarily due to repricing our deposit base to align with the recent Fed rate reductions. The increase in the average balance of interest-bearing liabilities primarily resulted from increased deposits, including those from new branches opened over the last few years.

Total borrowing interest expense decreased by $300,000, or 5.2 percent, to $5.5 million for the nine months ended September 30, 2020 from $5.8 million for the nine months ended September 30, 2019. The average balance of borrowings decreased by $6.8 million, or 2.4 percent, to $281.6 million for the nine months ended September 30, 2020 from $288.4 million for the nine months ended September 30, 2019, as well as a decrease in the average rate on borrowings of 7 basis points to 2.62 percent for the nine months ended September 30, 2020 from 2.69 percent for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, the Company opted to extinguish a $15.0 million FHLB advance which held a rate of 2.68% and was originally set to mature in June, 2021. The extinguishment of this debt decreased both the average balance of borrowings and the average rate on borrowings for the nine months ended September 30, 2020. The effect of the extinguishment of the debt reduced the weighted average cost of FHLB borrowings by approximately four basis points on an annualized basis. The related non-recurring expense for the extinguishment of this debt is included in noninterest expense.

Net interest margin was 2.67 percent for the nine months ended September 30, 2020 and 3.14 percent for the nine months ended September 30, 2019. The decrease in the net interest margin was the result of the current volatile financial market attributable to the COVID-19 pandemic and the low interest rate environment.

The provision for loan losses increased by $5.0 million to $7.5 million for the nine months ended September 30, 2020 from $2.5 million for the nine months ended September 30, 2019, primarily due to factors related to the COVID-19 pandemic. The provision for loan losses is established based upon management's review of the Company's loans and consideration of a variety of factors, including but not limited to: (1) the risk characteristics of the loan portfolio; (2) current economic conditions; (3) actual losses previously experienced; (4) the dynamic activity and fluctuating balance of loans receivable; and (5) the existing level of reserves for loan losses that are probable and estimable. The higher provision for loan losses for the nine months ended September 30, 2020 was significantly influenced by the impact of COVID-19 on economic conditions and the increased risk of loan defaults. During the nine months ended September 30, 2020, the Company experienced $500,000 in net recoveries compared to $212,000 in net charge-offs for the nine months ended September 30, 2019. The Bank had non-accrual loans totaling $7.1 million, or 0.29 percent, of gross loans at September 30, 2020 as compared to $5.1 million, or 0.22 percent, of gross loans at September 30, 2019. The allowance for loan losses was $31.8 million, or 1.31 percent of gross loans at September 30, 2020, and $24.7 million, or 1.08 percent of gross loans at September 30, 2019. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Company to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at September 30, 2020 and September 30, 2019.

Total noninterest income increased by $4.4 million, or 100.1 percent, to $8.8 million for the nine months ended September 30, 2020 from $4.4 million for the nine months ended September 30, 2019. The increase in total noninterest income was mainly related to a gain on sale of premises of $4.4 million, an increase in the unrealized gain of equity securities of $560,000, BOLI income of $385,000 and an increase in other noninterest income of $248,000, partly offset by a decrease of $552,000 in gains on the sale of loans, a decrease in fees and service charges of $402,000, a decrease in gains on the sale of other real estate owned properties of $177,000, and a decrease in the gains on the sale of impaired loans of $107,000. The gain on sale of premises relates to the completion of a sale/leaseback of certain offices that the Company sold to a private investor group in September, 2020. The unrealized gains or losses on equity securities are based on market conditions. The BOLI income relates to an initial purchase of $60.0 million of BOLI product in the third quarter of 2020. The increase in other noninterest income related primarily to the reversal of certain liabilities previously recorded for IAB acquired loans that paid off in the first nine months of 2020. The lower level of loan sales was attributable to the curtailment of loan growth, while the decline in fees and service charges related in part to the pandemic condition as well as lower servicing fee income resulting from fewer loan sales.

Total noninterest expense decreased by $1.7 million, or 4.0 percent, to $39.7 million for the nine months ended September 30, 2020 from $41.4 million for the nine months ended September 30, 2019.

Salaries and employee benefits expense decreased by $1.7 million, or 7.9 percent, to $19.5 million for the nine months ended September 30, 2020 from $21.2 million for the nine months ended September 30, 2019, primarily related to $1.3 million of costs deferred for PPP loans and fewer full-time equivalent employees, partly offset by normal compensation increases. The costs deferred represent current period salaries and benefit costs associated with direct PPP loan origination costs, which are amortized over the life of the loan. The number of full-time equivalent employees for the nine months ended September 30, 2020 was 338, as compared with 359 for the same period in 2019.

Occupancy and equipment expense increased by $804,000, or 10.1 percent, to $8.7 million for the nine months ended September 30, 2020 from $7.9 million for the nine months ended September 30, 2019, largely related to building sanitization costs associated with the COVID-19 pandemic and the relocation of one of our existing branches during 2019.

Data processing and service fees increased by $598,000, or 26.8 percent, to $2.8 million for the nine months ended September 30, 2020 from $2.2 million for the nine months ended September 30, 2019, largely attributable to additional branches and system applications.

Regulatory assessments increased by $100,000, or 12.8 percent, to $883,000 for the nine months ended September 30, 2020 from $783,000 for the nine months ended September 30, 2019. The increase was primarily related to the receipt of an FDIC Small Bank Assessment Credit in the nine months ended September 30, 2019, and increases in the assessment rate and in the assessment base.

The Company recognized a non-recurring expense of $313,000 for a loss on extinguishment of debt, related to the prepayment of higher-cost FHLB borrowings, for the nine months ended September 30, 2020.

Other noninterest expense decreased by $1.8 million, or 26.7 percent, to $4.8 million for the nine months ended September 30, 2020 from $6.6 million for the nine months ended September 30, 2019. Other noninterest expense consisted of loan expense, business development, office supplies, correspondent bank fees, telephone and communication and miscellaneous fees and expenses. The decrease in the current period was primarily related to a reduction of business development and loan-related expenses, largely attributable to the current pandemic condition.

There were also less significant variances in professional fee expense, advertising expense, other real estate owned expense, and directors' fees, which netted to a decrease in expenses of $55,000 for the nine months ended September 30, 2020, as compared to the nine months ended September 30, 2019.

The income tax provision decreased by $1.5 million, or 20.5 percent, to $5.7 million for the nine months ended September 30, 2020 from $7.2 million for the nine months ended September 30, 2019. The decrease in the income tax provision was a result of lower taxable income for the nine months ended September 30, 2020 as compared to that same period for 2019. The consolidated effective tax rate for the nine months ended September 30, 2020 was 29.5 percent compared to 30.9 percent for the nine months ended September 30, 2019. The lower rate in the current period related primarily to non-taxable BOLI income and lower non-deductible costs in the current year period.

Liquidity and Capital Resources

Liquidity

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

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

At September 30, 2020 and December 31, 2019, the Company had $25.0 million in overnight borrowings outstanding with the FHLB. The Company utilizes overnight borrowings from time to time to fund short-term liquidity needs. The Company had total borrowings of $296.6 million at September 30, 2020 and $282.6 million at December 31, 2019. The average rate of FHLB advances was 1.99 percent at September 30, 2020 and 2.16 percent at December 31, 2019. The subordinated debentures have a ten-year term and bear interest at a fixed annual rate of 5.625% for the first five years of the term. From and including August 1, 2023, the interest rate will adjust to a floating rate based on the LIBOR plus 2.72% until redemption or maturity. The Notes are scheduled to mature on August 1, 2028.

As it is anticipated that LIBOR will be discontinued after 2021, the Company is reviewing the agreements for the above debentures to determine alternative reference rates, and does not anticipate there will be a significant financial statement impact.

The Company had the ability at September 30, 2020 to obtain additional funding from the FHLB of up to $175.3 million, utilizing unencumbered loan collateral. The Company expects to have sufficient funds available to meet current loan commitments in the normal course of business through typical sources of liquidity. Time deposits scheduled to mature in one year or less totaled $671.8 million at September 30, 2020. Based upon historical experience, management estimates that a significant portion of such deposits will remain with the Company.

The Company was well positioned with adequate levels of cash and liquid assets as of September 30, 2020, as well as wholesale borrowing capacity of over $700 million, to cover the decrease in cash flow resulting from COVID-19 loan deferments.

At September 30, 2020 and December 31, 2019, the capital ratios of the Bank exceeded the quantitative capital ratios required for an institution to be considered "well-capitalized" under applicable banking regulations.

Capital Resources

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

On September 17, 2019, the FDIC passed a final rule providing qualifying community banking organizations the ability to opt-in to a new community bank leverage ratio (tier 1 capital to average consolidated assets) ("CBLR") framework, with a minimum requirement of 9% for institutions under $10 billion in assets. Such institutions meeting that requirement may elect to utilize the CBLR in lieu of the general applicable risk-based capital requirements under Basel III. Such institutions that meet the CBLR and certain other qualifying criteria will automatically be deemed to be well-capitalized. The Bank decided to opt-in to the new CBLR, effective for the quarter ended March 31, 2020. Pursuant to the CARES Act, the federal banking regulators in April, 2020 issued interim final rules to set the CBLR at 8.0% beginning in the second quarter of 2020 through the end of 2020. Beginning in 2021, the CBLR will increase to 8.5% for the calendar year. Community banks will have until January 1, 2022 before the CBLR requirement will return to 9%.

At September 30, 2020 and December 31, 2019, BCB Community Bank exceeded all of its regulatory capital requirements to which it was subject. The following table sets forth the regulatory capital ratios for BCB Community Bank as well as regulatory capital requirements for the periods presented.

	Actual		For Capital Adequacy Purposes		For Well Capitalized Under Prompt Corrective Action	
			Dollars in Thousands			
As of September 30, 2020:						
Bank						
Community Bank Leverage Ratio	**$ 270,942**	**9.37%**	**$ 202,468**	**7.00%**	**$ 231,392**	**8.00%**
As of December 31, 2019:						
Bank						
Common Equity Tier 1 Capital (to risk-weighted assets)	$ 295,298	13.84 %	$ 170,750	8.00 %	$ 213,437	10.00 %
Tier 1 capital (to risk-weighted assets)	271,564	12.72	128,062	6.00	170,750	8.00
Common Equity Tier 1 Capital (to risk-weighted assets)	271,564	12.72	96,047	4.50	138,734	6.50
Tier 1 capital (to average assets)	271,564	9.51	114,174	4.00	142,718	5.00

The Company will continue to monitor the effects of COVID-19 in determining future cash dividends and any requirement for additional capital each quarter. The Company had no stock repurchases for the third quarter of 2020. The Company repurchased the maximum number of shares that may be repurchased under the program in the second quarter of 2020 and the program is now closed.

Item 3. Quantitative and Qualitative Disclosures about Market Risk
Management of Market Risk

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

The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of September 30, 2020. Assumptions have been made by the Company relating to interest rates, loan prepayment rates, core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates were used for fixed rate loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based upon management's judgment of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. Variable rate loans were scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table include prepayment rates on loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months, and money market and non-interest bearing accounts were scheduled with an assumed term of 24 months. The NPV at "PAR" represents the difference between the Company's estimated value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 200 to 300 basis points has been excluded since it would not be meaningful in the interest rate environment as of September 30, 2020.

The following table sets forth the Company's NPV as of that date (dollars in thousands).

				NPV as a % of Assets	
Change in Calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NPV Ratio	Change
+300bp	$ 253,613	$ (18,593)	(6.83)%	9.36%	(11)bp
+200bp	261,657	(10,549)	(3.88)	9.47	-bp
+100bp	263,022	(9,184)	(3.37)	9.36	(11)bp
PAR	272,206	-	-	9.47	-bp
-100bp	318,014	45,808	16.83	10.77	130bp

bp – basis points

The table above indicates that as of September 30, 2020, in the event of a 100 basis point increase in interest rates, we would experience a decrease to 9.36% in NPV.

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

ITEM 4.
Controls and Procedures

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

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

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

We are involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business. As of September 30, 2020, we were not involved in any material legal proceedings the outcome of which, if determined in a manner adverse to the Company, would have a material adverse effect on our financial condition or results of operations.

ITEM 1.A. RISK FACTORS

In addition to the other information contained in this Quarterly Report on Form 10-Q, the following risk factor represents material updates and additions to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the SEC. Additional risks not presently known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition, or results of operations. Further, to the extent that any of the information contained in this Quarterly Report on Form 10-Q constitutes forward-looking statements, the risk factor set forth below also is a cautionary statement identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

The ongoing COVID-19 pandemic and measures intended to prevent its spread could adversely affect our business activities, financial condition, and results of operations and such effects will depend on future developments, which are highly uncertain and difficult to predict.

The COVID-19 outbreak and related government actions taken to reduce the spread of the virus have had a significant impact on the global economy, the United States economy, and the economy in our New Jersey and New York market area. The full fallout from the pandemic and its long-term impact on economies, markets, industries and financial institutions is not known at this time, and it may take years to fully determine COVID-19's economic impact.

The occurrence of events which adversely affect the global, national and regional economies may have a negative impact on our business. Like other financial institutions, our business relies upon the ability and willingness of our customers to transact business with us, including banking, borrowing and other financial transactions. A strong and stable economy at each of the local, federal and global levels is often a critical component of consumer confidence and typically correlates positively with our customers' ability and willingness to transact certain types of business with us. Local and global events outside of our control which disrupt the New Jersey, New York, United States and/or global economy may therefore negatively impact our business and financial condition. A public health crisis such as the COVID-19 pandemic is no exception, and the adverse health and economic effects of this pandemic may adversely impact our business and financial condition.

The COVID-19 outbreak has led to federal, state and local governments enacting various restrictions in an attempt to limit the spread of the virus, including restricting the operations of certain businesses; limitations on social or public gatherings and other social distancing measures; and travel restrictions and quarantines. Such measures have significantly contributed to the sudden increase in the unemployment rate and changes in consumer and business spending, borrowing needs and saving habits. The full extent of the actions which governmental authorities will take to contain the spread of COVID-19 and address both the health and economic impact of COVID-19 is not, and cannot be, fully known at this time. The current volatile environment caused by the COVID-19 pandemic could potentially lead to the introduction of new laws and regulations impacting many industries, including the financial industry. For example, new laws and regulations may be passed relating to lending and funding practices and capital and liquidity standards. Furthermore, regulators could revise standards or the interpretation of standards applicable to our business in response to the economic impact of COVID-19. Any new or revised laws or standards adopted in the future may require us to maintain additional capital, rebalance our assets, liabilities and equity (including the classes of equity issued by us) or otherwise revise our business strategy. We may face regulatory, economic and operational challenges in taking necessary measures in response to these new laws or standards, which could in turn have a material adverse effect on our business, financial condition and opportunities for future growth.

Additionally, the COVID-19 pandemic significantly affected the financial markets and resulted in a number of Federal Reserve Bank actions. Market interest rates have declined significantly. In March 2020, the Federal Reserve reduced the target federal funds rate and announced a $700 billion quantitative easing program in response to the expected economic downturn caused by the COVID-19 pandemic. In addition, the Federal Reserve reduced the interest that it pays on excess reserves. The Company expects that these reductions in interest rates, especially if prolonged, could adversely affect net interest income, margins and profitability.

If the outbreak and its effects continue to adversely affect the economy and if state and local government restrictions on businesses continue or increase, we could be subject to any of the following consequences, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets, and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value;
- a work stoppage, forced quarantine, or other interruption of our business may occur
- our allowance for loan losses may have to be increased, especially if we believe an increase in our qualitative factors is warranted;
- future borrowing power of our clients may be reduced;
- Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs;
- the value of our securities portfolio may decline;
- increase cyber and payment fraud risk, given increased online and remote activity;
- the fair value of the Company may be less than its carrying amount, including goodwill; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, our future success and profitability is substantially dependent upon the management skills of our executive officers and directors, many of whom have held officer and director positions with us for many years. The unanticipated loss or unavailability of key employees due to the outbreak could harm our ability to operate our business or execute our business strategy. We may not be successful in finding and integrating suitable successors in the event of key employee loss or unavailability.

Any one or a combination of the factors identified above could negatively impact our business, financial condition, results of operations and prospects.

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

On October 22, 2020, the Company announced that its Board of Directors approved the adoption of a new stock repurchase program to be effective at a to-be-determined time. The Company's Board of Directors plans to consult with its financial advisors and determine the total number of shares to be repurchased under the program. The Company did not repurchase any shares of its common stock during the three-month period ended September 30, 2020.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFTEY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	Officers' Certification filed pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation LinkBase
Exhibit 101.DEF	XBRL Taxonomy Extension Definition LinkBase
Exhibit 101.LAB	XBRL Taxonomy Extension Label LinkBase
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation LinkBase

Signatures

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

BCB BANCORP, INC.

Date: November 4, 2020

By: /s/ Thomas Coughlin
Thomas Coughlin
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 4, 2020

By: /s/ Thomas P. Keating
Thomas P. Keating
Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

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Section 2: EX-31.1 (EX-31.1)

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas Coughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BCB Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and;
   d) disclosed in this quarterly report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 4, 2020

/s/ Thomas Coughlin
Thomas Coughlin
President and Chief Executive Officer
(Principal Executive Officer)

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Section 3: EX-31.2 (EX-31.2)

Exhibit 31.2

Certification of Principal Accounting Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas P. Keating, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BCB Bancorp, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and;
   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2020

/s/ Thomas P. Keating
Thomas P. Keating
Senior Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

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Section 4: EX-32 (EX-32)

Exhibit 32

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Thomas Coughlin, President and Chief Executive Officer and Thomas P. Keating, Senior Vice President and Chief Financial Officer of BCB Bancorp, Inc. (the "Company") each certify in his capacity as an officer of the Company that he has reviewed the quarterly report of the Company on Form 10-Q for the quarter ended September 30, 2020 and that to the best of his knowledge:

(1) the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

Date: November 4, 2020	/s/ Thomas Coughlin President and Chief Executive Officer (Principal Executive Officer)
Date: November 4, 2020	/s/ Thomas P. Keating Senior Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)

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