

BCB BANCORP INC
Form 10-Q
May 10, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

Or

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

For the transition period from _____ to _____

Commission File Number: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

(201) 823-0700

(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer £ Accelerated Filer S

Non-Accelerated Filer £ Smaller Reporting Company £

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of May 1, 2013, BCB Bancorp, Inc., had 8,407,496 shares of common stock, no par value, outstanding.

BCB BANCORP INC. AND SUBSIDIARIES

INDEX

	Page
<u>PART I. CONSOLIDATED FINANCIAL INFORMATION</u>	
<u>Item 1. Consolidated Financial Statements</u>	
<u>Consolidated Statements of Financial Condition as of March 31, 2013 and December 31, 2012 (unaudited)</u>	1
<u>Consolidated Statements of Income for the three months ended March 31, 2013 and March 31, 2012 (unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2013 and March 31, 2012 (unaudited)</u>	3
<u>Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2013 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and March 31, 2012 (unaudited)</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4. Controls and Procedures</u>	36
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	37
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 3. Defaults Upon Senior Securities</u>	37
<u>Item 4. Mine Safety Disclosures</u>	38
<u>Item 5. Other Information</u>	38

Item 6. Exhibits

Index

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition

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

	March 31, 2013	December 31, 2012
ASSETS		
Cash and amounts due from depository institutions	\$5,558	\$ 6,242
Interest-earning deposits	31,476	27,905
Total cash and cash equivalents	37,034	34,147
Interest earning time deposits	986	986
Securities available for sale	1,418	1,240
Securities held to maturity, fair value \$147,897 and \$171,603 respectively	142,217	164,648
Loans held for sale	1,328	1,602
Loans receivable, net of allowance for loan losses of \$13,344 and \$12,363 respectively	930,276	922,301
Premises and equipment	13,356	13,568
Federal Home Loan Bank of New York stock	6,933	7,698
Interest receivable	4,275	4,063
Other real estate owned	4,339	3,274
Deferred income taxes	10,322	10,053
Other assets	5,706	7,778
Total Assets	\$1,158,190	\$ 1,171,358

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing deposits	\$102,084	\$ 85,950
Interest bearing deposits	841,712	854,836
Total deposits	943,796	940,786
Short-term Borrowings	—	17,000
Long-term Debt	114,124	114,124
Other Liabilities	7,526	7,867
Total Liabilities	1,065,446	1,079,777

STOCKHOLDERS' EQUITY

Preferred stock: \$0.01 par value, 10,000,000 shares authorized,

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issued and outstanding 865 shares of series A 6% noncumulative perpetual preferred stock (liquidation preference value \$10,000 per share)	—	—
Additional paid-in capital preferred stock	8,570	8,570
Common stock; \$0.064 stated value; 20,000,000 shares authorized, 10,842,479 and 10,841,079 shares, respectively, issued; 8,472,683 shares and 8,496,508 shares, respectively outstanding	694	694
Additional paid-in capital common stock	91,875	91,846
Treasury stock, at cost, 2,369,796 and 2,344,571 shares, respectively	(27,424)	(27,177)
Retained earnings	20,146	18,883
Accumulated other comprehensive loss, net of taxes	(1,117)	(1,235)
Total Stockholders' equity	92,744	91,581
 Total Liabilities and Stockholders' equity	 \$1,158,190	 \$ 1,171,358

See accompanying notes to consolidated financial statements.

Index

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

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

	Three Months Ended March 31,	
	2013	2012
Interest income:		
Loans	\$ 12,992	\$ 11,973
Investments, taxable	1,062	1,534
Investments, non-taxable	12	12
Other interest-earning assets	11	30
Total interest income	14,077	13,549
Interest expense:		
Deposits:		
Demand	103	194
Savings and club	86	167
Certificates of deposit	1,248	1,568
	1,437	1,929
Borrowed money	1,223	1,323
Total interest expense	2,660	3,252
Net interest income	11,417	10,297
Provision for loan losses	1,200	600
Net interest income after provision for loan losses	10,217	9,697
Non-interest income:		
Fees and service charges	424	490
Gain on sales of loans originated for sale	119	640
Gain on sale of securities held to maturity	224	128
Other	17	24
Total non-interest income	784	1,282
Non-interest (benefit) expense:		
Salaries and employee benefits	3,466	3,933
Occupancy expense of premises	812	846
Equipment	1,166	1,448
Professional fees	459	431
Director fees	168	210
Regulatory assessments	265	310
Advertising	102	117
Other real estate owned	(84) 245
Other	550	842

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Total non-interest expense	6,904	8,382
Income before income tax provision	4,097	2,597
Income tax provision	1,687	1,009
Net Income	\$ 2,410	\$ 1,588
Preferred stock dividends	130	—
Net Income available to common stockholders	\$ 2,280	\$ 1,588
Net Income per common share-basic and diluted		
Basic	\$ 0.27	\$ 0.17
Diluted	\$ 0.27	\$ 0.17
Weighted average number of common shares outstanding		
Basic	8,492	9,436
Diluted	8,494	9,449

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2013	2012
Net Income	\$ 2,410	\$ 1,588
Other comprehensive income, net of tax:		
Unrealized gains on available-for-sale securities:		
Unrealized holding gains arising during the period (a)	107	87
Less: reclassification adjustment for gains included in net income (b)	—	—
Benefit plans (c)	11	—
Other comprehensive income	118	87
Comprehensive income	\$ 2,528	\$ 1,675

(a) Represents the net change of the unrealized gain on available-for-sale securities. Represents unrealized gains of \$178,000 and \$145,000, respectively, less deferred taxes of \$71,000 and \$58,000, respectively.

(b) No sales of available-for-sale securities occurred during the three months ended March 31, 2013 and 2012.

Represents the net change of unrecognized loss included in net periodic pension cost. Represents a gross change of (c)\$18,000 less deferred taxes of \$7,000 for the three months ended March 31, 2013. The Statements of Income line items impacted by these amounts are salaries and employee benefits and income tax provision.

See accompanying notes to consolidated financial statements.

Index

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	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income Loss
Beginning Balance at January 1, 2013	\$—\$694		\$100,416	\$(27,177)	\$18,883	\$(1,000)
Exercise of Stock Options (1,400 shares)	—	—	12	—	—	—
Stock-based compensation expense	—	—	17	—	—	—
Treasury Stock Purchases (25,225 shares)	—	—	—	(247)	—	—
Dividends payable on Series A 6% noncumulative perpetual preferred stock	—	—	—	—	(130)	—
Cash dividends on common stock (\$0.12 per share) declared	—	—	—	—	(1,017)	—
Net income	—	—	—	—	2,410	—
Other comprehensive income	—	—	—	—	—	11
Ending Balance at March 31, 2013	\$—\$694		\$100,445	\$(27,424)	\$20,146	\$(1,000)

See accompanying notes to consolidated financial statements.

Index

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In Thousands, Unaudited)

	Three Months Ended March	
	31,	
	2013	2012
Cash Flows from Operating Activities :		
Net Income	\$ 2,410	\$ 1,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	299	275
Amortization and accretion, net	429	497
Provision for loan losses	1,200	600
Deferred income tax (benefit)	(347)	(776)
Loans originated for sale	(5,505)	(15,541)
Proceeds from sale of loans originated for sale	3,309	16,856
Gain on sales of loans originated for sale	(119)	(640)
(Gain) loss on sales of other real estate owned	(21)	137
Fair value adjustment of other real estate owned	(110)	—
Gain on sales of securities held to maturity	(224)	(128)
Stock compensation expense	17	2
(Increase) decrease in interest receivable	(212)	258
Decrease in other assets	2,072	1,114
(Decrease) increase in accrued interest payable	(18)	13
(Decrease) increase in other liabilities	(435)	423
Net Cash Provided by Operating Activities	2,745	4,678
Cash flows from investing activities:		
Proceeds from repayments and calls on securities held to maturity	17,107	19,414
Purchases of securities held to maturity	(1,359)	(40,658)
Proceeds from sale of loans acquired	—	10,836
Proceeds from sale of securities held to maturity	6,327	16,290
Proceeds from sales of real estate owned	806	1,583
Purchases of loans	(227)	(2,243)
Net (Increase) decrease in loans receivable	(7,948)	2,911
Improvements to other real estate owned	—	(59)
Additions to premises and equipment	(87)	(423)
Purchase of Federal Home Loan Bank of New York stock	(1,301)	—
Redemption of Federal Home Loan Bank of New York stock	2,066	631
Net Cash Provided By Investing Activities	15,384	8,282
Cash flows from financing activities:		

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Net increase in deposits	3,010	3,897
Repayment of long-term debt	—	(15,407)
Repayment of short-term debt	(17,000)	—
Purchases of treasury stock	(247)	(1,857)
Cash dividend paid common stock	(1,017)	(1,135)
Exercise of stock options	12	30
Net Cash Used In Financing Activities	(15,242)	(14,472)
Net Increase (Decrease) In Cash and Cash Equivalents	2,887	(1,512)
Cash and Cash Equivalents-Beginning	34,147	117,087
Cash and Cash Equivalents-Ending	\$ 37,034	\$ 115,575
Supplementary Cash Flow Information:		
Cash paid during the year for:		
Income taxes	\$ 1	\$ 500
Interest	\$ 2,678	\$ 3,239
Non-cash items:		
Transfer of loans to other real estate owned	\$ 1,740	\$ 1,118
Reclassification of loans originated for sale to held to maturity	\$ 2,589	\$ 479

See accompanying notes to consolidated financial statements.

Index

BCB Bancorp Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

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

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

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

Significant Event

On October 29th and 30th, 2012, Hurricane Sandy struck the Northeast section of the country. The Bank’s market area has been significantly impacted by the storm which resulted in widespread flooding, wind damage and power outages. The storm temporarily disrupted our branch network and our ability to service our customers, however within one week, all of our offices were fully functional. The Bank has conducted a quantitative analysis identifying 122 loans with outstanding principal loan balances totaling approximately \$38.0 million, of which \$22.0 million of these loans identified have either completed the restoration or have paid the loan in full. The remaining \$16.0 million are at various stages of completion and are closely monitored by the bank. Based on this analysis, the bank has made an additional provision for loan losses totaling \$500,000 to mitigate any potential losses. Executive Management will continue to monitor the ongoing status on a monthly basis to determine if the established provision needs adjustment.

Note 2 – Reclassification

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

Index**Note 3 – Pension and Other Postretirement Plans**

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

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

	Three months ended March 31,	
	2013	2012
Pension plan:		
Interest cost	\$ 98	\$ 111
Expected return on plan assets	(137)	(100)
Amortization of unrecognized loss	18	28
Net periodic pension cost	(21)	39
SERP plan:		
Interest cost	\$ 4	\$ 5
Net periodic postretirement cost	\$ 4	\$ 5

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

The Company, under the plan approved by its shareholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. On January 17, 2013, a grant of 130,000 options was declared for certain members of the Board of Directors which vest at a rate of 10% per year, over ten years commencing on the first anniversary of the grant date. The exercise price was recorded as of the close of business on January 17, 2013 and a Form 4 was filed for each Director who received a grant with the Securities and Exchange Commission consistent with their filing requirements.

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

	Number of Option Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at December 31, 2012	274,296	\$ 8.93-29.25	\$ 11.97
Options forfeited	(3,125) 11.84	11.84
Options exercised	(1,400) 8.93-9.34	9.05
Options granted	130,000	9.03	9.03
Outstanding at March 31, 2013	399,771	\$ 8.93-29.25	\$ 11.03

As of March 31, 2013, stock options which are granted and were exercisable totaled 220,271 stock options.

The key valuation assumptions and fair value of stock options granted during the three months ended March 31, 2013 were:

Expected life	7.75 years
Risk-free interest rate	1.44 %
Volatility	30.56 %
Dividend yield	4.57 %
Fair value	\$1.59

It is Company policy to issue new shares upon share option exercise. Expected future compensation expense relating to the 179,500 unexercisable options outstanding as of March 31, 2013 is \$272,380 over a weighted average period of 9.46 years.

8

Index**Note 4 – Earnings Per Share**

Basic net income per common share is computed by dividing net income available to common stockholders 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. For the three months ended March 31, 2013 and 2012, the weighted average of outstanding options considered to be anti-dilutive were 350,072 and 238,197, respectively, and were therefore excluded from the diluted net income per common share calculation.

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

	For the Three Months Ended March 31,					
	2013			2012		
	Income	Shares	Per Share	Income	Shares	Per Share
	(Numerator)	(Denominator)	Amount	(Numerator)	(Denominator)	Amount
	(In Thousands, Except per share data)					
Net income available to common stockholders	\$2,280			\$1,588		
Basic earnings per share-						
Income available to						
Common stockholders	\$2,280	8,492	\$ 0.27	\$1,588	9,436	\$ 0.17
Effect of dilutive securities:						
Stock options	—	2		—	13	
Diluted earnings per share-						
Income available to						
Common stockholders	\$2,280	8,494	\$ 0.27	\$1,588	9,449	\$ 0.17

Index

Note 5 – Securities Available for Sale

	March 31, 2013			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	\$1,097	\$ 321	\$ —	\$1,418

	December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			