UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934
For the fiscal year ended December 31, 2018.

Or

Transition Report Pursuant To Section 13 or 15(d) Of The Securities Exchange Act of 1934
For the transition period from ______________ to ______________.

Commission file number: 000-50275

BCB BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	26-0065262 (I.R.S. Employer Identification No.)
104-110 Avenue C, Bayonne, New Jersey (Address of principal executive offices)	07002 (Zip Code)

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

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

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

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

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

YES NO

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

YES NO

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

YES NO

Indicate by check mark 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 such shorter period that the Registrant was required to submit such files).

YES NO

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "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 any 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 Act). YES NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2018, as reported by the Nasdaq Global Market, was approximately $204.0 million.

As of March 1, 2019, there were 16,398,459 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for the 2019 Annual Meeting of Stockholders of the Registrant (Part III).

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

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

BCB Bancorp, Inc.

BCB Bancorp, Inc. (individually referred to herein as the “Parent Company” and together with its subsidiaries, collectively referred to herein as the “Company”) is a New Jersey corporation established in 2003, and is the holding company parent of BCB Community Bank (the “Bank”). The Company has not engaged in any significant business activity other than owning all of the outstanding common stock of BCB Community Bank. Our executive office is located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our telephone number is (800) 680-6872 and our website is www.bcb.bank. Information on our website is not incorporated into this Annual Report on Form 10-K. At December 31, 2018 we had approximately $2.675 billion in consolidated assets, $2.181 billion in deposits and $200.2 million in consolidated stockholders’ equity. The Parent Company is subject to extensive regulation by the Board of Governors of the Federal Reserve System.

BCB Community Bank

BCB Community Bank opened for business on November 1, 2000 as Bayonne Community Bank, a New Jersey chartered commercial bank. The Bank changed its name from Bayonne Community Bank to BCB Community Bank in April 2007. At December 31, 2018, the Bank operated through 28 branches in Bayonne, Carteret, Colonia, Edison, Hoboken, Fairfield, Holmdel, Jersey City, Lodi, Lyndhurst, Maplewood, Monroe Township, Parsippany, Plainsboro, Rutherford, South Orange, Union, and Woodbridge, New Jersey, and three branches in Staten Island and Hicksville New York 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 Federal Deposit Insurance Corporation (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, commercial business loans, construction loans, home equity loans, and consumer 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.

Recent Events

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"). The Offering resulted in gross proceeds of $6.3 million to the Company. There were no underwriting discounts or commissions. The Offering price was $12.64 per share, which was the closing price for the Company's common stock on the Nasdaq Global Market on February 22, 2019, the trading day prior to the closing of the Offering. Directors and officers paid the same price as other investors. The Company relied on the exemption from registration provided under Rule 506 of Regulation D promulgated under the Securities Act of 1933 (the "Act"). The Offering was made only to accredited investors as that term is defined in Rule 501(a) of Regulation D under the Act.

On February 18, 2019, BCB Community Bank opened its newest branch in River Edge, New Jersey.

On January 30, 2019, the Company closed a private placement of Series G 6.0% Noncumulative Perpetual Preferred Stock, resulting in gross proceeds of $5,330,000 for 533 shares. The sale represents 21percent of the gross proceeds of the Company's total issued and outstanding Noncumulative Perpetual Preferred Stock. The purchase price was $10,000 per share. The Company relied on the exemption from registration with the Securities and Exchange Commission ("SEC") provided under SEC Rule 506 of Regulation D.

On January 10, 2019, the Company declared a cash dividend of $0.14 per share which was paid to stockholders on February 22, 2019, with a record date of February 8, 2019.

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 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 $1.0 million at December 31, 2018.

On April 17, 2018, the Company completed its acquisition of IA Bancorp, Inc. (“IAB”) and its wholly-owned subsidiary, Indus-American Bank, of Edison, New Jersey. IAB shareholders received 0.189 shares of the Company’s common stock for each share of IAB common stock they owned as of the effective date of the acquisition. In

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addition, the Company issued two series of preferred stock, Series E and F, in exchange for two outstanding series, Series C and D, respectively, of IAB preferred stock. The two series of Company preferred shares have terms substantially similar to the terms of the two series of IAB preferred stock. The aggregate consideration paid to IAB shareholders was $20.0 million. The results of IAB's operations are included in the Company's unaudited consolidated statements of income beginning April 17, 2018, the date of the acquisition and are included in the audited consolidated financial statements included herein.

Business Strategy

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

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

Focusing on profitability. The Company intends to continue its growth through opening new branches and acquisitions. While this will serve to expand our geographic footprint, it should also provide additional sources of liquidity and as new branches mature, increase profitability. Management continues to be committed to managing and controlling our non-interest expenses to improve our efficiency ratio, and to remain as a well-capitalized institution.

Strengthening our balance sheet. For the year ended December 31, 2018, our return on average equity was 8.86% and our return on average assets was 0.70%. Our earnings per diluted share was $1.01 for the year ended December 31, 2018 compared to $0.75 for the year ended December 31, 2017. Management remains committed to strengthening the Bank's statements of financial condition and maintaining profitability by diversifying the products, pricing and services we offer.

Concentrating on real estate-based lending. A primary focus of our business strategy is to originate loans secured by commercial and multi-family properties. Such loans generally provide higher returns than loans secured by one- to four-family properties. As a result of our underwriting practices, including debt service requirements for commercial real estate and multi-family loans, management believes that such loans offer us an opportunity to obtain higher returns without a significant increased level of risk.

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

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

Attracting highly experienced and qualified personnel.   An important part of our strategy is to hire bankers who have prior experience in the markets we serve, as well as pre-existing business relationships. Our management team averages over 20 years of banking experience, while our lenders and branch personnel have significant experience at community banks and regional banks throughout the region. Management believes that its knowledge of these markets has been a critical element in the success of the Bank. Management’s extensive knowledge of the local communities has allowed us to develop and implement a highly focused and disciplined approach to lending, and has enabled the Bank to attract a high percentage of low cost deposits.

Our Market Area

We are located in Bayonne, Jersey City and Hoboken in Hudson County, Carteret, Colonia, Edison, Monroe Township, Plainsboro and Woodbridge in Middlesex County, Lodi, Lyndhurst, and Rutherford in Bergen County and Fairfield, Maplewood, and South Orange in Essex County, Holmdel in Monmouth County, Parsippany in Morris County, and Union in Union County, New Jersey. The Bank also operates two branches in Staten Island, New York and one in Hicksville, New York. The Bank’s locations are easily accessible and provide convenient services to businesses and individuals throughout our market area. These areas are all considered “bedroom” or “commuter” communities to Manhattan. Our market area is well-served by a network of arterial roadways, including Route 440 and the New Jersey Turnpike.

Our market area has a high level of commercial business activity. Businesses are concentrated in the service sector and retail trade areas. Major employers in our market area include certain medical centers and local boards of education.

Competition

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

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

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Lending Activities

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

	At December 31,												
	2018			2017			2016			2015			2014
	Amount	Percent		Amount	Percent		Amount	Percent		Amount	Percent		Amount
	(Dollars in Thousands)												
Originated loans:													
Residential one-to-four family	$ 213,200	9.26	%	$ 182,544	10.98	%	$ 142,081	9.44	%	$ 117,165	8.13	%	$ 124,642
Commercial and multi-family	1,540,766	66.91		1,213,390	72.97		1,056,806	70.26		982,828	68.23		732,791
Construction	106,187	4.61		50,497	3.04		70,867	4.71		64,008	4.44		73,497
Commercial business(1)	136,966	5.95		66,775	4.02		63,444	4.22		70,340	4.88		54,244
Home equity(2)	54,271	2.36		38,725	2.33		32,417	2.15		31,237	2.17		30,175
Consumer	726	0.03		1,183	0.07		1,269	0.08		2,365	0.16		2,178
Sub-total	2,052,116	89.12		1,553,114	93.41		1,366,884	90.86		1,267,943	88.01		1,017,527
Acquired loans initially recorded at fair value:													
Residential one-to-four family	43,495	1.89		47,808	2.88		56,310	3.74		67,587	4.69		81,051
Commercial and multi-family	150,239	6.52		46,609	2.80		60,422	4.02		79,308	5.51		95,191
Construction	1,596	0.07		-	-		-	-		-	-		-
Commercial business(1)	27,373	1.19		4,057	0.24		4,460	0.30		4,281	0.30		6,381
Home equity(2)	18,376	0.80		8,955	0.54		13,877	0.92		18,851	1.31		22,698
Consumer	83	-		122	0.01		225	0.01		263	0.02		652

Sub-total	241,162	10.47	107,551	6.47	135,294	8.99	170,290	11.83	205,973
Acquired loans with deteriorated credit:									
Residential one-to-four family	1,390	0.06	1,413	0.08	1,443	0.10	1,474	0.10	1,595
Commercial and multi-family	6,832	0.30	731	0.04	753	0.05	669	0.05	1,130
Commercial business(1)	854	0.04	-	-	-	-	167	0.01	369
Home equity(2)	248	0.01	-	-	-	-	71	-	82
Sub-total	9,324	0.41	2,144	0.12	2,196	0.15	2,381	0.16	3,176
Total Loans	2,302,602	100.00 %	1,662,809	100.00 %	1,504,374	100.00 %	1,440,614	100.00 %	1,226,676
Less:									
Deferred loan fees, net	1,751		1,757		2,006		2,454		2,675
Allowance for loan losses	22,359		17,375		17,209		18,042		16,151
Total loans, net	$ 2,278,492		$ 1,643,677		$ 1,485,159		$ 1,420,118		$ 1,207,850

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2018. The amount shown represents outstanding principal balances. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as being due in one year or less. The table does not include prepayments or scheduled principal repayments.

	Due within 1 Year (In Thousands)	Due after 1 through 5 Years	Due After 5 Years	Total
One- to four-family	$ 1,489	$ 1,243	$ 255,353	$ 258,085
Construction	62,431	30,073	15,279	107,783
Commercial business(1)	20,160	65,755	79,278	165,193
Commercial and multi-family	53,380	159,981	1,484,476	1,697,837
Home equity(2)	10,021	5,830	57,044	72,895
Consumer	424	184	201	809
Total amount due	$ 147,905	$ 263,066	$ 1,891,631	$ 2,302,602

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Loans with Fixed or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at December 31, 2018 that are due after December 31, 2019, and have fixed interest rates or that have floating or adjustable interest rates.

	Fixed Rates (In Thousands)	Floating or Adjustable Rates	Total
One- to four-family	$ 118,251	$ 138,345	$ 256,596
Construction	-	45,352	45,352
Commercial business(1)	21,912	123,121	145,033
Commercial and multi-family	193,907	1,450,550	1,644,457

Home equity(2)	21,577	41,297	62,874
Consumer	349	36	385
Total amount due	$ 355,996	$ 1,798,701	$ 2,154,697

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Commercial and Multi-family Real Estate Loans. Commercial real estate loans are secured by improved property such as office buildings, mixed use buildings retail stores, shopping centers, warehouses, and other non-residential buildings. Loans secured by multi-family residential units are properties consisting of five or more residential units. The Bank offers fully amortizing loans on commercial and multi-family properties at loan amounts up to 75% of the appraised value of the property. Commercial and multi-family real estate loans are generally made at rates that adjust above the five year Federal Home Loan Bank of New York interest rate, with terms of up to 30 years. The Bank also offers balloon loans with fixed interest rates which generally mature in three to five years with amortization periods up to 30 years. As of December 31, 2018, the Bank's largest commercial real estate loan had an outstanding principal balance of $21.0 million. This loan is secured by an office/retail building located in Hoboken, NJ. This loan is performing in accordance with its terms at December 31, 2018.

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

Construction Loans. The Bank offers loans to finance the construction of various types of commercial and residential properties. Construction loans to builders generally are offered with terms of up to thirty months and interest rates tied to the prime rate plus a margin. These loans generally are offered as adjustable rate loans. The Bank will originate construction loans to customers provided all necessary plans and permits are in order. Construction loan funds are disbursed as the project progresses. The Bank also offers construction loans that convert to a permanent mortgage on the property upon completion of the construction and adherence to conditions established at the time the construction loan was first approved. Terms of such permanent mortgage loans are similar to other mortgage loans secured by similar properties, with the interest rate established at the time of conversion. As of December 31, 2018, the Bank's largest construction loan has a borrowing capacity of $19.0 million, of which $8.2 million has been disbursed. This loan is performing in accordance with its terms at December 31, 2018.

Construction financing is generally considered to involve a higher degree of risk than commercial real estate loans or one-to-four family residential lending. To mitigate these risks the Bank will obtain a plan and cost review from a third party vendor to review the proposed construction budget in an effort to avoid cost overruns. The Bank also obtains multiple appraised values based upon various possible outcomes of the project. These values include "As Is," "As

Completed," "As a Rental," "As Sellout," and "As a Bulk Sale."

Commercial Business Loans. The Bank offers a variety of commercial business loans in forms of either lines of credit or term loans that are fully amortized. Lines of credit are typically utilized for working capital purposes. These loans are either revolving or non-revolving and provide loan terms between one to three years. The re-payment is generally interest only and the interest rate is adjustable based upon, the prime rate. Term loans are typically for purchasing a business or equipment for a business. Term loans have terms between five to twenty-five years and are fully amortizing. The interest rate is adjustable and tied to the five year Federal Home Loan Bank of New York rate. Commercial business loans are underwritten on the basis of the borrower's ability to service such debt from income. These loans are generally made to small and mid-sized companies located within the Bank's primary and secondary lending areas. A commercial business loan may be secured by equipment, accounts receivable, inventory, chattel or other assets. As of December 31, 2018, the Bank's largest commercial business loan is a revolving line of credit to a school district in Hudson County, NJ secured by plant, equipment, and accounts receivable. The borrowing capacity at December 31, 2018 was $15.0 million, of which no dollars have been dispersed. Additionally, the Bank has a Warehouse Line of Credit secured by commercial real estate with a borrowing capacity of $15.0 million at December 31, 2018, of which $12.2 million has been disbursed. This loan is performing in accordance with its terms at December 31, 2018.

Commercial business loans generally have higher rates and shorter terms than one to four family residential loans, but they may also involve higher average balances and a higher risk of default since their repayment generally depends on the successful operation of the borrower's business.

SBA Lending. The Bank offers qualifying business loans guaranteed by the U.S. Small Business Administration ("SBA"). Amongst other characteristics, SBA borrowers are often sound businesses, but may have lower equity funds to invest in their businesses, may be at an earlier stage of business development, or have other characteristics that may make them ineligible for conventional unguaranteed bank loans. There is a well-developed market for the sale of the guaranteed portion of SBA 7(a) loans. During 2018, we originated approximately $26.1 million SBA loans, sold $20.2 million guaranteed portions, with a recognition of gains of approximately $1.93 million from the sale of such loans. As of December 31, 2018, the Bank's largest SBA loan is secured by a hotel building located in Brooklyn, NY. The borrowing capacity is $4.9 million. This loan is performing in accordance with its terms at December 31, 2018.

Residential Lending. Residential loans are secured by one-to-four family dwellings, condominiums and cooperative units. Residential mortgage loans are secured by properties located in our primary lending areas of Bergen, Essex, Middlesex, Hudson, Monmouth and Richmond Counties; adjoining counties are considered as our secondary lending areas. We generally originate residential mortgage loans up to 80% loan-to-value at a maximum loan amount of $1.5 million and 75% loan-to-value at a maximum loan amount of $3.0 million for primary residences. The loan-to-value ratio is based on the lesser of the appraised value or the purchase price without the requirement of private mortgage insurance. We will originate loans with loan-to-value ratios up to 90%, provided the borrower obtains private mortgage insurance approval. We originate both fixed rate and adjustable rate residential loans with a term of up to 30 years. We offer 15, 20, and 30 year fixed, 15/30 year balloon and 3/1, 5/1, 7/1 and 10/1 adjustable rate loans with payments being calculated to include principal, interest, taxes and insurance. The 3/1 and 5/1 adjustable rate loans are qualified at 2% above the start rate; all other loans are qualified at the start rate. We have a number of correspondent relationships with third party lenders in which we deliver closed first mortgage loans. Our correspondent banking relationships allow us to offer customers competitive long term fixed rate and adjustable rate loans we could not otherwise originate, while providing the Bank a source of fee income. During 2018, 63 loans were sold for approximately $22.8 million in the secondary market and recognized gains of approximately $381,000 from the sale of such loans.

Home Equity Loans and Home Equity Lines of Credit. The Bank offers home equity loans and lines of credit that are secured by either the borrower’s primary residence, a secondary residence or an investment property. Our home equity loans can be structured as loans that are disbursed in full at closing or as lines of credit. Home equity lines of credit are offered with terms up to 30 years. Virtually all of our home equity loans are originated with fixed rates of interest and home equity lines of credit are originated with adjustable interest rates tied to the prime rate. Home equity loans and lines of credit are underwritten under the same criteria that we use to underwrite one to four family residential loans. Home equity lines of credit may be underwritten with a loan-to-value ratio of up to 80% in a first lien position. At December 31, 2018, the outstanding balances of home equity loans and lines of credit totaled $72.9 million.

Consumer Loans. The Bank makes secured passbook, automobile and occasionally unsecured consumer loans. Consumer loans generally have terms between one and five years. They generally are made on a fixed rate basis, fully-amortizing.

Loan Approval Authority and Underwriting. The Bank’s Lending Policy has established lending limits for executive management. Two Officers with authority, one of which is a Senior Credit Officer and one Executive Officer, have authority to approve loan requests up to $2.5 million. Loan requests in excess of $2.5 million but not exceeding $4.0 million shall be presented to the Chairman of the Loan Committee. Loan requests exceeding $4.0 million shall be presented to the Bank’s Board of Directors Loan Committee, which shall be comprised of a quorum of the Bank’s Board of Directors.

Upon receipt of a completed loan application including all appropriate financial information from a prospective borrower, the Bank will conduct its due diligence analysis. Property valuations or appraisals are required for all real estate collateralized loans. Appraisals are prepared by a state certified independent appraiser approved by the Bank Board of Directors.

Loan Commitments. Written commitments are given to prospective borrowers on all approved loans. Generally, we honor commitments for up to 60 days from the date of issuance. At December 31, 2018, our outstanding loan origination commitments totaled $27.9 million, standby letters of credit totaled $3.1 million, undisbursed construction funds totaled $96.7 million, and undisbursed lines of credit funds totaled $112.2 million.

Loan Delinquencies. Notices of nonpayment are generated to borrowers once the loan account(s) becomes either 10 or 15 days past due, as specified in the applicable promissory note. A nonresponsive borrower will receive collection calls and a site visit from a bank representative in addition to follow-up delinquency notices. If such payment is not received after 60 days, a notice of right to cure default is sent to the borrower providing 30 additional days to bring the loan current before foreclosure or other remedies are commenced. The Bank utilizes various reporting tools to closely monitor the performance and asset quality of the loan portfolio. The Bank complies with all federal, state and local laws regarding collection of its delinquent accounts.

Non-Accrual Status. Loans are placed on a non-accrual status when the loan becomes more than 90 days delinquent or when, in our opinion, the collection of payment is doubtful. Once placed on non-accrual status, the accrual of interest income is discontinued until the loan has been returned to normal accrual. At December 31, 2018, the Bank had $7.2 million in non-accruing loans. The largest exposure of non-performing loans was a commercial real estate loan with an outstanding principal balance of approximately $920,000 fully collateralized by a residential property.

Impairment Status. A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. Impaired loans can be loans which are more than 90 days delinquent, troubled debt restructured, part of our special residential program, in the process of foreclosure, or a forced Bankruptcy plan. We have determined that an insignificant delay (less than 90 days) will not cause a loan to be classified as impaired if we expect to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. We independently evaluate all loans identified as impaired. We estimate credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment will be derived from the sale or operation of such collateral. Impaired loans, or portions of such loans, are charged off when we determine a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan, in which case the portion of the receipts related to interest is applied to principal. At December 31, 2018, we had 127 loans with carrying balance totaling $42.4 million which are classified as impaired and on which loan loss allowances totaling $2.2 million have been established.

Troubled Debt Restructuring. A troubled debt restructuring (“TDR”) is a loan that has been modified whereby the Bank has agreed to make certain concessions to a borrower to meet the needs of both the borrower and the Bank 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 modification that would otherwise not be granted to the borrower. The types of concessions granted generally included, but were not limited to, interest rate reductions, limitations on the accrued interest charged, term extensions, and deferment of principal. The total troubled debt restructured loans were $26.6 million at December 31, 2018.

The Bank had allocated $772,000 and $666,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings as of December 31, 2018, and December 31, 2017, respectively.

If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized through an allowance estimate or charge-off to the allowance. This process is used, regardless of loan type, and for loans modified as TDRs that subsequently default on their modified terms.

Criticized and Classified Loans. The Bank's Lending Policy contains an internal rating system which evaluates the overall risk of a problem loan. When a loan is classified and determined to be impaired, the Bank may establish specific allowances for loan losses. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. At December 31, 2018, the Bank reported $26.2 million in classified assets. The loans classified are represented by loans secured either by one-to-four family, commercial business, or commercial real estate.

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 rating (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 of recovery.

The grades are determined through the uses of a qualitative matrix taking into account various characteristics of the loan such as quality of management, principals'/guarantors' character, balance sheet strength, collateral quality, cash flow coverage, position within the industry, loan structure and documentation.

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

The Bank consistently applies the following comprehensive methodology. During the quarterly review of the allowance for loan losses, the Bank considers a variety of 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 of performing loans and loans determined to be impaired. Loans which are performing are evaluated homogeneously 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 due to economic conditions in the market. Impaired loans can be loans which are more than 90 days delinquent, troubled debt restructured, part of our special residential program, in the process of foreclosure, or a forced bankruptcy plan. These loans are individually evaluated for loan loss either by current appraisal, or net present value. Management reviews the overall estimate for feasibility and bases the loan loss provision accordingly. As of December 31, 2018, non-accrual loans differed from the amount of total loans past due greater than 90 days due to troubled debt restructurings of loans which are maintained on non-accrual status for a minimum of six months until the borrower has demonstrated their ability to satisfy the terms of the restructured loan. The Bank also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions which may cause a potential loan loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential loan losses is performed, these estimates lack some element of precision. Management must make estimates using assumptions and information that is often subjective and subject to change.

The following tables set forth delinquencies in our loan portfolio as of the dates indicated:

	At December 31, 2018				At December 31, 2017			
	60-90 Days		Greater than 90 Days		60-90 Days		Greater than 90 Days	
	Number of	Principal Balance	Number of	Principal Balance	Number of	Principal Balance	Number of	Principal Balance

	Loans	of Loans	Loans	of Loans	Loans	of Loans	Loans	of Loans
	(Dollars in Thousands)							
Real estate mortgage:								
One-to-four family residential	5	$ 1,534	12	$ 3,369	6	$ 1,983	10	$ 4,011
Construction	-	-	-	-	-	-	-	-
Home equity (2)	4	109	11	90	6	539	6	51
Commercial and multi-family	4	377	19	7,000	2	887	3	850
Total	13	2,020	42	10,459	14	3,409	19	4,912
Commercial business (1)	-	-	36	1,201	3	640	6	103
Consumer	-	-	-	-	-	-	-	-
Total delinquent loans	13	$ 2,020	78	$ 11,660	17	$ 4,049	25	$ 5,015
Delinquent loans to total loans		0.09 %		0.51 %		0.24 %		0.30 %

	At December 31, 2016				At December 31, 2015			
	60-90 Days		Greater than 90 Days		60-90 Days		Greater than 90 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in Thousands)							
Real estate mortgage:								
One-to-four family residential	6	$ 1,478	19	$ 5,027	4	$ 1,097	21	$ 5,089
Construction	-	-	-	-	1	80	-	-
Home equity (2)	3	350	9	280	4	333	9	816
Commercial and multi-family	3	1,210	9	5,919	11	4,675	18	7,760
Total	12	3,038	37	11,226	20	6,185	48	13,665

Commercial business (1)	1	69	7	315	-	-	10	851
Consumer	-	-	1	6	-	-	-	-
Total delinquent loans	13	$ 3,107	45	$ 11,547	20	$ 6,185	58	$ 14,516
Delinquent loans to total loans		0.21 %		0.77 %		0.43 %		1.01 %

	At December 31, 2014			
	60-90 Days		Greater Than 90 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in Thousands)			
Real estate mortgage:				
One-to-four family residential	12	$ 4,096	10	$ 2,303
Construction	-	-	-	-
Home equity (2)	5	552	7	216
Commercial and multi-family	6	1,815	8	3,712
Total	23	6,463	25	6,231
Commercial business (1)	2	748	2	391
Consumer	1	9	-	-
Total delinquent loans	26	$ 7,220	27	$ 6,622
Delinquent loans to total loans		0.59 %		0.54 %

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

	At December 31, 2018	2017	2016	2015	2014
	(Dollars in Thousands)				
Non-accruing loans:					
One-to four-family residential	$ 3,325	$ 4,917	$ 7,122	$ 8,195	$ 7,679
Construction	-	-	-	-	-
Home equity (2)	319	208	1,179	1,560	943
Commercial and multi-family	3,173	7,612	6,619	12,807	10,355
Commercial business (1)	404	299	726	885	627
Consumer	-	-	6	-	-
Total	7,221	13,036	15,652	23,447	19,604
Accruing loans delinquent more than 90 days:					
One-to four-family residential	545	315	-	-	-
Construction	-	-	-	-	-
Home equity (2)	-	-	-	-	-
Commercial and multi-family	877	-	2,827	-	-
Commercial business (1)	-	-	-	-	-
Consumer	-	-	-	-	-
Total	1,422	315	2,827	-	-
Total non-performing loans	8,643	13,351	18,479	23,447	19,604
Foreclosed assets	1,333	532	3,525	1,564	3,485
Total non-performing assets	$ 9,976	$ 13,883	$ 22,004	$ 25,011	$ 23,089
Total non-performing assets as a percentage of total assets	0.37 %	0.71 %	1.29 %	1.55 %	1.77 %
Total non-performing loans as a percentage of total loans	0.38 %	0.80 %	1.23 %	1.63 %	1.60 %

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

There were $26.6 million of troubled debt restructured loans at December 31, 2018, of which $22.5 million were classified as accruing and $4.1 million were classified as non-accrual.

For the year ended December 31, 2018, gross interest income which would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to $1.0 million. We received and recorded $1.1 million in interest income for loans which were returned to accruing status during the for the year ended December 31, 2018.

Non-accrual loans in the preceding table do not include loans acquired with deteriorated credit, which were recorded at fair value at acquisition and totaled $7.0 million at December 31, 2018 and $0 at December 31, 2017.

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

	Years Ended December 31,		
	2018	2017	20
		(Dollars in Thous	
Balance at beginning of year	$ 17,375	$ 17,209	$ 18
Charge-offs:			
One- to four-family residential	374	336	45
Construction	-	-	-
Commercial business(1)	15	1,553	16
Commercial and multi-family	-	190	40
Home equity(2)	15	54	54
Consumer	42	11	-
Total charge-offs	446	2,144	1,
Recoveries	300	200	22
Net charge-offs	146	1,944	86
Provisions charge to operations	5,130	2,110	27
Ending balance	$ 22,359	$ 17,375	$ 17
Ratio of non-performing assets to total assets at the end of year	0.37 %	0.71 %	1.
Allowance for loan losses as a percent of total loans outstanding	0.97 %	1.05 %	1.
Ratio of net charge-offs during the year to total loans outstanding at end of the year	0.01 %	0.12 %	0.
Ratio of net charge-offs during the year to non-performing loans	1.69 %	14.56 %	4.

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

	December 31, 2018 Amount	Percent of Loans in each Category in Total Loans	2017 Amount	Percent of Loans in each Category in Total Loans	2016 Amount	Percent of Loans in each Category in Total Loans	2015 Amount	Percent of Loans in each Category in Total Loans	
	(Dollars in Thousands)								
Originated loans:									
Residential one-to-four family	$ 2,374	9.26 %	$ 2,368	10.98 %	$ 2,098	9.44 %	$ 2,107	8.13 %	$
Commercial and Multi-family	14,000	66.91	11,656	72.97	10,621	70.26	11,643	68.23	
Construction	1,003	4.61	518	3.04	736	4.71	722	4.44	
Commercial business(1)	3,869	5.95	2,018	4.02	3,079	4.22	1,749	4.88	
Home equity(2)	313	2.36	338	2.33	374	2.15	369	2.17	
Consumer	2	0.03	6	0.07	2	0.08	879	0.16	
Unallocated	189	-	177	-	69	-	168	-	
Sub-total:	$ 21,750	89.12	$ 17,081	93.41	$ 16,979	90.86	$ 17,637	88.01	$
Acquired loans recorded at fair value:									
Residential one-to-four family	$ 335	1.89	$ 242	2.88	$ 170	3.74	$ 270	4.69	$
Commercial and Multi-family	-	6.52	-	2.80	-	4.02	17	5.51	
Construction	-	0.07	-	-	-	-	-	-	
Commercial business(1)	-	1.19	-	0.24	-	0.30	-	0.30	
Home equity(2)	-	0.80	-	0.54	4	0.93	50	1.31	
Consumer	-	-	-	0.01	-	-	-	0.02	

Unallocated		-	-			-	-			-	-			-	-		
Sub-total	$	335	10.47		$	242	6.47		$	174	8.99		$	337	11.83		$
Acquired loans with deteriorated credit:																	
Residential one-to-four family	$	39	0.06		$	40	0.08		$	43	0.10		$	47	0.10		$
Commercial and Multi-family		168	0.30			12	0.04			13	0.05			14	0.05		
Construction		-	-			-	-			-	-			-	-		
Commercial business(1)		64	0.04			-	-			-	-			4	0.01		
Home equity(2)		3	0.01			-	-			-	-			3	-		
Consumer		-	-			-	-			-	-			-	-		
Unallocated		-	-			-	-			-	-			-	-		
Sub-total:	$	274	0.41		$	52	0.12		$	56	0.15		$	68	0.16		$
Total	$	22,359	100.00	%	$	17,375	100.00	%	$	17,209	100.00	%	$	18,042	100.00	%	$

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

Investment Activities

Investment Securities. We are required under federal regulations to maintain a minimum amount of liquid assets that may be invested in specified short-term securities and certain other investments. The level of liquid assets varies depending upon several factors, including: (i) the yields on investment alternatives, (ii) our judgment as to the attractiveness of the yields then available in relation to other opportunities, (iii) expectation of future yield levels, and (iv) our projections as to the short-term demand for funds to be used in loan origination and other activities. Investment securities, including mortgage-backed securities, are classified at the time of purchase, based upon management’s intentions and abilities, as securities held-to-maturity or securities available for sale. Debt securities acquired with the intent and ability to hold to maturity may be classified as held-to-maturity and stated at cost and adjusted for amortization of premium and accretion of discount, which are computed using the level yield method and recognized as adjustments of interest income. All other debt and equity securities are classified as available for sale to serve principally as a source of liquidity.

As of December 31, 2018, there were no securities classified as held-to-maturity. We had $119.3 million in securities classified as available for sale, and no securities classified as trading. Securities classified as available for sale were reported for financial reporting purposes at the fair value with net changes in the fair value from period to period included as a separate component of stockholders' equity, net of income taxes. Changes in the fair value of securities classified as held-to-maturity or available for sale do not affect our income, unless we determine there to be an other-than-temporary impairment for those securities in an unrealized loss position. As of December 31, 2018, management concluded that all unrealized losses were temporary in nature since they were related to interest rate fluctuations rather than any underlying credit quality of the issuers. Additionally, the Bank has no plans to sell these securities and has concluded that it is unlikely it would have to sell these securities prior to the anticipated recovery of the unrealized losses.

As of December 31, 2018, our investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations; (ii) U.S. federal agency or federally sponsored enterprise obligations; (iii) mortgage-backed securities; (iv) municipal obligations, (v) equity securities (preferred stock); and (vi) certificates of deposit. The Board of Directors may authorize additional investments.

As a source of liquidity and to supplement our lending activities, we have invested in residential mortgage-backed securities. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees or credit enhancements that reduce credit risk. Mortgage-backed securities can serve as collateral for borrowings and, through repayments, as a source of liquidity. Mortgage-backed securities represent a participation interest in a pool of single-family or other type of mortgages. Principal and interest payments are passed from the mortgage originators, through intermediaries (generally government-sponsored enterprises) that pool and repackage the participation interests in the form of securities, to investors, like us. The government-sponsored enterprises guarantee the payment of principal and interest to investors and include Freddie Mac, Ginnie Mae, and Fannie Mae.

Mortgage-backed securities typically are issued with stated principal amounts. The securities are backed by pools of mortgage loans that have interest rates that are within a set range and have varying maturities. The underlying pool of mortgages can be composed of either fixed rate or adjustable rate mortgage loans. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates. The interest rate risk characteristics of the underlying pool of mortgages (i.e., fixed rate or adjustable rate) and the prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security is equal to the life of the underlying mortgages. Expected maturities will differ from contractual maturities due to scheduled repayments and because borrowers may have the right to call or prepay obligations with or without prepayment penalties.

Securities Portfolio. The following table sets forth the carrying value of our securities portfolio and FHLB stock at the dates indicated.

		At December 31,				
		2018		2017		2016
		(In Thousands)				
Securities available for sale:						
Mortgage-backed securities	$	115,640	$	111,793	$	82,472
Municipal obligations		3,695		2,502		6,961
Total debt securities available for sale		119,335		114,295		89,433
Equity investments		7,672		8,294		5,332
FHLB stock		13,405		10,211		9,306
Total investment securities	$	140,412	$	132,800	$	104,071

Maturities and yields of Securities Portfolio. The following table sets forth information regarding the scheduled maturities, amortized cost, estimated fair values, and weighted average yields for the Bank's debt securities portfolio at December 31, 2018 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments, the effects of possible prepayments, or equity investments, as these securities have no stated maturity.

		December 31, 2018													
		Within one year				More than One to five years				More than five to ten years				More than ten years	
		Amortized Cost	Average Yield			Amortized Cost	Average Yield			Amortized Cost	Average Yield			Amortized Cost	Avera Yield
		(Dollars in Thousands)													
Mortgage-backed securities	$	-	-	%	$	5,613	2.32	%	$	3,246	2.82	%	$	110,710	2.80
Municipal obligations		495	1.67			917	3.57			1,225	4.28			1,036	4.84
Total investment securities	$	495	1.67	%	$	6,530	2.50	%	$	4,471	3.22	%	$	111,746	3.05

Sources of Funds

Our major external source of funds for lending and other investment purposes are deposits. Funds are also derived from the receipt of payments on loans, prepayment of loans, maturities of investment securities and mortgage-backed securities and borrowings. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and market conditions.

Deposits. Consumer and commercial deposits are attracted principally from within our primary market area through the offering of a selection of deposit instruments including demand, NOW, savings and club accounts, money market accounts, and term certificate accounts. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit, and the interest rate.

The interest rates paid by us on deposits are set at the direction of our senior management. Interest rates are determined based on our liquidity requirements, interest rates paid by our competitors, our growth goals, and applicable regulatory restrictions and requirements. As of December 31, 2018 we had $248.0 million in brokered deposits, of which $72.8 million are reciprocal and are not considered brokered deposits under recent regulatory reform.

Deposit Accounts. The following table sets forth the dollar amount of deposits in the various types of deposit programs we offered as of the dates indicated.

	December 31, 2018 Weighted Average Rate(1)		Amount	2017 Weighted Average Rate(1)		Amount	2016 Weighted Average Rate(1)		Amount
	(Dollars in Thousands)								
Noninterest bearing accounts	-	%	$ 263,960	-	%	$ 201,043	-	%	$ 183,821
Interest bearing checking	0.61		330,474	0.55		297,040	0.55		281,773
Savings and club accounts	0.17		260,547	0.15		258,632	0.15		260,121
Money market	1.21		221,898	0.85		148,022	0.66		125,614
Certificates of deposit	1.80		1,103,845	1.43		664,633	1.36		540,875
Total	1.25	%	$ 2,180,724	0.79	%	$ 1,569,370	0.77	%	$ 1,392,204

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(1) Represents the average rate paid during the year.

The following table sets forth our deposit flows during the years indicated.

	Years Ended December 31,		
	2018	2017	2016
	(Dollars in Thousands)		
Beginning of year	$ 1,569,370	$ 1,392,205	$ 1,273,929
Net deposits	590,959	165,260	107,736
Interest credited on deposit accounts	20,395	11,905	10,540
Total increase in deposit accounts	611,354	177,165	118,276
Ending balance	$ 2,180,724	$ 1,569,370	$ 1,392,205
Percent increase	38.96 %	12.73 %	9.28 %

Time Deposits of $100,000 or More. As of December 31, 2018, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to $100,000 was approximately $888.6 million. The following table indicates the amount of our certificates of deposit of $100,000 or more by time remaining until maturity.

	At December 31, 2018
Maturity Period	(In Thousands)
Within three months	$ 226,231
Over three months through twelve months	420,840
Over twelve months	241,506
Total	$ 888,577

The following table presents, by rate category, our certificate of deposit accounts as of the dates indicated.

	At December 31,					
	2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Certificate of deposit rates:						
0.00% - 0.99%	$ 71,822	6.51 %	$ 102,570	15.43 %	$ 127,186	23.51 %
1.00% - 1.99%	209,884	19.01	454,930	68.45	331,352	61.26
2.00% - 2.99%	771,682	69.91	105,849	15.93	82,267	15.21
3.00% - 3.99%	50,457	4.57	1,284	0.19	70	0.01
Total	$ 1,103,845	100.00 %	$ 664,633	100.00 %	$ 540,875	100.00 %

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of December 31, 2018.

	Maturity Date				
	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 Years	Total
	(In Thousands)				
Interest rate:					
0.00% - 0.99%	$ 60,808	$ 9,886	$ 1,078	$ 50	$ 71,822
1.00% - 1.99%	153,836	38,540	10,180	7,328	209,884
2.00% - 2.99%	528,884	167,351	50,926	24,521	771,682
3.00% - 3.99%	44,785	5,350	116	206	50,457
Total	$ 788,313	$ 221,127	$ 62,300	$ 32,105	$ 1,103,845

Borrowings. The Overnight Advance Program permits the Bank to borrow overnight up to its maximum borrowing capacity at the Federal Home Loan Bank of New York (“FHLB”). At December 31, 2018, the Bank’s total credit exposure cannot exceed 50% of its total assets, or $1.337 billion, based on the borrowing limitations outlined in the FHLB member products guide. The total credit exposure limit to 50% of total assets is recalculated each quarter. Additionally, at December 31, 2018 we had a floating rate junior subordinated debenture of $4.1 million which has been callable at the Bank’s option since June 17, 2009, and quarterly thereafter, and a fixed-to-floating rate 10-year subordinated debenture of $33.5 million.

The following table sets forth information concerning balances and interest rates on our short-term borrowings at the dates and for the years indicated.

	At or For the Years Ended December 31,		
	2018	2017	2016
	(Dollars in Thousands)		
Balance at end of year	$ -	$ -	$ 20,000
Average balance during year	$ 749	$ 1,016	$ 103
Maximum outstanding at any month end	$ 44,000	$ 35,000	$ 20,000
Weighted average interest rate at end of year	- %	- %	1.00 %
Average interest rate during year	2.09 %	1.02 %	0.88 %

Employees

At December 31, 2018, we had 365 full-time equivalent employees. None of our employees are represented by a collective bargaining group. We believe that our relationship with our employees is good.

Subsidiaries

We have five non-bank subsidiaries. BCB Holding Company Investment Corp. was established in 2004 for the purpose of holding and investing in securities. Only securities authorized to be purchased by BCB Community Bank are held by BCB Holding Company Investment Corp. At December 31, 2018, this company held $127.0 million in securities. With the merger with Pamrapo Bancorp. Inc., we acquired Pamrapo Service Corporation which has been inactive since May 2010. BCB New York Management, Inc. was established in October 2012 for the purpose of holding and investing in various loan products and investing in securities. For the year ended December 31, 2018, there was no activity related to this subsidiary. As a part of the merger with IA Bancorp, the Company acquired Special Asset REO 1, LLC and Special Asset REO 2, LLC, both of which were inactive at December 31, 2018.

Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are primarily intended to protect depositors and the deposit insurance funds, rather than to protect shareholders and creditors. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Company or the Bank.

Set forth below is a summary of certain material regulatory requirements applicable to the Company and the Bank. These and any other changes in applicable laws or regulations, whether by Congress or regulatory agencies, may have a material effect on the business and prospects of the Company and the Bank.

The Dodd-Frank Act

The Dodd-Frank Act significantly changed bank regulation and has affected the lending, investment, trading and operating activities of depository institutions and their holding companies. The Dodd-Frank Act also created a new Consumer Financial Protection Bureau with extensive powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The Consumer Financial Protection Bureau also has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets. Banks and savings institutions with $10 billion or less in assets, such as the Bank, will continue to be examined by their applicable federal bank regulators. The Dodd-Frank Act required the Consumer Financial Protection Bureau to issue regulations requiring lenders to make a reasonable good faith determination as to a prospective borrower’s ability to repay a residential mortgage loan. The final “Ability to Repay” rules, which were effective beginning January 2014, established a “qualified mortgage” safe harbor for loans whose terms and features are deemed to make the loan less risky. In addition, on October 3, 2015, the new TILA-RESPA Integrated Disclosure (TRID) rules for mortgage closings took effect for new loan applications.

The Dodd-Frank Act broadened the base for FDIC assessments for deposit insurance and permanently increased the maximum amount of deposit insurance to $250,000 per depositor. The legislation also, among other things, requires originators of certain securitized loans to retain a portion of the credit risk, stipulates regulatory rate-setting for certain debit card interchange fees, repealed restrictions on the payment of interest on commercial demand deposits and contains a number of reforms related to mortgage originations. The Dodd-Frank Act increased the ability of stockholders to influence boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments. The legislation also directed the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") to promulgate rules prohibiting excessive compensation paid to company executives, regardless of whether the company is publicly traded or not. The Dodd-Frank Act also gave state attorneys general the ability to enforce applicable federal consumer protection laws.

On May 24, 2018, The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018 (the “Regulatory Relief Act”) was enacted, which repeals or modifies certain provisions of the Dodd-Frank Act and eases regulations on all but the largest banks. The Regulatory Relief Act’s provisions include, among other things: (i) exempting banks with less than $10 billion in assets from the ability-to-repay requirements for certain qualified residential mortgage loans held in portfolio; (ii) not requiring appraisals for certain transactions valued at less than $400,000 in rural areas; (iii) exempting banks that originate fewer than 500 open-end and 500 closed-end mortgages from HMDA’s expanded data disclosures; (iv) clarifying that, subject to various conditions, reciprocal deposits of another depository institution obtained using a deposit broker through a deposit placement network for purposes of obtaining maximum deposit insurance would not be considered brokered deposits subject to the FDIC’s brokered-deposit regulations; (v) raising eligibility for the 18-month exam cycle from $1 billion to banks with $3 billion in assets; and (vi) simplifying capital calculations by requiring regulators to establish for institutions under $10 billion in assets a community bank leverage ratio (tangible equity to average consolidated assets) at a percentage not less than 8% and not greater than 10% that such institutions may elect to replace the general applicable risk-based capital requirements for determining well-capitalized status. In addition, the FRB raised the asset threshold under its Small Bank Holding Company Policy

Statement from $1 billion to $3 billion for bank or savings and loan holding companies that are exempt from consolidated capital requirements, provided that such companies meet certain other conditions such as not engaging in significant nonbanking activities.

Bank Holding Company Regulation

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, the Company is subject to the regulation and supervision applicable to bank holding companies by the Federal Reserve Board. The Company is also subject to the provisions of the New Jersey Banking Act of 1948 (the “New Jersey Banking Act”) and the regulations of the Commissioner of the New Jersey Department of Banking and Insurance (“Commissioner”). The Company is required to file reports with the Federal Reserve Board and the Commissioner regarding its business operations and those of its subsidiaries.

Federal Regulation. The Company is required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any bank or bank holding company. Prior Federal Reserve Board approval would be required for the Company to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if it would, directly or indirectly, own or control more than 5% of any class of voting shares of the bank or bank holding company.

A bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of more than 5% of the voting securities of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the principal activities that the Federal Reserve Board has determined by regulation to be closely related to banking are: (i) making or servicing loans; (ii) performing certain data processing services; (iii) providing securities brokerage services; (iv) acting as fiduciary, investment or financial advisor; (v) leasing personal or real property under certain conditions; (vi) making investments in corporations or projects designed primarily to promote community welfare; and (vii) acquiring a savings association.

The Gramm-Leach-Bliley Act of 1999 authorizes a bank holding company that meets specified conditions, including depository institutions subsidiaries that are “well capitalized” and “well managed,” to opt to become a “financial holding company.” A “financial holding company” may engage in a broader array of financial activities than permitted a typical bank holding company. Such activities can include insurance underwriting and investment banking. The Company has not elected “financial holding company” status.

A bank holding company is generally required to give the Federal Reserve Board prior written notice of any purchase or redemption of then outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, is equal to 10% or more of the company’s consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. The Federal Reserve Board has adopted an exception to that approval requirement for well-capitalized bank holding companies that meet certain other conditions.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the Federal Reserve Board's policies provide that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the bank holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. The Federal Reserve Board's policies also require that a bank holding company serve as a source of financial strength to its subsidiary banks by using available resources to provide capital funds during periods of financial stress or adversity and by maintaining the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks where necessary. The Dodd-Frank Act codified the source of strength policy and requires the promulgation of implementing regulations. Under the prompt corrective action laws, the ability of a bank holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. These regulatory policies could affect the ability of the Company to pay dividends or otherwise engage in capital distributions.

The Company's status as a registered bank holding company under the Bank Holding Company Act will not exempt it from certain federal and state laws and regulations applicable to corporations generally, including, without limitation, certain provisions of the federal securities laws.

New Jersey Regulation. Under the New Jersey Banking Act, a company owning or controlling a bank is regulated as a bank holding company and must file certain reports with the Commissioner and is subject to examination by the Commissioner. Under the New Jersey Banking Act, as well as Federal law, no person may acquire control of the Company or the Bank without first obtaining approval of such acquisition of control from the Federal Reserve and the Commissioner.

Bank Regulation

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and examination of the Commissioner. As a state-chartered Bank, the Bank is subject to the regulation, supervision and examination of the FDIC as its primary federal regulator. The regulations of the FDIC and the Commissioner impact virtually all of our activities, including the minimum level of capital we must maintain, our ability to pay dividends, our ability to expand through new branches or acquisitions and various other matters.

Capital Requirements. Federal regulations require FDIC-insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8%, and a 4% Tier l capital to total assets leverage ratio. The existing capital requirements were effective January 1, 2015 and are the result of a final rule implementing regulatory amendments based on recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increasing each year and now fully implemented at 2.5% on January 1, 2019.

Notwithstanding the foregoing, pursuant to the Regulatory Relief Act, the FDIC proposed a rule that establishes a community bank leverage ratio (tangible equity to average consolidated assets) at 9% for institutions under $10 billion in assets that such institutions may elect to utilize in lieu of the general applicable risk-based capital requirements under Basel III. Such institutions that meet the community bank leverage ratio and certain other qualifying criteria will automatically be deemed to be well-capitalized. Until the FDIC’s proposed rule is finalized, the Basel III risk-based and leverage ratios remain in effect.

Standards for Safety and Soundness. As required by statute, the federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement safety and soundness standards. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The guidelines address internal controls and information systems, internal audit system, credit underwriting, loan documentation, interest rate exposure, asset growth, asset quality, earnings, compensation, fees and benefits and, more recently, safeguarding customer information. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard.

Business and Investment Activities. Under federal law, all state-chartered FDIC-insured banks have been limited in their activities as principal and in their equity investments to the type and the amount authorized for national banks, notwithstanding state law. Federal law permits exceptions to these limitations. For example, certain state-chartered banks may, with FDIC approval, continue to exercise state authority to invest in common or preferred stocks listed on a national securities exchange and in the shares of an investment company registered under the Investment Company Act of 1940, as amended. The maximum permissible investment is the lesser of 100.0% of Tier 1 capital or the maximum amount permitted by New Jersey law.

The FDIC is also authorized to permit state banks to engage in state authorized activities or investments not permissible for national banks (other than non-subsidiary equity investments) if they meet all applicable capital requirements and it is determined that such activities or investments do not pose a significant risk to the FDIC insurance fund. The FDIC has adopted regulations governing the procedures for institutions seeking approval to engage in such activities or investments. The Gramm-Leach-Bliley Act of 1999 specified that a state bank may control a subsidiary that engages in activities as principal that would only be permitted for a national bank to conduct in a “financial subsidiary,” if a bank meets specified conditions and deducts its investment in the subsidiary for regulatory capital purposes.

Prompt Corrective Regulatory Action. Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized.

The applicable FDIC regulations were amended to incorporate the previously mentioned increased regulatory capital standards that were effective January 1, 2015. Under the amended regulations, an institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is "undercapitalized" if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

As noted above, the Regulatory Relief Act has eliminated the Basel III requirements for banks with less than $10.0 billion in assets who elect to follow the community bank leverage ratio once the FDIC's rule is finalized. The FDIC's proposed rule provides that the Bank will be well-capitalized with a community bank leverage ratio of 9% or greater, adequately capitalized with a community bank leverage ratio of 7.5% or greater, undercapitalized if the Bank's community bank leverage ratio is less than 7.5% and greater than 6% and significantly undercapitalized if the Bank's community bank leverage ratio is less than 6%. The definition of critically undercapitalized is unchanged from the current regulations.

"Undercapitalized" banks must adhere to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. A bank's compliance with such a plan must be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5% of the institution's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks must comply with one or more of a number of additional measures, including, but not limited to, a required sale of sufficient voting stock to become adequately capitalized, a requirement to reduce total assets, cessation of taking deposits from correspondent banks, the dismissal of directors or officers and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. "Critically undercapitalized" institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

Enforcement. The FDIC has extensive enforcement authority over insured state banks, including the Bank. That enforcement authority includes, among other things, the ability to assess civil money penalties, issue cease and desist orders and remove directors and officers. In general, enforcement actions may be initiated in response to violations of laws and regulations and unsafe or unsound practices. The FDIC also has authority under federal law to appoint a conservator or receiver for an insured bank under certain circumstances. The FDIC is required, with certain exceptions, to appoint a receiver or conservator for an insured state non-member bank if that bank was "critically undercapitalized" on average during the calendar quarter beginning 270 days after the date on which the institution became "critically undercapitalized."

Federal Insurance of Deposit Accounts. The Dodd-Frank Act permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The FDIC must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of $10 billion or more funded the increase. The FDIC indicated that the 1.35% ratio was exceeded in November, 2018. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the FDIC and the FDIC has exercised that discretion by establishing a long-term fund ratio of 2%.

Under the FDIC's risk-based assessment system, insured institutions were assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. Rates were based on each institution's risk category and certain specified risk adjustments. Stronger institutions paid lower rates while riskier institutions paid higher rates. Assessments were based on an institution's average consolidated total assets minus average tangible equity, with the assessment rate schedule ranging from 2.5 to 45 basis points.

Effective July 1, 2016, the FDIC adopted changes that eliminated the risk categories. Assessments for most institutions are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of failure within three years. In conjunction with the Deposit Insurance Fund reserve ratio achieving 1.5% the assessment range (inclusive of possible adjustments) was reduced for most banks and savings associations from 150 basis points to 30 basis points.

In addition to the FDIC assessments, the Financing Corporation ("FICO") is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO began to mature in 2017 and will continue to mature through 2019. For the year ended December 31, 2018, BCB Community Bank paid a FICO premium of approximately $59,000 and expects to pay a similar amount in 2019.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

Community Reinvestment Act. Under the Community Reinvestment Act ("CRA"), a bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The CRA does require the FDIC, in connection with its examination of a bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution, including applications to establish or acquire branches and merger with other depository institutions. The CRA requires the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system. BCB Community Bank's latest FDIC CRA rating, dated June 30, 2018 was "satisfactory."

Transactions with Affiliates. Transactions between banks and their related parties or affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank. Generally, Sections 23A and 23B of the Federal Reserve Act and Regulation W (i) limit the extent to which the bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10.0% of such institution's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such institution's capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act. The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in compliance with federal banking laws assuming such loans are also permitted under the law of the institution's chartering state. Under such laws, the Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such person's control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited by specific categories.

Dividends. The Bank may pay dividends as declared from time to time by the Board of Directors out of funds legally available, subject to certain restrictions. Under the New Jersey Banking Act of 1948, as amended, the Bank may not pay a cash dividend unless, following the payment, the Bank's capital stock will be unimpaired and the Bank will have a surplus of no less than 50% of the Bank capital stock or, if not, the payment of the dividend will not reduce the surplus. In addition, the Bank cannot pay dividends in amounts that would reduce the Bank's capital below regulatory imposed minimums.

Federal Securities Laws

The Company's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Under the Exchange Act, the Company is required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls. For the year ended December 31, 2018, the Company's auditors are required to audit our internal control over financial reporting.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. We have prepared policies, procedures and systems designed to ensure compliance with these regulations.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report is available on our website, www.bcb.bank. We will also provide our Annual Report on Form 10-K free of charge to shareholders who request a copy in writing from the Corporate Secretary at 104-110 Avenue C, Bayonne, New Jersey 07002.

ITEM 1A. RISK FACTORS

Our loan portfolio consists of a high percentage of loans secured by commercial real estate and multi-family real estate. These loans are riskier than loans secured by one- to four-family properties.

At December 31, 2018, $1.698 billion, or 73.74%, of our loan portfolio consisted of commercial and multi-family real estate loans. We intend to continue to emphasize the origination of these types of loans. These loans generally expose a lender to greater risk of nonpayment and loss than one-to-four family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the collateral that is pledged. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to-four family residential mortgage loans. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential mortgage loan.

Commercial loans and commercial real estate loans generally carry larger balances and can involve a greater degree of financial and credit risk than other loans. As a result, banking regulators continue to give greater scrutiny to lenders with a high concentration of commercial real estate loans in their portfolios, such as us, and such lenders are expected to implement stricter underwriting standards, internal controls, risk management policies, and portfolio stress testing, as well as higher capital levels and loss allowances. The increased financial and credit risk associated with these types of loans are a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the size of loan balances, the effects of general economic conditions on income-producing properties, and the increased difficulty of evaluating and monitoring these types of loans. If we cannot effectively manage the risk associated with our high concentration of commercial real estate loans, our financial condition and results of operations may be adversely affected.

We may not be able to successfully maintain and manage our growth.

The Company has progressed on an organic branching initiative which is intended to mitigate the risk of our strong Hudson County concentration, to develop our branch infrastructure in a manner more consistent with the expansion of lending markets and to fill in and grow our branch footprint in a more uniform and coherent fashion, which previously had grown predominately through merger and acquisition activity. To this end, the Company opened seven branches in 2016 and one in February, 2019. The Company is planning on opening three branches within the next year.

We cannot be certain as to our ability to manage increased levels of assets and liabilities. We may be required to make additional investments in equipment and personnel to manage higher asset levels and loans balances, which may adversely impact our efficiency ratio, earnings and stockholder returns.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings could decrease.

Our loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses may not cover losses in our loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. At December 31, 2018, our allowance for loan losses totaled $22.4 million, representing 0.97% of total loans or 258.69% of non-performing loans.

While we have only been operating for 18 years, we have experienced significant growth in our loan portfolio, particularly our loans secured by commercial real estate. Although we believe we have underwriting standards to manage normal lending risks, it is difficult to assess the future performance of our loan portfolio due to the relatively recent origination of many of these loans. We can give you no assurance that our non-performing loans will not increase or that our non-performing or delinquent loans will not adversely affect our future performance.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

The asset quality of our loan portfolio may deteriorate if the economy falters, resulting in a portion of our loans failing to perform in accordance with their terms. Under such circumstances our profitability will be adversely affected.

At December 31, 2018, we had $26.2 million in classified loans of which none were classified as doubtful and none were classified as loss. We also had $13.2 million of loans that were classified as special mention. In addition, at that date we had $7.2 million in non-accruing loans, or 0.31% of total loans. We have adhered to stringent underwriting standards in the origination of our loans, but there can be no assurance that loans that we originated will not experience asset quality deterioration as a result of a downturn in the local economy. Should our local or regional economy weaken, our asset quality may deteriorate resulting in losses to the Company.

Adverse events in New Jersey, where our business is generally concentrated, could adversely affect our results and future growth.

Our business, the location of our branches and the real estate collateralizing our real estate loans are generally concentrated in New Jersey and the New York metropolitan area. As a result, we are exposed to geographic risks. The occurrence of an economic downturn in New Jersey or the New York metropolitan area, or adverse changes in laws or regulations in New Jersey or the New York metropolitan area, could impact the credit quality of our assets, the business of our customers and our ability to expand our business.

Our success significantly depends upon the growth in population, income levels, deposits and housing in our market area. If the communities in which we operate do not grow or if prevailing economic conditions locally, regionally or nationally are unfavorable, our business may be negatively affected. In addition, the economies of the communities in which we operate are substantially dependent on the growth of the economy in the State of New Jersey and the New York metropolitan area. To the extent that economic conditions in New Jersey are unfavorable or do not continue to grow as projected, the economy in our market area would be adversely affected. Moreover, we cannot give any assurance that we will benefit from any market growth or favorable economic conditions in our market area if they do occur.

In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. As of December 31, 2018, approximately 95% of our total loans were secured by real estate. Adverse developments affecting commerce or real estate values in the local economies in our primary market areas could increase the credit risk associated with our loan portfolio. In addition, a significant percentage of our loans are to individuals and businesses in New Jersey. Our business customers may not have customer bases that are as diverse as businesses serving regional or national markets. Consequently, any decline in the economy of our market area could have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

We depend primarily on net interest income for our earnings rather than fee income.

Net interest income is the most significant component of our operating income. We have less reliance on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. For the years ended December 31, 2018 and 2017, our net interest income was $77.7 million and $61.9 million, respectively. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of our interest-earning assets relative to the amount of our interest-bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we do not have significant sources of fee income to make up for decreases in net interest income.

Changes in interest rates could hurt our profits.

Our profitability, like most financial institutions, depends to a large extent upon our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowed funds. Accordingly, our results of operations depend largely on movements in market interest rates and our ability to manage our interest-rate-sensitive assets and liabilities in response to these movements. Factors such as inflation, recession and instability in financial markets, among other factors beyond our control, may affect interest rates.

If interest rates continue to rise, and if rates on our deposits and variable rate borrowings reprice upwards faster than the rates on our long-term loans and investments, we could experience compression of our interest rate spread, which would have a negative effect on our profitability. Conversely, decreases in interest rates can result in increased prepayments of loans and mortgage-related securities, as borrowers refinance to reduce their borrowing costs. Under these circumstances, we are subject to reinvestment risk, as we may have to redeploy such loan or securities proceeds into lower-yielding assets, which might also negatively impact our income.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Further, a prolonged period of exceptionally low market interest rates limits our ability to lower our interest expense, while the average yield on our interest-earning assets may continue to decrease as our loans reprice or are originated at these low market rates. Accordingly, our net interest income may decrease, which may have an adverse effect on our profitability. Also, our interest rate risk-modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results.

While we pursue an asset/liability strategy designed to mitigate our risk from changes in interest rates, changes in interest rates can still have a material adverse effect on our financial condition and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate real estate loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings. For further discussion of how changes in interest rates could impact us, see “Item 7A. – Quantitative and Qualitative Disclosure About Market Risk.”

The building of market share through de novo branching and expansion of our commercial real estate and multi-family lending capacity could cause our expenses to increase faster than revenues.

We intend to continue to build market share through de novo branching and expansion of our commercial real estate and multi-family lending capacity. Since January 1, 2015, we have opened nine de novo branches. Pursuant to our de novo branch expansion strategy, during the three years ended December 31, 2018 we hired 25 new full-time equivalent employees, primarily in the areas of business development, loan administration and customer service. There are considerable costs involved in opening branches and expansion of lending capacity that generally require a period of time to generate the necessary revenues to offset their costs, especially in areas in which we do not have an established presence. Accordingly, any such business expansion can be expected to negatively impact our earnings for some period of time until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in the opening of a new branch. Finally, our business expansion may not be successful after establishment of new branches.

Our strategy of pursuing acquisitions exposes us to financial, execution and operational risks that could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

On April 17, 2018, we completed our merger with IA Bancorp, Inc. and its subsidiary Indus-American Bank headquartered in Edison, New Jersey. We intend to continue pursuing a strategy that includes acquisitions. An acquisition strategy involves significant risks, including the following:

- finding suitable candidates for acquisition;
- attracting funding to support additional growth within acceptable risk tolerances;
- maintaining asset quality;
- retaining customers and key personnel;
- obtaining necessary regulatory approvals;
- conducting adequate due diligence and managing known and unknown risks and uncertainties;
- integrating acquired businesses; and
- maintaining adequate regulatory capital.

The market for acquisition targets is highly competitive, which may adversely affect our ability to find acquisition candidates that fit our strategy and standards. To the extent that we are unable to find suitable acquisition targets, an important component of our growth strategy may not be realized. Acquisitions will be subject to regulatory approvals, and we may be unable to obtain such approvals. Acquisitions of financial institutions also involve operational risks and uncertainties. Acquired companies may have unknown or contingent liabilities with no available manner of recourse, exposure to unexpected problems such as asset quality, the retention of key employees and customers and other issues that could negatively affect our business. We may not be able to complete future acquisitions or, if completed, we may not be able to successfully integrate the operations, technology platforms, management, products and services of the entities that we acquire and to realize our attempts to eliminate redundancies. The integration process may also require significant time and attention from our management that they would otherwise be able to direct toward servicing existing business and developing new business. Acquisitions typically involve the payment of a premium over book and market trading values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future acquisition of a financial institution or service company, and the carrying amount of any goodwill that we acquire may be subject to impairment in future periods. Failure to successfully integrate the entities we acquire into our existing operations may increase our operating costs significantly and adversely affect our business, financial condition and results of operations.

We have become subject to more stringent capital requirements, which may adversely impact our return on equity or constrain us from paying dividends or repurchasing shares.

The federal banking agencies have adopted a final rule implementing the regulatory capital reforms from the Basel Committee on Banking Supervision ("Basel III") and changes required by the Dodd-Frank Act. The final rule includes minimum risk-based capital and leverage ratios, which became effective for the Bank on January 1, 2015, and refines the definition of what constitutes "capital" for calculating these ratios.

The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.50%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from prior rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also requires unrealized gains and losses on certain “available-for-sale” securities holdings to be included for calculating regulatory capital requirements unless a one-time opt-out is exercised. The Bank has elected to opt out of the requirement under the final rule to include certain “available-for-sale” securities holdings for calculating its regulatory capital requirements. The final rule also establishes a “capital conservation buffer” of 2.5%, and, now fully phased in, will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement began being phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

Notwithstanding the foregoing, pursuant to The Economic Growth, Regulatory Relief and Consumer Protection Act of 2018, the FDIC proposed a rule that establishes a community bank leverage ratio (tangible equity to average consolidated assets) at 9% for institutions under $10 billion in assets that such institutions may elect to replace the general applicable risk-based capital requirements under Basel III. Such institutions that meet the community bank leverage ratio and certain other qualifying criteria will automatically be deemed to be well-capitalized. The FDIC’s proposed rule provides that the Bank will be well capitalized with a community bank leverage ratio of 9% or greater, adequately capitalized with a community bank leverage ratio of 7.5% or greater, undercapitalized if the Bank’s community bank leverage ratio is less than 7.5% and greater than 6% and significantly undercapitalized if the Bank’s community bank leverage ratio is less than 6%. The definition of critically undercapitalized is unchanged from the current regulations. Until the FDIC’s proposed rule is finalized, the Basel III risk-based and leverage ratios remain in effect.

The application of more stringent capital requirements likely will result in lower returns on equity and could require raising additional capital in the future or result in regulatory actions if we are unable to comply with such requirements.

Risks associated with system failures, interruptions, or breaches of security could negatively affect our earnings.

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities investments, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches (including privacy breaches and cyber-attacks), but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of our systems could deter customers from using our products and services. Although we take protective measures, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber-attacks that could have an impact on information security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

There have been increasing efforts on the part of third parties, including through cyber-attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services and consumer-based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data. In addition, because the techniques used to cause such security breaches change frequently and often are not recognized until launched against a target and may originate from less-regulated and remote areas of the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. The ability of our customers to bank remotely, including through online and mobile devices, requires secure transmission of confidential information and increases the risk of data security breaches.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business, thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

The Bank’s reliance on brokered deposits could adversely affect its liquidity and operating results.

Among other sources of funds, we rely on brokered deposits to provide funds with which to make loans and provide for other liquidity needs. On December 31, 2018, brokered deposits totaled $248.0 million, or approximately 11.37% of total deposits. The Bank’s primary source for brokered deposits is CDARS. Of the $248.0 million in brokered deposits, $72.8 million are reciprocal and are not considered brokered deposits under recent regulatory reform.

Generally, brokered deposits may not be as stable as other types of deposits. In the future, those depositors may not replace their brokered deposits with us as they mature, or we may have to pay a higher rate of interest to keep those deposits or to replace them with other deposits or other sources of funds. Not being able to maintain or replace those deposits as they mature would adversely affect our liquidity. Paying higher deposit rates to maintain or replace brokered deposits would adversely affect our net interest margin and operating results.

Strong competition within our market area may limit our growth and profitability.

Competition is intense within the banking and financial services industry in New Jersey and New York. In our market area, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Many of these competitors have substantially greater resources, higher lending limits and offer services that we do not or cannot provide. This competition makes it more difficult for us to originate new loans and retain and attract new deposits. Price competition for loans may result in originating fewer loans or earning less on our loans. Price competition for deposits may result in a reduction of our deposit base or paying more on our deposits.

We operate in a highly regulated environment, and we may be adversely affected by changes in federal, state and local laws and regulations.

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal, state or local legislation could have a substantial impact on us and our operations. Additional legislation and regulations that could significantly affect our powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our financial condition and results of operations. Further, regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory authority may have a negative impact on our results of operations and financial condition.

Like other bank holding companies and financial institutions, we must comply with significant anti-money laundering and anti-terrorism laws. Under these laws, we are required, among other things, to enforce a customer identification program and file currency transaction and suspicious activity reports with the federal government. Government agencies have substantial discretion to impose significant monetary penalties on institutions which fail to comply with these laws or make required reports. Because we operate our business in the highly urbanized greater Newark/New York City metropolitan area, we may be at greater risk of scrutiny by government regulators for compliance with these laws.

We could be adversely affected by failure in our internal controls.

A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of us. We continue to devote a significant amount of effort, time and resources to continually strengthening our internal controls and ensuring compliance with complex accounting standards and banking regulations.

The level of our commercial real estate loan portfolio subjects us to additional regulatory scrutiny.

The FDIC and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100% or more of total capital, or (ii) total reported loans secured by multi-family and non-owner occupied, non-farm, non-residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital. Based on these factors, we have a concentration in loans of the type described in (ii), above, or 451.7% of our total capital at December 31, 2018. The purpose of the guidance is to assist banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. Our bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us or that may result in a curtailment of our commercial real estate and multi-family lending and/or the requirement that we maintain higher levels of regulatory capital, either of which would adversely affect our loan originations and profitability.

Our dividend policy may change without notice, and our future ability to pay dividends is also subject to regulatory restrictions.

Holders of our common stock are entitled to receive only such cash dividends as our board of directors may declare out of funds legally available for the payment of dividends. We are a holding company that conducts substantially all of our operations through the Bank. As a result, our ability to make dividend payments on our common stock will depend primarily upon the receipt of dividends and other distributions from the Bank.

Under New Jersey banking law, the Bank may pay a dividend to the Company provided that following the payment of the dividend the capital stock of the Bank will be unimpaired and the Bank will have a surplus of not less than 50% of its capital stock, or if not, the payment of such dividend will not reduce the surplus of the Bank.

Under New Jersey law, the Company may not make a distribution, if, after giving effect to the distribution, it would be unable to pay its debts as they become due in the usual course of business or if its total assets would be less than its liabilities.

Our current intention is to continue to pay a quarterly cash dividend of $0.14 per share. However, any declaration and payment of dividends on common stock will substantially depend upon our earnings and financial condition, liquidity and capital requirements, regulatory and state law restrictions, general economic conditions and regulatory climate and other factors deemed relevant by our board of directors. Furthermore, consistent with our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends, if any, paid to our stockholders.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Bank conducts its business through an executive office, two administrative offices, and 28 branch offices. 12 offices have drive-up facilities. The Bank has 35 automatic teller machines at its branch facilities and three other off-site locations. The following table sets forth information relating to each of the Bank’s offices as of December 31, 2018. The total net book value of the Bank’s premises and equipment at December 31, 2018 was $20.3 million.

Location	Year Office Opened		Net Book Value	
			(In Thousands)	
Executive Office				
104-110 Avenue C, Bayonne, New Jersey	2003	$	2,489	
Administrative and Other Offices				
591-597 Avenue C, Bayonne, New Jersey	2010		2,082	
27 West 18th Street, Bayonne, New Jersey	2014		213	(1)
Branch Offices				
860 Broadway, Bayonne, New Jersey	2000		736	(1)
510 Broadway, Bayonne, New Jersey	2003		259	(1)
401 Washington Street, Hoboken, New Jersey	2010		227	(1)
987 Broadway, Bayonne, New Jersey	2010		447	
473 Spotswood Englishtown Rd., Monroe Township, New Jersey	2010		188	(1)
611 Avenue C, Bayonne, New Jersey	2010		1,488	
181 Avenue A, Bayonne, New Jersey	2010		2,261	
211 Washington St., Jersey City, New Jersey	2010		-	(1)
200 Valley Street, South Orange, New Jersey	2011		1,085	
34 Main Street, Woodbridge, New Jersey	2011		2	(1)
1379 St. George Avenue, Colonia, New Jersey	2014		21	(1)
165 Passaic Avenue, Fairfield, New Jersey	2014		-	(1)
354 New Dorp Lane, Staten Island, New York	2015		356	(1)
190 Park Avenue, Rutherford, New Jersey	2015		336	(1)
1500 Forest Avenue, Staten Island, New York	2016		1,057	(1)
626 Laurel Avenue, Holmdel, New Jersey	2016		5	(1)
112 Talmadge Road, Edison, New Jersey	2016		36	(1)
734 Ridge Road, Lyndhurst, New Jersey	2016		190	(1)
2 Arnot Street, Lodi, New Jersey	2016		42	(1)

803 Roosevelt Avenue, Carteret, New Jersey	2016	614	(1)
2000 Morris Avenue, Union, New Jersey	2016	166	(1)
155 Maplewood Avenue, Maplewood, New Jersey	2018	456	(1)
1630 Oak Tree Road, Edison, New Jersey	2018	1,169	(1)
1452 Route 46 West, Parsippany, New Jersey	2018	432	(1)
781 Newark Avenue, Jersey City, New Jersey	2018	8	(1)
70 Broadway, Hicksville, New York	2018	44	(1)
10 Schalks Crossing Road, Plainsboro, New Jersey	2018	448	(1)
Net book value of properties		16,857	
Furnishings and equipment		3,436	(2)
Total premises and equipment		$ 20,293	

(1) Leased property
(2) Includes off-site ATMs

ITEM 3. 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 December 31, 2018, 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 4. MINE SAFETY DISCLOSURE

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock trades on the Nasdaq Global Market under the symbol “BCBP.”

The following table sets forth the high and low closing prices for the Company’s common stock for the periods indicated. As of December 31, 2018, there were 15,889,306 shares of the Company’s common stock outstanding. At March 1, 2019, the Company had approximately 2,500 stockholders of record.

Fiscal 2018		High		Low		Cash Dividend Declared
Quarter Ended December 31, 2018	$	13.82	$	10.26	$	0.14
Quarter Ended September 30, 2018		15.63		13.80		0.14
Quarter Ended June 30, 2018		15.90		14.45		0.14
Quarter Ended March 31, 2018		15.95		14.55		0.14
Fiscal 2017		High		Low		Cash Dividend Declared
Quarter Ended December 31, 2017	$	14.90	$	13.60	$	0.14
Quarter Ended September 30, 2017		15.40		12.30		0.14
Quarter Ended June 30, 2017		16.00		15.15		0.14
Quarter Ended March 31, 2017		16.65		13.08		0.14

Please see “Item 1. Business—Bank Regulation—Dividends” for a discussion of restrictions on the ability of the Bank to pay the Company dividends.

Compensation Plans

Set forth below is information as of December 31, 2018 regarding equity compensation plans that have been approved by shareholders. The Company has no equity based benefit plans that were not approved by shareholders.

Plan	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average Exercise price(1)	Number of securities remaining available for issuance under plan
2011 Stock Option Plan	804,600	$11.42	95,400
2018 Equity Incentive Plan	300,000	$11.26	565,358
Equity compensation plans not approved by shareholders	—	—	—
Total	1,104,600	$11.36	660,758

(1) The weighted average exercise price reflects the exercise prices ranging from $8.93-$13.32 per share for options granted under the 2011 Stock Option Plan and the 2018 Equity Incentive Plan.

Set forth hereunder is a stock performance graph comparing (a) the cumulative total return on the common stock for the period beginning with the closing sales price on January 1, 2014 through December 31, 2018, (b) the cumulative total return on all publicly traded commercial bank stocks over such period, as repriced on the SNL Banks Index, and (c) the cumulative total return of the Nasdaq Market Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of $100.

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

BCB Bancorp, Inc.

	Period Ending					
Index	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
BCB Bancorp, Inc.	100.00	90.88	84.63	111.43	129.13	96.99
NASDAQ Composite Index	100.00	114.75	122.74	133.62	173.22	168.30
SNL Bank Index	100.00	111.79	113.69	143.65	169.64	140.98

The Company had no stock repurchase plan during the fourth quarter of 2018.

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated historical financial and other data of BCB Bancorp, Inc. at and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014. The information, at December 31, 2018 and 2017 and for the three year period ended December 31, 2018, is derived in part from, and should be read together with, the audited Consolidated Financial Statements and Notes thereto of BCB Bancorp, Inc. that appear in this annual report on Form 10-K. The other years presented in these tables are derived from audited consolidated financial statements that do not appear in this annual report on Form 10-K.

	Selected financial condition data at December 31,				
	2018	2017	2016	2015	2014
	(In Thousands)				
Total assets	$ 2,674,731	$ 1,942,837	$ 1,708,208	$ 1,618,406	$ 1,301,900
Cash and cash equivalents	195,264	124,235	65,038	132,635	32,123
Securities available for sale	119,335	114,295	94,765	9,623	9,768
Equity investments	7,672	8,294	-	-	-
Loans receivable, net	2,278,492	1,643,677	1,485,159	1,420,118	1,207,850
Deposits	2,180,724	1,569,370	1,392,205	1,273,929	1,028,556
Borrowings	282,377	189,124	179,124	204,124	137,124
Stockholders' equity	200,215	176,454	131,081	133,544	102,252

	Selected operating data for the year ended December 31,				
	2018	2017	2016	2015	2014
	(In thousands, except for per share amounts)				
Net interest income	$ 77,681	$ 61,884	$ 55,060	$ 53,511	$ 49,888
Provision for loan losses	5,130	2,110	27	2,280	2,800
Non-interest income	7,960	7,483	6,123	7,065	3,958
Non-interest expense	56,266	47,044	47,895	46,452	38,409
Income tax expense	7,482	10,231	5,258	4,814	5,047
Net income	$ 16,763	$ 9,982	$ 8,003	$ 7,030	$ 7,590
Net income per share:					
Basic	$ 1.02	$ 0.76	$ 0.63	$ 0.69	$ 0.81

Diluted	$ 1.01	$ 0.75	$ 0.63	$ 0.69	$ 0.81
Common Dividends declared per share	$ 0.56	$ 0.56	$ 0.56	$ 0.56	$ 0.54

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

	At or for the Years Ended December 31,				
	2018	2017	2016	2015	2014
Selected Financial Ratios and Other Data:					
Return on average assets (ratio of net income to average total assets)	0.70 %	0.55 %	0.47 %	0.48 %	0.61
Return on average stockholders' equity (ratio of net income to average stockholders' equity)	8.86	7.02	6.11	6.52	7.42
Non-interest income to average assets	0.33	0.41	0.36	0.48	0.32
Non-interest expense to average assets	2.34	2.57	2.81	3.15	3.09
Net interest rate spread during the year	3.08	3.32	3.14	3.50	3.94
Net interest margin (net interest income to average interest earning assets)	3.31	3.49	3.32	3.72	4.11
Ratio of average interest-earning assets to average interest-bearing liabilities	119.76	119.49	118.02	118.42	119.75
Cash dividend payout ratio	55.81	71.71	86.87	76.50	68.67
Asset Quality Ratios:					
Non-performing loans to total loans at end of year	0.38	0.80	1.23	1.63	1.60
Non-performing assets to total assets at end of year	0.37	0.71	1.29	1.55	1.77
Allowance for loan losses to non-performing loans at end of year	258.69	130.14	93.67	76.95	82.39
Allowance for loan losses to total loans at end of year	0.97	1.05	1.14	1.25	1.32
Capital Ratios:					
Stockholders' equity to total assets at end of year	7.49	9.08	7.63	8.25	7.85
Average stockholders' equity to average total assets	7.88	7.78	7.70	7.30	8.22
Tier 1 capital to average assets (1)	8.72	9.50	8.10	8.61	8.33
Tier 1 capital to risk weighted assets (1)	10.96	12.09	10.33	10.81	10.48

(1) Ratios are for BCB Community Bank only.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

This discussion, and other written material, and statements management may make, may contain certain forward-looking statements regarding the Company's prospective performance and strategies within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of said safe harbor provisions.

Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in the Company's Annual Report on Form 10-K and in other documents filed by the Company with the Securities and Exchange Commission. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identified by the use of the words "plan," "believe," "expect," "intend," "anticipate," "estimate," "project," "may," "will," "should," "could," "predicts," "forecasts," "potential," or similar terms or the negative of these terms. The Company's ability to predict results or the actual effects of its plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

Factors that could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in market interest rates, general economic conditions, legislation, and regulation; changes in monetary and fiscal policies of the United States Government, including policies of the United States Treasury and Federal Reserve Board; changes in the quality or composition of the loan or investment portfolios; changes in deposit flows, competition, and demand for financial services, loans, deposits and investment products in the Company's local markets; changes in accounting principles and guidelines; war or terrorist activities; and other economic, competitive, governmental, regulatory, geopolitical and technological factors affecting the Company's operations, pricing and services. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law or regulation, the Company undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

Critical Accounting Policies

Critical accounting policies are those accounting policies that can have a significant impact on the Company's financial position and results of operations that require the use of complex and subjective estimates based upon past experiences and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those policies applied in preparing the Company's consolidated financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 2 of "Notes to Consolidated Financial Statements."

Allowance for Loan Losses

Loans receivable are presented net of an allowance for loan losses and net deferred loan fees. In determining the appropriate level of the allowance, management considers a combination of factors, such as economic and industry trends, real estate market conditions, size and type of loans in portfolio, nature and value of collateral held, borrowers' financial strength and credit ratings, and prepayment and default history. The calculation of the appropriate allowance for loan losses requires a substantial amount of judgment regarding the impact of the aforementioned factors, as well as other factors, on the ultimate realization of loans receivable. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available, our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings.

Other-than-Temporary Impairment of Securities

If the fair value of a security is less than its amortized cost, the security is deemed to be impaired. Management evaluates all securities with unrealized losses quarterly to determine if such impairments are "temporary" or "other-than-temporary" in accordance with Accounting Standards Codification ("ASC") Topic 320, Investments – Debt Securities. Accordingly, temporary impairments are accounted for based upon the classification of the related securities as either available for sale or held to maturity. Temporary impairments on available for sale securities are recognized, on a tax-effected basis, through Other Comprehensive Income ("OCI") with offsetting entries adjusting the carrying value of the securities and the balance of deferred taxes. Conversely, the carrying values of held to maturity securities are not adjusted for temporary impairments. Information concerning the amount and duration of temporary impairments on both available for sale and held to maturity securities is generally disclosed in the notes to the consolidated financial statements.

Other-than-temporary impairments are accounted for based upon several considerations. First, other-than-temporary impairments on debt securities that the Company has decided to sell as of the close of a fiscal period, or will, more likely than not, be required to sell prior to the full recovery of fair value to a level equal to or exceeding amortized cost, are recognized in earnings. If neither of these conditions regarding the likelihood of the sale of debt securities are applicable, then the other-than-temporary impairment is bifurcated into credit-related and noncredit-related components. A credit-related impairment represents the amount by which the present value of the cash flows that are expected to be collected on a debt security fall below its amortized cost. The noncredit-related component represents the remaining portion of the impairment not otherwise designated as credit-related. Credit-related other-than-temporary impairments are recognized in earnings and noncredit-related other-than-temporary impairments are recognized in OCI.

Deferred Income Taxes

The Company records income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities: (i) are recognized for the expected future tax consequences of events that have been recognized in the consolidated financial statements or the consolidated and separate entity tax returns; (ii) are attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases; and (iii) are measured using enacted tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion of the deferred tax assets will not be realized. In making this assessment, management considers the profitability of current core operations, future market growth, forecasted earnings, future taxable income, and ongoing, feasible and permissible tax planning strategies. Deferred tax assets have been reduced by a valuation allowance for all portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period of enactment. The valuation allowance is adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant.

On December 22, 2017 the Tax Cut and Jobs Act was signed into law. ASC 740 Income Taxes requires the recognition of the effect of changes in tax laws or rates in the period in which the legislation is enacted. The changes in the deferred tax assets and liabilities remeasured at the new 21% federal tax rate are reflected in income tax expense for fiscal year 2017. There were no adjustments to the deferred tax revaluation in 2018.

Financial Condition at December 31, 2018 and 2017

Total assets increased by $731.9 million, or 37.7 percent, to $2.675 billion at December 31, 2018 from $1.943 billion at December 31, 2017. The increase in total assets included the acquisition of IAB, which added approximately $221.6 million in assets.

Loans receivable, net increased by $634.8 million, or 38.6 percent, to $2.278 billion at December 31, 2018 from $1.644 billion at December 31, 2017. The increase in loans over the prior year resulted from the acquisition of IAB, which added $182.5 million in loans as of the merger date, as well as strong organic growth. Total increases for 2018, including loans acquired from IAB, included $437.1 million in commercial real estate and multi-family loans, $94.4 million in commercial business loans, $57.3 million in construction loans, $26.3 million in residential one-to-four family loans, and $25.2 million in home equity loans. The allowance for loan losses increased $5.0 million to $22.4 million, or 309.6 percent of non-accruing loans and 0.97 percent of gross loans, at December 31, 2018 as compared to an allowance for loan losses of $17.4 million, or 133.3 percent of non-accruing loans and 1.05 percent of gross loans, a year ago.

Total cash and cash equivalents increased by $71.0 million, or 57.2 percent, to $195.3 million at December 31, 2018 from $124.2 million at December 31, 2017 primarily due to the Company’s strategy to further strengthen liquidity and its deposit base. Total investment securities increased by $4.4 million, or 3.6 percent, to $127.0 million at December 31, 2018 from $122.6 million at December 31, 2017, as the Company deployed excess cash to improve returns on interest-earning assets and for liquidity.

Deposit liabilities increased by $611.4 million, or 39.0 percent, to $2.181 billion at December 31, 2018 from $1.569 billion at December 31, 2017. The increases in deposit liabilities related to the acquisition of IAB, which added approximately $178.4 million to the balance of deposits as of the merger date, as well as the continued maturation of the seven branches opened in 2016 as a result of our organic growth initiative. Total increases for 2018, including deposits acquired from IAB, included $439.2 million in certificates of deposit, including listing service and brokered deposits, $62.9 million in non-interest bearing deposit accounts, $73.9 million in money market checking accounts, $33.4 million in NOW deposit accounts, and $1.9 million in savings and club accounts. Listing service and brokered certificates of deposit, which were used as additional sources of deposit liquidity to fund loan growth, totaled $36.9 million and $248.0 million, respectively, at December 31, 2018.

Debt obligations increased by $93.3 million, or 49.3 percent, to $282.4 million at December 31, 2018 from $189.1 million a year ago. The year-over-year increases were the net result of the issuance of new FHLB advances and scheduled maturities of FHLB advances, and the issuance of $33.5 million of subordinated debentures in a private placement in July 2018. The increase in FHLB borrowings reflected the use of long-term advances to augment deposits as the Company's funding source for originating loans and investing in investment securities. The weighted average interest rate of FHLB advances was 2.18 percent at December 31, 2018. The issuance of subordinated debt was to maintain adequate capital ratios for further growth.

Stockholders' equity increased by $23.8 million, or 13.5 percent, to $200.2 million at December 31, 2018 from $176.5 million a year ago. The increase in stockholders' equity was primarily attributable to an increase in additional paid-in capital of $17.4 million from common stock and preferred stock issued as part of the acquisition of IAB. Retained earnings increased by $7.2 million to $38.4 million at December 31, 2018 from $31.2 million at December 31, 2017, due primarily to the increase in net income. Accumulated other comprehensive loss increased $1.9 million to $5.1 million at December 31, 2018 from $3.1 million a year ago as a result of the increase in market interest rates in 2018.

Analysis of Net Interest Income

Net interest income is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Net interest income depends on the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them, respectively.

The following tables set forth balance sheets, average yields and costs, and certain other information for the years indicated. All average balances are daily average balances. The yields set forth below include the effect of deferred fees, discounts and premiums, which are included in interest income.

	At December 31, 2018		Year ended December 31, 2018			Year ended December 31	
	Actual Balance	Actual Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Rate (3)	Average Balance	Interest Earned/Pa
			(Dollars in Thousands)				
Interest-earning assets:							
Loans receivable	$ 2,300,851	4.96 %	$ 2,060,187	$ 97,831	4.75 %	$ 1,591,339	$ 73,355
Investment securities	140,412	2.53	142,343	3,761	2.64	104,520	2,904
	177,029	1.88	142,867	3,505	2.45	77,399	1,312

Interest-earning deposits							
Total interest-earning assets	2,618,292	4.63 %	2,345,397	105,097	4.48 %	1,773,258	77,571
Non-interest-earning assets	56,439		55,404			54,509	
Total assets	2,674,731		2,400,801			1,827,767	
Interest-bearing liabilities:							
Interest-bearing demand accounts	330,474	0.74 %	$ 334,156	$ 2,036	0.61 %	$ 305,208	$ 1,666
Money market accounts	221,898	1.51	188,109	2,278	1.21	135,202	1,150
Savings accounts	260,547	0.18	262,745	444	0.17	263,500	397
Certificates of deposit	1,103,845	2.16	911,141	16,400	1.80	619,377	8,838
Total interest-bearing deposits	1,916,764	1.56	1,696,151	21,158	1.25	1,323,287	12,051
Borrowed funds	282,377	2.67 %	262,227	6,258	2.39 %	160,699	3,636
Total interest-bearing liabilities	2,199,141	1.71	1,958,378	27,416	1.40	1,483,986	15,687
Non-interest-bearing liabilities	239,862		253,301			201,651	
Total liabilities	2,439,003		2,211,679			1,685,637	
Stockholders' equity	235,728		189,122			142,130	
Total liabilities and stockholders' equity	2,674,731		2,400,801			1,827,767	
Net interest income				$ 77,681			61,884
Net interest rate spread		2.92 %			3.08 %		
Net interest margin		3.20 %			3.31 %		

(1) Excludes allowance for loan losses.

(2) Includes Federal Home Loan Bank of New York stock.

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

(4) Net interest margin represents net interest income as a percentage of average interest-earning assets.

Rate/Volume Analysis

The table below sets forth certain information regarding changes in our interest income and interest expense for the years indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in average volume (changes in average volume multiplied by old rate); (ii) changes in rate (change in rate multiplied by old average volume); (iii) changes due to combined changes in rate and volume; and (iv) the net change.

	Years Ended December 31, 2018 vs. 2017 Increase (Decrease) Due to				2017 vs. 2016 Increase (Decrease) Due to		
	Volume	Rate	Rate/Volume	Total Increase (Decrease)	Volume	Rate	Rate/Volume
	(In thousands)						
Interest income:							
Loans receivable	$ 21,612	$ 2,212	$ 652	$ 24,476	$ 6,775	$ (2,575)	$ (251)
Investment securities	1,051	(142)	(52)	857	2,055	(137)	(231)
Interest-earning deposits	1,110	587	496	2,193	(397)	2,135	(1,158)
Total interest-earning assets	23,773	2,657	1,096	27,526	8,433	(577)	(1,640)
Interest expense:							
Interest-bearing demand accounts	158	194	18	370	115	(9)	(1)
Money market deposits	450	486	190	1,126	359	156	106
Savings deposits	(1)	47	-	46	13		