Northfield Bancorp, Inc.
Form 10-Q
November 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X]QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

[ ]TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For transition period from to

Commission File Number 1-35791

NORTHFIELD BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	80-0882592
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)

581 Main Street, Woodbridge, New Jersey	07095
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (732) 499-7200

Not Applicable

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

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

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

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of the latest practicable date.

57,939,498 shares of Common Stock, par value $0.01 per share, were issued and outstanding as of November 1, 2013.

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NORTHFIELD BANCORP, INC.

Form 10-Q Quarterly Report

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PART I

ITEM1.FINANCIAL STATEMENTS

NORTHFIELD BANCORP, INC.

CONSOLIDATED BALANCE SHEETS
September 30, 2013, and December 31, 2012

(Unaudited)

(In thousands, except share amounts)

	September 30, 2013	December 31, 2012
ASSETS:		
Cash and due from banks	$ 13,549	$ 25,354
Interest-bearing deposits in other financial institutions	80,104	103,407
Total cash and cash equivalents	93,653	128,761
Trading securities	5,706	4,677
Securities available-for-sale, at estimated fair value (encumbered $239,099 in 2013 and $254,190 in 2012)	1,023,055	1,275,631
Securities held-to-maturity, at amortized cost (estimated fair value of $2,309 in 2012) (encumbered $0 in 2012)	-	2,220
Loans held-for-sale	3,945	5,447
Purchased credit-impaired (PCI) loans held-for-investment	62,802	75,349
Loans acquired	81,784	101,433
Originated loans held-for-investment, net	1,253,281	1,066,200
Loans held-for-investment, net	1,397,867	1,242,982
Allowance for loan losses	(27,114)	(26,424)
Net loans held-for-investment	1,370,753	1,216,558
Accrued interest receivable	7,733	8,154
Bank owned life insurance	124,094	93,042
Federal Home Loan Bank of New York stock, at cost	16,882	12,550
Premises and equipment, net	29,836	29,785
Goodwill	16,159	16,159
Other real estate owned	664	870
Other assets	34,739	19,347
Total assets	$ 2,727,219	$ 2,813,201
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits	$ 1,492,586	$ 1,956,860
Securities sold under agreements to repurchase	216,000	226,000

Other borrowings	276,181	193,122
Advance payments by borrowers for taxes and insurance	6,683	3,488
Accrued expenses and other liabilities	19,489	18,858
Total liabilities	2,010,939	2,398,328
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.01 par value: 150,000,000 shares authorized, 58,212,409 and 46,904,286 shares issued at September 30, 2013, and December 31, 2012, respectively, 57,939,498 and 41,486,819 outstanding at September 30, 2013 and December 31, 2012, respectively	582	469
Additional paid-in-capital	507,464	230,253
Unallocated common stock held by employee stock ownership plan	(27,407)	(13,965)
Retained earnings	240,512	249,892
Accumulated other comprehensive (loss) income	(1,591)	18,231
Treasury stock at cost; 272,911 and 5,417,467 shares at September 30, 2013 and December 31, 2012, respectively	(3,280)	(70,007)
Total stockholders' equity	716,280	414,873
Total liabilities and stockholders' equity	$ 2,727,219	$ 2,813,201

See accompanying notes to consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
Three and nine months ended September 30, 2013, and 2012

(Unaudited)

(In thousands, except share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest income:				
Loans	$ 17,827	$ 15,162	$ 51,021	$ 45,187
Mortgage-backed securities	5,097	6,799	17,095	20,418
Other securities	325	559	1,268	2,102
Federal Home Loan Bank of New York dividends	124	151	398	435
Deposits in other financial institutions	7	19	68	47
Total interest income	23,380	22,690	69,850	68,189
Interest expense:				
Deposits	1,442	2,447	5,180	7,432
Borrowings	2,618	3,244	7,830	9,820
Total interest expense	4,060	5,691	13,010	17,252
Net interest income	19,320	16,999	56,840	50,937
Provision for loan losses	817	502	1,511	1,661
Net interest income after provision for loan losses	18,503	16,497	55,329	49,276
Non-interest income:				
Fees and service charges for customer services	801	720	2,285	2,285
Income on bank owned life insurance	999	710	2,588	2,139
Gain on securities transactions, net	743	428	2,941	2,488
Other-than-temporary impairment losses on securities	-	-	(434)	-
Portion recognized in other comprehensive income (before taxes)	-	-	-	-
Net impairment losses on securities recognized in earnings	-	-	(434)	-
Other	45	(148)	162	203
Total non-interest income	2,588	1,710	7,542	7,115

Non-interest expense:				
Compensation and employee benefits	6,756	5,950	20,270	17,881
Occupancy	2,479	2,201	7,339	6,230
Furniture and equipment	432	375	1,315	1,064
Data processing	874	826	3,424	2,829
Professional fees	753	684	2,221	2,480
FDIC insurance	379	409	1,131	1,218
Other	1,636	1,583	5,184	4,769
Total non-interest expense	13,309	12,028	40,884	36,471
Income before income tax expense	7,782	6,179	21,987	19,920
Income tax expense	2,682	2,285	7,796	7,130
Net income	$ 5,100	$ 3,894	$ 14,191	$ 12,790
Net income per common share:				
Basic	$ 0.09	$ 0.07	$ 0.26	$ 0.24
Diluted	$ 0.09	$ 0.07	$ 0.26	$ 0.23
Other comprehensive (loss) income:				
Unrealized (losses) gains on securities:				
Net unrealized holding (losses) gains on securities	$ (4,670)	$ 3,657	$ (30,800)	$ 7,622
Less: reclassification adjustment for gains included in net income (included in gain on securities transactions, net)	(353)	(225)	(2,245)	(2,032)
Net unrealized (losses) gains	(5,023)	3,432	(33,045)	5,590
Reclassification adjustment for OTTI impairment included in net income (included OTTI losses on securities)	-	-	434	-
Other comprehensive (loss) income , before tax	(5,023)	3,432	(32,611)	5,590
Income tax (benefit) expense related to net unrealized holding (losses) gains on securities	(1,873)	1,463	(12,065)	3,049
Income tax expense related to reclassification adjustment for gains included in net income	(141)	(90)	(898)	(813)
Income tax benefit related to reclassification adjustment for OTTI impairment included in net income	-	-	174	-
Other comprehensive (loss) income, net of tax	(3,009)	2,059	(19,822)	3,354
Comprehensive (loss) income	$ 2,091	$ 5,953	$ (5,631)	$ 16,144

See accompanying notes to consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Nine months ended September 30, 2013, and 2012

(Unaudited)

(In thousands, except share data)

	Common Stock		Additional	Unallocated Common Stock Held by the		Accumulated Other Comprehensive
	Shares	Par Value	Paid-in Capital	Employee Stock Ownership Plan	Retained Earnings	Income (Loss), Net of tax
Balance at December 31, 2011	45,632,611	$ 456	$ 209,302	$ (14,570)	$ 235,776	$ 1
Net income					12,790	
Other comprehensive income, net of tax						3,354
ESOP shares allocated or committed to be released			192	437		
Stock compensation expense			2,299			
Additional tax benefit on equity awards			204			
Exercise of stock options					(187)	
Cash dividends declared ($0.12 per common					(1,722)	

share)						
Treasury stock (average cost of $9.84 per share)						
Balance at September 30, 2012	45,632,611	$ 456	$ 211,997	$ (14,133)	$ 246,657	$ 2
Balance at December 31, 2012	46,904,286	$ 469	$ 230,253	$ (13,965)	$ 249,892	$ 1
Net income					14,191	
Other comprehensive loss, net of tax						(19,822)
ESOP shares allocated or committed to be released			334	782		
Stock compensation expense			2,354			
Additional tax benefit on equity awards			296			
Corporate reorganization:						
Merger of Northfield Bancorp, MHC	(24,641,684)	(246)	370			
Exchange of common stock	(16,845,135)	(169)	169			
Treasury stock retired	(5,417,467)	(54)	(69,953)			
Proceeds of stock offering, net of costs	58,199,819	582	329,396			
Purchase of common stock by ESOP			14,224	(14,224)		
Exercise of stock options	12,590		21			
Cash dividends declared ($0.43 per common share)					(23,571)	
Treasury stock (average cost of $12.02 per share)	(272,911)					

Balance at September 30, 2013	57,939,498	$	582	$	507,464	$	(27,407)	$	240,512	$	(1

See accompanying notes to consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 2013, and 2012

(Unaudited) (In thousands)

	2013	2012
Cash flows from operating activities:		
Net income	$ 14,191	$ 12,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,511	1,661
ESOP and stock compensation expense	3,470	2,928
Depreciation	2,690	2,076
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	1,592	277
Amortization intangible assets	332	273
Income on bank owned life insurance	(2,588)	(2,139)
Net (gain) loss on sale of loans held-for-sale	(35)	111
Proceeds from sale of loans held-for-sale	8,513	13,303
Origination of loans held-for-sale	(3,638)	(10,370)
Gain on securities transactions, net	(2,941)	(2,488)
Net purchases of trading securities	(333)	(135)
Decrease in accrued interest receivable	421	1,264
(Increase) decrease in other assets	(2,377)	1,192
Increase (decrease) in accrued expenses and other liabilities	631	(1,098)
Net cash provided by operating activities	21,439	19,645
Cash flows from investing activities:		
Net increase in loans receivable	(159,531)	(28,538)
Purchases of Federal Home Loan Bank of New York stock, net	(4,332)	(1,801)
Purchases of securities available-for-sale	(264,562)	(606,140)
Principal payments and maturities on securities available-for-sale	285,933	318,165
Principal payments and maturities on securities held-to-maturity	2,219	1,079
Proceeds from sale of securities available-for-sale	199,302	176,586
Purchases of bank owned life insurance	(28,657)	-
Death benefits received from bank owned life insurance	193	-
Proceeds from sale of other real estate owned	81	2,706
Purchases and improvements of premises and equipment	(2,741)	(6,162)
Net cash provided by (used in) investing activities	27,905	(144,105)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(174,720)	77,254
Dividends paid	(23,571)	(1,722)
Net proceeds from sale of common stock	54,648	-
Merger of Northfield Bancorp, MHC	124	-
Purchase of common stock for ESOP	(14,224)	-

Exercise of stock options	21	16
Purchase of treasury stock	(3,280)	(4,344)
Additional tax benefit on equity awards	296	204
Increase in advance payments by borrowers for taxes and insurance	3,195	1,794
Repayments under capital lease obligations	(214)	(186)
Proceeds from securities sold under agreements to repurchase and other borrowings	474,970	351,186
Repayments related to securities sold under agreements to repurchase and other borrowings	(401,697)	(333,000)
Net cash (used in) provided by financing activities	(84,452)	91,202
Net decrease in cash and cash equivalents	(35,108)	(33,258)
Cash and cash equivalents at beginning of period	128,761	65,269
Cash and cash equivalents at end of period	$ 93,653	$ 32,011
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 13,082	$ 17,490
Income taxes	13,541	5,334
Non-cash transactions:		
Loans charged-off, net	821	1,428
Other real estate owned write-downs	124	437
Transfers of loans to other real estate owned	-	306
Increase in due to broker for purchases of securities available-for-sale	-	5,099
Increase in due from broker for sales of securities available-for-sale	-	(13,779)
Deposits utilized to purchase common stock	289,554	-

See accompanying notes to consolidated financial statements.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

The consolidated financial statements are comprised of the accounts of Northfield Bancorp, Inc. (the “Company”) and its wholly owned subsidiaries, Northfield Investments, Inc. and Northfield Bank (the Bank) and the Bank’s wholly-owned significant subsidiaries, NSB Services Corp. and NSB Realty Trust. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments (consisting solely of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three and nine months ended September 30, 2013, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2013. Certain prior year amounts have been reclassified to conform to the current year presentation.

In preparing the unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles (“GAAP”); management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change are: the allowance for loan losses; the evaluation of goodwill and other intangible assets, impairment on investment securities, fair value measurements of assets and liabilities, and income taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates. The current economic environment has increased the degree of uncertainty inherent in these material estimates.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for the preparation of interim financial statements. The consolidated financial statements presented should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2012, of Northfield Bancorp, Inc. as filed with the SEC.

On January 24, 2013, Northfield Bancorp, Inc. completed its conversion from the mutual holding company to the stock holding company form of organization. A total of 35,558,927 shares of common stock were sold in the subscription and community offerings at a price of $10.00 per share, including 1,422,357 shares of common stock purchased by the Northfield Bank Employee Stock Ownership Plan. As part of the conversion, each existing share of Northfield Bancorp, Inc., a Federal Corporation, (“Northfield-Federal”) common stock held by public shareholders was converted into the right to receive 1.4029 shares of Northfield Bancorp, Inc., a Delaware Corporation, (“Northfield-Delaware”) common stock. The exchange ratio ensured that, after the conversion and offering, the public shareholders of Northfield-Federal maintained approximately the same ownership interest in Northfield-Delaware as they owned previously. 58,199,819 shares of Northfield-Delaware common stock were outstanding after the completion of the offering and the exchange. The Company incurred costs of approximately $11.5 million related to the conversion.

Share amounts at December 31, 2012, have been restated to reflect the conversion at a rate of 1.4029-to-one, unless noted otherwise.

Note 2 – Securities

The following is a comparative summary of mortgage-backed securities and other securities available-for-sale at September 30, 2013, and December 31, 2012 (in thousands):

	September 30, 2013			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	$ 385,973	$ 10,773	$ 3,541	$ 393,205
Real estate mortgage investment conduits (REMICs):				
GSE	521,132	1,043	10,254	511,921
Non-GSE	5,007	146	53	5,100
	912,112	11,962	13,848	910,226
Other securities:				
GSE bonds	30,495	-	134	30,361
Equity investments-mutual funds	2,189	-	-	2,189
Corporate bonds	80,450	3	174	80,279
	113,134	3	308	112,829
Total securities available-for-sale	$ 1,025,246	$ 11,965	$ 14,156	$ 1,023,055

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	December 31, 2012			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
GSE	$ 456,441	$ 22,996	$ 99	$ 479,338
Real estate mortgage investment conduits (REMICs):				
GSE	694,087	7,092	62	701,117
Non-GSE	7,543	266	33	7,776
	1,158,071	30,354	194	1,188,231
Other securities:				
Equity investments-mutual funds	12,998	—	—	12,998
Corporate bonds	73,708	694	—	74,402
	86,706	694	—	87,400
Total securities available-for-sale	$ 1,244,777	$ 31,048	$ 194	$ 1,275,631

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at September 30, 2013 (in thousands):

Available-for-sale	Amortized cost	Estimated fair value
Due in one year or less	$ -	$ -
Due after one year through five years	110,944	110,639
	$ 110,944	$ 110,639

Expected maturities on mortgage-backed securities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties.

For the three months and nine months ended September 30, 2013, the Company had gross proceeds of $52.8 million and $199.3 million, respectively, on sales of securities available-for-sale with gross realized gains of approximately $394,000 and $2.5 million, respectively, and gross realized losses of $42,000 and $219,000, respectively. For the three and nine months ended September 30, 2012, the Company had gross proceeds of $46.3 million and $176.6 million, respectively, on sales of securities available-for-sale with gross realized gains of approximately $715,000 and $2.0 million, respectively, and gross realized losses of $490,000 for the three and nine months ended September 30, 2012. The Company recognized $390,000 and $696,000 in gains on its trading securities portfolio during the three and nine months ended September 30, 2013, respectively. The Company recognized $203,000 and $456,000 in gains on its trading securities portfolio during the three and nine months ended September 30, 2012, respectively. The Company recognized $0 and $434,000 of other-than-temporary impairment charges during the three and nine months ended September 30, 2013, respectively, and did not recognize any other-than-temporary impairment charges during the three and nine months ended September 30, 2012.

Activity related to the credit component recognized in earnings on debt securities for which a portion of other-than-temporary impairment was recognized in accumulated other comprehensive income for the three and nine months ended September 30, 2013 and 2012, is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Balance, beginning of period	$ -	$ 578	$ -	$ 578
Additions to the credit component on debt securities in which other-than-temporary impairment was not previously recognized	-	-	-	-
Reductions due to sales		(578)	-	(578)
Cumulative pre-tax credit losses, end of period	$ -	$ -	$ -	$ -

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Gross unrealized losses on mortgage-backed securities, equity investments, and corporate bonds available-for-sale, and the estimated fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2013, and December 31, 2012, were as follows (in thousands):

	September 30, 2013					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
GSE	$ 3,493	$ 156,702	$ 48	$ 5,375	$ 3,541	$ 162,077
REMICs:						
GSE	9,479	314,923	775	48,508	10,254	363,431
Non-GSE	24	1,246	29	482	53	1,728
Other securities:						
GSE bonds	134	30,361	-	-	134	30,361
Corporate bonds	174	68,784	-	-	174	68,784
Total	$ 13,304	$ 572,016	$ 852	$ 54,365	$ 14,156	$ 626,381

	December 31, 2012					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
GSE	$ 99	$ 14,156	$ -	$ -	$ 99	$ 14,156
REMICs:						
GSE	58	100,310	4	7,633	62	107,943
Non-GSE	-	-	33	604	33	604
Total	$ 157	$ 114,466	$ 37	$ 8,237	$ 194	$ 122,703

The Company held 37 REMIC pass-through mortgage-backed securities issued or guaranteed by GSEs, 7 REMIC mortgage-backed securities issued or guaranteed by GSEs and one REMIC mortgage-backed security not issued or guaranteed by GSEs that were in a continuous unrealized loss position of greater than twelve months at September 30, 2013. There were 20 pass-through mortgage-backed securities issued or guaranteed by GSEs, 20 REMIC mortgage-backed securities issued or guaranteed by GSEs, one GSE bond, one REMIC mortgage-backed security not issued or guaranteed by GSEs and 13 corporate bonds that were in an unrealized loss position of less than twelve months, and rated investment grade at September 30, 2013. The declines in value relate to the general interest rate environment and are considered temporary. The securities cannot be prepaid in a manner that would result in the Company not receiving substantially all of its amortized cost. The Company neither has an intent to sell, nor is it more likely than not that the Company will be required to sell, the securities before the recovery of their amortized cost basis or, if necessary, maturity.

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the collateralized mortgage obligations or other securities deteriorates and our credit enhancement levels do not provide sufficient protections to our contractual principal and interest.

Note 3 – Loans

Net loans held-for-investment is as follows (in thousands):

	September 30, 2013	December 31, 2012
Real estate loans:		
Multifamily	$ 756,469	$ 610,129
Commercial mortgage	349,610	315,450
One-to-four family residential mortgage	63,260	64,733
Home equity and lines of credit	45,346	33,573
Construction and land	19,029	23,243
Total real estate loans	1,233,714	1,047,128
Commercial and industrial loans	14,639	14,786
Other loans	1,834	1,830
Total commercial and industrial and other loans	16,473	16,616
Deferred loan cost, net	3,094	2,456
Originated loans held-for-investment, net	1,253,281	1,066,200
PCI Loans	62,802	75,349
Loans acquired:		
Multifamily	3,963	5,763
Commercial mortgage	13,748	17,053
One-to-four family residential mortgage	63,700	78,237
Construction and land	373	380
Total loans acquired, net	81,784	101,433
Loans held-for-investment, net	1,397,867	1,242,982
Allowance for loan losses	(27,114)	(26,424)
Net loans held-for-investment	$ 1,370,753	$ 1,216,558

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Loans held-for-sale amounted to $3.9 million and $5.4 million at September 30, 2013, and December 31, 2012, respectively.

PCI loans, primarily acquired as part of a Federal Deposit Insurance Corporation-assisted transaction, totaled $62.8 million at September 30, 2013, as compared to $75.3 million at December 31, 2012. The Company accounts for PCI loans utilizing generally accepting accounting principles applicable to loans acquired with deteriorated credit quality. PCI loans consist of approximately 38% commercial real estate and 47% commercial and industrial loans, with the remaining balance in residential and home equity loans. The following details the accretion of interest income for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Balance at the beginning of period	$ 40,454	$ 39,311	$ 43,431	$ 42,493
Accretion into interest income	(1,385)	(1,499)	(4,362)	(4,681)
Balance at end of period	$ 39,069	$ 37,812	$ 39,069	$ 37,812

Activity in the allowance for loan losses is as follows (in thousands):

	At or for the nine months ended September 30,	
	2013	2012
Beginning balance	$ 26,424	$ 26,836
Provision for loan losses	1,511	1,661
Charge-offs, net	(821)	(1,428)
Ending balance	$ 27,114	$ 27,069

The following tables set forth activity in our allowance for loan losses, by loan type, for the nine months ended September 30, 2013, and the year ended December 31, 2012. The following tables also detail the amount of originated and acquired loans held-for-investment, net of deferred loan fees and costs, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan portfolio segment, as of September 30, 2013, and December 31, 2012 (in thousands). There was no related allowance for acquired loans as of September 30, 2013, and December 31, 2012.

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	September 30, 2013					
	Real Estate					
	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercia Industrial
Allowance for loan losses:						
Beginning Balance	$ 13,343	$ 623	$ 994	$ 7,086	$ 623	$
Charge-offs	(854)	(320)	-	(187)	(96)	(40)
Recoveries	21	-	567	13	-	81
Provisions	819	493	(954)	754	428	(189)
Ending Balance	$ 13,329	$ 796	$ 607	$ 7,666	$ 955	$
Ending balance: individually evaluated for impairment	$ 2,380	$ 18	$ -	$ 130	$ 150	$
Ending balance: collectively evaluated for impairment	$ 10,949	$ 778	$ 607	$ 7,536	$ 805	$
Originated loans, net: Ending Balance	$ 349,913	$ 63,779	$ 19,043	$ 758,149	$ 45,895	$
Ending balance: individually evaluated for impairment	$ 32,858	$ 1,121	$ 109	$ 2,093	$ 1,740	$
Ending balance:	$ 317,055	$ 62,658	$ 18,934	$ 756,056	$ 44,155	$

collectively evaluated for impairment

	December 31, 2012 Real Estate					
	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercia Industrial
Allowance for loan losses:						
Beginning Balance	$ 14,120	$ 967	$ 1,189	$ 6,772	$ 418	$
Charge-offs	(1,828)	(1,300)	(43)	(729)	(2)	(90)
Recoveries	107	-	-	9	-	86
Provisions	944	956	(152)	1,034	207	266
Ending Balance	$ 13,343	$ 623	$ 994	$ 7,086	$ 623	$
Ending balance: individually evaluated for impairment	$ 1,617	$ 5	$ -	$ 317	$ 123	$
Ending balance: collectively evaluated for impairment	$ 11,726	$ 618	$ 994	$ 6,769	$ 500	$
Originated loans, net: Ending balance	$ 315,603	$ 65,354	$ 23,255	$ 611,469	$ 33,879	$
Ending balance: individually evaluated for impairment	$ 41,568	$ 2,061	$ -	$ 2,040	$ 1,943	$

Ending balance: collectively evaluated for impairment	$	274,035	$	63,293	$	23,255	$	609,429	$	31,936	$

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The Company monitors the credit quality of its loans by reviewing certain key credit quality indicators. Management has determined that loan-to-value ratios (at period end) and internally assigned credit risk ratings by loan type are the key credit quality indicators that best help management monitor the credit quality of the Company's loans. Loan-to-value (LTV) ratios used by management in monitoring credit quality are based on current period loan balances and original values at time of origination (unless a more current appraisal has been obtained). In calculating the provision for loan losses, management has determined that commercial real estate loans and multifamily loans having loan-to-value ratios of less than 35%, and one-to-four family loans having loan-to-value ratios of less than 60%, require less of a loss factor than those with higher loan-to-value ratios.

The Company maintains a credit risk rating system as part of the risk assessment of its loan portfolio. The Company's lending officers are required to assign a credit risk rating to each loan in their portfolio at origination. When the lending officer learns of important financial developments, the risk rating is reviewed and adjusted if necessary. Periodically, management presents monitored assets to the Board Loan Committee. In addition, the Company engages a third party independent loan reviewer that performs semi-annual reviews of a sample of loans, validating the credit risk ratings assigned to such loans. The credit risk ratings play an important role in the establishment of the loan loss provision and in confirming the adequacy of the allowance for loan losses. After determining the general reserve loss factor for each portfolio segment, the portfolio segment balance collectively evaluated for impairment is multiplied by the general reserve loss factor for the respective portfolio segment in order to determine the general reserve. Loans collectively evaluated for impairment that have an internal credit rating of special mention or substandard are multiplied by a multiple of the general reserve loss factors for each portfolio segment, in order to determine the general reserve.

When assigning a risk rating to a loan, management utilizes the Bank's internal nine-point credit risk rating system.

1. Strong
2. Good
3. Acceptable
4. Adequate
5. Watch
6. Special Mention
7. Substandard
8. Doubtful
9. Loss

Loans rated 1 through 5 are considered pass ratings. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility the Company will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable based on current circumstances. Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets which do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses, are designated special mention.

The following tables detail the recorded investment of originated loans held-for-investment, net of deferred fees and costs, by loan type and credit quality indicator at September 30, 2013, and December 31, 2012 (in thousands):

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	At September 30, 2013 Real Estate					
	Multifamily		Commercial		One-to-Four Family	
	< 35% LTV	=> 35% LTV	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LT
Internal Risk Rating						
Pass	$ 33,640	$ 707,204	$ 41,995	$ 249,870	$ 28,983	$ 27,
Special Mention	314	11,128	1,779	12,687	1,391	1,620
Substandard	-	5,863	1,726	41,856	1,268	2,640
Originated loans held-for-investment, net	$ 33,954	$ 724,195	$ 45,500	$ 304,413	$ 31,642	$ 32,

	At December 31, 2012 Real Estate					
	Multifamily		Commercial		One-to-Four Family	
	< 35% LTV	=> 35% LTV	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LT
Internal Risk Rating						
Pass	$ 19,438	$ 575,434	$ 30,284	$ 211,679	$ 32,120	$ 28,
Special Mention	115	10,444	185	23,521	1,422	384
Substandard	510	5,528	1,699	48,235	1,066	2,271
Originated loans held-for-investment, net	$ 20,063	$ 591,406	$ 32,168	$ 283,435	$ 34,608	$ 30,

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Included in originated and acquired loans receivable (including held-for-sale) are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment of these nonaccrual loans was $19.5 million and $34.9 million at September 30, 2013, and December 31, 2012, respectively. Generally, loans are placed on non-accruing status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accruing status.

These non-accrual amounts included loans deemed to be impaired of $13.2 million and $26.0 million at September 30, 2013, and December 31, 2012, respectively. Loans on non-accrual status with principal balances less than $500,000, and therefore not meeting the Company's definition of an impaired loan, amounted to $4.7 million and $4.1 million at September 30, 2013, and December 31, 2012, respectively. Non-accrual amounts included in loans held-for-sale were $1.7 million and $5.4 million at September 30, 2013 and December 31, 2012, respectively. Loans past due 90 days or more and still accruing interest were $18,000 and $621,000 at September 30, 2013, and December 31, 2012, respectively, and consisted of loans that are considered well secured and in the process of collection.

The following tables set forth the detail, and delinquency status, of non-performing loans (non-accrual loans and loans past due 90 or more and still accruing), net of deferred fees and costs, at September 30, 2013, and December 31, 2012 (in thousands). The following table excludes PCI loans at September 30, 2013, and December 31, 2012, which have been segregated into pools in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 310-30. Each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. At September 30, 2013, expected future cash flows of each PCI loan pool were consistent with those estimated in our most recent recast of the cash flows.

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	At September 30, 2013 Total Non-Performing Loans Non-Accruing Loans					
	0-29 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total	90 Days or More Past Due and Accruing	Total Non-Performing Loans
Loans held-for-investment:						
Real estate loans:						
Commercial						
LTV < 35%						
Substandard	$ 353	$ -	$ -	$ 353	$ -	$ 353
Total	353	-	-	353	-	353
LTV => 35%						
Substandard	2,454	8,753	785	11,992	-	11,992
Total	2,454	8,753	785	11,992	-	11,992
Total commercial	2,807	8,753	785	12,345	-	12,345
One-to-four family residential						
LTV < 60%						
Special Mention	151	16	114	281	-	281
Substandard	180	242	186	608	-	608
Total	331	258	300	889	-	889
LTV => 60%						
Substandard	191	-	1,834	2,025	-	2,025
Total	191	-	1,834	2,025	-	2,025
Total one-to-four family residential	522	258	2,134	2,914	-	2,914
Construction and land						
Substandard	108	-	-	108	-	108
Total construction and land	108	-	-	108	-	108
Multifamily						
LTV => 35%						
Substandard	-	-	73	73	-	73
Total multifamily	-	-	73	73	-	73
Home equity and lines of credit						
Special Mention	-	-	43	43	-	43
Substandard	104	-	1,586	1,690	-	1,690
Total home equity and lines of credit	104	-	1,629	1,733	-	1,733
Commercial and industrial loans						
Pass	-	-	-	-	1	1

Special Mention	-	-	11	11	-	11
Substandard	70	447	245	762	-	762
Total commercial and industrial loans	70	447	256	773	1	774
Other loans						
Pass	-	-	-	-	17	17
Total other loans	-	-	-	-	17	17
Total non-performing loans held-for-investment	3,611	9,458	4,877	17,946	18	17,964
Loans acquired:						
One-to-four family residential						
LTV < 60%						
Substandard	-	-	103	103	-	103
Total	-	-	103	103	-	103
LTV => 60%						
Substandard	305	-	1,127	1,432	-	1,432
Total	305	-	1,127	1,432	-	1,432
Total one-to-four family residential	305	-	1,230	1,535	-	1,535
Total non-performing loans acquired	305	-	1,230	1,535	-	1,535
Total non-performing loans	$ 3,916	$ 9,458	$ 6,107	$ 19,481	$ 18	$ 19,499

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	At December 31, 2012 Total Non-Performing Loans Non-Accruing Loans					
	0-29 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total	90 Days or More Past Due and Accruing	Total Non-Performing Loans
Loans held-for-investment:						
Real estate loans:						
Commercial						
LTV < 35%						
Substandard	$ 1,699	$ -	$ -	$ 1,699	$ -	$ 1,699
Total	1,699	-	-	1,699	-	1,699
LTV => 35%						
Substandard	13,947	442	5,565	19,954	349	20,303
Total	13,947	442	5,565	19,954	349	20,303
Total commercial	15,646	442	5,565	21,653	349	22,002
One-to-four family residential						
LTV < 60%						
Special Mention	-	19	229	248	119	367
Substandard	-	429	-	429	-	429
Total	-	448	229	677	119	796
LTV => 60%						
Substandard	233	201	1,437	1,871	151	2,022
Total	233	201	1,437	1,871	151	2,022
Total one-to-four family residential	233	649	1,666	2,548	270	2,818
Construction and land						
Substandard	2,070	-	-	2,070	-	2,070
Total construction and land	2,070	-	-	2,070	-	2,070
Multifamily						
LTV => 35%						
Substandard			279	279	-	279
Total multifamily	-	-	279	279	-	279
Home equity and lines of credit						
Substandard	107	-	1,587	1,694	-	1,694
Total home equity and lines of credit	107	-	1,587	1,694	-	1,694
Commercial and industrial loans						
Substandard	532	-	724	1,256	-	1,256
	532	-	724	1,256	-	1,256

Total commercial and industrial loans						
Other loans						
Pass	-	-	-	-	2	2
Total other loans	-	-	-	-	2	2
Total non-performing loans held-for-investment	18,588	1,091	9,821	29,500	621	30,121
Loans held-for-sale:						
Commercial						
LTV => 35%						
Substandard	-		773	773	-	773
Total commercial	-	-	773	773	-	773
One-to-four family residential						
LTV => 60%						
Substandard	122	-	3,662	3,784	-	3,784
Total one-to-four family residential	122	-	3,662	3,784	-	3,784
Multifamily						
LTV => 35%						
Substandard	-	-	890	890	-	890
Total multifamily	-	-	890	890	-	890
Total non-performing loans held-for-sale	122	-	5,325	5,447	-	5,447
Total non-performing loans	$ 18,710	$ 1,091	$ 15,146	$ 34,947	$ 621	$ 35,568

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The following tables set forth the detail and delinquency status of originated and acquired loans held-for-investment, net of deferred fees and costs, by performing and non-performing loans at September 30, 2013 and December 31, 2012 (in thousands).

	September 30, 2013				
	Performing (Accruing) Loans				
	0-29 Days Past Due	30-89 Days Past Due	Total	Non-Performing Loans	Total Loans Receivable, net
Loans held-for-investment:					
Real estate loans:					
Commercial					
LTV < 35%					
Pass	$ 41,995	$ -	$ 41,995	$ -	$ 41,995
Special Mention	1,315	464	1,779	-	1,779
Substandard	1,373	-	1,373	353	1,726
Total	44,683	464	45,147	353	45,500
LTV > 35%					
Pass	249,192	678	249,870	-	249,870
Special Mention	10,994	1,693	12,687	-	12,687
Substandard	27,445	2,419	29,864	11,992	41,856
Total	287,631	4,790	292,421	11,992	304,413
Total commercial	332,314	5,254	337,568	12,345	349,913
One-to-four family residential					
LTV < 60%					
Pass	28,522	461	28,983	-	28,983
Special Mention	693	417	1,110	281	1,391
Substandard	341	319	660	608	1,268
Total	29,556	1,197	30,753	889	31,642
LTV > 60%					
Pass	25,237	2,640	27,877	-	27,877
Special Mention	1,620	-	1,620	-	1,620
Substandard	369	246	615	2,025	2,640
Total	27,226	2,886	30,112	2,025	32,137
Total one-to-four family residential	56,782	4,083	60,865	2,914	63,779
Construction and land					
Pass	13,811	-	13,811	-	13,811
Special Mention	5,124	-	5,124	-	5,124
Substandard	-	-	-	108	108
Total construction and land	18,935	-	18,935	108	19,043
Multifamily					
LTV < 35%					
Pass	33,640	-	33,640	-	33,640
Special Mention	99	215	314	-	314

Total	33,739	215	33,954	-	33,954
LTV > 35%					
Pass	706,414	790	707,204	-	707,204
Special Mention	9,736	1,392	11,128	-	11,128
Substandard	4,960	830	5,790	73	5,863
Total	721,110	3,012	724,122	73	724,195
Total multifamily	754,849	3,227	758,076	73	758,149
Home equity and lines of credit					
Pass	43,689	-	43,689	-	43,689
Special Mention	380	93	473	43	516
Substandard	-	-	-	1,690	1,690
Total home equity and lines of credit	44,069	93	44,162	1,733	45,895
Commercial and industrial loans					
Pass	10,486	135	10,621	1	10,622
Special Mention	983	502	1,485	11	1,496
Substandard	218	1,570	1,788	762	2,550
Total commercial and industrial loans	11,687	2,207	13,894	774	14,668
Other loans					
Pass	1,807	10	1,817	17	1,834
Total other loans	1,807	10	1,817	17	1,834
Total loans held-for-investment	1,220,443	14,874	1,235,317	17,964	1,253,281

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Loans acquired:					
One-to-four family residential					
LTV < 60%					
Pass	45,601	693	46,294	-	46,294
Special Mention	415	-	415	-	415
Substandard	138	6	144	103	247
Total one-to-four family residential	46,154	699	46,853	103	46,956
LTV => 60%					
Pass	14,667	144	14,811	-	14,811
Special Mention	235	-	235	-	235
Substandard	266	-	266	1,432	1,698
Total	15,168	144	15,312	1,432	16,744
Total one-to-four family residential	61,322	843	62,165	1,535	63,700
Commercial					
LTV < 35%					
Pass	2,837	531	3,368	-	3,368
Special Mention	190	-	190	-	190
Total	3,027	531	3,558	-	3,558
LTV > 35%					
Pass	9,248	-	9,248	-	9,248
Substandard	942	-	942	-	942
Total	10,190	-	10,190	-	10,190
Total commercial	13,217	531	13,748	-	13,748
Construction and land					
Substandard	373	-	373	-	373
Total construction and land	373	-	373	-	373
Multifamily					
LTV < 35%					
Pass	597	-	597	-	597
Substandard	490	-	490	-	490
Total	1,087	-	1,087	-	1,087
LTV => 35%					
Pass	2,276	-	2,276	-	2,276
Special Mention	600	-	600	-	600
Total	2,876	-	2,876	-	2,876
Total multifamily	3,963	-	3,963	-	3,963
Total loans acquired	78,875	1,374	80,249	1,535	81,784
	$ 1,299,318	$ 16,248	$ 1,315,566	$ 19,499	$ 1,335,065

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	December 31, 2012 Performing (Accruing) Loans 0-29 Days Past Due	30-89 Days Past Due	Total	Non-Performing Loans	Total Loans Receivable, net
Loans held-for-investment:					
Real estate loans:					
Commercial					
LTV < 35%					
Pass	$ 29,424	$ 860	$ 30,284	$ -	$ 30,284
Special Mention	185	-	185	-	185
Substandard	-	-	-	1,699	1,699
Total	29,609	860	30,469	1,699	32,168
LTV > 35%					
Pass	208,908	2,771	211,679	-	211,679
Special Mention	22,416	1,105	23,521	-	23,521
Substandard	27,932	-	27,932	20,303	48,235
Total	259,256	3,876	263,132	20,303	283,435
Total commercial	288,865	4,736	293,601	22,002	315,603
One-to-four family residential					
LTV < 60%					
Pass	29,154	2,966	32,120	-	32,120
Special Mention	1,055	-	1,055	367	1,422
Substandard	448	189	637	429	1,066
Total	30,657	3,155	33,812	796	34,608
LTV > 60%					
Pass	26,963	1,128	28,091	-	28,091
Special Mention	384	-	384	-	384
Substandard	249	-	249	2,022	2,271
Total	27,596	1,128	28,724	2,022	30,746
Total one-to-four family residential	58,253	4,283	62,536	2,818	65,354
Construction and land					
Pass	12,377	159	12,536	-	12,536
Special Mention	5,137	-	5,137	-	5,137
Substandard	3,512	-	3,512	2,070	5,582
Total construction and land	21,026	159	21,185	2,070	23,255
Multifamily					
LTV < 35%					
Pass	19,438	-	19,438	-	19,438
Special Mention	-	115	115	-	115
Substandard	510	-	510	-	510
Total	19,948	115	20,063	-	20,063

LTV > 35%					
Pass	574,686	748	575,434	-	575,434
Special Mention	9,134	1,310	10,444	-	10,444
Substandard	4,909	340	5,249	279	5,528
Total	588,729	2,398	591,127	279	591,406
Total multifamily	608,677	2,513	611,190	279	611,469
Home equity and lines of credit					
Pass	31,482	44	31,526	-	31,526
Special Mention	659	-	659	-	659
Substandard	-	-	-	1,694	1,694
Total home equity and lines of credit	32,141	44	32,185	1,694	33,879
Commercial and industrial loans					
Pass	10,356	636	10,992	-	10,992
Special Mention	753	-	753	-	753
Substandard	978	831	1,809	1,256	3,065
Total commercial and industrial loans	12,087	1,467	13,554	1,256	14,810
Other loans					
Pass	1,743	59	1,802	2	1,804
Substandard	26	-	26	-	26
Total other loans	1,769	59	1,828	2	1,830
	$ 1,022,818	$ 13,261	$ 1,036,079	$ 30,121	$ 1,066,200

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The following tables summarize impaired loans as of September 30, 2013, and December 31, 2012 (in thousands):

	At September 30, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Allowance Recorded:			
Real estate loans:			
Commercial			
LTV => 35%			
Pass	$ 3,428	$ 3,565	$ -
Substandard	10,440	11,424	-
Construction and land			
Substandard	109	91	-
One-to-four family residential			
LTV < 60%			
Special Mention	510	510	-
Substandard	271	271	-
Multifamily			
LTV > 35%			
Substandard	599	1,070	-
Commercial and industrial loans			
Special Mention	212	221	-
Substandard	865	865	-
With a Related Allowance Recorded:			
Real estate loans:			
Commercial			
LTV < 35%			
Substandard	353	353	(73)
LTV => 35%			
Special Mention	2,312	2,696	(76)
Substandard	16,325	17,134	(2,231)
One-to-four family residential			
LTV > 60%			
Pass	340	340	(18)
Multifamily			
LTV => 35%			
Substandard	1,494	1,494	(130)
Home equity and lines of credit			
Special Mention	345	345	(10)
Substandard	1,395	1,395	(140)
Commercial and industrial loans			
Substandard	543	581	(113)

Total:			
Real estate loans			
Commercial	32,858	35,172	(2,380)
One-to-four family residential	1,121	1,121	(18)
Construction and land	109	91	-
Multifamily	2,093	2,564	(130)
Home equity and lines of credit	1,740	1,740	(150)
Commercial and industrial loans	1,620	1,667	(113)
	$ 39,541	$ 42,355	$ (2,791)

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	At December 31, 2012		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
With No Allowance Recorded:			
Real estate loans:			
Commercial			
LTV < 35%			
Substandard	$ 1,699	$ 1,699	$ -
LTV => 35%			
Pass	2,774	2,774	
Special Mention	1,037	1,045	-
Substandard	24,691	25,897	-
Construction and land			
Substandard	2,373	3,031	-
One-to-four family residential			
LTV < 60%			
Substandard	49	49	-
LTV => 60%			
Substandard	2,841	4,141	-
Multifamily			
LTV < 35%			
Substandard	510	510	-
Commercial and industrial loans			
Special Mention	38	38	-
Substandard	1,527	1,527	-
With a Related Allowance Recorded:			
Real estate loans:			
Commercial			
LTV => 35%			
Special Mention	637	664	(57)
Substandard	11,645	12,045	(1,560)
One-to-four family residential			
LTV < 60%			
Special Mention	520	520	(5)
Multifamily			
LTV => 35%			
Substandard	1,640	2,111	(317)
Home equity and lines of credit			
Special Mention	356	356	(18)
Substandard	1,587	1,589	(105)
Commercial and industrial loans			
Substandard	491	491	(1,553)
Total:			
Real estate loans			

Commercial	42,483	44,124	(1,617)
One-to-four family residential	3,410	4,710	(5)
Construction and land	2,373	3,031	-
Multifamily	2,150	2,621	(317)
Home equity and lines of credit	1,943	1,945	(123)
Commercial and industrial loans	2,056	2,056	(1,553)
	$ 54,415	$ 58,487	$ (3,615)

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Included in the table above at September 30, 2013, are loans with carrying balances of $10.9 million that were not written down by either charge-offs or specific reserves in our allowance for loan losses. Included in the table above at December 31, 2012, are loans with carrying balances of $24.9 million that were not written down by either charge-offs or specific reserves in our allowance for loan losses. Loans not written down by charge-offs or specific reserves at September 30, 2013, and December 31, 2012, are considered to have sufficient collateral values, less costs to sell, to support the carrying balances of the loans.

The average recorded balance of originated impaired loans for the nine months ended September 30, 2013 and 2012, was $47.0 million and $55.0 million, respectively. The Company recorded $424,000 and $1.5 million of interest income on impaired loans for the three and nine months ended September 30, 2013, respectively, as compared to $938,000 and $2.2 million of interest income on impaired loans for the three and nine months ended September 30, 2012, respectively.

The following tables summarize loans that were modified in troubled debt restructurings during the nine months ended September 30, 2013, and year ended December 31, 2012.

	Nine Months Ended September 30, 2013				
	Number of Relationships (in thousands)	Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment	
Troubled Debt Restructurings					
One-to-four Family					
Special Mention	2	$	404	$	404
Total Troubled Debt Restructurings	2	$	404	$	404

Both of the relationships in the table above were restructured to receive reduced interest rates.

	Year Ended December 31, 2012				
	Number of Relationships (in thousands)	Pre-Modification Outstanding Recorded Investment		Post-Modification Outstanding Recorded Investment	
Troubled Debt Restructurings					
Commercial real estate loans					
Substandard	1	$	6,251	$	6,251

One-to-four Family			
Substandard	2	489	489
Home equity and lines of credit			
Special Mention	2	356	356
Total Troubled Debt Restructurings	5	$ 7,096	$ 7,096

All five of the relationships in the table above were restructured to receive reduced interest rates.

At September 30, 2013, and December 31, 2012, we had troubled debt restructurings of $37.2 million and $45.0 million, respectively.

Management classifies all troubled debt restructurings as impaired loans. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the estimated fair value of the collateral (less cost to sell) if the loan is collateral dependent, or the present value of the expected future cash flows if the loan is not collateral dependent. Management performs a detailed evaluation of each impaired loan and generally obtains updated appraisals as part of the evaluation. In addition, management adjusts estimated fair values down to appropriately consider recent market conditions, our willingness to accept a lower sales price to effect a quick sale, and costs to dispose of any supporting collateral. Determining the estimated fair value of underlying collateral (and related costs to sell) can be difficult in illiquid real estate markets and is subject to significant assumptions and estimates. Management employs an independent third party expert in appraisal preparation and review to ascertain the reasonableness of updated appraisals. Projecting the expected cash flows under troubled debt restructurings is inherently subjective and requires, among other things, an evaluation of the borrower's current and projected financial condition. Actual results may be significantly different than our projections and our established allowance for loan losses on these loans, which could have a material effect on our financial results.

No loan that was restructured during the twelve months ended September 30, 2013 has subsequently defaulted.

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Note 4 – Deposits

Deposits account balances are summarized as follows (in thousands):

	September 30, 2013	December 31, 2012
Non-interest-bearing demand	$ 221,605	$ 209,639
Interest-bearing negotiable orders of withdrawal (NOW)	110,302	117,762
Savings-passbook, statement, tiered, and money market	835,185	1,137,067
Certificates of deposit	325,494	492,392
Total deposits	$ 1,492,586	$ 1,956,860

Interest expense on deposit accounts is summarized for the periods indicated (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Negotiable order of withdrawal, savings-passbook, statement, tiered, and money market	$ 862	$ 996	$ 3,047	$ 3,115
Certificates of deposit	580	1,451	2,133	4,317
Total interest expense on deposit accounts	$ 1,442	$ 2,447	$ 5,180	$ 7,432

Note 5 – Equity Incentive Plan

The following table is a summary of the Company's stock options outstanding as of September 30, 2013, and changes therein during the nine months then ended: