

BCB BANCORP INC  
Form 10-Q  
May 16, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

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

For the quarterly period ended March 31, 2011.

Or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-50275

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BCB Bancorp, Inc.  
(Exact name of registrant as specified in its charter)

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

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

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

07002  
(Zip Code)

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

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

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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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

T Yes o No

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

|                         |                       |                           |                                  |
|-------------------------|-----------------------|---------------------------|----------------------------------|
| Large Accelerated Filer | <input type="radio"/> | Accelerated Filer         | <input type="radio"/>            |
| Non-Accelerated Filer   | <input type="radio"/> | Smaller Reporting Company | <input checked="" type="radio"/> |

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of May 13, 2011, BCB Bancorp, Inc., had 9,383,276 shares of common stock, no par value, outstanding.

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BCB BANCORP INC. AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

## ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES  
Consolidated Statements of Financial Condition  
(In Thousands, Except Share and Per Share Data, Unaudited)

|  | March 31,<br>2011 | December 31,<br>2010 |
|--|-------------------|----------------------|
| <b>ASSETS</b>  |                   |                      |
| Cash and amounts due from depository institutions  | \$ 23,975         | \$ 22,065            |
| Interest-earning deposits  | 42,248            | 99,062               |
| Total Cash and Cash equivalents  | 66,223            | 121,127              |
| Securities available for sale  | 1,257             | 1,098                |
| Securities held to maturity, fair value \$227,508 and \$166,785; respectively  | 226,208           | 165,572              |
| Loans held for sale  | 1,739             | 5,572                |
| Loans receivable, net of allowance for loan losses of \$8,387 and \$8,417; respectively  | 765,397           | 773,101              |
| Premises and equipment   | 12,625            | 11,359               |
| Property held for sale   | 1,017             | 1,017                |
| Federal Home Loan Bank of New York stock   | 6,723             | 6,723                |
| Interest receivable  | 5,587             | 5,203                |
| Real estate owned  | 3,431             | 3,602                |
| Deferred income taxes  | 5,842             | 5,785                |
| Other assets   | 3,818             | 6,729                |
| Total Assets   | \$ 1,099,867      | \$ 1,106,888         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                   |                      |
| <b>LIABILITIES</b>   |                   |                      |
| Non-interest bearing deposits  | \$ 70,941         | \$ 69,471            |
| Interest bearing deposits  | 807,930           | 816,817              |
| Total deposits   | 878,871           | 886,288              |
| Long-term debt   | 114,124           | 114,124              |
| Other Liabilities  | 6,891             | 7,502                |
| Total Liabilities  | 999,886           | 1,007,914            |
| <b>STOCKHOLDERS' EQUITY</b>  |                   |                      |
| Common stock, stated value \$0.064; 20,000,000 shares authorized; 10,163,914 and 10,144,830 shares respectively, issued; 9,397,647 and 9,383,695 shares, respectively, | 649               | 649                  |

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outstanding

|   |              |              |
|---|--------------|--------------|
| Paid-in capital   | 85,499       | 85,327       |
| Treasury stock, at cost, 766,267 and 761,135 shares, respectively | (10,814)     | (10,760)     |
| Retained Earnings   | 24,546       | 23,753       |
| Accumulated other comprehensive income                            | 101          | 5            |
| Total Stockholders' equity  | 99,981       | 98,974       |
| Total Liabilities and Stockholders' equity                        | \$ 1,099,867 | \$ 1,106,888 |

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES  
Consolidated Statements of Income  
(In Thousands, except for per share amounts, Unaudited)

|   | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2011                            | 2010     |
| Interest income:                                    |                                 |          |
| Loans   | \$ 11,261                       | \$ 6,437 |
| Investments, taxable                                | 1,753                           | 1,504    |
| Investments, non-taxable                            | 12                              | -        |
| Other interest-earning assets                       | 28                              | 19       |
| Total interest income                               | 13,054                          | 7,960    |
| Interest expense:                                   |                                 |          |
| Deposits:   |                                 |          |
| Demand  | 225                             | 212      |
| Savings and club                                    | 269                             | 272      |
| Certificates of deposit                             | 1,667                           | 1,513    |
|   | 2,161                           | 1,997    |
| Borrowed money                                      | 1,221                           | 1,221    |
| Total interest expense                              | 3,382                           | 3,218    |
| Net interest income                                 | 9,672                           | 4,742    |
| Provision for loan losses                           | 350                             | 450      |
| Net interest income after provision for loan losses | 9,322                           | 4,292    |
| Non-interest income:                                |                                 |          |
| Fees and service charges                            | 219                             | 160      |
| Gain on sales of loans originated for sale          | 178                             | 72       |
| Loss on sale of real estate owned                   | (80 )                           | —        |
| Other   | 136                             | 9        |
| Total non-interest income                           | 453                             | 241      |
| Non-interest expense:                               |                                 |          |
| Salaries and employee benefits                      | 3,007                           | 1,367    |
| Occupancy expense of premises                       | 779                             | 287      |
| Equipment   | 1,023                           | 554      |
| Professional fees                                   | 203                             | 132      |
| Directors fees                                      | 119                             | 106      |
| Regulatory assessments                              | 438                             | 173      |
| Advertising   | 72                              | 67       |
| Merger related expenses                             | -                               | 200      |

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|  |          |         |
|--|----------|---------|
| Other  | 988      | 383     |
| Total non-interest expense                           | 6,629    | 3,269   |
| Income before income tax provision                   | 3,146    | 1,264   |
| Income tax provision                                 | 1,225    | 546     |
| Net Income   | \$ 1,921 | \$ 718  |
| Net Income per common share - basic and diluted      |          |         |
| Basic  | \$ 0.20  | \$ 0.15 |
| Diluted  | \$ 0.20  | \$ 0.15 |
| Weighted average number of common shares outstanding |          |         |
| Basic  | 9,393    | 4,662   |
| Diluted  | 9,413    | 4,678   |

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARIES  
Consolidated Statement of Changes in Stockholders' Equity  
(In Thousands, Unaudited)

|   | Common Stock | Additional<br>Paid-In Capital | Treasury<br>Stock | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total     |
|---|--------------|-------------------------------|-------------------|----------------------|---|-----------|
| Balance at December 31, 2010  | \$ 649       | \$ 85,327                     | \$ (10,760)       | \$ 23,753            | \$ 5  | \$ 98,974 |
| Exercise of Stock Options<br>(19,084 shares)  | —            | 172                           | —                 | —                    | —   | 172       |
| Treasury Stock Purchases<br>(5,132 shares)  | —            | —                             | (54)              | —                    | —   | (54)      |
| Cash dividend (\$0.12 per<br>share) declared  | —            | —                             | —                 | (1,128)              | —   | (1,128)   |
| Net income for the three<br>months ended<br>March 31, 2011                                      | —            | —                             | —                 | 1,921                | —   | 1,921     |
| Unrealized gain on<br>securities available for sale,<br>net of deferred income tax<br>of \$(64) | —            | —                             | —                 | —                    | 96  | 96        |
| Total Comprehensive<br>income   | —            | —                             | —                 | —                    | —   | 2,017     |
| Balance at March 31, 2011   | \$ 649       | \$ 85,499                     | \$ (10,814)       | \$ 24,546            | \$ 101  | \$ 99,981 |

See accompanying notes to consolidated financial statements.



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

|   | Three Months Ended<br>March 31, |          |
|---|---------------------------------|----------|
|   | 2011                            | 2010     |
| Cash flows from operating activities:   |                                 |          |
| Net Income  | \$ 1,921                        | \$ 718   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |          |
| Depreciation  | 250                             | 93       |
| Amortization and accretion, net   | 437                             | 264      |
| Provision for loan losses   | 350                             | 450      |
| Deferred income tax   | (121)                           | (7)      |
| Loans originated for sale   | (6,102)                         | (6,425)  |
| Proceeds from sale of loans originated for sale                                   | 8,822                           | 6,806    |
| (Gain) on sale of loans originated for sale                                       | (178)                           | (72)     |
| Loss on sale of real estate owned   | 80                              | —        |
| (Increase) in interest receivable   | (384)                           | (285)    |
| Decrease in other assets  | 2,911                           | 406      |
| (Decrease) in accrued interest payable  | (4)                             | (45)     |
| (Decrease) in other liabilities   | (607)                           | (443)    |
| Net cash provided by operating activities   | 7,375                           | 1,460    |
| Cash flows from investing activities:   |                                 |          |
| Purchase of Federal Home Loan Bank of New York stock                              | —                               | (1)      |
| Proceeds from calls of securities held to maturity                                | 7,772                           | 22,700   |
| Purchases of securities held to maturity  | (78,621)                        | (22,411) |
| Proceeds from repayments on securities held to maturity                           | 9,703                           | 2,384    |
| Proceeds from sales of participation interest in loans                            | 1,366                           | —        |
| Proceeds from sale of real estate owned   | 443                             | 263      |
| Purchases of loans  | (835)                           | —        |
| Net decrease in loans receivable  | 7,841                           | 9,285    |
| Improvements to other real estate owned   | (5)                             | (13)     |
| Additions to premises and equipment   | (1,516)                         | (26)     |
| Net cash (used in) provided by investing activities                               | (53,852)                        | 12,181   |
| Cash flows from financing activities:   |                                 |          |
| Net increase in deposits  | (7,417)                         | 10,485   |
| Purchases of treasury stock   | (54)                            | (3)      |
| Cash dividend paid  | (1,128)                         | (559)    |
| Exercise of stock options   | 172                             | 31       |
| Net cash (used in) provided by financing activities                               | (8,427)                         | 9,954    |

|  |          |        |
|--|----------|--------|
| Net (decrease) increase in cash and cash equivalents | (54,904) | 23,595 |
| Cash and cash equivalents-beginning                  | 121,127  | 67,347 |

|                                  |           |           |
|----------------------------------|-----------|-----------|
| Cash and cash equivalents-ending | \$ 66,223 | \$ 90,942 |
|----------------------------------|-----------|-----------|

Supplemental disclosure of cash flow information:

Cash paid during the year for:

|              |          |          |
|--------------|----------|----------|
| Income taxes | \$ —     | \$ 2     |
| Interest     | \$ 3,386 | \$ 3,263 |

Non-cash items:

|   |          |        |
|---|----------|--------|
| Transfer of loans to other real estate owned                      | \$ 450   | \$ 936 |
| Loans to facilitate sale of other real estate owned               | \$ 103   | \$ —   |
| Reclassification of loans originated for sale to held to maturity | \$ 1,291 | \$ —   |

See accompanying notes to consolidated financial statements.

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BCB Bancorp Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

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

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Regulation S-X and, therefore, do not necessarily include all information that would be included in audited financial statements. The information furnished reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of consolidated financial condition and results of operations. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2011 or any other future interim period.

These unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2010, which are included in the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

In preparing these consolidated financial statements, BCB Bancorp, Inc., evaluated the events and transactions that occurred between March 31, 2011, and the date these consolidated financial statements were issued.

Note 2 – Acquisitions

Allegiance Community Bank

On April 5, 2011, BCB Bancorp, Inc. (the Company), its wholly owned New Jersey Bank subsidiary, BCB Community Bank and Allegiance Community Bank (“Allegiance”), headquartered in South Orange, New Jersey, jointly announced the signing of an agreement and plan of merger, dated as of April 4, 2011 (the “merger agreement”) pursuant to which Allegiance will merge with and into BCB Community Bank. At December 31, 2010, Allegiance had total assets of approximately \$121.3 million, including \$84.2 million in loans, and deposits of approximately \$100.1 million in two branches in South Orange and Woodbridge, New Jersey. Under the terms of the merger agreement, each outstanding share of Allegiance common stock will be converted into the right to receive 0.35 shares of common stock of the Company, subject to adjustment as disclosed in the merger agreement. The merger is expected to close in the third quarter of 2011, pending regulatory approvals, approval of the merger agreement by shareholders of Allegiance and the satisfaction of other customary closing conditions.

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## Note 3 – Pension and Other Postretirement Plans

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

Periodic pension and SERP cost, which is recorded as part of salaries and employee benefits expense in our Consolidated Statements of Income, is comprised of the following for the three months ended March 31, 2011 and 2010 (In Thousands):

|                                  | Three months ended<br>March 31, 2011 | Three Months<br>ended<br>March 31, 2010 |
|----------------------------------|--------------------------------------|---|
| Pension plan:                    |                                      |   |
| Interest cost                    | \$ 117                               | \$ -                                    |
| Expected return on plan assets   | (94)                                 | -                                       |
| Net periodic pension cost        | \$ 23                                | \$ -                                    |
| SERP plan:                       |                                      |   |
| Interest cost                    | \$ 7                                 | \$ -                                    |
| Net periodic postretirement cost | \$ 7                                 | \$ -                                    |

## Note 4 – Earnings Per Share

Basic net income per common share is computed by dividing net income by the weighted average number of shares of common stock outstanding. The diluted net income per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include the effects of outstanding stock options, if dilutive, using the treasury stock method. For the three months ended March 31, 2011 and 2010, the weighted average of outstanding options considered to be anti-dilutive was 180,684 and 230,264, respectively.

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## Note 5 – Securities Available for Sale

|   | March 31, 2011 |  |                               |               |
|---|----------------|--|-------------------------------|---------------|
|   | Cost           | Gross<br>Unrealized<br>Gains<br>(In Thousands) | Gross<br>Unrealized<br>Losses | Fair<br>Value |
| Equity Securities-Financial<br>Institutions | \$ 1,097       | \$ 160   | \$ —                          | \$ 1,257      |

|   | December 31, 2010 |  |                               |               |
|---|-------------------|--|-------------------------------|---------------|
|   | Cost              | Gross<br>Unrealized<br>Gains<br>(In Thousands) | Gross<br>Unrealized<br>Losses | Fair<br>Value |
| Equity Securities-Financial<br>Institutions | \$ 1,097          | \$ 32  | \$ 31                         | \$ 1,098      |

There were no sales of securities available for sale for the three months ended March 31, 2011 and 2010.

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

|   | Less than 12 Months |                      | More than 12 Months |                      | Total         |                      |
|---|---------------------|----------------------|---------------------|----------------------|---------------|----------------------|
|   | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value       | Unrealized<br>Losses | Fair<br>Value | Unrealized<br>Losses |
|   | (In Thousands)      |                      |                     |                      |               |                      |
| March 31, 2011                                |                     |                      |                     |                      |               |                      |
| Equity Securities - Financial<br>Institutions | \$ —                | \$ —                 | \$ —                | \$ —                 | \$ —          | \$ —                 |
| December 31, 2010                             |                     |                      |                     |                      |               |                      |
| Equity Securities - Financial<br>Institutions | \$ 65               | \$ 31                | \$ —                | \$ —                 | \$ 65         | \$ 31                |

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## Note 6 – Securities Held to Maturity

|   | Amortized<br>Cost | March 31, 2011<br>Gross<br>Unrealized<br>Gains |       | Gross<br>Unrealized<br>Losses | Fair Value |
|---|-------------------|--|-------|-------------------------------|------------|
|   |                   | (In Thousands)                                 |       |                               |            |
| U.S. Government Agencies:               |                   |  |       |                               |            |
| Due within one year                     | \$ 3,315          | \$   | 151   | \$ —                          | \$ 3,466   |
| Due after ten years                     | 35,110            |  | 81    | 68                            | 35,123     |
|   | 38,425            |  | 232   | 68                            | 38,589     |
| Residential mortgage-backed securities: |                   |  |       |                               |            |
| Due within one year                     | \$ 1              | \$   | —     | \$ —                          | \$ 1       |
| Due after one year through five years   | 679               |  | 18    | —                             | 697        |
| Due after five years through ten years  | 49,679            |  | 365   | 146                           | 49,898     |
| Due after ten years                     | 129,647           |  | 1,514 | 623                           | 130,538    |
|   | 180,006           |  | 1,897 | 769                           | 181,134    |
| Subordinated notes:                     |                   |  |       |                               |            |
| Due within one year                     | \$ 6,000          | \$   | —     | \$ —                          | \$ 6,000   |
| Due after ten years                     | 403               |  | 1     | —                             | 404        |
| Municipal obligations:                  |                   |  |       |                               |            |
| Due after ten years                     | 1,374             |  | 7     | —                             | 1,381      |
|   | 7,777             |  | 8     | —                             | 7,785      |
|   | \$ 226,208        | \$   | 2,137 | \$ 837                        | \$ 227,508 |

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## Note 6 – Securities Held to Maturity (Continued)

|   | Amortized<br>Cost | December 31, 2010<br>Gross<br>Unrealized<br>Gains<br>Unrealized<br>Losses<br>(In Thousands) |        | Fair Value |
|---|-------------------|---|--------|------------|
| U.S. Government Agencies:               |                   |   |        |            |
| Due after one through five years        | \$ 3,315          | \$ 180  | \$ —   | \$ 3,495   |
| Due after ten years                     | 27,523            | 14  | 62     | 27,475     |
|   |                   |   |        |            |
|   | 30,838            | 194   | 62     | 30,970     |
| Residential mortgage-backed securities: |                   |   |        |            |
| Due within one year                     | \$ 6              | \$ —  | \$ —   | \$ 6       |
| Due after one year through five years   | 775               | 24  | 1      | 798        |
| Due after five years through ten years  | 54,629            | 374   | 357    | 54,646     |
| Due after ten years                     | 71,545            | 1,552   | 493    | 72,604     |
|   |                   |   |        |            |
|   | 126,955           | 1,950   | 851    | 128,054    |
| Subordinated notes:                     |                   |   |        |            |
| Due within one year                     | \$ 6,000          | \$ —  | \$ —   | \$ 6,000   |
| Municipal obligations:                  |                   |   |        |            |
| Due after ten years                     | 1,376             | —   | 21     | 1,355      |
| Trust originated preferred security:    |                   |   |        |            |
| Due after ten years                     | 403               | 3   | —      | 406        |
|   | \$ 165,572        | \$ 2,147  | \$ 934 | \$ 166,785 |

The amortized cost and carrying values shown above are by contractual final maturity. Actual maturities will differ from contractual final maturities due to scheduled monthly payments related to mortgage-backed securities and due to the borrowers having the right to prepay obligations with or without prepayment penalties. At March 31, 2011 and December 31, 2010, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

There were no sales of securities held to maturity for the three months ended March 31, 2011 and 2010.

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## Note 6 – Securities Held to Maturity (Continued)

The unrealized losses, categorized by the length of time of continuous loss position, and fair value of related securities held to maturity were as follows:

|  | Less than 12 Months |                   | More than 12 Months |                   | Total      |                   |
|--|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
|  | Fair Value          | Unrealized Losses | Fair Value          | Unrealized Losses | Fair Value | Unrealized Losses |
|  | (In Thousands)      |                   |                     |                   |            |                   |
| March 31, 2011                         |                     |                   |                     |                   |            |                   |
| U.S. Government Agencies               | \$ 16,440           | \$ 68             | \$ —                | \$ —              | \$ 16,440  | \$ 68             |
| Residential mortgage-backed securities | 97,300              | 769               | —                   | —                 | 97,300     | 769               |
|  | \$ 113,740          | \$ 837            | \$ —                | \$ —              | \$ 113,740 | \$ 837            |
| December 31, 2010                      |                     |                   |                     |                   |            |                   |
| U.S. Government Agencies               | \$ 20,328           | \$ 62             | \$ —                | \$ —              | \$ 20,328  | \$ 62             |
| Residential mortgage-backed securities | 74,899              | 851               | —                   | —                 | 74,899     | 851               |
| Municipal obligations                  | 1,355               | 21                | —                   | —                 | 1,355      | 21                |
|  | \$ 96,582           | \$ 934            | \$ —                | \$ —              | \$ 96,582  | \$ 934            |

Management does not believe that any of the unrealized losses at March 31, 2011, (which are related to three U.S. Government Agency bonds and forty-nine residential mortgage-backed securities) represent an other-than-temporary impairment as they are primarily related to market interest rates and not related to the underlying credit quality of the issuers of the securities as all these securities were issued by U.S. Agencies. Additionally, the Company has the ability, and management has the intent, to hold such securities for the time necessary to recover cost and does not have the intent to sell the securities, and it is more likely than not that it will not have to sell the securities before recovery of their cost.



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Note 7 - Loans Receivable and Allowance for Loan Losses

Allowance for Loan Losses

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 Company's methodology for assessing the adequacy of the allowance for loan losses consists of several key elements. These elements include a general allocated reserve for impaired loans, a specific reserve for impaired loans and an unallocated portion.

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

- General economic conditions.
- Trends in charge-offs.
- Trends and levels of delinquent loans.
- Trends and levels of non-performing loans, including loans over 90 days delinquent.
- Trends in volume and terms of loans.
- Levels of allowance for specific classified loans.
- Credit concentrations.

The methodology includes the segregation of the loan portfolio by loans that are performing and loans that are 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, including consideration of peer loss analysis, with an adjustment for qualitative factors due to economic conditions in the market. Impaired loans are loans which are more than 60 days delinquent or troubled debt restructured. These loans are individually evaluated for loan loss either by current appraisal, estimated economic factor, or net present value. Management reviews the overall estimate for reasonableness and bases the loan loss provision accordingly. The Company 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 changing rapidly. In addition, as an integral part of their examination process, the federal deposit insurance corporation will periodically review the allowance for loan losses and may require us to adjust the allowance based on their analysis of information available to them at the time of their examination.

During the quarter ended March 31, 2011, the Company implemented additional criteria to include the review of performing loans as well as the inclusion of a migration factor for classified loans, specifically those loans classified as special mention, substandard or doubtful. The migration factors assigned to the aforementioned classifications increases with the severity of the classification, thereby increasing the general estimation of credit losses from 1.5% to 3.0% of classified loans. The implementation of this change in methodology during the first quarter is primarily responsible for the increase in the estimation of loan losses by \$740,000.00.

**Classified Assets.** Our policies provide for a classification system for problem assets. Under this classification system, problem assets are classified as “substandard,” “doubtful,” “loss” or “special mention.” An asset is considered substandard if it is inadequately protected by its current net worth and paying capacity of the borrower or of the collateral pledged, if any. Substandard assets include those characterized by the “distinct possibility” that “some loss” will be sustained if the deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weakness present makes “collection or liquidation in full” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as loss are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted, and the loan, or a portion thereof, is charged-off. Assets may be designated special mention because of potential weaknesses that do not currently warrant classification in one of the aforementioned categories.

When we classify problem loans, we may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. At March 31, 2011, we had no assets classified as loss, \$17.1 million in assets classified as doubtful, of which \$5.3 million was classified as impaired, \$27.4 million in assets classified as substandard, of which \$11.4 million was classified as impaired and \$38.4 million in assets classified as special mention, of which \$17.4 million was classified as impaired. The loans classified as substandard represent primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily because either updated financial information has not been timely provided, or the collateral underlying the loan is in the process of being revalued.

The Company’s internal credit risk grades are based on the definitions currently utilized by the banking regulatory agencies. The grades assigned and definitions are as follows, and loans graded excellent, above average, good and watch list (risk ratings 1-4) are treated as “pass” for grading purposes:

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

6 – 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.

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

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

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

The following table sets forth the activity in the Bank's allowance for loan losses for the three months ended March 31, 2011 and recorded investment in financing receivables at March 31, 2011. The following table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan losses that is allocated to each loan type (In Thousands):

|  | Residential | Commercial &<br>Multi-family | Construction | Commercial<br>Business (1) | Home<br>equity (2) | Consumer | Unallocated | Total      |
|--|-------------|------------------------------|--------------|----------------------------|--------------------|----------|-------------|------------|
| Allowance for credit losses:   |             |                              |              |                            |                    |          |             |            |
| Beginning balance  | \$ 171      | \$ 6,179                     | \$ 426       | \$ 1,286                   | \$ 204             | \$ 18    | \$ 133      | \$ 8,417   |
| Charge-offs  | \$ -        | \$ 380                       | \$ -         | \$ -                       | \$ -               | \$ -     | \$ -        | \$ 380     |
| Recoveries   | \$ -        | \$ -                         | \$ -         | \$ -                       | \$ -               | \$ -     | \$ -        | \$ -       |
| Provisions   | \$ 50       | \$ -                         | \$ 38        | \$ 248                     | \$ 2               | \$ -     | \$ 12       | \$ 350     |
| Ending balance   | \$ 221      | \$ 5,799                     | \$ 464       | \$ 1,534                   | \$ 206             | \$ 18    | \$ 145      | \$ 8,387   |
| Ending balance:<br>individually<br>evaluated for<br>impairment           | \$ 15       | \$ 627                       | \$ -         | \$ 430                     | \$ 2               | \$ -     | \$ -        | \$ 1,074   |
| Ending balance:<br>collectively<br>evaluated for<br>impairment           | \$ 206      | \$ 5,172                     | \$ 464       | \$ 1,104                   | \$ 204             | \$ 18    | \$ 145      | \$ 7,313   |
| Ending balance:<br>loans acquired with<br>deteriorated credit<br>quality | \$ -        | \$ -                         | \$ -         | \$ -                       | \$ -               | \$ -     | \$ -        | \$ -       |
| Loans receivables:   |             |                              |              |                            |                    |          |             |            |
| Ending balance   | \$ 229,349  | \$ 400,388                   | \$ 17,060    | \$ 65,236                  | \$ 60,804          | \$ 1,474 | \$ -        | \$ 774,311 |
| Ending balance:<br>individually<br>evaluated for<br>impairment           | \$ 926      | \$ 32,560                    | \$ 2,910     | \$ 2,811                   | \$ 404             | \$ -     | \$ -        | \$ 39,611  |
| Ending balance:<br>collectively  | \$ 41,901   | \$ 241,072                   | \$ 12,462    | \$ 52,583                  | \$ 28,442          | \$ 230   | \$ -        | \$ 376,690 |

evaluated for  
impairment

Ending balance:

loans acquired with  
deteriorated credit

|            |            |            |          |          |           |          |      |            |
|------------|------------|------------|----------|----------|-----------|----------|------|------------|
| quality(3) | \$ 186,522 | \$ 126,756 | \$ 1,688 | \$ 9,842 | \$ 31,958 | \$ 1,244 | \$ - | \$ 358,010 |
|------------|------------|------------|----------|----------|-----------|----------|------|------------|

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

(3) Includes all loans acquired by acquisition.

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

The following table sets forth the Bank's allowance for credit losses and recorded investment in financing receivables at December 31, 2010. The following table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan losses that is allocated to each loan type (In Thousands):

|   | Commercial &<br>Residential | Multi-family | Construction | Commercial<br>Business<br>(1) | Home<br>equity<br>(2) | Consumer | Unallocated | Total      |
|---|-----------------------------|--------------|--------------|-------------------------------|-----------------------|----------|-------------|------------|
| Allowance for credit losses:  |                             |              |              |                               |                       |          |             |            |
| Ending balance  | \$ 171                      | \$ 6,179     | \$ 426       | \$ 1,286                      | \$ 204                | \$ 18    | \$ 133      | \$ 8,417   |
| Ending balance:<br>individually<br>evaluated for<br>impairment              | \$ -                        | \$ 1,656     | \$ -         | \$ 449                        | \$ 2                  | \$ -     | \$ -        | \$ 2,107   |
| Ending balance:<br>collectively<br>evaluated for<br>impairment              | \$ 171                      | \$ 4,523     | \$ 426       | \$ 837                        | \$ 202                | \$ 18    | \$ 133      | \$ 6,310   |
| Ending balance:<br>loans acquired with<br>deteriorated credit<br>quality    | \$ -                        | \$ -         | \$ -         | \$ -                          | \$ -                  | \$ -     | \$ -        | \$ -       |
| Loans receivables:  |                             |              |              |                               |                       |          |             |            |
| Ending balance  | \$ 234,435                  | \$ 410,212   | \$ 17,848    | \$ 54,160                     | \$ 63,603             | \$ 1,816 | \$ -        | \$ 782,074 |
| Ending balance:<br>individually<br>evaluated for<br>impairment              | \$ 89                       | \$ 27,422    | \$ 2,910     | \$ 2,809                      | \$ 372                | \$ -     | \$ -        | \$ 33,602  |
| Ending balance:<br>collectively<br>evaluated for<br>impairment              | \$ 39,524                   | \$ 250,494   | \$ 13,532    | \$ 41,541                     | \$ 28,992             | \$ 332   | \$ -        | \$ 374,415 |
| Ending balance:<br>loans acquired with<br>deteriorated credit<br>quality(3) | \$ 194,821                  | \$ 132,296   | \$ 1,406     | \$ 9,811                      | \$ 34,240             | \$ 1,483 | \$ -        | \$ 374,057 |

- 
- (1) Includes business lines of credit.
  - (2) Includes home equity lines of credit.
  - (3) Includes all loans acquired by acquisition.

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

The table below sets forth the amounts and types of non-accrual loans in the Bank's loan portfolio, at March 31, 2011. Loans are placed on non-accrual status when they become more than 90 days delinquent, or when the collection of principal and/or interest become doubtful.

|                             | At March<br>31, 2011 |
|-----------------------------|----------------------|
|                             | (In<br>Thousands)    |
| Non-accruing loans:         |                      |
| Residential                 | \$ 15,038            |
| Construction                | 4,081                |
| Commercial business(1)      | 728                  |
| Commercial and multi-family | 22,021               |
| Home equity(2)              | 1,023                |
| Consumer                    | 240                  |
| Total                       | \$ 43,131            |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

The table below sets forth the amounts and types of non-accrual loans in the Bank's loan portfolio, at December 31, 2010.

|                             | At<br>December<br>31, 2010 |
|-----------------------------|----------------------------|
|                             | (In<br>Thousands)          |
| Non-accruing loans:         |                            |
| Residential                 | \$ 15,115                  |
| Construction                | 2,773                      |
| Commercial business(1)      | 861                        |
| Commercial and multi-family | 21,147                     |
| Home equity(2)              | 1,632                      |
| Consumer                    | 283                        |
| Total                       | \$ 41,811                  |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit. Note 7 - Loans Receivable and Allowance for Loan Losses (Continued)

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

The following table summarizes information in regards to impaired loans by loan portfolio class as of March 31, 2011 (In Thousands):

|                                     | Recorded<br>Investment | Unpaid<br>Principal<br>Balance | Related<br>Allowance | Average<br>Recorded<br>Investment | Interest<br>Income<br>Recognized |
|-------------------------------------|------------------------|--------------------------------|----------------------|-----------------------------------|----------------------------------|
| With no related allowance recorded: |                        |                                |                      |                                   |                                  |
| Residential Mortgages               | \$ 517                 | \$ 517                         | \$ -                 | \$ 303                            | \$ -                             |
| Commercial and Multi-family         | 21,420                 | 21,420                         | -                    | 15,565                            | 126                              |
| Construction                        | 2,910                  | 2,910                          | -                    | 2,910                             | -                                |
| Commercial Business(1)              | 1,002                  | 1,002                          | -                    | 992                               | 10                               |
| Home Equity(2)                      | 291                    | 291                            | -                    | 240                               | 2                                |
| Consumer                            | -                      | -                              | -                    | -                                 | -                                |
| With an allowance recorded:         |                        |                                |                      |                                   |                                  |
| Residential Mortgages               | \$ 409                 | \$ 409                         | \$ 15                | \$ 205                            | \$ 4                             |
| Commercial and Multi-family         | 11,140                 | 11,140                         | 627                  | 14,427                            | 140                              |
| Construction                        | -                      | -                              | -                    | -                                 | -                                |
| Commercial Business(1)              | 1,809                  | 1,809                          | 430                  | 1,819                             | -                                |
| Home Equity(2)                      | 113                    | 113                            | 2                    | 148                               | 2                                |
| Consumer                            | -                      | -                              | -                    | -                                 | -                                |
| Total:                              |                        |                                |                      |                                   |                                  |
| Residential Mortgages               | \$ 926                 | \$ 926                         | \$ 15                | \$ 508                            | \$ 4                             |
| Commercial and Multi-family         | 32,560                 | 32,560                         | 627                  | 29,992                            | 266                              |
| Construction                        | 2,910                  | 2,910                          | -                    | 2,910                             | -                                |
| Commercial Business(1)              | 2,811                  | 2,811                          | 430                  | 2,811                             | 10                               |
| Home Equity(2)                      | 404                    | 404                            | 2                    | 388                               | 4                                |
| Consumer                            | -                      | -                              | -                    | -                                 | -                                |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.



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

The following table summarizes information in regards to impaired loans by loan type as of December 31, 2010 (In Thousands):

|                                     | Recorded<br>Investment | Unpaid<br>Principal<br>Balance | Related<br>Allowance |
|-------------------------------------|------------------------|--------------------------------|----------------------|
| With no related allowance recorded: |                        |                                |                      |
| Residential                         | \$ 89                  | \$ 89                          | \$ -                 |
| Commercial and multi-family         | 9,709                  | 9,709                          | -                    |
| Construction                        | 2,910                  | 2,910                          | -                    |
| Commercial business (1)             | 981                    | 981                            | -                    |
| Home equity (2)                     | 189                    | 189                            | -                    |
| Consumer                            | -                      | -                              | -                    |
| With an allowance recorded:         |                        |                                |                      |
| Residential                         | -                      | -                              | -                    |
| Commercial and multi-family         | \$ 17,713              | \$ 17,713                      | \$ 1,656             |
| Construction                        | -                      | -                              | -                    |
| Commercial business (1)             | 1,828                  | 1,828                          | 449                  |
| Home equity (2)                     | 183                    | 183                            | 2                    |
| Consumer                            | -                      | -                              | -                    |
| Total:                              |                        |                                |                      |
| Residential                         | \$ 89                  | \$ 89                          | \$ -                 |
| Commercial and multi-family         | 27,422                 | 27,422                         | 1,656                |
| Construction                        | 2,910                  | 2,910                          | -                    |
| Commercial business                 | 2,809                  | 2,809                          | 449                  |
| Home equity                         | 372                    | 372                            | 2                    |
| Consumer                            | -                      | -                              | -                    |

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(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the delinquency status of total loans receivable at March 31, 2011.

| As of March 31, 2011              |                        |                           |                            |                                     |            |                            | Loans<br>Receivable>90<br>Days<br>and<br>Accruing |
|-----------------------------------|------------------------|---------------------------|----------------------------|-------------------------------------|------------|----------------------------|---|
|                                   | 30-59 Days<br>Past Due | 60-89<br>Days<br>Past Due | Greater<br>than<br>90 Days | Total<br>Past Due<br>(In Thousands) | Current    | Total Loans<br>Receivables |   |
| Residential                       | \$ 8,994               | \$ 1,494                  | \$ 15,038                  | \$ 25,526                           | \$ 203,823 | \$ 229,349                 | —   |
| Commercial<br>and<br>multi-family | 19,869                 | 2,927                     | 22,021                     | 44,817                              | 355,571    | 400,388                    | —   |
| Construction                      | 1,747                  | —                         | 4,081                      | 5,828                               | 11,232     | 17,060                     | —   |
| Commercial<br>business(1)         | 1,617                  | 325                       | 728                        | 2,670                               | 62,566     | 65,236                     | —   |
| Home<br>equity(2)                 | 1,614                  | 236                       | 1,023                      | 2,873                               | 57,931     | 60,804                     | —   |
| Consumer                          | 60                     | —                         | 240                        | 300                                 | 1,174      | 1,474                      | —   |
| Total                             | \$ 33,901              | \$ 4,982                  | \$ 43,131                  | \$ 82,014                           | \$ 692,297 | \$ 774,311                 | —   |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table sets forth the delinquency status of total loans receivable at December 31, 2010.

As of December 31, 2010

|                                | 30-59 Days<br>Past Due | 60-89 Days<br>Past Due | Greater<br>than<br>90 Days | Total<br>Past Due<br>(In Thousands) | Current   | Total Loans<br>Receivables | Loans<br>Receivable>90<br>Days and<br>Accruing |
|--------------------------------|------------------------|------------------------|----------------------------|-------------------------------------|-----------|----------------------------|--|
| Residential                    | \$5,010                | \$3,706                | \$15,115                   | \$23,831                            | \$210,604 | \$ 234,435                 | —  |
| Commercial and<br>multi-family | 20,071                 | 5,391                  | 21,147                     | 46,609                              | 363,603   | 410,212                    | —  |
| Construction                   | 1,889                  | —                      | 2,773                      | 4,662                               | 13,186    | 17,848                     | —  |
| Commercial<br>business(1)      | 1,377                  | 456                    | 861                        | 2,694                               | 51,466    | 54,160                     | —  |
| Home equity(2)                 | 870                    | 694                    | 1,632                      | 3,196                               | 60,407    | 63,603                     | —  |
| Consumer                       | 106                    | 5                      | 283                        | 394                                 | 1,422     | 1,816                      | —  |
| Total                          | \$29,323               | \$10,252               | \$41,811                   | \$81,386                            | \$700,688 | \$ 782,074                 | —  |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention, substandard, doubtful, and loss within the Company's internal risk rating system as of March 31, 2011 (In Thousands):

|                             | Pass      | Special<br>Mention | Substandard | Doubtful | Loss | Total     |
|-----------------------------|-----------|--------------------|-------------|----------|------|-----------|
| Residential                 | \$211,021 | \$5,354            | \$8,879     | \$4,095  | \$-  | \$229,349 |
| Commercial and multi-family | 346,165   | 29,049             | 14,017      | 11,157   | -    | 400,388   |
| Construction                | 12,687    | -                  | 3,706       | 667      | -    | 17,060    |
| Commercial business(1)      | 61,300    | 3,159              | 317         | 460      | -    | 65,236    |
| Home equity(2)              | 58,934    | 819                | 474         | 577      | -    | 60,804    |
| Consumer                    | 1,333     | 5                  | -           | 136      | -    | 1,474     |
| Total                       | \$691,440 | \$38,386           | \$27,393    | \$17,092 | \$-  | \$774,311 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

The following table presents the loan portfolio types summarized by the aggregate pass rating and the classified ratings of special mention, substandard, doubtful, and loss within the Company's internal risk rating system as of December 31, 2010 (In Thousands):

|                             | Pass      | Special<br>Mention | Substandard | Doubtful | Loss  | Total     |
|-----------------------------|-----------|--------------------|-------------|----------|-------|-----------|
| Residential                 | \$217,459 | \$4,930            | \$8,874     | \$3,172  | \$-   | \$234,435 |
| Commercial and multi-family | 349,219   | 30,538             | 17,760      | 12,578   | 117   | 410,212   |
| Construction                | 12,763    | 689                | 4,005       | 391      | -     | 17,848    |
| Commercial business(1)      | 50,248    | 3,113              | 339         | 25       | 435   | 54,160    |
| Home equity(2)              | 61,682    | 807                | 488         | 510      | 116   | 63,603    |
| Consumer                    | 1,673     | 7                  | -           | 136      | -     | 1,816     |
| Total                       | \$693,044 | \$40,084           | \$31,466    | \$16,812 | \$668 | \$782,074 |

(1) Includes business lines of credit.

(2) Includes home equity lines of credit.

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

The following table presents outstanding principal balance and the related carrying amount of acquired loans included in our Consolidated Statements of Financial Condition.

|                               | March 31,<br>2011 | December 31,<br>2010 |
|-------------------------------|-------------------|----------------------|
|                               | (In Thousands)    |                      |
| Outstanding principal balance | \$ 362,530        | \$ 378,000           |
| Carrying amount               | 358,010           | 374,057              |

The following table presents changes in the accretable discount on loans acquired in the Pamrapo acquisition for the three months ended March 31, 2011 (In Thousands):

|                     |           |
|---------------------|-----------|
| Balance – beginning | \$205,491 |
| Pamrapo acquisition |           |
| Accretion           | (12,126 ) |
| Balance - ending    | \$193,365 |

No interest income is being recognized on loans acquired where the fair value of the loan was based on the cash flows expected to be received from the foreclosure and sale of the underlying collateral. The carrying value of these loans at March 31, 2011 and December 31, 2010 was \$11,644,000 and \$11,661,000.

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## Note 8 – Fair Values of Financial Instruments

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

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

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

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

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

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

| Description                   | Total    | (Level 1)<br>Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets | (Level 2)<br>Significant<br>Other<br>Observable<br>Inputs | (Level 3)<br>Significant<br>Unobservable<br>Inputs |
|-------------------------------|----------|---|---|--|
| As of March 31, 2011:         |          |   |   |  |
| Securities available for sale | \$ 1,257 | \$ 1,257  | \$ —  | \$ —   |
| As of December 31, 2010:      |          |   |   |  |
| Securities available for sale | \$ 1,098 | \$ 1,098  | \$ —  | \$ —   |

There were no significant transfers of assets or liabilities into or out of Level 1, Level 2, or Level 3 of the fair value hierarchy during the three months ended March 31, 2011.

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

| Description | Total | (Level 1)<br>Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets | (Level 2)<br>Significant<br>Other<br>Observable<br>Inputs | (Level 3)<br>Significant<br>Unobservable<br>Inputs |
|-------------|-------|---|---|--|
|-------------|-------|---|---|--|

As of March 31, 2011:

|                |    |        |    |   |    |   |    |        |
|----------------|----|--------|----|---|----|---|----|--------|
| Impaired loans | \$ | 12,397 | \$ | — | \$ | — | \$ | 12,397 |
|----------------|----|--------|----|---|----|---|----|--------|

As of December 31, 2010:

|                   |    |        |    |   |    |   |    |        |
|-------------------|----|--------|----|---|----|---|----|--------|
| Impaired Loans    | \$ | 17,617 | \$ | — | \$ | — | \$ | 17,617 |
| Real estate owned | \$ | 513    | \$ | — | \$ | — | \$ | 513    |

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at March 31, 2011 and December 31, 2010.

#### Cash and Cash Equivalents (Carried at Cost)

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

#### Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets and/or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

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Note 8 – Fair Values of Financial Instruments (Continued)

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

The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted prices exist, the fair value of a loan is determined using quoted prices for a similar loan or loans, adjusted for specific attributes of that loan. Loans held for sale are carried at their cost at March 31, 2011 and December 31, 2010.

Loans Receivable (Carried at Cost)

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

Impaired Loans (Generally Carried at Fair Value)

A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or as a practical expedient, at the loans observable market price or the fair value of the collateral if the loan is collateral dependent. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances of \$13,471,000 and \$19,724,000, net of a valuation allowance of \$1,074,000 and \$2,107,000 at March 31, 2011 and December 31, 2010, respectively.

Real Estate Owned (Generally Carried at Fair Value)

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

FHLB of New York Stock (Carried at Cost)

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

Interest Receivable and Payable (Carried at Cost)

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

Deposits (Carried at Cost)

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



monthly maturities on time deposits.

#### Long-Term Debt (Carried at Cost)

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

#### Off-Balance Sheet Financial Instruments

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

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## Note 8 – Fair Values of Financial Instruments (Continued)

The carrying values and estimated fair values of financial instruments were as follows at March 31, 2011 and December 31, 2010:

|                               | March 31,<br>2011 |            | December 31,<br>2010 |            |
|-------------------------------|-------------------|------------|----------------------|------------|
|                               | Carrying<br>Value | Fair Value | Carrying<br>Value    | Fair Value |
|                               | (In Thousands)    |            |                      |            |
| Financial assets:             |                   |            |                      |            |
| Cash and cash equivalents     | \$ 66,223         | \$ 66,223  | \$ 121,127           | \$ 121,127 |
| Securities available for sale | 1,257             | 1,257      | 1,098                | 1,098      |
| Securities held to maturity   | 226,208           | 227,508    | 165,572              | 166,785    |
| Loans held for sale           | 1,739             | 1,774      | 5,572                | 5,633      |
| Loans receivable              | 765,397           | 780,935    | 773,101              | 779,858    |
| FHLB of New York stock        | 6,723             | 6,723      | 6,723                | 6,723      |
| Interest receivable           | 5,587             | 5,587      | 5,203                | 5,203      |
| Financial liabilities:        |                   |            |                      |            |
| Deposits                      | 878,871           | 883,777    | 886,288              | 890,402    |
| Long-term debt                | 114,124           | 131,286    | 114,124              | 126,895    |
| Interest payable              | 783               | 783        | 787                  | 787        |

## Note 9 – New Accounting Pronouncements

Accounting Standards Update (ASU) No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The ASU clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. The amendments to FASB Accounting Standards Codification Topic 310, Receivables, clarify the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. For public companies, the new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. Early application is permitted. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

## Note 10- Subsequent Events

At the Annual Meeting of the Shareholders held on April 28, 2011 (the "Annual Meeting"), the shareholders of BCB Bancorp, Inc. approved the adoption of the BCB Bancorp, Inc. 2011 Stock Option Plan ("2011 Stock Plan"). The 2011 Stock Plan authorizes the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the

requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. Additionally, at the Annual Meeting, the shareholders approved the amendment to the BCB Bancorp, Inc. Certificate of Incorporation to authorize the issuance of up to 10 million shares of preferred stock, par value \$0.01 per share.

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ITEM 2.

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

Recent Developments

New Federal Legislation

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted. The Dodd-Frank Act will significantly change the current bank regulatory structure and affect the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act will eliminate the Office of Thrift Supervision. The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve System to supervise and regulate all savings and loan holding companies, in addition to bank holding companies which it currently regulates. As a result, the Federal Reserve Board's current regulations applicable to bank holding companies, including holding company capital requirements, will apply to savings and loan holding companies. The Dodd-Frank Act also requires the Federal Reserve Board to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. BCB Bancorp will be subject to the new capital requirements. Under the Dodd-Frank Act, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months from the date of enactment that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau with broad 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 such as the Bank, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The Consumer Financial Protection Bureau 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 will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives state attorneys general the ability to enforce applicable federal consumer protection laws.

The legislation also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013. Lastly, the Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

Completion of Acquisition

On July 6, 2010, the acquisition of Pamrapo Bancorp, Inc. was completed. The 100% stock transaction was valued at approximately \$38.6 million based on the closing price of BCB Bancorp, Inc. of \$7.83 per share. In accordance with the terms of the merger agreement, each share of Pamrapo Bancorp common stock has been converted into 1.00 share of BCB Bancorp's common stock. BCB Bancorp common stock continues to be listed on the NASDAQ Global Market under the symbol "BCBP."

## Financial Condition

Total assets decreased by \$7.0 million or 0.63% to \$1.10 billion at March 31, 2011 from \$1.11 billion at December 31, 2010. The decrease in total assets occurred primarily as a result of a decrease in cash and cash equivalents of \$54.9 million and loans receivable of \$7.7 million partially offset by an increase in securities held to maturity of \$60.6 million. Management is concentrating on controlled balance sheet growth and maintaining adequate liquidity in the anticipation of funding loans in the loan pipeline as well as seeking opportunities in the secondary market that provide reasonable returns. During the first quarter, the composition of the Bank's balance sheet shifted out of cash and cash equivalents to investment securities. The initial intention of accumulating liquidity was to explore the possibility of repaying certain wholesale advances in an effort to reduce interest expense. Diligent monitoring of the penalties associated with the early prepayment of these advances proved cost prohibitive. Consequently, management decided to deploy the liquidity into pools of government sponsored enterprise (GSE) mortgage backed securities, providing yields of approximately three hundred fifty basis points higher than the yield on the cash deposits. Investing in mortgage backed securities of intermediate terms of fifteen and twenty years ensures regular cash flow with accelerated amortization over long term investments, thereby positively impacting net interest income, spread, and margin. It is our intention to grow the balance sheet at a measured pace consistent with our capital levels and as business opportunities permit.

Total cash and cash equivalents decreased by \$54.9 million or 45.3% to \$66.2 million at March 31, 2011 from \$121.1 million at December 31, 2010. Investment securities classified as held-to-maturity increased by \$60.6 million or 36.6% to \$226.2 million at March 31, 2011 from \$165.6 million at December 31, 2010. This increase in investment securities occurred as a result of purchases of \$78.6 million during the three months ended March 31, 2011, partially offset by call options exercised on \$7.8 million of callable agency securities and \$9.7 million in repayments and prepayments in the mortgage backed security portfolio during the three months ended March 31, 2011.

Loans receivable decreased by \$7.7 million or 1.0% to \$765.4 million at March 31, 2011 from \$773.1 million at December 31, 2010. The decrease resulted primarily from a \$15.7 million decrease in real estate mortgages comprising residential, commercial, construction and participation loans with other financial institution and a \$3.1 million decrease in consumer loans, net of amortization, partially offset by a \$11.1 million increase in commercial loans comprising business loans and commercial lines of credit, net of amortization, partially offset by a \$30,000 decrease in the allowance for loan losses. The balance in the loan pipeline as of March 31, 2011 stood at \$72.6 million. At March 31, 2011, the allowance for loan losses was \$8.4 million or 19.5% of non-performing loans. As a result of the loans acquired in the business combination transaction being recorded at their fair value, the balance in the allowance for loan losses that was on the balance sheet of the former Pamrapo Bancorp, Inc., was not carried over in the allowance balance previously discussed.

Deposit liabilities decreased by \$7.4 million or 0.83% to \$878.9 million at March 31, 2011 from \$886.3 million at December 31, 2010. The decrease resulted primarily from a \$8.6 million decrease in time deposit accounts and \$1.4 million decrease in transaction accounts, partially offset by an \$2.6 million increase in the savings and club accounts. During the three months ended March 31, 2011, the Federal Open Market Committee (FOMC) has continued its low short term interest rate policy. This has resulted in a steepening of the yield curve, resulting in lower short term time deposit account yields which in turn has had the effect of decreasing interest expense.

The balance of borrowed money remained constant at \$114.1 million for the periods ended March 31, 2011 and December 31, 2010. The purpose of the borrowings reflects the use of long term Federal Home Loan Bank advances

to augment deposits as the Bank's funding source for originating loans and investing in GSE investment securities.

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Stockholders' equity increased by \$1.0 million or 1.0% to \$100.0 million at March 31, 2011 from \$99.0 million at December 31, 2010. The increase in stockholders' equity is primarily attributable to net income for the three months ended March 31, 2011 of \$1.9 million, a \$172,000 increase resulting from the exercise of stock options totaling 19,084 shares and a \$96,000 increase in the market value of our available-for-sale securities portfolio, net of tax partially offset by the payment of a quarterly cash dividend totaling \$1.1 million representing a \$0.12 per share payment during the three months ended March 31, 2011 and \$54,000 paid to repurchase 5,132 shares of the Company's common stock. At March 31, 2011, the Bank's Tier 1, Tier 1 Risk-Based and Total Risk Based Capital Ratios were 9.33%, 16.91% and 18.10% respectively.

## Results of Operations

Net income increased by \$1.2 million or 171.4% to \$1.9 million for the three months ended March 31, 2011 from \$718,000 for the three months ended March 31, 2010. The increase in net income was due to increases in net interest income, non-interest income and a decrease in the provision for loan losses, partially offset by increases in non-interest expense and income tax expense. Net interest income increased by \$4.93 million or 104.0% to \$9.67 million for the three months ended March 31, 2011 from \$4.74 million for the three months ended March 31, 2010. The increase in net interest income resulted primarily from an increase in the average balance of interest earning assets of \$463.6 million or 74.7% to \$1.08 billion for the three months ended March 31, 2011 from \$620.8 million for the three months ended March 31, 2010, partially offset by a decrease in the average yield on interest earning assets to 4.82% for the three months ended March 31, 2011 from 5.13% for the three months ended March 31, 2010. The average balance of interest bearing liabilities increased by \$384.6 million or 70.4% to \$930.9 million for the three months ended March 31, 2011 from \$546.3 million for the three months ended March 31, 2010 and the average cost of interest bearing liabilities decreased by ninety-one basis points to 1.45% for the three months ended March 31, 2011 from 2.36% for the three months ended March 31, 2010. The decrease of ninety-one basis points in the average cost of interest bearing liabilities more than offset the decrease of thirty-one basis points in the average yield on interest earning assets. As a consequence of the aforementioned, our net interest margin increased to 3.57% for the three months ended March 31, 2011 from 3.06% for the three months ended March 31, 2010. The increase in the average balance of interest earning assets and the average balance of interest bearing liabilities is primarily attributable to the completion of the business combination transaction with Pamrapo Bancorp, Inc.

Interest income on loans receivable increased by \$4.82 million or 74.8% to \$11.26 million for the three months ended March 31, 2011 from \$6.44 million for the three months ended March 31, 2010. The increase was primarily attributable to an increase in the average balance of loans receivable of \$388.1 million or 95.4% to \$794.8 million for the three months ended March 31, 2011 from \$406.7 million for the three months ended March 31, 2010, partially offset by a decrease in the average yield on loans receivable to 5.67% for the three months ended March 31, 2011 from 6.33% for the three months ended March 31, 2010. The increase in the average balance of loans is primarily attributable to the acquisition of Pamrapo Bancorp, Inc. The decrease in average yield reflects the competitive price environment prevalent in the Bank's primary market area on loan facilities as well as the repricing downward of variable rate loans. Further, as the average yield on the loans acquired in the business combination transaction with Pamrapo Bancorp Inc., were less than that of BCB Bancorp, Inc., as a stand-alone institution, the combination of both portfolios decreased the composite yield accordingly.

Interest income on securities increased by \$261,000 or 17.4% to \$1.8 million for the three months ended March 31, 2011 from \$1.5 million for the three months ended March 31, 2010. This increase was primarily due to an increase in the average balance of securities held-to-maturity of \$60.5 million or 42.9% to \$201.6 million for the three months ended March 31, 2011 from \$141.1 million for the three months ended March 31, 2010, partially offset by a decrease in the average yield of securities held-to-maturity to 3.50% for the three months ended March 31, 2011 from 4.26% for the three months ended March 31, 2010. The decrease in the average yield reflects the lower long term interest rate

environment during the three months ended March 31, 2011 compared with the three months ended March 31, 2010. The increase in the average balance is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc.

Interest income on other interest-earning assets increased by \$9,000 or 47.4% to \$28,000 for the three months ended March 31, 2011 from \$19,000 for the three months ended March 31, 2010. This increase was primarily due to an increase of \$14.9 million or 20.4% in the average balance of other interest-earning assets to \$87.9 million for the three months ended March 31, 2011 from \$73.0 million for the three months ended March 31, 2010. The average yield on other interest-earning assets increased slightly to 0.13% for the three months ended March 31, 2011 from 0.10% for the three month ended March 31, 2010. The static nature of the average yield on other interest earning assets reflects the current philosophy by the FOMC of keeping short term interest rates at historically low levels for the last two years. The increase in the average balance of other interest earning assets is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc.

Total interest expense increased by \$164,000 or 5.1% to \$3.38 million for the three months ended March 31, 2011 from \$3.22 million for the three months ended March 31, 2010. The increase resulted primarily from an increase in the balance of average interest bearing liabilities of \$384.6 million or 70.4% to \$930.9 million for the three months ended March 31, 2011 from \$546.3 million for the three months ended March 31, 2010, partially offset by a decrease in the average cost of interest bearing liabilities of ninety-one basis points to 1.45% for the three months ended March 31, 2011 from 2.36% for the three months ended March 31, 2010. The increase in the balance of average interest bearing liabilities is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc. The decrease in the average cost reflects the Company's reaction to the lower short term interest rate environment and our ability to reduce our pricing on a select number of retail deposit products.

The provision for loan losses totaled \$350,000 and \$450,000 for the three month periods ended March 31, 2011 and 2010, respectively. The provision for loan losses is established based upon management's review of the Bank's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) significant level of loan growth and (5) the existing level of reserves for loan losses that are probable and estimable. During the three months ended March 31, 2011, the Bank experienced \$380,000 in net charge-offs, (consisting of \$380,000 in charge-offs and no recoveries). During the three months ended March 31, 2010, the Bank experienced \$434,000 in net charge-offs, (consisting of \$446,000 in charge-offs and \$12,000 in recoveries). The Bank had non-performing loans totaling \$43.1 million or 5.57% of gross loans at March 31, 2011, \$41.8 million or 5.35% of gross loans at December 31, 2010 and \$13.3 million or 3.33% of gross loans at March 31, 2010. The increase in non-performing loans resulted primarily from the acquisition of Pamrapo Bancorp, whose non-performing loans totaled \$26.3 million at March 31, 2011. The allowance for loan losses was \$8.4 million or 1.08% of gross loans at March 31, 2011, \$8.4 million or 1.08% of gross loans at December 31, 2010 and \$6.7 million or 1.67% of gross loans at March 31, 2010. The carrying value of the loans acquired from Pamrapo was \$358.0 million at March 31, 2011. These loans were the primary reason for the decrease in the ratio of the allowance for loan losses to gross loans from March 31, 2010 as there was no carryover of the historical Pamrapo allowance for credit losses related to these loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at March 31, 2011, December 31, 2010 and March 31, 2010.

Total non-interest income increased by \$212,000 or 88.0% to \$453,000 for the three months ended March 31, 2011 from \$241,000 for the three months ended March 31, 2010. The increase in non-interest income resulted primarily



from an increase of \$186,000 or a 110.0% increase in fees and service charges and other non-interest income to \$355,000 for the three months ended March 31, 2011 from \$169,000 for the three months ended March 31, 2010, and an increase of \$106,000 or 147.2% in gain on sale of loans originated for sale to \$178,000 for the three months ended March 31, 2011 from \$72,000 for the three months ended March 31, 2010. General fees, service charges and other income increased primarily as a result of a \$117,000 recovery of legal fees from the Insurance Company pertaining to Pamrapo Bancorp, Inc. litigation issues.

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The increase in gain on sale of loans originated for sale occurred primarily as a result of the active local market for refinancing one-to four-family residential mortgages, aided in large part by the low interest rate environment. The aforementioned increases were partially offset by an \$80,000 loss on the sale of certain REO properties for the three months ended March 31, 2011 from no such loss for the three months ended March 31, 2010.

Total non-interest expense increased by \$3.3 million or 100.0% to \$6.6 million for the three months ended March 31, 2011 from \$3.3 million for the three months ended March 31, 2010. Unless specified otherwise, the increase in the categories of non-interest expense occurred primarily as a result of the acquisition of Pamrapo Bancorp, Inc. Salaries and employee benefits expense increased by \$1.6 million or 114.3% to \$3.0 million for the three months ended March 31, 2011 from \$1.37 million for the three months ended March 31, 2010. This increase occurred primarily as the result of an increase in the number of full time equivalent employees to 182 at March 31, 2011, from 88 at March 31, 2010. Occupancy expense increased by \$492,000 or 171.4% to \$779,000 for the three months ended March 31, 2011 from \$287,000 for the three months ended March 31, 2010. Equipment expense increased by \$469,000 or 84.7% to \$1.02 million for the three months ended March 31, 2011 from \$554,000 for the three months ended March 31, 2010. The primary component of this expense item is data service provider expense which increases with the growth in the Bank's assets.

Professional fees increased by \$71,000 or 53.8% to \$203,000 for the three months ended March 31, 2011 from \$132,000 for the three months ended March 31, 2010. Directors fees increased by \$13,000 or 12.3% to \$119,000 for the three months ended March 31, 2011 from \$106,000 for the three months ended March 31, 2010. Regulatory assessments increased by \$265,000 or 153.2% to \$438,000 for the three months ended March 31, 2011 from \$173,000 for the three months ended March 31, 2010. Advertising expense increased by \$5,000 or 7.5% to \$72,000 for the three months ended March 31, 2011 from \$67,000 for the three months ended March 31, 2010. Merger related expenses decreased by \$200,000 to no related expense for the three months ended March 31, 2011 compared to \$200,000 for the three months ended March 31, 2010. Other non-interest expense increased by \$605,000 or 158.0% to \$988,000 for the three months ended March 31, 2011 from \$383,000 for the three months ended March 31, 2010. The increase in other expenses occurred primarily as a result of an increase in loan expense and fees associated with the collection process on certain delinquent loan facilities. Additionally, other non-interest expense is also comprised of stationary, forms and printing, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income taxes increased by \$679,000 or 124.4% to \$1.2 million for the three months ended March 31, 2011 from \$546,000 for the three months ended March 31, 2010, reflecting increased taxable income during the three month time period ended March 31, 2011. Net income increased substantially in the three months ended March 31, 2011 as compared to the three months ended March 31, 2010, primarily as a result of the increase in the size of the Company's balance sheet which was attributable to the business combination transaction with the Pamrapo Bancorp, Inc. The consolidated effective tax rate for the three months ended March 31, 2011 was 38.9% compared to 43.2% for the three months ended March 31, 2010 due to nondeductible merger related items which occurred during the three months ended March 31, 2010.

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## Item 3. Quantitative and Qualitative Disclosures About Market Risk

## Management of Market Risk

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

The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of March 31, 2011. Assumptions have been made by the Company relating to interest rates, loan prepayment rates, core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates were used for fixed rate loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based upon management's judgment of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. Variable rate loans were scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table include prepayment rates on loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months, and money market and non-interest bearing accounts were scheduled with an assumed term of 24 months. The NPV at "PAR" represents the difference between the Company's estimated value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 100 to 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of March 31, 2011. The following sets forth the Company's NPV as of that date.

| Change in Calculation | Net Portfolio Value | \$ Change from PAR | % Change from PAR | NPV as a % of Assets NPV Ratio | Change   |
|-----------------------|---------------------|--------------------|-------------------|--------------------------------|----------|
| +300bp                | \$ 103,338          | \$ (26,376)        | -20.33%           | 9.79%                          | -163 bps |
| +200bp                | 119,007             | (10,707)           | -8.25             | 10.96                          | -46 bps  |
| +100bp                | 128,476             | (1,238)            | -0.95             | 11.53                          | 11 bps   |
| PAR                   | 129,714             | —                  | —                 | 11.42                          | —        |

bp – basis points

The table above indicates that at March 31, 2011, in the event of a 100 basis point increase in interest rates, we would experience a 0.95% decrease in NPV.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in NPV require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period

being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the NPV table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income, and will differ from actual results.

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ITEM 4T.

Controls and Procedures

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

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

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## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

We are involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of business. At March 31, 2011, we were not involved in any material legal proceedings, the outcome of which would have a material adverse affect on our financial condition or results of operations.

## ITEM 1.A. RISK FACTORS

Set forth below are certain factors for our investors to consider.

If Economic Conditions Deteriorate in our Primary Market, Our Results of Operations and Financial Condition could be Adversely Impacted as Borrowers' Ability to Repay Loans Declines and the Value of the Collateral Securing Loans Decreases.

Our financial results may be adversely affected by changes in prevailing economic conditions, including decreases in real estate values, changes in interest rates which may cause a decrease in interest rate spreads, adverse employment conditions, the monetary and fiscal policies of the federal government and other significant external events. Decreases in real estate values could potentially adversely affect the value of property used as collateral for our mortgage loans. In the event that we are required to foreclose on a property securing a mortgage loan, there can be no assurance that we will recover funds in an amount equal to any remaining loan balance as a result of prevailing general economic conditions, real estate values and other factors associated with the ownership of real property. As a result, the market value of the real estate underlying the loans may not, at any given time, be sufficient to satisfy the outstanding principal amount of the loans. Consequently, we would sustain loan losses and potentially incur a higher provision for loan loss expense. Adverse changes in the economy may also have a negative effect of the ability of borrowers to make timely repayments of their loans, which could have an adverse impact on earnings.

Our Securities Portfolio may be Negatively Impacted by Fluctuations in Market Value.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by decreases in interest rates, lower market prices for securities and lower investor demand. Our securities portfolio is evaluated for other-than-temporary impairment on at least a quarterly basis. If this evaluation shows an impairment to cash flow connected with one or more securities, a potential loss to earnings may occur.

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

Securities sold within the past three years without registering the securities under the Securities Act of 1933

On July 14, 2010, the Company announced a fourth stock repurchase plan to repurchase 5% or 479,965 shares of the Company's common stock. The Company's stock purchases for the three months ended March 31, 2011 are as follows:

| Period    | Shares Purchased | Average Price | Total Number of Shares Purchased | Maximum Number of Shares That May Yet be Purchased |
|-----------|------------------|---------------|----------------------------------|--|
| 1/1- 1/31 | 4,816            | \$ 10.55      | 4,816                            | 414,186  |
| 2/1- 2/28 | 316              | \$ 11.50      | 5,132                            | 413,870  |

|           |       |    |       |       |         |
|-----------|-------|----|-------|-------|---------|
| 3/1- 3/31 | —     | \$ | —     | —     | 413,870 |
| Total     | 5,132 | \$ | 10.61 | 5,132 | 413,870 |

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. REMOVED AND RESERVED

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 11.0 Computation of Earnings per Share.

Exhibit 31.1 and 31.2 Officers' Certification filed pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 Officers' Certification filed pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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Signatures

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

BCB BANCORP, INC.

Date: May 16, 2011

By:

/s/ Donald Mindiak  
Donald Mindiak  
President and Chief Executive Officer

Date: May 16, 2011

By:

/s/ Kenneth Walter  
Kenneth Walter  
Chief Financial Officer