BCB BANCORP INC
Form 10-Q
November 18, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011.

Or

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

For the transition period from to

Commission File Number: 0-50275

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act). o Yes x 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). x 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 November 16, 2011, BCB Bancorp, Inc., had 9,831,384 shares of common stock, no par value, outstanding.

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)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and amounts due from depository institutions	$ 27,988	$ 22,065
Interest-earning deposits	57,902	99,062
Total Cash and Cash equivalents	85,890	121,127
Securities available for sale	1,114	1,098
Securities held to maturity, fair value $207,530 and $166,785; respectively	199,795	165,572
Loans held for sale	3,275	5,572
Loans receivable, net of allowance for loan losses of $9,040 and $8,417; respectively	749,329	773,101
Premises and equipment	12,677	11,359
Property held for sale	1,017	1,017
Federal Home Loan Bank of New York stock	6,678	6,723
Interest receivable	4,956	5,203
Other real estate owned	4,857	3,602
Deferred income taxes	5,595	5,785
Other assets	4,559	6,729
Total Assets	$ 1,079,742	$ 1,106,888
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing deposits	$ 68,061	$ 69,471
Interest bearing deposits	791,519	816,817
Total deposits	859,580	886,288
Long-term debt	114,124	114,124
Other Liabilities	7,142	7,502
Total Liabilities	980,846	1,007,914
STOCKHOLDERS' EQUITY		

Preferred stock: 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock; $0.064; stated value; 20,000,000 shares authorized, 10,172,967 and 10,144,830 shares respectively, issued; 9,224,784 shares and 9,383,695 shares, respectively, outstanding	650	649
Additional paid-in capital	85,557	85,327
Treasury stock, at cost, 948,183 and 761,135 shares, respectively	(12,774)	(10,760)
Retained Earnings	25,449	23,753
Accumulated other comprehensive income, net of taxes	14	5
Total Stockholders' equity	98,896	98,974
Total Liabilities and Stockholders' equity	$ 1,079,742	$ 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 September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Interest income:				
Loans	$10,664	$10,549	$ 33,015	$23,355
Investments, taxable	2,039	1,400	5,922	4,232
Investment, non-taxable	12	10	37	10
Other interest-earning assets	13	34	59	74
Total interest income	12,728	11,993	39,033	27,671
Interest expense:				
Deposits:				
Demand	215	311	662	699
Savings and club	260	514	804	1,024
Certificates of deposit	1,613	1,558	4,918	4,451
	2,088	2,383	6,384	6,174
Borrowed money	1,246	1,505	3,701	3,959
Total interest expense	3,334	3,888	10,085	10,133
Net interest income	9,394	8,105	28,948	17,538
Provision for loan losses	800	800	1,600	1,550
Net interest income after provision for loan losses	8,594	7,305	27,348	15,988
Non-interest income:				
Fees and service charges	76	310	538	710
Gain on sales of loans originated for sale	190	67	594	195
Loss on sale of real estate owned	(121)	-	(257)	(14)
Gain on sale of securities	-	-	18	-
Gain on bargain purchase	-	12,582	-	12,582
Other	37	17	195	34
Total non-interest income	182	12,976	1,088	13,507
Non-interest expense:				

Salaries and employee benefits	3,229	4,760	9,136	7,530
Occupancy expense of premises	743	755	2,245	1,315
Equipment	1,061	1,113	3,152	2,203
Professional Fees	594	252	1,056	445
Directors Fees	180	131	479	345
Regulatory Assessments	122	383	915	745
Advertising	115	100	293	238
Merger related expenses	81	288	337	632
Other	623	856	2,346	1,619
Total non-interest expense	6,748	8,638	19,959	15,072
Income before income tax provision	2,028	11,643	8,477	14,423
Income tax provision (benefit)	840	(299)	3,416	841
Net Income	$1,188	$11,942	$5,061	$13,582
Net Income per common share:				
Basic	$0.13	$1.28	$0.54	$2.19
Diluted	$0.13	$1.28	$0.54	$2.18
Weighted average number of common shares outstanding:				
Basic	9,245	9,300	9,333	6,208
Diluted	9,259	9,315	9,350	6,223

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, except share and per share data, Unaudited)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Beginning Balance at December 31, 2010	$ 649	$ 85,327	$(10,760)	$23,753	$ 5	$$98,974
Exercise of Stock Options (28,137 shares)	1	230	—	—	—	231
Treasury Stock Purchases (187,048 shares)	—	—	(2,014)	—	—	(2,014)
Cash dividends ($0.36 per share) declared	—	—	—	(3,365)	—	(3,365)
Net income for the nine months ended September 30, 2011	—	—	—	5,061	—	5,061
Unrealized gain on securities, available for sale, net of deferred income tax of $(7)	—	—	—	—	9	9
Total Comprehensive income	—	—	—	—	—	5,070
Ending Balance at September 30, 2011	$ 650	$ 85,557	$(12,774)	$25,449	$ 14	$98,896

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net Income	$ 5,061	$ 13,582
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of premises and equipment	758	448
Amortization and accretion, net	963	1,278
Provision for loan losses	1,600	1,550
Deferred income tax benefit	183	(300)
Loans originated for sale	(14,375)	(18,019)
Proceeds from sale of loans originated for sale	15,597	14,416
Gain on sales of loans originated for sale	(594)	(195)
Loss on sale of real estate owned	257	14
Gain on bargain purchase	-	(12,582)
Gain on sales of securities held to maturity	(18)	-
Decrease (increase) in interest receivable	247	(525)
Decrease in other assets	2,170	860
(Decrease) in accrued interest payable	(38)	(241)
(Decrease) in other liabilities	(322)	(2,651)
Net cash provided by (used in) operating activities	11,489	(2,365)
Cash flows from investing activities:		
Redemption of Federal Home Loan Bank of New York stock	45	1,857
Proceeds from calls of securities held to maturity	29,822	106,615
Purchases of securities held to maturity	(92,964)	(62,412)
Proceeds from repayments on securities held to maturity	25,360	14,136
Proceeds from sales of securities held to maturity	2,438	-
Proceeds from sales of participation interest in loans	3,876	-
Proceeds from sales of real estate owned	1,450	480
Purchases of loans	(2,279)	-
Net decrease in loans receivable	19,563	15,385
Cash acquired in acquisition	-	22,979
Improvements to other real estate owned	(105)	(20)
Additions to premises and equipment	(2,076)	(360)
Net cash (used in) provided by investing activities	(14,870)	98,660
Cash flows from financing activities:		
Net (Decrease) increase in deposits	(26,708)	7,824
Net change in short-term borrowings	-	(43,815)

Purchases of treasury stock		(2,014)		(123)
Cash dividend paid		(3,365)		(2,268)
Exercise of stock options		231		73
Net cash (used in) financing activities		(31,856)		(38,309)
Net (Decrease) increase in cash and cash equivalents		(35,237)		57,986
Cash and cash equivalents-beginning		121,127		67,347
Cash and cash equivalents-ending	$	85,890	$	125,333
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Income taxes	$	3,454	$	2,220
Interest	$	10,123	$	10,374
Non-cash items:				
Assets acquired; net of cash and cash equivalents	$	-	$	514,523
Liabilities assumed	$	-	$	486,275
Transfer of loans to other real estate owned	$	3,799	$	2,678
Loans to facilitate sale of other real estate owned	$	942	$	-
Reclassification of loans originated for sale to held to maturity	$	1,669	$	4,741

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 and nine months ended September 30, 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. Included in income before taxes is an adjustment relating to prior periods of approximately $800,000 pertaining to the reversal of interest capitalized on impaired loans of $420,000, late fee income of $171,000, and loan expenses of approximately $209,000, net of income taxes. The impact of these adjustments reduced net income by approximately $479,000. These adjustments were deemed by management to be immaterial to the consolidated financial statements for the current and prior periods and therefore required no prior period adjustment. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from these estimates.

These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 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 September 30, 2011, and the date these consolidated financial statements were issued.

On July 6, 2010, the Company acquired all of the outstanding common shares of Pamrapo Bancorp, Inc. in a business combination. ASC 805 "Business Combinations", permits the use of provisional amounts for the assets acquired and liabilities assumed when the information at the acquisition date is incomplete. During the measurement period, amounts provisionally assigned to the acquisition accounting may be adjusted based on new information obtained during the measurement period.

The adjustments relate to the carrying amount of property and equipment as of September 30, 2010, which increased by $1,563,000. This adjustment is measured as the fair value adjustment at the acquisition date less the additional depreciation that would have been recognized had the property and equipment's fair value at the acquisition date been known at that date.

The carrying value of loans as of September 30, 2010 was increased by $1,042,000 for an adjustment to the fair value of loans acquired. This adjustment represents the fair value adjustment to the loans acquired.

Depreciation expense as of September 30, 2010 is increased by $60,000.

Income tax expense is decreased by $24,000.

The following table presents changes to the Consolidated Income Statement for the 2010 comparative information resulting from the fair value adjustments:

	For the Nine Months Ended			
	September 30, 2010 (As previously reported) (In thousands)		September 30, 2010 (Adjusted)	
Gain on bargain purchase	$	10,210	$	12,582
Total non-interest income		11,135		13,507
Occupancy and equipment		1,255		1,315
Total non-interest expense		15,012		15,072
Income tax expense		865		841
Net Income		11,246		13,582
Net income per common share				
Basic	$	1.81	$	2.19
Diluted	$	1.81	$	2.18

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The following table presents changes to the Consolidated Statement of Cash Flows for the 2010 comparative information resulting from the fair value adjustments:

	For the Nine Months Ended September 30, 2010 (As previously reported) (In thousands)	September 30, 2010 (Adjusted)
Net income	$ 11,246	$ 13,582
Depreciation of premises and equipment	388	448
Gain on bargain purchase	10,210	12,582
(Decrease) in other liabilities	2,627	2,651
Assets acquired; net of cash and cash equivalents	512,420	514,523
Liabilities assumed	486,544	486,275

Note 2 – Acquisition of Allegiance Bancorp, Inc.

As of the close of business on October 14, 2011, the Company acquired all of the outstanding common shares of Allegiance Bancorp, Inc. (“Allegiance”), the parent company of Allegiance Savings Bank, and thereby acquired all of Allegiance Savings Bank’s 2 branch locations. Under the terms of the merger agreement, Allegiance stockholders received 0.35 of a share of BCB Bancorp, Inc. common stock at a price of $9.57 per share in exchange for each share of Allegiance common stock, resulting in BCB Bancorp, Inc. issuing 644,434 common shares of BCB Bancorp, Inc. common stock with an acquisition date fair value of $6.2 million.

In connection with the merger, the consideration paid and the net assets acquired were recorded at the estimated fair value on the date of acquisition, as summarized in the following table, (in thousands).

Consideration paid	
BCB Community Bancorp, Inc. common stock issued	$6,168
Estimated amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	$5,883
Investment securities	35,476
Loans receivable	88,397
Federal Home Loan Bank of New York stock	819
Premises and equipment	1,686
Interest Receivable	483
Deferred income taxes	453
Other assets	536
Deposits	(111,365)
Borrowings	(15,458)

Other liabilities	(306)
Total identifiable net assets	6,604
Gain on bargain purchase to be recognized in non-interest income	$436

The amounts above are all preliminary estimates only. We are currently in the process of finalizing the fair market values for the above categories which may have a direct impact on the gain on bargain purchase.

Direct costs related to the acquisition were expensed as incurred. During the nine months ended September 30, 2011, we incurred $337,000 in merger related expenses related to the transaction, including $332,000 in professional services and $5,000 in other non-interest expenses.

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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, (In Thousands):

	Three months ended September 30		Nine Months ended September 30	
	2011	2010	2011	2010
Pension plan:				
Interest cost	$117	$123	$ 351	$ 123
Expected return on plan assets	(94)	(91)	(282)	(91)
Net periodic pension cost	$23	$32	$ 69	$ 32
SERP plan:				
Interest cost	$7	$10	$ 22	$ 10
Net periodic postretirement cost	$7	$10	$ 22	$ 10

Stock-Based Compensation Plan

The Company, under the plan approved by its shareholders on April 28, 2011 (“2011 Stock Plan”), authorized the issuance of up to 900,000 shares of common stock of BCB Bancorp, Inc. pursuant to grants of stock options. Employees and directors of BCB Bancorp, Inc. and BCB Community Bank are eligible to participate in the 2011 Stock Plan. All stock options will be granted in the form of either "incentive" stock options or "non-qualified" stock options. Incentive stock options have certain tax advantages that must comply with the requirements of Section 422 of the Internal Revenue Code. Only employees are permitted to receive incentive stock options. On September 29, 2011, a grant of 60,000 options was declared for certain members of the Board of Directors. The exercise price was recorded as of the close of business on September 29, 2011 and a Form 4 was filed for each director as of that date with the Securities and Exchange Commission consistent with their filing requirements. No other declarations of stock options have been made for the three and nine months ended September 30, 2011.

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

	Number of Option Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at December 31, 2009	279,500	$ 5.29-$15.65	10.38
Options forfeited	(4,210)	$ 5.29-$11.84	7.72
Options exercised	(13,677)	5.29	5.29
Options added through merger	28,000	18.41-29.25	24.22
Outstanding at December 31, 2010	289,613	$ 5.29-$29.25	$ 12.00
Options exercised	(28,137)	5.29-9.34	8.24
Options granted	60,000	8.93	8.93
Outstanding at September 30, 2011	321,476	$ 5.29-29.25	$ 11.85

At September 30, 2011, 267,476 of the stock options outstanding were exercisable.

The key valuation assumptions and fair value of stock options granted during the quarter ended September 30, 2011 were:

Expected life	6.5 years
Risk-free interest rate	1.24 %
Volatility	20.83 %
Dividend yield	5.38 %
Fair value	$ 2.27

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 and nine months ended September 30, 2011 and 2010, the weighted average of outstanding options considered to be anti-dilutive were 180,855 and 258,264, respectively, and were therefore, excluded from the diluted net income per common share calculation.

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Note 5 – Securities Available for Sale

	September 30, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Equity Securities-Financial Institutions	$1,097	$133	$116	$1,114

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

There were no sales of securities available for sale for the nine months ended September 30, 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 Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2011						
Equity Securities-Financial Institutions	$884	$116	$—	$—	$884	$116
December 31, 2010						
Equity Securities-Financial Institutions	$65	$31	$—	$—	$65	$31

At September 30, 2011, management concluded that the unrealized losses above (which relate to one financial equity issue) are temporary in nature and does not believe that any of the unrealized losses represented an other-than-temporary impairment as they were primarily related to market interest rates and not related to the underlying credit quality of the issuer of the security. Additionally, the Company has the ability, and management has the intent, to hold such securities for the time necessary to recover their cost and does not have the intent to sell the securities, and it is more likely than not that it would not have to sell the securities before recovery of their cost.

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Note 6 – Securities Held to Maturity

	September 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
U.S. Government Agencies:				
Due within one year	$ 3,315	$ 76	$—	$ 3,391
Due after ten years	13,000	92	—	13,092
	16,315	168	—	16,483
Residential mortgage-backed securities:				
Due within one year	$ 19	$ —	$ —	$ 19
Due after one year through five years	958	37	1	994
Due after five years through ten years	40,813	515	35	41,293
Due after ten years	133,916	7,006	7	140,915
	175,706	7,558	43	183,221
Subordinated notes:				
Due within one year	$ 6,000	$ —	$ —	$ 6,000
Municipal obligations:				
Due after ten years	1,371	50	—	1,421
Trust originated preferred security:				
Due after ten years	403	2	—	405
	$ 7,774	$ 52	$ —	$ 7,826
	$ 199,795	$ 7,778	$ 43	$ 207,530

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Note 6 – Securities Held to Maturity (Continued)

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
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 September 30, 2011 and December 31, 2010, all residential mortgage backed securities held in the portfolio were Government Sponsored Enterprise securities.

During the second quarter of 2011, management decided to sell its collateralized mortgage obligations that were issued by the Federal National Mortgage Association (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FHLMC”). While these securities were classified as held to maturity, ASC 320 (formerly FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance has been amortized prior to the sale. During the nine months ended September 30, 2011, proceeds from sales of securities held to maturity totaled approximately $2,438,000 and resulted in gross gains of approximately $25,000 and gross losses of approximately $7,000.

There were no sales of securities held to maturity for the nine months ended September 30, 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)					
September 30, 2011						
U.S. Government Agencies	$—	$—	$—	$—	$—	$—
Residential mortgage-backed securities	4,750	10	6,538	33	11,288	43
	$4,750	$10	$6,538	$33	$11,288	$43
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 September 30, 2011, (which are related to thirteen 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

The following table presents the recorded investment in loans receivable at September 30, 2011 and December 31, 2010 by segment and class.

	September 30, 2011	December 31, 2010
	(In Thousands)	
Real estate mortgage:		
Residential	$222,002	$ 234,435
Commercial and multi-family	408,224	410,212
Construction	12,612	17,848
	642,838	662,495
Commercial:		
Business loans	17,454	13,932
Lines of credit	43,148	40,228
	60,602	54,160
Consumer:		
Passbook or certificate	886	1,004
Home equity lines of credit	8,218	10,228
Home equity	46,308	53,375
Automobile	120	178
Personal	407	554
	55,939	65,339
Deposit overdrafts	77	80
Total Loans	759,456	782,074
Deferred loan fees, net	(1,087)	(556)
Allowance for loan losses	(9,040)	(8,417)
	$749,329	$ 773,101

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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 collectively 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 Bank's market. Impaired loans are loans which are 60 days or more 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 portfolio of performing loans is segmented into the following loan types, where the risk level for each type is analyzed when determining the allowance for these loans:

Residential single family real estate loans involve certain risks such as interest rate risk and risk of non-repayment. Adjustable-rate residential family real estate loans decreases the interest rate risk to the Bank that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can be affected by job loss, divorce, illness and personal bankruptcy of the borrower.

Construction lending is generally considered to involve a high risk due to the concentration of principal in a limited number of loans and borrowers and the effects of the general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor. In addition, speculative construction loans to a builder are not necessarily pre-sold and thus pose a greater potential risk to the Bank than construction loans to individuals on their personal residence.

Commercial and multi-family real estate lending entails significant additional risks as compared with residential family property lending. Such loans typically involve large loan balances to single borrowers or groups of related borrowers. The payment experience on such loans is typically dependent on the successful operation of the real estate project. The success of such projects is sensitive to changes in supply and demand conditions in the market for commercial real estate as well as economic conditions generally.

Commercial business lending is generally considered higher risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on the business. Commercial business loans are primarily secured by inventories and other business assets. In most cases, any repossessed collateral for a defaulted commercial business loans will not provide an adequate source of repayment of the outstanding loan balance.

Home equity lending entails certain risks such as interest rate risk and risk of non-repayment. The marketability of the underlying property may be adversely affected by higher interest rates, decreasing the collateral securing the loan. Repayment risk can be affected by job loss, divorce, illness and personal bankruptcy of the borrower.

Home equity line of credit lending entails securing an equity interest in the borrower’s home. The risk associated with this type of lending is the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can be affected by job loss, divorce, illness and personal bankruptcy of the borrower. This type of lending is often priced on an adjustable rate basis with the rate set at or above a predefined index. Adjustable-rate loans decreases the interest rate risk to the Bank that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default

Consumer loans generally have more credit risk because of the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans generally have shorter terms and higher interest rates than other lending. In addition, consumer lending collections are dependent on the borrower’s continuing financial stability, and thus are more likely to be adversely effected by job loss, divorce, illness and personal bankruptcy. In most cases, any repossessed collateral for a defaulted consumer loan will not provide and adequate source of repayment of the outstanding loan.

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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 it at the time of its examination.

Classified Assets. The Company's 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 the Company classifies problem loans, it 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 September 30, 2011, we had $1 thousand in assets classified as loss, $8.6 million in assets classified as doubtful, $37.9 million in assets classified as substandard, and $51.7 million in assets classified as special mention. 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 provided timely, 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. 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.

In prior quarters, the Company used peer group historical data in the provision methodology. The current methodology for this calculation is determined with the Company's specific Historical Loss Percentage ("HLP") for each loan type, using 2 years of prior bank data (or 8 quarters). The relative weights of prior quarters are decayed logarithmically and are further adjusted based on the trend of the historical loss percentage at the time. Also, instead of applying consistent percentages to each of the credit risk grades, the most recent methodology applies a higher factor to classified loans based on a delinquency risk trend and concentration risk trend by using the past due and non-accrual as a percentage of the specific loan category. The change in methodology has resulted in a shift in the required allowances across loan types with no material change in the total allowance for loan losses.

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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 September 30, 2011 (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Beginning balance June 30, 2011	$ 654	$ 5,278	$ 355	$ 1,492	$ 362	$ 7	$ 568	$ 8,716
Charge-offs	$ -	$ 366	$ 110	$ -	$ -	$ -	$ -	$ 476
Recoveries	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Provisions	$ 468	$ 354	$ 233	$ 60	$ 177	$ -	$ (492)	$ 800
Ending balance September 30, 2011	$ 1,122	$ 5,266	$ 478	$ 1,552	$ 539	$ 7	$ 76	$ 9,040
Ending balance: individually evaluated for impairment	$ 66	$ 979	$ 110	$ 625	$ 72	$ -	$ -	$ 1,852
Ending balance: collectively evaluated for impairment	$ 594	$ 3,495	$ 368	$ 852	$ 331	$ 7	$ 76	$ 5,723
Ending balance: loans acquired with deteriorated credit quality	$ 462	$ 792	$ -	$ 75	$ 136	$ -	$ -	$ 1,465

(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 activity in the Bank's allowance for loan losses for the nine months ended September 30, 2011 and recorded investment in loans receivable at September 30, 2011. The table also details the amount of total loans receivable, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan class (In Thousands):

	Residential	Commercial & Multi-family	Construction	Commercial Business (1)	Home equity (2)	Consumer	Unallocated	Total
Allowance for credit losses:								
Beginning balance	$ 171	$ 6,179	$ 426	$ 1,286	$ 204	$ 18	$ 133	$ 8,417
Charge-offs	$ 122	$ 746	$ 110	$ 24	$ -	$ -	$ -	$ 1,002
Recoveries	$ -	$ 25	$ -	$ -	$ -	$ -	$ -	$ 25
Provisions	$ 1,073	$ (192)	$ 162	$ 290	$ 335	$ (11)	$ (57)	$ 1,600
Ending balance	$ 1,122	$ 5,266	$ 478	$ 1,552	$ 539	$ 7	$ 76	$ 9,040
Ending balance: individually evaluated for impairment	$ 66	$ 979	$ 110	$ 625	$ 72	$ -	$ -	$ 1,852
Ending balance: collectively evaluated for impairment	$ 594	$ 3,495	$ 368	$ 852	$ 331	$ 7	$ 76	$ 5,723
Ending balance: loans acquired with deteriorated credit quality	$ 462	$ 792	$ -	$ 75	$ 136	$ -	$ -	$ 1,465
Loans receivables:								
Ending balance	$ 222,002	$ 408,224	$ 12,612	$ 60,602	$ 54,526	$ 1,490	$ -	$ 759,456
Ending balance: individually evaluated for impairment	$ 2,104	$ 34,489	$ 1,756	$ 3,744	$ 690	$ -	$ -	$ 42,783

Ending balance: collectively evaluated for impairment	$ 49,264	$ 255,103	$ 8,754	$ 47,009	$ 25,509	$ 413	$ -	$ 386,052
Ending balance: loans acquired with deterioratedcredit quality(3)	$ 170,634	$ 118,632	$ 2,102	$ 9,849	$ 28,327	$ 1,077	$ -	$ 330,621

(1) Includes business lines of credit.
(2) Includes home equity lines of credit.
(3) Includes all loans acquired by acquisition. Also includes $9.8 million of loans that have deteriorated in credit quality since the 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 loans receivable 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 class (In Thousands):

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

Ending balance: loans acquired with deteriorated credit 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 September 30, 2011 and December 31, 2010. 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 September 30, 2011 (In Thousands)
Non-accruing loans:	
Residential	$ 12,873
Construction	3,650
Commercial business(1)	1,798
Commercial and multi-family	22,329
Home equity(2)	942
Consumer	237
Total	$ 41,829

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

	At December 31, 2010 (In 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.

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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 September 30, 2011 and average recorded investment and actual interest income recognized for the three months ended September 30, 2011 (In Thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential Mortgages	$5,646	$ 5,646	$-	$ 3,411	$ 95
Commercial and Multi-family	27,543	27,543	-	23,402	296
Construction	1,409	1,409	-	5,235	-
Commercial Business(1)	1,519	1,519	-	1,621	12
Home Equity(2)	844	844	-	625	15
Consumer	-	-	-	-	-
With an allowance recorded:					
Residential Mortgages	$7,345	$ 7,345	$528	$ 3,754	$ 270
Commercial and Multi-family	17,602	17,602	1,771	17,301	364
Construction	660	660	110	660	-
Commercial Business(1)	2,532	2,532	700	2,164	21
Home Equity(2)	868	868	208	490	32
Consumer	-	-	-	-	-
Total:					
Residential Mortgages	$12,991	$ 12,991	$528	$ 7,165	$ 365
Commercial and Multi-family	45,145	45,145	1,771	40,703	660
Construction	2,069	2,069	110	5,895	-
Commercial Business(1)	4,051	4,051	700	3,785	33
Home Equity(2)	1,712	1,712	208	1,115	47
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 portfolio class as of September 30, 2011 and average recorded investment and actual interest income recognized for the nine months ended September 30, 2011 (In Thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Residential Mortgages	$5,646	$ 5,646	$-	$ 1,857	$ 95
Commercial and Multi-family	27,543	27,543	-	19,483	520
Construction	1,409	1,409	-	2,764	-
Commercial Business(1)	1,519	1,519	-	1,306	34
Home Equity(2)	844	844	-	433	16
Consumer	-	-	-	-	-
With an allowance recorded:					
Residential Mortgages	$7,345	$ 7,345	$528	$ 1,979	$ 270
Commercial and Multi-family	17,602	17,602	1,771	15,864	611
Construction	660	660	110	330	-
Commercial Business(1)	2,532	2,532	700	1,991	21
Home Equity(2)	868	868	208	319	37
Consumer	-	-	-	-	-
Total:					
Residential Mortgages	$12,991	$ 12,991	$528	$ 3,836	$ 365
Commercial and Multi-family	45,145	45,145	1,771	35,347	1,131
Construction	2,069	2,069	110	3,094	-
Commercial Business(1)	4,051	4,051	700	3,297	55
Home Equity(2)	1,712	1,712	208	752	53
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 Investment	Unpaid Principal Balance	Related 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	-	-	-

(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)

During the third quarter of 2011, the Bank adopted the FASB guidance on the determination of whether a loan restructuring is considered to be a troubled debt restructuring (TDR). A TDR is a loan whose contractual terms have been modified resulting in the Bank granting a concession to a borrower who is experiencing financial difficulties in order for the Bank to have a greater chance of collecting the indebtedness from the borrower. Concessions could include, but are not limited to : interest rate reductions, maturity extensions or principle forgiveness. An additional benefit to the Bank in granting a concession is to avoid foreclosure or repossession of collateral ata time when real estate values are at historical lows. As a result of adopting this amendment to the credit quality guidance, the Bank reassessed the terms and conditions to customers on restructured loans that had been completed retrospective to January 1, 2011.

The following table summarizes information in regards to troubled debt restructurings for the three months ended September 30, 2011, (In thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Troubled Debt Restructurings			
Residential	7	$ 2,676	$ 2,676
Commercial and multi-family	3	$ 1,279	$ 1,279
Construction	-	$ -	$ -
Commercial business	-	$ -	$ -
Home equity	2	$ 471	$ 471
Consumer	-	$ -	$ -

	Number of Contracts	Recorded Investment
Troubled Debt Restructurings That Subsequently Defaulted		
Residential	-	$ -
Commercial and multi-family	-	$ -
Construction	-	$ -
Commercial business	-	$ -
Home equity	-	$ -
Consumer	-	$ -

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

The following table summarizes information in regards to troubled debt restructurings for the nine months ended September 30, 2011, (In thousands):

	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Troubled Debt Restructurings			
Residential	23	$ 6,474	$ 6,474
Commercial and multi-family	15	$ 10,295	$ 10,295
Construction	-	$ -	$ -
Commercial business	-	$ -	$ -
Home equity	8	$ 835	$ 835
Consumer	-	$ -	$ -

The loans included above are considered TDRs as a result of the Bank implementing one or more of the following concessions: granting a material extension of time, issuing a forbearance agreement, adjusting the interest rate, accepting interest only for a period of time or a change in amortization period. As of September 30, 2011, TDRs totaled $17.6 million. All TDRs were considered impaired and therefore were individually evaluated for impairment in the calculation of the allowance for loan losses. Prior to their classification as TDRs, certain of these loans had been collectively evaluated for impairment in the calculation of the allowance for loan losses.

	Number of Contracts	Recorded Investment
Troubled Debt Restructurings That Subsequently Defaulted		
Residential	2	$ 508
Commercial and multi-family	1	$ 663
Construction	-	$ -
Commercial business	-	$ -
Home equity	1	$ 54
Consumer	-	$ -

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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 September 30, 2011:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 Days or More and Accruing
	(In Thousands)						
Residential	$5,937	$1,589	$12,873	$20,399	$201,603	$222,002	—
Commercial and multi-family	10,887	7,638	22,329	40,854	367,370	408,224	—
Construction	201	—	3,650	3,851	8,761	12,612	—
Commercial business(1)	174	—	1,798	1,972	58,630	60,602	—
Home equity(2)	1,454	919	942	3,315	51,211	54,526	—
Consumer	19	—	237	256	1,234	1,490	—
Total	$18,672	$10,146	$41,829	$70,647	$688,809	$759,456	—

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

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

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable 90 Days or More Accruing
				(In Thousands)			
Residential	$5,010	$3,706	$15,115	$23,831	$210,604	$234,435	—
Commercial and 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 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 September 30, 2011 (In Thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Residential	$198,273	$12,314	$8,213	$3,202	$-	$222,002
Commercial and multi-family	349,306	32,502	25,372	1,044	-	408,224
Construction	6,951	2,017	2,510	1,134	-	12,612
Commercial business(1)	53,832	3,112	862	2,796	-	60,602
Home equity(2)	51,578	1,712	969	267	-	54,526
Consumer	1,353	-	-	136	1	1,490
Total	$661,293	$51,657	$37,926	$8,579	$1	$759,456

(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 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 unpaid principal balance and the related recorded investment of acquired loans included in our Consolidated Statements of Financial Condition.

	September 30, 2011	December 31, 2010
	(In Thousands)	
Unpaid principal balance	$ 335,251	$ 378,004
Recorded investment	330,621	374,057

The following table presents changes in the accretable discount on loans acquired in the Pamrapo acquisition for the nine months ended September 30, 2011,
(In Thousands):

Beginning Balance at December 31, 2010	$205,491
Accretion	(33,716)
Ending Balance at September 30, 2011	$171,775

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 September 30, 2011 and December 31, 2010, was $10,608,000 and $11,661,000, respectively.

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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) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
As of September 30, 2011:				
Securities available for sale — Equity Securities	$ 1,114	$ 1,114	$ —	$ —
As of December 31, 2010:				
Securities available for sale — Equity Securities	$ 1,098	$ 1,098	$ —	$ —

There were no transfers of assets or liabilities into or out of Level 1, Level 2, or Level 3 of the fair value hierarchy during the nine months ended September 30, 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) Quoted Prices in Active Markets	(Level 2) Significant Other Observable	(Level 3) Significant Unobservable Inputs

		for Identical Assets	Inputs	
As of September 30, 2011:				
Impaired loans	$ 25,690	$ —	$ —	$ 25,690
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 September 30, 2011 and December 31, 2010.

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Note 8 – Fair Values of Financial Instruments (Continued)

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.

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 September 30, 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 $29,007,000 and $19,724,000, net of a valuation allowance of $3,317,000 and $2,107,000 at September 30, 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 carry 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 September 30, 2011 and December 31, 2010:

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$ 85,890	$ 85,890	$121,127	$ 121,127
Securities available for sale	1,114	1,114	1,098	1,098
Securities held to maturity	199,795	207,530	165,572	166,785
Loans held for sale	3,275	3,415	5,572	5,633
Loans receivable	749,329	781,475	773,101	779,858
FHLB of New York stock	6,678	6,678	6,723	6,723
Interest receivable	4,956	4,956	5,203	5,203
Financial liabilities:				
Deposits	859,580	882,574	886,288	890,402
Long-term debt	114,124	133,484	114,124	126,895
Interest payable	749	749	787	787

Note 9 – New Accounting Pronouncements

In April 2011, the FASB issued 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. Adoption of ASU 2011-02 did not have a significant impact on the Company's consolidated financial statements.

In April 2011, the FASB issued Accounting Standards Updates (ASU) No. 2011-03, Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreements. The ASU is intended to improve financial reporting of repurchase agreements ("repos") and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. In a typical repo transaction, an entity transfers financial assets to a counterparty in exchange for cash with an agreement for the counterparty to return the same or equivalent financial assets for a fixed price in the future. FASB Accounting Standards Codification (Codification) Topic 860, Transfers and Servicing, prescribes when an entity may or may not recognize a sale upon the transfer of financial assets subject to repo agreements. That determination is based, in part, on whether the entity has maintained effective control over the transferred financial assets. The amendments to the Codification in this ASU are intended to improve the accounting for these transactions by removing from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets. The guidance in the ASU is effective for the first interim or annual period on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption in not permitted. The Company does not expect that the adoption of this ASU will have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Some of the amendments in this update clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. This update is effective during interim and annual periods beginning on or after December 15, 2011 and is to be applied prospectively and early adoption is not permitted. The Company does not anticipate the adoption of this update will impact its consolidated financial condition or results of operations.

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income. The ASU eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and will require it be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The single statement format would include the traditional income statement and the components of total other comprehensive income as well as total comprehensive income. In the two statement approach, the first statement would be the traditional income statement which would be immediately followed by a separate statement which includes the components of other comprehensive income, total other comprehensive income and total comprehensive income. The amendments in this ASU will be applied retrospectively. For public companies, they are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. Adoption of ASU 2011-05 is not expected to have a significant impact on the Company's consolidated financial statements.

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In September 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-08, Intangibles-Goodwill and Other (Topic 350). The amendments in the ASU is intended to reduce complexity and costs by allowing an entity the option to make a qualitative evaluation about the likelihood of goodwill impairment to determine whether it should calculate the fair value of a reporting unit. The amendments also improve previous guidance by expanding upon the examples of events and circumstances that an entity should consider between annual impairment tests in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Also, the amendments improve the examples of events and circumstances that an entity having a reporting unit with a zero or negative carrying amount should consider in determining whether to measure an impairment loss, if any, under the second step of the goodwill impairment test. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity’s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. Adoption of ASU 2011-08 is not expected to have a significant impact on the Company’s consolidated financial statements.

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ITEM 2.

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

General

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

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

Factors that could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in market interest rates, general economic conditions, legislation, and regulation; changes in monetary and fiscal policies of the United States Government, including policies of the United States Treasury and Federal Reserve Board; changes in the quality or composition of the loan or investment portfolios; changes in deposit flows, competition, and demand for financial services, loans, deposits and investment products in the Company's local markets; changes in accounting principles and guidelines; war or terrorist activities; and other economic, competitive, governmental, regulatory, geopolitical and technological factors affecting the Company's operations, pricing and services.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this discussion. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law or regulation, the Company undertakes no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.

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."

On October 14, 2011, the Bank completed its merger with Allegiance Community Bank, as contemplated by the Agreement and Plan of Merger by and between BCB Bancorp, and Allegiance Community Bank dated April 4, 2011 (the "Agreement"). Under the terms of the Agreement, each share of Allegiance Community Bank stock was converted into 0.35 of a share of BCB Bancorp common stock. The transaction is valued at approximately $6.2 million based on BCB Bancorp's closing share price of $9.57 per share on October 13, 2011.

Financial Condition

Total assets decreased by $27.1 million or 2.4% to $1.08 billion at September 30, 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 $35.2 million and loans receivable of $23.8 million partially offset by an increase in securities held to maturity of $34.2 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 loan opportunities in the secondary market that provide competitive returns. During the first nine months of 2011, 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 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 $35.2 million or 29.1% to $85.9 million at September 30, 2011 from $121.1 million at December 31, 2010. Investment securities classified as held-to-maturity increased by $34.2 million or 20.7% to $199.8 million at September 30, 2011 from $165.6 million at December 31, 2010. The increase in investment securities occurred as a result of purchases of $93.0 million during the nine months ended September 30, 2011, partially offset by call options exercised on $29.8 million of callable agency securities, $25.4 million in repayments and prepayments in the mortgage backed securities portfolio and $2.4 million in sales during the nine months ended September 30, 2011, relating to collateralized mortgage obligations that were issued by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). While these securities were classified as held to maturity, ASU 320 (formerly known as FAS 115) allows sales of securities so designated, provided that a substantial portion (at least 85%) of the principal balance has been amortized prior to the sale. A net realized gain of approximately $18,000 was recognized as a result of the sale.

Loans receivable decreased by $23.8 million or 3.1% to $749.3 million at September 30, 2011 from $773.1 million at December 31, 2010. The decrease resulted primarily from a $19.7 million decrease in real estate mortgages comprised of residential, commercial, construction and participation loans with other financial institutions and a $13.2 million decrease in consumer loans, net of amortization, partially offset by a $10.3 million increase in commercial loans comprised of business loans and commercial lines of credit, net of amortization, partially offset by a $623,000 increase in the allowance for loan losses. The balance in the loan pipeline as of September 30, 2011 stood at $60.5 million. At September 30, 2011, the allowance for loan losses was $9.0 million or 21.6% 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. However, at September 30, 2011, the amount which represents the non-accretible yield on loans acquired in the Pamrapo Bancorp, Inc. merger totaled approximately $4.6 million and is recorded as a reduction of loans receivable.

Deposit liabilities decreased by $26.7 million or 3.0% to $859.6 million at September 30, 2011 from $886.3 million at December 31, 2010. The decrease resulted primarily from a $22.2 million decrease in time deposits, $4.1 million in transaction accounts and $388,000 in savings and club accounts. During the nine months ended September 30, 2011, the Federal Open Market Committee, (FOMC) maintained its low interest rate policy. Since the Bank predicates its retail deposit pricing on market conditions and the current competitive environment, the present low interest rate environment lends itself to lower time deposits yields, and reduced interest expense.

The balance of borrowed money remained constant at $114.1 million for the periods ended September 30, 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 Government Sponsored Enterprise (GSE) investment securities.

Stockholders' equity decreased by $78,000 or 0.08% to $98.9 million at September 30, 2011 from $99.0 million at December 31, 2010. The decrease in stockholders' equity is primarily attributable to the payment of three quarterly cash dividends totaling $3.4 million representing three $0.12 per share payments during the nine months ended September 30, 2011 and $2.01 million paid to repurchase 187,048 shares of the Company's common stock, partially offset by net income for the nine months ended September 30, 2011 of $5.1 million, a $231,000 increase resulting from the exercise of stock options totaling 25,581 shares and a $9,000 increase in the market value of our available-for-sale securities portfolio, net of tax. At September 30, 2011, the Bank's Tier 1, Tier 1 Risk-Based and Total Risk Based Capital Ratios were 9.47%, 16.74% and 17.81% respectively.

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Comparison of Operating Results for the Three Months Ended September 30, 2011 and 2010

On July 6, 2010, the Company acquired all of the outstanding common shares of Pamrapo Bancorp, Inc. in a business combination. ASC 805 “Business Combinations,” permits the use of provisional amounts for assets and liabilities assumed when the information at acquisition date is incomplete. During the measurement period, amounts provisionally assigned to the acquisition accounting may be adjusted based on new information during the measurement period.

Through the measurement period, new information became available which necessitated a restatement of certain items in the Consolidated Statements of Income and the Consolidated Statement of Cash Flows. The adjustments relate to the carrying amount of property and equipment as of September 30, 2010 and the fair value of loans acquired. As a result of the aforementioned, depreciation expense and income tax expense also required adjustment.

Please refer to Note 1 in the Notes to Unaudited Consolidated Financial Statements for a tabular synopsis of these adjustments.

Net income decreased by $10.75 million or 90.0% to $1.19 million for the three months ended September 30, 2011 from $11.94 million for the three months ended September 30, 2010. The decrease in net income was primarily due to a decrease in non–interest income and an increase in income taxes, partially offset by an increase in net interest income and a decrease in non-interest expense. Net interest income increased by $1.3 million or 16.0% to $9.4 million for the three months ended September 30, 2011 from $8.1 million for the three months ended September 30, 2010. This increase in net interest income resulted primarily from an increase in the average yield of interest earning assets to 4.78% for the three months ended September 30, 2011 from 4.29% for the three months ended September 30, 2010, partially offset by a decrease in the average balance of interest earning assets of $50.0 million or 4.5% to $1.07 billion for the three months ended September 30, 2011 from $1.12 billion for the three months ended September 30, 2010. The average balance of interest bearing liabilities decreased by $51.2 million or 5.3% to $914.5 million for the three months ended September 30, 2011 from $965.7 million for the three months ended September 30, 2010 and the average cost of interest bearing liabilities decreased by fifteen basis points to 1.46% for the three months ended September 30, 2011 from 1.61% for the three months ended September 30, 2010. The decrease of fifteen basis points in the average cost of interest bearing liabilities was more than offset by an increase of forty-nine basis points in the average yield on interest earning assets. As a consequence of the aforementioned, our net interest margin increased to 3.52% for the three months ended September 30, 2011 from 2.90% for the three months ended September 30, 2010.

Interest income on loans receivable increased by $115,000 or 1.1% to $10.66 million for the three months ended September 30, 2011 from $10.55 million for the three months ended September 30, 2010. The increase was primarily attributable to an increase in the average yield on loans receivable to 5.50% for the three months ended September 30, 2011 from 5.19% for the three months ended September 30, 2010, partially offset by a decrease in the average balance of loans receivable of $37.2 million or 4.6% to $776.2 million for the three months ended September 30, 2011 from $813.4 million for the three months ended September 30, 2010.

Interest income on securities increased by $641,000 or 45.5% to $2.04 million for the three months ended September 30, 2011 from $1.40 million for the three months ended September 30, 2010. This increase was primarily due to an increase in the average yield of securities held-to-maturity to 3.77% for the three months ended September 30, 2011 from 3.25% for the three months ended September 30, 2010, along with an increase in the average balance of securities held-to-maturity of $44.3 million or 25.5% to $217.8 million for the three months ended September 30, 2011 from $173.5 million for the three months ended September 30, 2010.

Interest income on other interest-earning assets decreased by $21,000 or 61.8% to $13,000 for the three months ended September 30, 2011 from $34,000 for the three months ended September 30, 2010. This decrease was primarily due to a decrease of $58.4 million or 44.7% in the average balance of other interest-earning assets to $72.2 million for the three months ended September 30, 2011 from $130.6 million for the three months ended September 30, 2010. The average yield on other interest-earning assets decreased to 0.07% for the three months ended September 30, 2011 from 0.10% for the three months ended September 30, 2010. 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.

Total interest expense decreased by $554,000 or 14.2% to $3.33 million for the three months ended September 30, 2011 from $3.89 million for the three months ended September 30, 2010. The decrease resulted primarily from a decrease in the balance of average interest bearing liabilities of $51.2 million or 5.3% to $914.5 million for the three months ended September 30, 2011 from $965.7 million for the three months ended September 30, 2010, along with a decrease in the average cost of interest bearing liabilities of fifteen basis points to 1.46% for the three months ended September 30, 2011 from 1.61% for the three months ended September 30, 2010. The decrease in the average cost reflects the Company's reaction to the prolonged low 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 $800,000 and $800,000 for the three month periods ended September 30, 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) the dynamic activity and fluctuating balance of loans receivable, (5) the existing level of allowance for loan losses that are probable and estimable. During the three months ended September 30, 2011, the Bank experienced $476,000 in net charge-offs, (consisting of $476,000 in charge-offs and no recoveries). During the three months ended September 30, 2010, the Bank experienced $80,000 in net charge-offs, (consisting of $80,000 in charge-offs and no recoveries). The Bank had non-performing loans totaling $41.8 million or 5.50% of gross loans at September 30, 2011, $42.5 million or 5.49% of gross loans at June 30, 2011 and $42.4 million or 5.25% of gross loans at September 30, 2010. The increase in non-performing loans resulted primarily from loans acquired as part of the acquisition of Pamrapo Bancorp, Inc. The allowance for loan losses was $9.0 million or 1.19% of gross loans at September 30, 2011, $8.7 million or 1.13% of gross loans at June 30, 2011 and $7.5 million or 0.93% of gross loans at September 30, 2010. The carrying value of the loans acquired from Pamrapo was $330.6 million at September 30, 2011. There was no carryover of the historical Pamrapo allowance for credit losses related to these loans. However, the amount which represents the non-accretible difference on loans acquired in the Pamrapo Bancorp, Inc. merger totaled approximately $4.6 million and is recorded as a reduction of loans receivable. 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 September 30, 2011, June 30, 2011 and September 30, 2010.

Total non-interest income decreased by $12.8 million or 98.6% to $182,000 for the three months ended September 30, 2011 from $13.0 million for the three months ended September 30, 2010. The decrease in non-interest income resulted primarily from the gain on bargain purchase associated with the completion of the acquisition of Pamrapo Bancorp, Inc. of $12.6 million for the three months ended September 30, 2010 from no such corresponding gain for the three months ended September 30, 2011. A bargain purchase is defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquisition. The decrease in non-interest income is further explained by a decrease of $234,000 or 75.5% decrease in fees and service charges to $76,000 for the three months ended September 30, 2011 from

$310,000 for the three months ended September 30, 2010 and a loss on sale of real estate owned of $121,000 for the three months ended September 30, 2011 as compared to no such corresponding loss for the three months ended September 30, 2010, partially offset by an increase of $123,000 or 183.6% in gain on sale of loans originated for sale to $190,000 for the three months ended September 30, 2011 from $67,000 for the three months ended September 30, 2010, and an increase of $20,000 or a 117.6% increase in other non-interest income to $37,000 for the three months ended September 30, 2011 from $17,000 for the three months ended September 30, 2010. The decrease in fees and service charges resulted from the reclassification of certain loan fees on non-performing loans previously recorded as income that were deemed uncollectible and subsequently reversed. 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.

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Total non-interest expense decreased by $1.89 million or 21.9% to $6.75 million for the three months ended September 30, 2011 from $8.64 million for the three months ended September 30, 2010. Salaries and employee benefits expense decreased by $1.53 million or 32.1% to $3.23 million for the three months ended September 30, 2011 from $4.76 million for the three months ended September 30, 2010. This decrease occurred primarily as the result of the payout of voluntary termination packages offered to the employees in conjunction with the acquisition of Pamrapo Bancorp, Inc., totaling $1.1 million for the three months ended September 30, 2010, as compared to no such corresponding expense for the three months ended September 30, 2011. Occupancy expense decreased by $12,000 or 1.6% to $743,000 for the three months ended September 30, 2011 from $755,000 for the three months ended September 30, 2010. Equipment expense decreased by $52,000 or 4.7% to $1.06 million for the three months ended September 30, 2011 from $1.1 million for the three months ended September 30, 2010. The primary component of this expense item is data service provider expense which increases or decreases with the growth in the Bank's total assets. Professional fees increased by $342,000 or 135.7% to $594,000 for the three months ended September 30, 2011 from $252,000 for the three months ended September 30, 2010. Directors' fees increased by $49,000 or 37.4% to $180,000 for the three months ended September 30, 2011 from $131,000 for the three months ended September 30, 2010. Regulatory assessments decreased by $261,000 or 68.1% to $122,000 for the three months ended September 30, 2011 from $383,000 for the three months ended September 30, 2010. Advertising expense increased by $15,000 or 15.0% to $115,000 for the three months ended September 30, 2011 from $100,000 for the three months ended September 30, 2010. Merger related expenses decreased by $207,000 or 71.9% to $81,000 for the three months ended September 30, 2011 from $288,000 for the three months ended September 30, 2010. Other non-interest expense decreased by $233,000 or 27.2% to $623,000 for the three months ended September 30, 2011 from $856,000 for the three months ended September 30, 2010. The decrease in other expenses occurred primarily as a result of a decrease 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 $1.1 million to $840,000 for the three months ended September 30, 2011 compared to an income tax benefit of $299,000 for the three months ended September 30, 2010. While net income decreased substantially in the three months ended September 30, 2011 as compared to the three months ended September 30, 2010, this decrease was primarily attributable to the gain on bargain purchase related to the completion of the acquisition of Pamrapo Bancorp, Inc. As the gain associated with this transaction is a non-taxable event, the income tax provision for the three months ended September 30, 2010 was calculated exclusive of this gain. Exclusive of the gain on bargain purchase accounting, the Company would have recorded a loss before income taxes of $878,000 for the three months ended September 30, 2010. The consolidated effective tax rate for the three months ended September 30, 2011 was 41.4%.

Comparison of Operating Results for the Nine Months Ended September 30, 2011 and 2010

On July 6, 2010, the Company acquired all of the outstanding common shares of Pamrapo Bancorp, Inc. in a business combination. ASC805 "Business Combinations," permits the use of provisional amounts for assets and liabilities assumed when the information at acquisition date is incomplete. During the measurement period, amounts provisionally assigned to the acquisition accounting may be adjusted based on new information during the measurement period.

Through the measurement period, new information became available which necessitated a restatement of certain items in the Consolidated Statements of Income and the Consolidated Statement of Cash Flows. The adjustments relate to the carrying amount of property and equipment as of September 30, 2010 and the fair value of loans acquired. As a result of the aforementioned, depreciation expense and income tax expense also required adjustment.

Please refer to Note 1 in the Notes to Unaudited Consolidated Financial Statements for a tabular synopsis of these adjustments.

Net income decreased by $8.5 million or 62.5% to $5.1 million for the nine months ended September 30, 2011 from $13.6 million for the nine months ended September 30, 2010. The decrease in net income was due to a decrease in non-interest income and increases in the provision for loan losses, non-interest expense and income taxes, partially offset by an increase in net interest income. Net interest income increased by $11.4 million or 65.1% to $28.9 million for the nine months ended September 30, 2011 from $17.5 million for the nine months ended September 30, 2010. This increase in net interest income resulted primarily from an increase of $286.8 million or 36.3% in the average balance of interest earning assets to $1.076 billion for the nine months ended September 30, 2011 from $789.2 million for the nine months ended September 30, 2010, along with an increase in the average yield on interest earning assets to 4.84% for the nine months ended September 30, 2011 from 4.68% for the nine months ended September 30, 2010. The average balance of interest bearing liabilities increased by $234.3 million or 34.0% to $922.7 million for the nine months ended September 30, 2011 from $688.4 million for the nine months ended September 30, 2010 and the average cost of interest bearing liabilities decreased by fifty basis points to 1.46% for the nine months ended September 30, 2011 from 1.96% for the nine months ended September 30, 2010. As a consequence of the aforementioned, our net interest margin increased to 3.59% for the nine months ended September 30, 2011 from 2.96% for the nine months ended September 30, 2010. The increase in the average balance of interest earning assets and the average balance of interest bearing liabilities is primarily due to the completion of the acquisition of Pamrapo Bancorp, Inc.

Interest income on loans receivable increased by $9.6 million or 41.0% to $33.0 million for the nine months ended September 30, 2011 from $23.4 million for the nine months ended September 30, 2010. The increase was primarily attributable to an increase in the average balance of loans receivable of $244.9 million or 45.4% to $784.9 million for the nine months ended September 30, 2011 from $540.0 million for the nine months ended September 30, 2010, partially offset by a decrease in the average yield on loans receivable to 5.61% for the nine months ended September 30, 2011 from 5.77% for the nine months ended September 30, 2010. The increase in average balance of loans receivable is primarily attributable to the completion of the business combination transaction with 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 acquisition of Pamrapo Bancorp Inc., were lower 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 $1.72 million or 40.6% to $5.96 million for the nine months ended September 30, 2011 from $4.24 million for the nine months ended September 30, 2010. This increase was primarily due to an increase in the average balance of securities held-to-maturity of $66.5 million or 43.8% to $218.2 million for the nine months ended September 30, 2011 from $151.7 million for the nine months ended September 30, 2010, partially offset by a decrease in the average yield of securities held-to-maturity to 3.64% for the nine months ended September 30, 2011 from 3.73% for the nine months ended September 30, 2010. The decrease in the average yield resulted from the replacement of higher yielding callable agency securities previously purchased whose call options were exercised by the issuing agencies with lower yielding mortgage backed securities purchased presently in the prevalent interest rate environment. The increase in the average balance is primarily attributable to the completion of the business combination transaction with Pamrapo Bancorp, Inc.

Interest income on other interest-earning assets decreased by $15,000 or 20.3% to $59,000 for the nine months ended September 30, 2011 from $74,000 for the nine months ended September 30, 2010. This decrease was primarily due to a decrease of $24.3 million or 24.9% in the average balance of other interest-earning assets to $73.3 million for the nine months ended September 30, 2011 from $97.6 million for the nine months ended September 30, 2010. The average yield on other interest-earning assets remained relatively static at 0.10% for the nine month periods ended September 30, 2011 and 2010. The decrease in the average balance primarily reflects management's philosophy to deploy its liquid assets for loan closings and investment security purchase opportunities at higher yields than are currently available in money market deposits.

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Total interest expense decreased by $48,000 or 0.5% to $10.09 million for the nine months ended September 30, 2011 from $10.13 million for the nine months ended September 30, 2010. The decrease resulted primarily from a decrease in the average cost of interest bearing liabilities by 50 basis points to 1.46% for the nine months ended September 30, 2011 from 1.96% for the nine months ended September 30, 2010, partially offset by an increase in the balance of average interest bearing liabilities of $234.3 million or 34.0% to $922.7 million for the nine months ended September 30, 2011 from $688.4 million for the nine months ended September 30, 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 low 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 $1.6 million for the nine months ended September 30, 2011 and $1.55 million for the nine months ended September 30, 2010. 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) the dynamic activity and fluctuating balance of loans receivable, and (5) the existing level of allowance for loan losses that are probable and estimable. During the nine months ended September 30, 2011, the Bank experienced $977,000 in net charge-offs (consisting of $1.0 million in charge-offs and $23,000 in recoveries). During the nine months ended September 30, 2010, the Bank experienced $677,000 in net charge-offs (consisting of $689,000 in charge-offs and $12,000 in recoveries). The Bank had non-performing loans totaling $41.8 million or 5.50% of gross loans at September 30, 2011, $41.8 million or 5.35% of gross loans at December 31, 2010 and $42.4 million or 5.25% of gross loans at September 30, 2010. The increase in non-performing loans resulted primarily from the acquisition of Pamrapo Bancorp. The allowance for loan losses was $9.0 million or 1.19% of gross loans at September 30, 2011, $8.4 million or 1.08% of gross loans at December 31, 2010 and $7.5 million or 0.93% of gross loans at September 30, 2010. The carrying value of the loans acquired from Pamrapo was $330.6 million at September 30, 2011. There was no carryover of the historical Pamrapo allowance for credit losses related to these loans. However, the amount which represents the non-accretible difference on loans acquired in the Pamrapo Bancorp, Inc. merger totaled approximately $4.6 million and is recorded as a reduction of loans receivable. 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 September 30, 2011 and December 31, 2010.

Total non-interest income decreased by $12.42 million or 91.9% to $1.09 million for the nine months ended September 30, 2011 from $13.51 million for the nine months ended September 30, 2010. The decrease in non-interest income resulted primarily from the gain on bargain purchase associated with the completion of the acquisition of Pamrapo Bancorp, Inc. of $12.6 million for the nine months ended September 30, 2010 as compared to no such corresponding gain for the nine months ended September 30, 2011. A bargain purchase is defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquisition. Additionally, there was a decrease in fees and service charges of $172,000 or 24.2% to $538,000 for the nine months ended September 30, 2011 from $710,000 for the nine months ended September 30, 2010 and the loss on sale of real estate owned increased by $243,000 to $257,000 for the nine months ended September 30, 2011 from $14,000 for the nine months ended September 30, 2010. The decrease in non-interest income was partially offset by an increase in gain on sales of loans originated for sale of $399,000 or 204.6% to $594,000 for the nine months ended September 30, 2011 from $195,000 for the nine months ended September 30, 2010, an $18,000 increase in gain on sale of securities held to maturity to $18,000 for the nine months ended September 30, 2011, compared to no such corresponding gain for the nine months ended September 30, 2010 and a $161,000 or 473.5% increase on other non-interest income to $195,000 for the nine months ended September 30, 2011, from $34,000 for the nine months ended September 30, 2010.

Total non-interest expense increased by $4.89 million or 32.4% to $19.96 million for the nine months ended September 30, 2011 from $15.07 million for the nine months ended September 30, 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 21.3% to $9.1 million for the nine months ended September 30, 2011 from $7.5 million for the nine months ended September 30, 2010. This increase occurred primarily as the result of an increase in the number of full time equivalent employees to 178 at September 30, 2011, from 173 at September 30, 2010 as well as the realization that the former Pamrapo staff were BCB employees and on the Bank's payroll for the entire nine month period ended September 30, 2011 as opposed to being members of the Bank's staff for three of the nine month period ended September 30, 2010, partially offset by the payout of voluntary termination packages offered to the employees in conjunction with the acquisition of Pamrapo Bancorp, Inc., totaling $1.1 million. Equipment expense increased by $949,000 or 43.1% to $3.15 million for the nine months ended September 30, 2011 from $2.20 million for the nine months ended September 30, 2010. The primary component of this expense item is data service provider expense which increases with the growth of the Bank's assets. Occupancy expense increased by $930,000 or 70.5% to $2.25 million for the nine months ended September 30, 2011 from $1.32 million for the nine months ended September 30, 2010. Advertising expense increased by $55,000 or 23.1% to $293,000 for the nine months ended September 30, 2011 from $238,000 for the nine months ended September 30, 2010. Regulatory assessments increased by $170,000 or 22.8% to $915,000 for the nine months ended September 30, 2011 from $745,000 for the nine months ended September 30, 2010. Directors' fees increased by $134,000 or 38.8% to $479,000 for the nine months ended September 30, 2011 from $345,000 for the nine months ended September 30, 2010. Professional fees increased by $611,000 or 137.3% to $1.06 million for the nine months ended September 30, 2011 from $445,000 for the nine months ended September 30, 2010. Other non-interest expense increased by $727,000 or 45.4% to $2.3 million for the nine months ended September 30, 2011 from $1.6 million for the nine months ended September 30, 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. All of the aforementioned was partially offset by a decrease in merger related expenses of $295,000 or 46.7% to $337,000 for the nine months ended September 30, 2011 compared to $632,000 for the nine months ended September 30, 2010.

Income tax expense increased $2.58 million or 306.8% to $3.42 million for the nine months ended September 30, 2011 from $841,000 for the nine months ended September 30, 2010 reflecting decreased taxable income during the nine month time period ended September 30, 2011. While net income decreased substantially in the nine months ended September 30, 2011 as compared to the nine months ended September 30, 2010, this decrease was primarily attributable to the gain on bargain purchase related to the completion of the acquisition of Pamrapo Bancorp, Inc. As the gain associated with this transaction is a non-taxable event, the income tax provision for the nine months ended September 30, 2010 was calculated exclusive of this gain. Exclusive of the gain on bargain purchase, income for the nine months ended September 30, 2010 would have been $1.8 million. The consolidated effective income tax rate for the nine months ended September 30, 2010, exclusive of the gain on bargain purchase, was 45.7% as compared to 40.3% for the nine months ended September 30, 2011.

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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 June 30, 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 200 to 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of September 30, 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	$ 113,094	$ (28,578)	-20.17%	10.74 %	-175 bps
+200bp	129,706	(11,966)	-8.45	11.97	-52 bps
+100bp	139,718	(1,954)	-1.38	12.57	8 bps
PAR	141,672	—	—	12.49	—
-100bp	142,134	462	0.33	12.37	-12 bps

bp – basis points

The table above indicates that at September 30, 2011, in the event of a 100 basis point increase in interest rates, we would experience a 1.38% 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.

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 September 30, 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

Not applicable

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 September 30, 2011 are as follows:

Period	Shares Purchased	Average Price	Total Number of Shares Purchased	Maximum Number of Shares That May Yet be Purchased
July 1- July 31, 2011	15,610	$11.06	15,610	272,758
August 1- August 31, 2011	40,713	$10.40	56,323	232,045
September 1- September 30, 2011	91	$10.31	56,414	231,954
Total	56,414	$10.59	56,414	231,954

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.

Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation LinkBase
Exhibit 101.DEF	XBRL Taxonomy Extension Definition LinkBase
Exhibit 101.LAB	XBRL Taxonomy Extension Label LinkBase
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation LinkBase

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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: November 18, 2011	By:	/s/ Donald Mindiak Donald Mindiak President and Chief Executive Officer
Date: November 18, 2011	By:	/s/ Kenneth D. Walter Kenneth D. Walter Chief Financial Officer