BCB BANCORP INC
Form 10-K
March 23, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2006

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _______________ to _______________

Commission File No. 000-50275

BCB BANCORP, INC.
(Exact name of registrant as specified in its charter)

New Jersey	26-0065262
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
104-110 Avenue C, Bayonne, New Jersey	07002
(Address of Principal Executive Offices)	Zip Code

(201) 823-0700
(Registrant's telephone number)

Securities Registered Pursuant to Section 12(b) of the Act: Common Stock, no par value

Securities Registered Pursuant to Section 12(g) of the Act: None
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 406 of the Securities Act. YES [_] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [_] NO |X]

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

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

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 large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [_] NO [X]

As of March 5, 2007, there were issued and outstanding 5,009,250 shares of the Registrant's Common Stock. The aggregate value of the voting stock held by non-affiliates of the Registrant, computed by reference to prices of the Common Stock reported on the Nasdaq Global Select Market as of June 30, 2006, ($15.40) was $60.2 million.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Proxy Statement for the 2007 Annual Meeting of Stockholders of the Registrant (Part III).

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PART I

ITEM 1. BUSINESS

BCB Bancorp, Inc.

BCB Bancorp, Inc. (the "Company") is a New Jersey corporation, which on May 1, 2003 became the holding company parent of Bayonne Community Bank (the "Bank"). The Company has not engaged in any significant business activity other than owning all of the outstanding common stock of Bayonne Community Bank. Our executive office is located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our telephone number is (201) 823-0700. At December 31, 2006 we had $510.8 million in consolidated assets, $382.7 million in deposits and $52.0 million in consolidated stockholders' equity. The Company is subject to extensive regulation by the Board of Governors of the Federal Reserve System.

Bayonne Community Bank

Bayonne Community Bank was chartered as a New Jersey bank on October 27, 2000, and we opened for business on November 1, 2000. We operate through three branches in Bayonne, New Jersey and through our executive office located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our telephone number is (201) 823-0700. Our deposit accounts are insured by the Federal Deposit Insurance Corporation and we are a member of the Federal Home Loan Bank System.

We are a community-oriented financial institution. Our business is to offer FDIC-insured deposit products and invest funds held in deposit accounts at the Bank, together with funds generated from operations, in investment securities and loans. We offer our customers:

- loans, including commercial and multi-family real estate loans, one- to four-family mortgage loans, home equity loans, construction loans, consumer loans and commercial business loans. In recent years the primary growth in our loan portfolio has been in loans secured by commercial real estate and multi-family properties;

- FDIC-insured deposit products, including savings and club accounts, non-interest bearing accounts, money market accounts, certificates of deposit and individual retirement accounts; and

- retail and commercial banking services including wire transfers, money orders, traveler's checks, safe deposit boxes, a night depository, federal payroll tax deposits, bond coupon redemption and automated teller services.

Business Strategy

Our business strategy is to operate as a well-capitalized, profitable and independent community-oriented financial institution dedicated to providing quality customer service. Managements' and the Board of Directors' extensive knowledge of the Hudson County market differentiates us from our competitors. Our business strategy incorporates the following elements: maintaining a community focus, focusing on profitability, continuing our growth, concentrating on real estate based lending, capitalizing on market dynamics, providing attentive and personalized service and attracting highly qualified and experienced personnel.

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

Focusing on profitability. On an operational basis, we achieved profitability in our tenth month of operation. For the year ended December 31, 2006, our return on average equity was 11.12% and our return on average assets was 1.13%. Our earnings per diluted share increased from $0.43 for the year ended December 31, 2002 to $1.08 for the year ended December 31, 2006. We achieved this earnings growth by focusing on low-cost deposits and by tightly controlling our non-interest expenses. Management is committed to maintaining profitability by diversifying the services we offer. We have a mortgage banking division as well as a leasing division to increase our fee-based income.

Continuing our growth. We have consistently increased our assets. From December 31, 2002 to December 31, 2006, our assets have increased from $183.1 million to $510.8 million. Over the same time period, our loan balances have increased from $122.1 million to $318.1 million, while deposits have increased from $163.5 million to $382.7 million. In addition, we have maintained our asset quality ratios while growing the loan portfolio. At December 31, 2006, our non-performing assets to total assets ratio was 0.06%.

Concentrating on real estate-based lending. A primary focus of our business strategy is to originate loans secured by commercial and multi-family properties. Such loans provide higher returns than loans secured by one- to four-family real estate. As a result of our underwriting practices, including debt service requirements for commercial real estate and multi-family loans, management believes that such loans offer us an opportunity to obtain higher returns.

Capitalizing on market dynamics. The consolidation of the banking industry in Hudson County has created the need for a customer focused banking institution. This consolidation has moved decision making away from local, community-based banks to much larger banks headquartered outside of New Jersey.

Providing attentive and personalized service. Management believes that providing attentive and personalized service is the key to gaining deposit and loan relationships in Bayonne and its surrounding communities. Since we began operations, our branches have been open 7 days a week.

Attracting highly experienced and qualified personnel. An important part of our strategy is to hire bankers who have prior experience in the Hudson County market as well as pre-existing business relationships. Our management team has an average of 28 years of banking experience, while our lenders and branch personnel have significant prior experience at community banks and regional banks in Hudson County. Management believes that its knowledge of the Hudson County market has been a critical element in the success of Bayonne Community Bank. Management's extensive knowledge of the local communities has allowed us to develop and

implement a highly focused and disciplined approach to lending and has enabled the bank to attract a high percentage of low cost deposits.

Our Market Area

We are located in the City of Bayonne, Hudson County, New Jersey. The Bank's locations are easily accessible to provide convenient services to businesses and individuals throughout our market area.

Our market area includes the city of Bayonne, Jersey City and portions of Hoboken, New Jersey. These areas are all considered "bedroom" or "commuter" communities to Manhattan. Our market area is well-served by a network of arterial roadways including Route 440 and the New Jersey Turnpike.

Our market area has a high level of commercial business activity. Businesses are concentrated in the service sector and retail trade areas. Major employers in our market area include Bayonne Medical Center and the Bayonne Board of Education.

Competition

The banking business in New Jersey is extremely competitive. We will compete for deposits and loans with existing New Jersey and out-of-state financial institutions that have longer operating histories, larger capital reserves and more established customer bases. Our competition includes large financial service companies and other entities in addition to traditional banking institutions such as savings and loan associations, savings banks, commercial banks and credit unions.

Our larger competitors have a greater ability to finance wide-ranging advertising campaigns through their greater capital resources. Our marketing efforts depend heavily upon referrals from officers and directors and stockholders, selective advertising in local media and direct mail solicitations. We compete for business principally on the basis of personal service to customers, customer access to our officers and directors and competitive interest rates and fees.

In the financial services industry in recent years, intense market demands, technological and regulatory changes and economic pressures have eroded industry classifications that were once clearly defined. Banks have been forced to diversify their services, increase rates paid on deposits and become more cost effective, as a result of competition with one another and with new types of financial service companies, including non-banking competitors. Some of the results of these market dynamics in the financial services industry have been a number of new bank and non-bank competitors, increased merger activity, and increased customer awareness of product and service differences among competitors. These factors could affect our business prospects.

Lending Activities

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

	At December 31,						
	2006		2005		2004		
	Amount	Percent	Amount	Percent	Amount	Percent	
Type of loans:					(Dollars in Thousands		
Real estate loans:							
One-to four-family	$ 43,993	13.64%	$ 34,901	12.11%	$ 34,855	13.98%	$
Construction	38,882	12.06	28,743	9.98	19,209	7.70	
Home equity	32,321	10.02	24,297	8.43	20,629	8.27	
Commercial and multi-family	192,141	59.60	185,170	64.26	158,755	63.68	
Commercial business	14,705	4.56	14,578	5.06	15,123	6.07	
Consumer	396	0.12	456	0.16	744	0.30	
Total	322,438	100.00%	288,145	100.00%	249,315	100.00%	
Less:							
Deferred loan (costs) fees, net	575		604		429		
Allowance for possible loan losses	3,733		3,090		2,506		
Total loans, net	$318,130		$284,451		$246,380		$

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Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2006. The amount shown represents outstanding principal balances. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as being due in one year or less. Variable-rate loans are shown as due at the time of repricing. The table does not include prepayments or scheduled principal repayments.

	Due within 1 Year	Due after 1 through 5 Years	Due after 5 Years	Total
	(In Thousands)			
One-to four-family	$ 733	$ 2,848	$ 40,412	$ 43,993
Construction	35,869	1,778	1,235	38,882
Home equity	3,489	2,283	26,549	32,321
Commercial and multi-family	8,071	59,351	124,719	192,141
Commercial business	10,727	1,048	2,930	14,705
Consumer	218	178	--	396
Total amount due	$ 59,107	$ 67,486	$ 195,845	$ 322,438

Loans with Predetermined or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at December 31, 2006 that are due after December 31, 2007, and have predetermined interest rates and that have floating or adjustable interest rates.

	Fixed Rates	Floating or Adjustable Rates	Total
		(In Thousands)	
One- to four-family	$ 41,183	$ 2,077	$ 43,260
Construction	2,732	281	3,013
Home equity	28,544	288	28,832
Commercial and multi-family	130,541	53,529	184,070
Commercial business	3,978	--	3,978
Consumer	178	--	178
Total amount due	$ 207,156	$ 56,175	$ 263,331

Commercial and Multi-family Real Estate Loans. Our commercial and multi-family real estate loans are secured by commercial real estate (for example, shopping centers, medical buildings, retail offices) and multi-family residential units, consisting of five or more units. Permanent loans on commercial and multi-family properties are generally originated in amounts up to 75% of the appraised value of the property. Our commercial real estate loans are secured by improved property such as office buildings, retail stores, warehouses, church buildings and other non-residential buildings. Commercial and multi-family real estate loans are generally made at rates that adjust above the five year U.S. Treasury interest rate, with terms of up to 25 years, or are balloon loans with fixed interest rates which generally mature in three to five years with principal amortization for a period of up to 30 years. Our largest commercial loan had a principal balance of $3.3 million at December 31, 2006, and was secured by a mixed use property comprised of retail and office facilities. Our largest multi-family loan had a principal balance of $3.8 million at December 31, 2006. Both loans were performing in accordance with their terms on that date.

Loans secured by commercial and multi-family real estate are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. The borrower's creditworthiness and the feasibility and cash flow potential of the project is of

primary concern in commercial and multi-family real estate lending. Loans secured by income properties are generally larger and involve greater risks than residential mortgage loans because payments on loans secured by income properties are often dependent on the successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. We intend to continue emphasizing the origination of loans secured by commercial real estate and multi-family properties.

One- to Four-Family Lending. Our one- to four-family residential mortgage loans are secured by property located in the State of New Jersey. We generally originate one- to four-family residential mortgage loans in amounts up to 80% of the lesser of the appraised value or selling price of the mortgaged property without requiring mortgage insurance. We will originate loans with loan to value ratios up to 90% provided the borrowers obtain private mortgage insurance. We originate both fixed rate and adjustable rate loans. One- to four-family loans may have terms of up to 30 years. The majority of one- to four-family loans we originate for retention in our portfolio have terms no greater than 15 years. We offer adjustable rate loans with fixed rate periods of up to five years, with principal and interest calculated using a maximum 30-year amortization period. We offer these loans with a fixed rate for the first five years with repricing

following every year after the initial period. Adjustable rate loans may adjust up to 200 basis points annually and 600 basis points over the term of the loan. We also broker for a third party lender one-to four-family residential loans, which are primarily fixed rate loans with terms of 30 years. Our loan brokerage activities permit us to offer customers longer-term fixed rate loans we would not otherwise originate while providing a source of fee income. During 2006, we brokered $36.3 million in one-to four-family loans and recognized gains of $635,000 from the sale of such loans.

All of our one- to four-family mortgages include "due on sale" clauses, which are provisions giving us the right to declare a loan immediately payable if the borrower sells or otherwise transfers an interest in the property to a third party.

Property appraisals on real estate securing our single-family residential loans are made by state certified and licensed independent appraisers approved by our Board of Directors. Appraisals are performed in accordance with applicable regulations and policies. At our discretion, we obtain either title insurance policies or attorneys' certificates of title, on all first mortgage real estate loans originated. We also require fire and casualty insurance on all properties securing our one-to four-family loans. We also require the borrower to obtain flood insurance where appropriate. In some instances, we charge a fee equal to a percentage of the loan amount commonly referred to as points.

Construction Loans. We offer loans to finance the construction of various types of commercial and residential property. We originated $34.9 million of such loans during the year ended December 31, 2006. Construction loans to builders generally are offered with terms of up to eighteen months and interest rates are tied to prime rate plus a margin. These loans generally are offered as adjustable rate loans. We will originate residential construction loans for individual borrowers and builders, provided all necessary plans and permits are in order. Construction loan funds are disbursed as the project progresses. At December 31, 2006, our largest construction loan was $3.5 million, of which $1.4 million was disbursed. This

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construction loan has been made for the construction of residential properties. At December 31, 2006 this loan was performing in accordance with its terms.

Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction and development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the project. Additionally, if the estimate of value proves to be inaccurate, we may be confronted, at or prior to the maturity of the loan, with a project having a value which is insufficient to assure full repayment.

Home Equity Loans and Home Equity Lines of Credit. We offer home equity loans and lines of credit that are secured by the borrower's primary residence. Our home equity loans can be structured as loans that are disbursed in full at closing or as lines of credit. Home equity loans and lines of credit are offered with terms up to 15 years. Virtually all of our home equity loans are originated with fixed rates of interest and home equity lines of credit are originated with adjustable interest rates tied to the prime rate. Home equity loans and lines of credit are underwritten under the same criteria that we use to underwrite one-

to four-family loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 80% when combined with the principal balance of the existing mortgage loan. At the time we close a home equity loan or line of credit, we file a mortgage to perfect our security interest in the underlying collateral. At December 31, 2006, the outstanding balances of home equity loans and lines of credit totaled $32.3 million, or 10.02% of our loan portfolio.

Commercial Business Loans. Our commercial business loans are underwritten on the basis of the borrower's ability to service such debt from income. Our underwriting standards for commercial business loans include a review of the applicant's tax returns, financial statements, credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan based on cash flow generated by the applicant's business. Commercial business loans are generally made to small and mid-sized companies located within the State of New Jersey. In most cases, we require collateral of equipment, accounts receivable, inventory, chattel or other assets before making a commercial business loan. Our largest commercial business loan at December 31, 2006 had a principal balance of $2.5 million and was secured by marketable equity securities. We have also received personal guarantees from the borrower, principals of the borrower and a director of BCB Bancorp, Inc.

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

Consumer Loans. We make various types of secured and unsecured consumer loans and loans that are collateralized by new and used automobiles. Consumer loans generally have terms of three years to ten years.

Consumer loans are advantageous to us because of their interest rate sensitivity, but they also involve more credit risk than residential mortgage loans because of the higher potential for default, the nature of the collateral and the difficulty in disposing of the collateral.

The following table shows our loan origination, purchase, sale and repayment activities for the periods indicated.

	Years Ended December 31,			
	2006	2005	2004	20
			(In thousands)	
Beginning of period	$ 288,145	$ 249,315	$ 191,138	$ 12
Originations by Type:				
Real estate mortgage:				
One- to four-family residential..	9,203	4,299	4,103	2
Construction	34,889	35,765	19,326	
Home equity	15,821	13,998	14,212	
Commercial and multi-family	51,542	70,471	64,219	6
Commercial business	7,946	8,968	8,628	
Consumer	222	203	284	

Total loans originated	119,623	133,704	110,772	10
Purchases:				
Real estate mortgage:				
One- to four-family residential..	--	--	--	
Construction	4,870	3,645	4,289	
Home equity	--	--	--	
Commercial and multi-family	1,737	--	8,450	
Commercial business	400	1,000	--	
Consumer	--	--	--	
Total loans purchased	7,007	4,645	12,739	
Sales:				
Real estate mortgage:				
One- to four-family residential..	--	--	--	
Construction	2,044	1,273	959	
Home equity	--	--	--	
Commercial and multi-family	3,388	--	788	
Commercial business	--	--	1,128	
Consumer	--	--	--	
Total loans sold	5,432	1,273	2,875	
Principal repayments	86,905	98,246	62,459	3
Total reductions	92,337	99,519	65,334	4
Increase (decrease) in other items, net	--	--	--	
Net increase	34,293	38,830	58,177	6
Ending balance	$ 322,438	$ 288,145	$ 249,315	$ 19

Loan Approval Authority and Underwriting. We establish various lending limits for executive management and also maintain a loan committee. The loan committee is comprised of the Chairman of the Board, the President, the Senior Lending Officer and five non-employee members of the Board of Directors. The President or the Senior Lending Officer, together with one other loan officer, have authority to approve applications for real estate loans up to $500,000, other secured loans up to $500,000 and unsecured loans up to $25,000. The loan committee considers all applications in excess of the above lending limits and the entire board of directors ratifies all such loans.

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Upon receipt of a completed loan application from a prospective borrower, a credit report is ordered. Income and certain other information is verified. If necessary, additional financial information may be requested. An appraisal is required for the underwriting of all one- to four-family loans. We may rely on an estimate of value of real estate performed by our Senior Lending Officer for

home equity loans or lines of credit of up to $250,000. Appraisals are processed by state certified independent appraisers approved by the Board of Directors.

An attorney's certificate of title is required on all newly originated real estate mortgage loans. In connection with refinancing and home equity loans or lines of credit in amounts up to $250,000, we will obtain a record owner's search in lieu of an attorney's certificate of title. Borrowers also must obtain fire and casualty insurance. Flood insurance is also required on loans secured by property that is located in a flood zone.

Loan Commitments. Written commitments are given to prospective borrowers on all approved real estate loans. Generally, we honor commitments for up to 60 days from the date of issuance. At December 31, 2006, our outstanding loan origination commitments totaled $9.3 million, outstanding construction loans in progress totaled $31.5 million and undisbursed lines of credit totaled $11.0 million.

Non-performing and Problem Assets

Loan Delinquencies. We send a notice of nonpayment to borrowers when their mortgage loan becomes 15 days past due. If such payment is not received by month end, an additional notice of nonpayment is sent to the borrower. After 60 days, if payment is still delinquent, a notice of right to cure default is sent to the borrower giving 30 additional days to bring the loan current before foreclosure is commenced. If the loan continues in a delinquent status for 90 days past due and no repayment plan is in effect, foreclosure proceedings will be initiated.

Loans are reviewed and are placed on a non-accrual status when the loan becomes more than 120 days delinquent or when, in our opinion, the collection of additional interest is doubtful. Interest accrued and unpaid at the time a loan is placed on nonaccrual status is charged against interest income. Subsequent interest payments, if any, are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectability of the loan. At December 31, 2006, we had $323,000 in non-accruing loans. Our largest exposure of non-performing loans at that date consisted of one loan, with a principal balance of $307,000, to a deceased borrower whose estate is in process of settlement. At December 31, 2006, we had no loans that were delinquent 90 days or more and accruing. Recently, the Bank has become aware of two loan facilities with a total exposure of $2.6 million which we are party to via participation agreements with another financial institution. That financial institution has informed us of the possibility of performance related issues that may require additional attention going forward. One of these facilities, a loan on a parcel of land in Rumson, New Jersey in the amount of $1.2 million to Mr. Solomon Dwek, continues to perform. The other facility, subsequent to December 31, 2006 has become a non-performing loan. This loan is a financing arrangement provided to Kara Homes in the amount of $1.4 million for the development of ten lots in Manahawkin, New Jersey. Kara Homes has recently filed for protection under the bankruptcy laws of the United States and this situation is presently being

adjudicated under those applicable laws. The aforementioned notwithstanding, the Bank has allocated a 25% allowance reserve against both of these loans.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. We have determined that first mortgage loans on one-to four-family properties and all consumer loans represent large groups of smaller-balance

homogeneous loans that are collectively evaluated. Additionally, we have determined that an insignificant delay (less than 90 days) will not cause a loan to be classified as impaired and a loan is not impaired during a period of delay in payment, if we expect to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. We independently evaluate all loans identified as impaired. We estimate credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment is derived from the sale or operation of such collateral. Impaired loans, or portions of such loans, are charged off when we determine that a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan, in which case the portion of the receipts related to interest is recognized as income. At December 31, 2006, we had two loans totaling $323,000 which are classified as impaired and on which loan loss allowances totaling $81,000 have been established. During 2006, interest income of $6,000 was recognized on impaired loans.

The following table sets forth delinquencies in our loan portfolio as of the dates indicated:

	At December 31, 2006				A	
	60-89 Days		90 Days or More		60-89 D	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Pr B o
			(Dollars in thousands)			
Real estate mortgage:						
One- to four-family residential	--	$ --	--	$ --	--	$
Construction	1	1,356	--	--	--	
Home equity	--	--	--	--	--	
Commercial and multi-family	--	--	1	307	--	
Total	1	1,356	1	307	--	
Commercial business	--	--	--	--	--	
Consumer	1	2	1	16	--	
Total delinquent loans	2	$ 1,358	2	$ 323	--	$
Delinquent loans to total loans		0.42%		0.10%	--	

	At December 31, 2004	At

	60-89 Days		90 Days or More		60-89 D	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Pr B o
			(Dollars in thousands)			
Real estate mortgage:						
One- to four-family residential	--	$ --	1	$ 173	1	$
Construction	--	--	--	--	--	
Home equity	1	29	--	--	--	
Commercial and multi-family	--	--	1	313	--	
Total	1	29	2	486	1	
Commercial business	1	123	3	515	3	
Consumer	--	--	1	3	--	
Total delinquent loans	2	$ 152	6	$ 1,004	4	$
Delinquent loans to total loans ...		0.06%		0.40%		

	At December 31, 2002			
	60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)			
Real estate mortgage:				
One- to four-family residential	--	$ --	--	$ --
Construction	--	--	--	--
Home equity	--	--	--	--
Commercial and multi-family	--	--	--	--
Total	--	--	--	--
Commercial business	--	--	1	67
Consumer	--	--	--	--
Total delinquent loans	--	$ --	1	$ 67
Delinquent loans to total loans ...		--%		0.05%

The table below sets forth the amounts and categories of non-performing assets in the Bank's loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest become doubtful. For all years presented, Bayonne Community Bank has had no troubled debt restructurings (which involve forgiving a portion of interest or principal on any loans or making loans at a rate materially less than that of market rates). Foreclosed assets include assets acquired in settlement of loans.

	At December 31,			
	2006	2005	2004	20
	(Dollars in thousands)			
Non-accruing loans:				
One- to four-family residential	$ --	$ --	$ 173	$
Construction	--	--	--	
Home equity	--	--	--	
Commercial and multi-family	307	637	313	
Commercial business	--	150	67	
Consumer	16	--	--	
Total	323	787	553	
Accruing loans delinquent more than 90 days:				
One- to four-family residential	--	--	--	
Construction	--	--	--	
Home equity	--	--	--	
Commercial and multi-family	--	166	--	
Commercial business	--	--	448	
Consumer	--	79	3	
Total	--	245	451	
Total non-performing loans	323	1,032	1,004	
Foreclosed assets	--	--	6	
Total non-performing assets	$ 323	$ 1,032	$ 1,010	$
Total non-performing assets as a percentage of total assets	0.06%	0.22%	0.27%	
Total non-performing loans as a percent of total loans	0.10%	0.36%	0.40%	

For the year ended December 31, 2006, gross interest income which would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to $26,000. We received and recorded $6,000 in interest income for such loans for the year ended December 31,2006.

Classified Assets. Our policies provide for a classification system for problem assets. Under this classification system, problem assets are classified

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

When we classify problem assets, we may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. At December 31, 2006, we had no assets classified as doubtful, $2.9 million in assets classified as substandard and $460,000 in assets classified as special mention. The loans classified as doubtful and substandard represent primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily because either updated financial information has not been timely provided, or the collateral underlying the loan is in the process of being revalued.

In addition to loans that have been classified, management has identified a lending relationship that merits additional scrutiny for reasons unrelated to the performance of the loans. This borrowing relationship consists of five loans, which had a total principal balance at December 31, 2006 of $1.3 million. The largest single loan had a total principal balance at December 31, 2006 of $360,000. The five loans are secured by mixed-use real estate. The loans in the aggregate have a loan value ratio of 69.7%. These loans are currently performing in accordance with their terms.

Allowances for Loan Losses. A provision for loan losses is charged to operations based on management's evaluation of the losses that may be incurred in our loan portfolio. The evaluation, including a review of all loans on which full collectability of interest and principal may not be reasonably assured, considers: (1) the risk characteristics of the loan portfolio; (2) current economic conditions; (3) actual losses previously experienced; (4) the level of loan growth; and (5) the existing level of reserves for loan losses that are possible and estimable.

We monitor our allowance for loan losses and make additions to the allowance as economic conditions dictate. Although we maintain our allowance for loan losses at a level that we consider adequate for the inherent risk of loss in our loan portfolio, future losses could exceed estimated amounts and additional provisions for loan losses could be required. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available,

our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings.

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

	Years Ended De		
	2006	2005	2004
	(Dollars in t		
Balance at beginning of period	$ 3,090	$ 2,506	$ 2,1
Charge-offs:			
One- to four-family residential	--	--	
Construction	--	--	
Home equity	--	--	
Commercial and multi-family	--	--	
Commercial business	66	522	3
Consumer	1	24	
Total charge-offs	67	546	3
Recoveries	85	12	
Net charge-offs (recoveries)	(18)	534	2
Provisions charged to operations	625	1,118	6
Ending balance	$ 3,733	$ 3,090	$ 2,5
Ratio of non-performing assets to total assets at the end of period	0.06%	0.22%	0.
Allowance for loan losses as a percent of total loans outstanding	1.16%	1.07%	1.
Ratio of net charge-offs (recoveries) during the period to loans outstanding during the period	(0.01)%	0.19%	0.
Ratio of net charge-offs (recoveries) during the period to non-performing loans	(5.57)%	51.74%	29.

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

	At December 31,						
	2006		2005		2004		
	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amo
	(Dollars in Thousands)						
Type of loan:							
One- to four-family	$ 69	13.64%	$ 76	12.11%	$ 78	13.98%	$
Construction	1,068	12.06	329	9.98	217	7.70	
Home equity	126	10.02	91	8.43	82	8.27	
Commercial and multi-family ..	2,285	59.60	2,180	64.26	1,669	63.68	1,
Commercial business	168	4.56	401	5.06	444	6.07	
Consumer	17	0.12	13	0.16	16	0.30	
Total	$3,733	100.00%	$3,090	100.00%	$2,506	100.00%	$2,

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Investment Activities

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

Current regulatory and accounting guidelines regarding investment securities require us to categorize securities as "held-to-maturity," "available for sale" or "trading." As of December 31, 2006, we had $148.7 million of

securities classified as "held-to-maturity," and no securities classified as available for sale or trading. Securities classified as "available for sale" are reported for financial reporting purposes at the fair market value with net changes in the market value from period to period included as a separate component of stockholders' equity, net of income taxes. At December 31, 2006, our securities classified as held-to-maturity had a market value of $146.0 million. Changes in the market value of classified as securities held-to-maturity do not affect our income. Management has the intent and we have the ability to hold securities classified as held-to-maturity. During the year ended December 31, 2006, we had no securities sales.

At December 31, 2006, our investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations; (ii) U.S. federal agency or federally sponsored agency obligations; (iii) mortgage-backed securities; and (iv) certificates of deposit. The board of directors may authorize additional investments. At December 31, 2006 our U.S. Government agency securities totaled $122.6 million, all of which were classified as held-to-maturity and which primarily consisted of callable securities issued by government sponsored enterprises.

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

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

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

	At December 31,		
	2006	2005	2004
	(In Thousands)		

Securities held to maturity:			
U.S. Government and Agency securities	$ 122,594	$ 109,090	$ 78,020
Mortgage-backed securities	26,078	30,912	39,016
Total securities held to maturity	148,672	140,002	117,036
Money market funds	17,500	18,500	--
FHLB stock	3,724	2,778	944
Total investment securities	$ 169,896	$ 161,280	$ 117,980

The following table shows our securities held-to-maturity purchase, sale and repayment activities for the periods indicated.

	Years Ended December 31,		
	2006	2005	2002
	(In Thousands)		
Purchases:			
Fixed-rate	$ 37,500	$ 55,815	$ 75,823
Total purchases	$ 37,500	$ 55,815	$ 75,823
Sales:			
Fixed-rate	$ --	$ 7,345	$ --
Total sales	$ --	$ 7,345	$ --
Principal Repayments:			
Repayment of principal	$ 28,845	$ 25,531	$ 49,112
Increase in other items, net.	15	27	12
Net increases	$ 8,670	$ 22,966	$ 26,723

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Maturities of Securities Portfolio. The following table sets forth information regarding the scheduled maturities, carrying values, estimated market values, and weighted average yields for the Bank's securities portfolio at December 31, 2006 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

As of December 31, 2006						
Within one year		More than One to five years		More than five to ten years		More tha
Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carryin Value

(Dollars in Thousands)

U.S. government agency securities	$ 2,000	3.65%	$19,996	4.60%	$38,300	5.05%	$62,298
Mortgage-backed securities.......	--	--	244	6.00	1,029	5.69	24,805
FHLB stock	3,724	7.00	--	--	--	--	--
Total investment securities ...	$ 5,724	5.83%	$20,240	4.62%	$39,329	5.07%	$87,103

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Sources of Funds

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

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

The interest rates paid by us on deposits are set at the direction of our senior management. Interest rates are determined based on our liquidity requirements, interest rates paid by our competitors, and our growth goals and applicable regulatory restrictions and requirements. At December 31, 2006, we had no brokered deposits.

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

	December 31,				
	2006		2005		
	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)
	(Dollars in thousands)				
Demand	--%	$ 35,275	--%	$ 30,143	-
NOW	1.41	21,007	1.36	20,827	1.4
Money market	3.70	8,022	1.97	1,623	1.9
Savings and club accounts	1.91	117,617	2.16	167,534	2.2
Certificates of deposit	4.28	200,826	3.21	142,724	2.6
Total	2.99%	$ 382,747	2.30%	$ 362,851	2.1

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

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

	Years Ended December 31,		
	2006	2005	2004
	(Dollars in thousands)		
Beginning of period	$ 362,851	$ 337,243	$ 253,650
Net deposits	9,241	17,696	77,108
Interest credited on deposit accounts	10,655	7,912	6,485
Total increase in deposit accounts	19,896	25,608	83,593
Ending balance	$ 382,747	$ 362,851	$ 337,243
Percent increase	5.48%	7.59%	32.96%

Jumbo Certificates of Deposit. The following table indicates the amount of our certificates of deposit of $100,000 or more by time remaining until maturity.

Maturity Period	At December 31, 2006 (In Thousands)
Within three months	$ 27,384
Three through twelve months	37,106
Over twelve months	19,990
Total	$ 84,480

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

	At December 31,				
	2006		2005		
	Amount	Percent	Amount	Percent	Amo
	(Dollars in thousands)				
Certificate of deposit rates:					
1.00% - 1.99%	$ 1,539	0.76%	$ --	--%	$ 2

2.00% - 2.99%	1,511	0.75	21,056	14.75	48
3.00% - 3.99%	27,595	13.74	59,391	41.61	41
4.00% - 4.99%	89,740	44.69	62,045	43.48	
5.00% - 5.99%	80,441	40.06	232	0.16	
Total	$ 200,826	100.00%	$ 142,724	100.00%	$ 93

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of December 31, 2006.

	Maturity Date				
	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 Years	Total
	(In Thousands)				
Interest rate:					
1.00% - 1.99%	$ 77	$ --	$ 1,452	$ 10	$ 1,539
2.00% - 2.99%	1,487	13	11	--	1,511
3.00% - 3.99%	23,636	2,443	1,516	--	27,595
4.00%-4.99%	70,374	10,272	6,716	2,378	89,740
5.00%-5.99%	73,921	4,102	859	1,559	80,441
Total	$ 169,495	$ 16,830	$ 10,554	$ 3,947	$ 200,826

Borrowings. Our advances from the FHLB of New York are secured by a pledge of our stock in the FHLB of New York, and investment securities. Each FHLB credit program has its own interest rate, which may be fixed or adjustable, and range of maturities. If the need arises, we may also access the Federal Reserve Bank discount window to supplement our supply of funds that we can loan and to meet deposit withdrawal requirements. During the years ended December 31, 2006 and 2005, we had average short-term borrowings, consisting of FHLB advances, of $705,000 and $9.7 million, respectively, with a weighted average cost of 4.93% and 3.14%, respectively. Our maximum short-term borrowings outstanding during 2006 and 2005 was $1.0 million and $21.4 million, respectively.

Employees

At December 31, 2006, we had 69 full-time and 30 part-time employees. None of our employees is represented by a collective bargaining group. We believe that our relationship with our employees is good.

Subsidiaries

We have one non-bank subsidiary. BCB Holding Company Investment Corp. was established in 2004 for the purpose of holding and investing in securities. Only securities authorized to be purchased by Bayonne Community Bank are held by BCB Holding Company Investment Corp. At December 31, 2006, this company held $148.7 million in securities.

Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intended to protect depositors, not shareholders. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the business and prospects of the Company and the Bank.

Bank Holding Company Regulation

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, the Company is subject to the regulation and supervision applicable to bank holding companies by the Board of Governors of the Federal Reserve System. The Company is required to file with the Federal Reserve annual reports and other information regarding its business operations and those of its subsidiaries.

The Bank Holding Company Act requires, among other things, the prior approval of the Federal Reserve in any case where a bank holding company proposes to (i) acquire all or substantially all of the assets of any other bank, (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such company's voting shares) or (iii) merge or consolidate with any other bank holding company. The Federal Reserve will not approve any acquisition, merger, or consolidation that would have a substantially anti-competitive effect, unless the anti-competitive impact of the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to be served. The Federal Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the banks concerned, together with the convenience and needs of the community to be served, when reviewing acquisitions or mergers.

The Bank Holding Company Act generally prohibits a bank holding company, with certain limited exceptions, from (i) acquiring or retaining direct or indirect ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, or (ii) engaging directly or indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless such non-banking business is determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be properly incident thereto.

The Bank Holding Company Act has been amended to permit bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act

standards, to engage in a broader range of non-banking activities. In addition, bank holding companies which elect to become financial holding companies may engage in certain banking and non-banking activities without prior Federal Reserve approval. At this time, the Company has elected not to become a financial holding company, as it does not engage in any activities not permissible for banks.

There are a number of obligations and restrictions imposed on bank holding companies and their depository institution subsidiaries by law and regulatory policy that are designed to minimize potential loss to the depositors of such depository institutions and the FDIC insurance funds in the event the depository institution is in danger of default. Under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding company is required to serve as a source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstances where it might not do so absent such policy. The Federal Reserve also has the authority under the Bank Holding Company Act to require a bank holding company to terminate any activity or to relinquish control of a non-bank subsidiary upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Capital Adequacy Guidelines for Bank Holding Companies

The Federal Reserve has adopted risk-based capital guidelines for bank holding companies. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least 4% of the total capital is required to be "Tier I Capital," consisting of common shareholders' equity and qualifying preferred stock, less certain goodwill items and other intangible assets. The remainder ("Tier II Capital") may consist of (a) the allowance for loan losses of up to 1.25% of risk-weighted assets, (b) non-qualifying preferred stock, (c) hybrid capital instruments, (d) perpetual debt, (e) mandatory convertible securities, and (f) qualifying subordinated debt and intermediate-term preferred stock up to 50% of Tier I capital. Total capital is the sum of Tier I and Tier II capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the Federal Reserve (determined on a case by case basis or as a matter of policy after formal rule-making).

Bank holding company assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. These computations result in the total risk-weighted assets. Most loans are assigned to the 100% risk category, except for performing first mortgage loans fully secured by residential property which carry a 50% risk-weighting and loans secured by deposits in the Bank which carry a 20% risk-

weighting. Most investment securities (including, primarily, general obligation claims of states or other political subdivisions of the United States) are assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In converting off-balance sheet items, direct credit

substitutes including general guarantees and standby letters of credit backing financial obligations are given a 100% risk-weighting. Transaction related contingencies such as bid bonds, standby letters of credit backing nonfinancial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) have a 50% risk-weighting. Short-term commercial letters of credit have a 20% risk-weighting and certain short-term unconditionally cancelable commitments have a 0% risk-weighting.

In addition to the risk-based capital guidelines, the Federal Reserve has adopted a minimum Tier I capital (leverage) ratio, under which a bank holding company must maintain a minimum level of Tier I capital to average total consolidated assets of at least 3% in the case of a bank holding company that has the highest regulatory examination rating and is not contemplating significant growth or expansion. All other bank holding companies are expected to maintain a leverage ratio of at least 100 to 200 basis points above the stated minimum.

Bank Regulation

As a New Jersey-chartered commercial bank, the Bank is subject to the regulation, supervision, and examination of the New Jersey Department of Banking and Insurance. As an FDIC-insured institution, we are subject to the regulation, supervision and examination of the FDIC, an agency of the federal government. The regulations of the FDIC and the New Jersey Department of Banking and Insurance impact virtually all of our activities, including the minimum level of capital we must maintain, our ability to pay dividends, our ability to expand through new branches or acquisitions and various other matters.

Insurance of Deposits. Our deposit accounts are insured by the FDIC generally up to a maximum of $100,000 per separately insured depositor and up to a maximum of $250,000 for self-directed retirement accounts. The Bank's deposits, therefore, are subject to FDIC insurance assessments.

On February 15, 2006, federal legislation to reform federal deposit insurance was enacted. This new legislation required, among other things, that the FDIC adopt regulations increasing the maximum amount of federal deposit insurance coverage per separately insured depositor beginning in 2010 (with a cost of living adjustment to become effective in five years) and modifying the deposit fund's reserve ratio for a range between 1.15% and 1.50% of estimated insured deposits.

On November 2, 2006, the FDIC adopted final regulations establishing a risk-based assessment system that will enable the FDIC to more closely tie each financial institution's premiums to the risk it poses to the deposit insurance fund. Under the new risk-based assessment system, which becomes effective in the beginning of 2007, the FDIC will evaluate the risk of each financial institution based on three primary sources of information: (1) its supervisory rating, (2) its financial ratios, and (3) its long-term debt issuer rating, if the

institution has one. The new rates for nearly all of the financial institution industry will vary between five and seven cents for every $100 of domestic deposits. At the same time, the FDIC also adopted final regulations designating the reserve ratio for the deposit insurance fund during 2007 at 1.25% of estimated insured deposits.

Effective March 31, 2006, the FDIC merged the Bank Insurance Fund and the Savings Association Insurance Fund into a single insurance fund called the

Deposit Insurance Fund. The merger of the two separate insurance funds did not affect the authority of the Financing Corporation, a mix-ownership government corporation, to impose and collect, with approval of the FDIC, assessments for anticipated payments, insurance costs and custodial fees on bonds issued by the Financing Corporation in the 1980s to recapitalize the Federal Savings and Loan Insurance Corporation. The bonds issued by the Financing Corporation are due to mature in 2017 through 2019. For the quarter ended December 31, 2006, the Financing Corporation assessment was equal to 1.24 basis points for each $100 in domestic deposits maintained at an institution.

Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital rules, which are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Under these rules, assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. These rules are substantially similar to the Federal Reserve rules discussed above.

In addition to the risk-based capital rules, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio. This measurement is substantially similar to the Federal Reserve leverage capital measurement discussed above. At December 31, 2006, the Bank's ratio of total capital to risk-weighted assets was 16.43%. Our Tier 1 capital to risk-weighted assets was 15.36%, and our Tier 1 capital to average assets was 10.48%.

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

The USA PATRIOT Act

In response to the terrorist events of September 11, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, was signed into law on October 26, 2001. The USA PATRIOT Act gave the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. For years, financial institutions

such as the Bank have been subject to federal anti-money laundering obligations. As such, the Bank does not believe the USA PATRIOT Act will have a material impact on its operations.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), contains a broad range of legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of a new accounting oversight board that will enforce auditing, quality control and independence standards and will be funded by fees from all publicly traded companies, Sarbanes-Oxley places certain

restrictions on the scope of services that may be provided by accounting firms to their public company audit clients. Any non-audit services being provided to a public company audit client will require preapproval by the company's audit committee. In addition, Sarbanes-Oxley makes certain changes to the requirements for audit partner rotation after a period of time. Sarbanes-Oxley requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the Securities and Exchange Commission, subject to civil and criminal penalties if they knowingly or willingly violate this certification requirement. The Company's Chief Executive Officer and Chief Financial Officer have signed certifications to this Form 10-K as required by Sarbanes-Oxley. In addition, under Sarbanes-Oxley, counsel will be required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

Under Sarbanes-Oxley, longer prison terms will apply to corporate executives who violate federal securities laws; the period during which certain types of suits can be brought against a company or its officers is extended; and bonuses issued to top executives prior to restatement of a company's financial statements are now subject to disgorgement if such restatement was due to corporate misconduct. Executives are also prohibited from trading the company's securities during retirement plan "blackout" periods, and loans to company executives (other than loans by financial institutions permitted by federal rules and regulations) are restricted. In addition, a provision directs that civil penalties levied by the Securities and Exchange Commission as a result of any judicial or administrative action under Sarbanes-Oxley be deposited to a fund for the benefit of harmed investors. The Federal Accounts for Investor Restitution provision also requires the Securities and Exchange Commission to develop methods of improving collection rates. The legislation accelerates the time frame for disclosures by public companies, as they must immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

Sarbanes-Oxley also increases the oversight of, and codifies certain requirements relating to, audit committees of public companies and how they interact with the company's "registered public accounting firm." Audit Committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a "financial expert" (as such term is defined by the Securities and Exchange Commission) and if not, why not. Under Sarbanes-Oxley, a company's registered public accounting firm is prohibited from

performing statutorily mandated audit services for a company if such company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company during the one-year period preceding the audit initiation date. Sarbanes-Oxley also prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statements materially misleading. Sarbanes-Oxley also requires the Securities and Exchange Commission to prescribe rules requiring inclusion of any internal control report and assessment by management in the annual report to shareholders. Sarbanes-Oxley

requires the company's registered public accounting firm that issues the audit report to attest to and report on management's assessment of the company's internal controls.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls at December 31, 2008, and our auditors must attest to our assessment.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report is available on our website, www.bcbbancorp.com. We will also provide our Annual Report on Form 10-K free of charge to shareholders who write to the Corporate Secretary at 104-110 Avenue C, Bayonne, New Jersey 07002.

ITEM 1A. RISK FACTORS

Risks Associated with our Business

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

At December 31, 2006, $192.1 million, or 59.6% of our loan portfolio consisted of commercial and multi-family real estate loans. We intend to continue to emphasize the origination of these types of loans. These loans generally expose a lender to greater risk of nonpayment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrower's business. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

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

Since December 31, 2002, our assets have grown at a compound annual growth rate of 29.2%, our loan balances have grown at a compound annual growth rate of 27.1% and our deposits have grown at a compound annual growth rate of 23.7%. Our ability to continue to grow depends, in part, upon our ability to expand our market presence, successfully attract core deposits, and identify attractive commercial lending opportunities.

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

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

Our loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. We make

various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses may not cover losses in our loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. At December 31, 2006, our allowance for loan losses totaled $3.7 million, representing 1.16% of total loans.

While we have only been operating for six years, we have experienced significant growth in our loan portfolio, particularly our loans secured by commercial real estate. Although we believe we have underwriting standards to manage normal lending risks, and although we had $323,000, or 0.06% of total assets consisting of non-performing assets at December 31, 2006, it is difficult to assess the future performance of our loan portfolio due to the relatively recent origination of many of these loans. We can give you no assurance that our non-performing loans will not increase or that our non-performing or delinquent loans will not adversely affect our future performance.

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

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

Net interest income is the most significant component of our operating income. We do not rely on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. For the years ended December 31, 2006 and 2005, our net interest income was $17.8 million and $15.9 million, respectively. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of interest earning assets relative to the amount of interest bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we do not have significant sources of fee income to make up for decreases in net interest income.

Fluctuations in interest rates could reduce our profitability.

We realize income primarily from the difference between the interest we earn on loans and investments and the interest we pay on deposits and borrowings. The interest rates on our assets and liabilities respond differently to changes in market interest rates, which means our interest-bearing liabilities may be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates change, this "gap" between the amount of interest-earning assets and interest-bearing liabilities that reprice in response to these interest rate changes may work against us, and our earnings may be negatively affected.

We are unable to predict fluctuations in market interest rates, which are affected by, among other factors, changes in the following:

- inflation rates;
- business activity levels;
- money supply; and
- domestic and foreign financial markets.

The value of our investment portfolio and the composition of our deposit base are influenced by prevailing market conditions and interest rates. Our asset-liability management strategy, which is designed to mitigate the risk to us from changes in market interest rates, may not prevent changes in interest rates or securities market downturns from reducing deposit outflow or from having a material adverse effect on our results of operations, our financial condition or the value of our investments.

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

Our business, the location of our branches and the real estate collateralizing our real estate loans are concentrated in New Jersey. As a result, we are exposed to geographic risks.

The occurrence of an economic downturn in New Jersey, or adverse changes in laws or regulations in New Jersey could impact the credit quality of our assets, the business of our customers and our ability to expand our business.

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

In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. As of December 31, 2006, approximately 95.3% of our total loans were secured by real estate. Adverse developments affecting commerce or real estate values in the local economies in our primary market areas could increase the credit risk associated with our loan portfolio. In addition, substantially all of our loans are to individuals and businesses in New Jersey. Our business customers may not have customer bases that are as diverse as businesses serving regional or national markets. Consequently, any decline in the economy of our market area could have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

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

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

Like other bank holding companies and financial institutions, we must comply with significant anti-money laundering and anti-terrorism laws. Under these laws, we are required, among other things, to enforce a customer identification program and file currency transaction and suspicious activity reports with the federal government. Government agencies have substantial discretion to impose significant monetary penalties on institutions which fail to

comply with these laws or make required reports. Because we operate our business in the highly urbanized greater Newark/New York City metropolitan area, we may be at greater risk of scrutiny by government regulators for compliance with these laws.

We expect to incur additional expense in connection with our compliance with Sarbanes-Oxley.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls at December 31, 2007. This is expected to result in additional expenses in 2007. Moreover, a review of our financial systems and controls may uncover deficiencies in existing systems and controls. If that is the case, we would have to take the necessary steps to correct any deficiencies, which may be costly and may strain our management resources and negatively impact earnings. We also would be required to disclose any such deficiencies, which could adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2006, we conducted our business from our executive office located at 104-110 Avenue C, Bayonne, New Jersey, and our two branch offices, both of which are located in Bayonne. The aggregate book value of our premises and equipment was $5.9 million at December 31, 2006. We own our executive office facility and lease our two branch offices. In August 2005, we entered into a lease for a future branch facility to be located in Hoboken, New Jersey which is anticipated to open during the first half of 2007.

ITEM 3. LEGAL PROCEEDINGS

We are involved, from time to time, as plaintiff or defendant in various

legal actions arising in the normal course of its business. At December 31, 2006, we were not involved in any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of stockholders during the fourth quarter of the year under report.

PART II

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

BCB Bancorp, Inc.'s common stock trades on the Nasdaq Global Select Market under the symbol "BCBP." In order to list common stock on the Nasdaq Global Select Market, the

presence of at least three registered and active market makers is required and BCB Bancorp, Inc. has at least three market makers.

The following table sets forth the high and low bid quotations for BCB Bancorp, Inc. common stock for the periods indicated. These quotations represent prices between dealers and do not include retail markups, markdowns, or commissions and do not reflect actual transactions. The information presented reflects common stock dividends paid by the Company on October 27, 2005, of 25%. As of December 31, 2006, there were 5,008,139 shares of BCB Bancorp, Inc. common stock issued and outstanding. At December 31, 2006, BCB Bancorp, Inc. had approximately 1,562 stockholders of record.

Fiscal 2006	High Bid	Low Bid	Cash Dividend Declared
Quarter Ended December 31, 2006	$ 17.10	$ 14.60	$ --
Quarter Ended September 30, 2006	16.31	14.14	0.30
Quarter Ended June 30, 2006	17.12	15.02	--
Quarter Ended March 31, 2006	17.05	15.10	--

Fiscal 2005	High Bid	Low Bid	Cash Dividend Declared
Quarter Ended December 31, 2005	$ 19.49	$ 14.60	$ --
Quarter Ended September 30, 2005	17.12	15.40	--
Quarter Ended June 30, 2005	15.80	14.00	--
Quarter Ended March 31, 2005	16.80	14.92	--

Compensation Plans

Set forth below is information as of December 31, 2006 regarding equity

compensation plans that have been approved by shareholders. The Company has no equity based benefit plans that were not approved by shareholders.

Plan	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average exercise price(2)
Equity compensation plans approved by shareholders	415,638(1)	$9.86
Equity compensation plans not approved by shareholders	--	--
Total	415,638	$9.86

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(1) Consists of options to purchase (i) 136,035 shares of common stock under the 2002 Stock Option Plan and (ii) 279,603 shares of common stock under the 2003 Stock Option Plan.

(2) The weighted average exercise price reflects the exercise price of $10.99 per share for options granted under the 2003 Stock Option Plan and $7.53 per share for options under the 2002 Stock Option Plan.

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Stock Performance Graph

Set forth hereunder is a stock performance graph comparing (a) the cumulative total return on the common stock for the period beginning with the closing sales price on May 1, 2003 through December 31, 2006, (b) the cumulative total return on all publicly traded commercial bank stocks over such period, and (c) the cumulative total return of Nasdaq Market Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of $100.

BCB Bancorp, Inc.

Total Return Performance

[LINE GRAPH OMITTED]

	Period Ending					
Index	05/01/03	12/31/03	12/31/04	12/31/05	06/30/06	12/31/06
BCB Bancorp, Inc.	100.00	153.65	167.18	170.24	168.06	186.53

NASDAQ Composite	100.00	136.50	148.99	152.53	150.88	168.38
SNL Bank Index	100.00	126.27	141.50	143.43	150.52	167.77

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On April 27, 2005, our Board of Directors approved a stock repurchase program for the repurchase of up to 149,677 shares (approximately 187,096 shares on a split-adjusted basis) of our common stock. Set forth below is information regarding purchases of our common stock made by or on behalf of the Company during the fourth quarter of 2006.

Period	Total number of shares purchased	Average price per share paid	Total number of shares purchased as part of a publicly announced program
October 1-31...........	473	$15.90	473
November 1-30..........	--	--	--
December 1-31..........	--	--	--

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated historical financial and other data of BCB Bancorp, Inc. at and for the year's ended December 31, 2006, 2005, 2004, and 2003 and for Bayonne Community Bank at and for the year ended December 31, 2002. The information is derived in part from, and should be read together with, the audited Consolidated Financial Statements and Notes thereto of BCB Bancorp, Inc. Per share data has been adjusted for all periods to reflect the common stock dividends paid by the Company and Bank.

	Selected financial condition data at December 31,				
	2006	2005	2004	2003	
	(In Thousands)				
Total assets	$ 510,835	$ 466,242	$ 378,289	$ 300,676	$
Cash and cash equivalents	25,837	25,147	4,534	11,786	
Securities, held to maturity.	148,672	140,002	117,036	90,313	
Loans receivable	318,130	284,451	246,380	188,786	
Deposits	382,747	362,851	337,243	253,650	
Borrowings	74,124	54,124	14,124	25,000	
Stockholders' equity	51,963	47,847	26,036	21,167	

	Selected operating data for the year ended Decembe			
	2006	2005	2004	2003

	(In thousands, except for per share amounts)				
Net interest income	$ 17,784	$ 15,883	$ 13,755	$ 9,799	$
Provision for loan losses	625	1,118	690	880	
Non-interest income	1,260	915	623	480	
Non-interest expense	9,632	8,206	7,661	5,390	
Income tax	3,220	2,745	2,408	1,614	
Net income	$ 5,567	$ 4,729	$ 3,619	$ 2,395	$
Net income per share:					
Basic	$ 1.11	$ 1.25	$ 0.97	$ 0.67	$
Diluted	$ 1.08	$ 1.20	$ 0.93	$ 0.64	$
Dividends declared per share.	$ 0.30	$ --	$ --	$ --	$

	At or for the Years E		
	2006	2005	2004
Selected Financial Ratios and Other Data:			
Return on average assets (ratio of net income to average total assets)	1.13%	1.14%	1.
Return on average stockholders' equity (ratio of net income to average stockholders' equity)	11.12	16.00	15.
Non-interest income to average assets	0.26	0.21	0.
Non-interest expense to average assets	1.96	1.98	2.
Net interest rate spread during the period..	3.19	3.69	3.
Net interest margin (net interest income to average interest earning assets)	3.69	3.98	3.
Ratio of average interest-earning assets to average interest-bearing liabilities	118.09	112.33	111.
Cash dividend payout ratio	26.98	--	
Asset Quality Ratios:			
Non-performing loans to total loans at end of period	0.10	0.36	0.
Allowance for loan losses to non-performing loans at end of period	1,155.73	299.42	249.
Allowance for loan losses to total loans at end of period	1.16	1.07	1.
Capital Ratios:			
Stockholders' equity to total assets at end of period	10.17	10.26	6.
Average stockholders' equity to average total assets	10.19	7.14	6.
Tier 1 capital to average assets	10.91	7.75	7.
Tier 1 capital to risk weighted assets	15.36	11.59	11.

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

General

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

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

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negative of these terms. The Company's ability to predict results or the actual effects of its plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

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

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

Critical Accounting Policies

Critical accounting policies are those accounting policies that can have a significant impact on the Company's financial position and results of operations that require the use of complex and subjective estimates based upon past experiences and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those

policies applied in preparing the Company's consolidated financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 2 of "Notes to Consolidated Financial Statements."

Allowance for Loan Losses

Loans receivable are presented net of an allowance for loan losses. In determining the appropriate level of the allowance, management considers a combination of factors, such as economic and industry trends, real estate market conditions, size and type of loans in portfolio, nature and value of collateral held, borrowers' financial strength and credit ratings, and prepayment and default history. The calculation of the appropriate allowance for loan losses requires a substantial amount of judgment regarding the impact of the aforementioned factors, as well as other factors, on the ultimate realization of loans receivable.

Stock Options

The Company had, through December 31, 2005, the choice to account for stock options using either Accounting Principles Board Opinion No. 25 ("APB 25") or SFAS No. 123, "Accounting for Stock-Based Compensation." For the year ended December 31, 2005, the

Company elected to use the accounting method under APB 25 and the related interpretations to account for its stock options. Under APB 25, generally, when the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. On December 14, 2005, the Board of Directors of the Company approved the accelerated vesting and exercisability of all unvested and unexercisable stock options granted as a part of the 2003 and 2002 Stock Option Plans effective December 20, 2005. Had the Company elected to use SFAS No. 123 to account for its stock options under the fair value method, it would have been required to record compensation expense and, as a result, diluted earnings per share for the fiscal years ended December 31, 2005 and 2004 would have been lower by $0.32 and $0.14 respectively. No stock options were granted prior to 2002. See Note 2 to "Notes to Consolidated Financial Statements." Effective January 1, 2006, the Company accounts for stock options pursuant to SFAS No. 123 (revised 2004). The acceleration of vesting was done primarily to avoid the recording of compensation expense in future years. See discussions under Recent Accounting Pronouncements for our analysis of the impact of SFAS No. 123 (revised 2004) on current and future operations.

Financial Condition

Comparison at December 31, 2006 and at December 31, 2005

Since we commenced operations in 2000 we have sought to grow our assets and deposit base consistent with our capital requirements. We offer competitive loan and deposit products and seek to distinguish ourselves from our competitors through our service and availability. Total assets increased by $44.6 million or 9.6% to $510.8 million at December 31, 2006 from $466.2 million at December 31, 2005 as the Company continued to grow the Bank's balance sheet with loans and securities funded primarily through growth in the Bank's deposit base, the utilization of wholesale funding sources, specifically Federal Home Loan Bank advances and the net proceeds from our offering of common stock in December 2005.

Total cash and cash equivalents increased by $690,000 or 2.7% to $25.8 million at December 31, 2006 from $25.1 million at December 31, 2005 as the Company recognized the attractiveness of liquid investments during the current inverted yield curve environment. Securities held-to-maturity increased by $8.7 million or 6.2% to $148.7 million at December 31, 2006 from $140.0 million at December 31, 2005. The increase was primarily attributable to the purchase of $37.5 million of callable agency securities partially offset by call options exercised on $12.5 million of callable agency securities, maturities of $11.5 million of callable agency securities and $4.8 million of repayments and prepayments in the mortgage backed securities portfolio during the year ended December 31, 2006.

Loans receivable increased by $33.6 million or 11.8% to $318.1 million at December 31, 2006 from $284.5 million at December 31, 2005. The increase resulted primarily from a $26.2 million increase in real estate mortgages comprising residential, commercial and construction loans, net of amortization, a $8.0 million increase in consumer loans, net of amortization, and a $127,000 increase in commercial loans consisting primarily of business loans and commercial lines of credit partially offset by a $643,000 increase in the allowance for loan losses. At December 31, 2006, the allowance for loan losses was $3.7 million or 1.16% of loans receivable. The growth in loans receivable was primarily attributable to competitive pricing in a lower than

historically normal interest rate environment and a vibrant local economy where residential construction and rehabilitation remain active.

Deposit liabilities increased by $19.8 million or 5.5% to $382.7 million at December 31, 2006 from $362.9 million at December 31, 2005. The increase resulted primarily from an increase of $58.1 million or 40.7% in time deposits to $200.8 million from $142.7 million and an increase of $11.7 million or 22.2% in demand deposits to $64.3 million from $52.6 million, partially offset by a decrease of $49.9 million or 29.8% in savings and club accounts to $117.6 million from $167.5 million. The increase in certificate of deposit balances and the decrease in savings and club account balances resulted primarily from internal disintermediation brought on by the series of Federal Open Market Committee short-term interest rate increases and the increasingly competitive local market for deposit growth. The Bank has been able to achieve these growth rates through competitive pricing on select deposit products.

Borrowed money increased by $20.0 million or 37.0% to $74.1 million at December 31, 2006 from $54.1 million at December 31, 2005. The increase in 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.

Total stockholders' equity increased by $4.2 million or 8.8% to $52.0 million at December 31, 2006 from $47.8 million at December 31, 2005. The increase in stockholders' equity primarily reflects net income of $5.6 million for the year ended December 31, 2006 partially offset by the distribution of a special cash dividend paid to shareholders during the third quarter of $0.30 per share or $1.5 million. At December 31, 2006 the Bank's Tier 1 leverage, Tier 1 risk-based and Total risk-based capital ratios were 10.48%, 15.36% and 16.43% respectively.

Analysis of Net Interest Income

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

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

	At December 31, 2006		The year ended December 31, 2006		
	Actual Balance	Actual Yield/ Cost	Average Balance	Interest earned/ paid	Average Yield/ Cost (4)
				(Dollars in thousands	
Interest-earning assets:					
Loans receivable	$321,106	7.43%	$315,493	$22,770	7.22%
Investment securities(1)	152,396	5.38	153,628	8,046	5.24
Interest-bearing deposits	22,437	5.14	12,569	445	3.54
Total interest-earning assets	495,939	6.69%	481,690	31,261	6.49%
Interest-earning liabilities:					
Interest-bearing demand deposits	$ 21,007	1.44%	$ 21,397	302	1.41%
Money market deposits	8,022	4.38	3,353	124	3.70
Savings deposits	117,617	1.83	137,046	2,611	1.91
Certificates of deposit	200,826	4.81	182,340	7,807	4.28
Borrowings	74,124	4.50	63,775	2,633	4.13
Total interest-bearing liabilities ..	421,596	3.75%	407,911	13,477	3.30%
Net interest income				$17,784	
Interest rate spread(2)		2.94%			3.19%
Net interest margin(3)					3.69%
Ratio of interest-earning assets to interest-bearing liabilities	117.63%		118.09%		

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

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

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

(4) Average yields are computed using annualized interest income and expense for the periods.

	The year ended December 31, 2004		
	Average Balance	Interest earned/paid	Average Yield/Cost
	(Dollars in thousands)		
Interest-earning assets:			
Loans receivable	$ 221,257	$ 14,784	6.
Investment securities(1)	108,297	5,757	5.
Interest-bearing deposits	17,721	159	0.
Total interest-earning assets	347,275	20,700	5.
Interest-earning liabilities:			
Interest-bearing demand deposits	$ 21,105	299	1.
Money market deposits	2,622	52	1.
Savings deposits	181,383	3,981	2.
Certificates of deposit	80,336	2,153	2.
Borrowings	25,660	460	1.
Total interest-bearing liabilities	311,106	6,945	2.
Net interest income		$ 13,755	
Interest rate spread(2)			3.
Net interest margin(3)			3.
Ratio of average interest-earning assets to average interest-bearing liabilities	111.63%		

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

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

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

(4) Average yields are computed using annualized interest income and expense for the periods.

Rate/Volume Analysis

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

	Years Ended December 31,				
	2006 vs. 2005				
	Increase/(Decrease) Due to			Total Increase (Decrease)	In
	Volume	Rate	Rate/ Volume		Volume
	(In Thousands)				
Interest income:					
Loans receivable	$ 2,817	$ 1,037	$ 156	$ 4,010	$ 3,351
Investment securities	1,485	214	50	1,749	851
Interest-bearing deposits with other banks	119	95	160	374	(117)
Total interest-earning assets	4,421	1,346	366	6,133	4,085
Interest expense:					
Interest-bearing demand accounts	8	10	--	18	(4)
Money market	21	40	18	79	(7)
Savings and club	(999)	(466)	118	(1,347)	42
Certificates of Deposits	2,108	1,255	708	4,071	971
Borrowed funds	1,103	162	146	1,411	141
Total interest-bearing liabilities ..	2,241	1,001	990	4,232	1,143
Change in net interest income	$ 2,180	$ 345	$ (624)	$ 1,901	$ 2,942

Results of Operations for the Years Ended December 31, 2006 and 2005

Net income increased by $838,000 or 17.7% to $5.57 million for the year ended December 31, 2006 from $4.73 million for the year ended December 31, 2005. The increase in net income resulted primarily from increases in net interest income and non-interest income and a decrease in the provision for loan losses, partially offset by increases in non-interest expense and income taxes. Net interest income increased by $1.9 million or 11.9% to $17.8 million for the year ended December 31, 2006 from $15.9 million for the year ended December 31, 2005. This increase resulted primarily from an increase in average interest earning assets of $78.4 million or 19.4% to $481.7 million for the year ended December 31, 2006 from $403.3 million for the year ended December 31, 2005 and an

increase in the yield on average interest earning assets to 6.49% for the year ended December 31, 2006 from 6.23% for the year ended December 31, 2005, partially offset by an increase in average interest bearing liabilities of $51.4 million or 14.4% to $407.9 million for the year ended December 31, 2006 from $356.5 million for the year ended December 31, 2005 and an increase in the cost of average interest bearing liabilities to 3.30% for the year ended December 31, 2006 from 2.59% for the year ended December 31, 2005. The disproportionate increase in the cost of deposits as compared to our yield on assets reduced our net interest margin to 3.69% for the year ended December 31, 2006 from 3.94% for the year ended December 31, 2005.

Interest income on loans receivable increased by $4.0 million or 21.3% to $22.8 million for the year ended December 31, 2006 from $18.8 million for the year ended December 31, 2005. The increase was primarily due to an increase in average loans receivable of $41.2 million or 15.0% to $315.5 million for the year ended December 31, 2006 from $274.3 million for the year ended December 31, 2005 and an increase in the average yield on loans receivable to 7.22% for the year ended December 31, 2006 from 6.84% for the year ended December 31, 2005. The increase in the average balance of loans reflects management's philosophy of deploying funds in higher yielding loans, specifically commercial real estate loans as opposed to lower yielding investments in government securities. The increase in average yield reflects the Bank's diligence in deploying funds into prime based lending products whose yield increased as the Federal Open Market Committee continued to increase short-term interest rates throughout the first half of 2006.

Interest income on securities increased by $1.75 million or 27.8% to $8.05 million for the year ended December 31, 2006 from $6.30 million for the year ended December 31, 2005. The increase was primarily attributable to an increase in the average balance of securities of $29.3 million or 23.6% to $153.6 million for the year ended December 31, 2006 from $124.3 million for the year ended December 31, 2005, and an increase in the average yield on securities to 5.24% for the year ended December 31, 2006 from 5.07% for the year ended December 31, 2005. The increase in average balances reflects, in the absence of higher yielding loan product, the reinvestment of the public offering proceeds from late 2005 as well as the on-going leverage strategy with the use of Federal Home Loan Bank advances.

Interest income on other interest-earning assets consisting primarily of federal funds sold increased by $374,000 or 526.8% to $445,000 for the year ended December 31, 2006 from $71,000 for the year ended December 31, 2005. This increase was primarily due to an increase in the average balance of other interest-earning assets of $7.9 million or 168.1% to $12.6 million for the year ended December 31, 2006 from $4.7 million for the year ended December 31, 2005 and an increase in the average yield on other interest-earning assets to 3.54% for the year ended December 31, 2006 from 1.51% for the year ended December 31, 2005. During 2006, as short term interest rates increased through the first half of the year, and the yield curve became and remained inverted through the second half of the year, increased balances in cash and cash equivalent accounts, in the absence of higher yielding loan product, provided a competitive yield while affording management the latitude to research more profitable investment opportunities.

Total interest expense increased by $4.23 million or 45.7% to $13.48 million for the year ended December 31, 2006 from $9.25 million for the year ended December 31, 2005. This increase resulted from an increase in average total interest bearing deposit liabilities of $21.1 million or 6.5% to $344.1 million for the year ended December 31, 2006 from $323.0 million for the year

ended December 31, 2005, and an increase of $30.3 million or 90.4% in average borrowings to $63.8 million for the year ended December 31, 2006, from $33.5 million for the year ended December 31, 2005, as well as an increase in the average cost of interest bearing liabilities to 3.30% for the year ended December 31, 2006 from 2.59% for the year ended December 31, 2005.

The provision for loan losses totaled $625,000 and $1.1 million for the years ended December 31, 2006 and 2005, 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 significant level of loan growth and (5) the existing level of reserves for loan losses that are possible and estimable. During 2006, the Bank experienced $18,000 in net recoveries (consisting of $85,000 in recoveries and $67,000 in charge-offs). During 2005, the Bank experienced $534,000 in net charge-offs (consisting of $546,000 in charge-offs and $12,000 in recoveries) related primarily to the foreclosure and bankruptcy of one lending relationship and two commercial heavy equipment loans. The Bank had non-accrual loans totaling $323,000 at December 31, 2006 and $787,000 at December 31, 2005. The allowance for loan losses stood at $3.7 million or 1.16% of gross total loans at December 31, 2006 as compared to $3.1 million or 1.07% of gross total loans at December 31, 2005. 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 loses 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 both December 31, 2006 and 2005.

Total non-interest income increased by $345,000 or 37.7% to $1.3 million for the year ended December 31, 2006 from $915,000 for the year ended December 31, 2005. The increase in non-interest income resulted primarily from a $322,000 or 102.9% increase in gain on sales of loans originated for sale to $635,000 from $322,000. This increase was the result of a 99.4% increase in the volume of loans sold to $34.1 million from $17.1 million.

Total non-interest expense increased by $1.4 million or 17.1% to $9.6 million for the year ended December 31, 2006 from $8.2 million for the year ended December 31, 2005. The increase in 2006 was primarily due to an increase of $782,000 or 17.7% in salaries and employee benefits expense to $5.2 million for the year ended December 31, 2006 from $4.4 million for the year ended December 31, 2005 as the Bank increased staffing levels and compensation in an effort to service its growing customer base. Full time equivalent employees increased to eighty-seven (87) at December 31, 2006 from eighty-two (82) at December 31, 2005 and seventy-five (75) at December 31, 2004. Occupancy expense increased by $199,000 or 28.4% to $900,000 for the year ended December 31, 2006 from $701,000 for the year ended December 31, 2005 primarily as a result of the Bank securing a lease for the opening of a branch office in Hoboken, New Jersey. It is anticipated that this office will commence operations during the first half of 2007. Equipment expense increased by $153,000 or 9.7% to $1.73 million for the year ended December 31, 2006 from $1.58 million for the year ended December 31, 2005. The primary component of this expense item is data service provider expense which increases with the growth of the Bank's assets.

Advertising expense increased by $165,000 or 100.6% to $329,000 for the year ended December 31, 2006 from $164,000 for the year ended December 31, 2005. The

increase in advertising expense relates to advertisements for deposit and loan promotions in an effort to attract additional business during the past year. Other non-interest expense increased by $127,000 or 9.5% to $1.46 million for the year ended December 31, 2006 from $1.33 million for the year ended December 31, 2005. The increase in other non-interest expense is primarily attributable to increases in expenses commensurate with a growing franchise. Other non-interest expense is comprised of directors' fees, stationary, forms and printing, professional fees, legal fees, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense increased $475,000 or 17.3% to $3.2 million for the year ended December 31, 2006 from $2.7 million for the year ended December 31, 2005 reflecting increased pre-tax income earned during the former time period. The consolidated effective income tax rate for the year ended December 31, 2006 was 36.6% and for the year ended December 31, 2005 was 36.7%.

Results of Operations for the Years Ended December 31, 2005 and 2004

Net income increased by $1.1 million or 30.6 % to $4.7 million for the year ended December 31, 2005 from $3.6 million for the year ended December 31, 2004. This increase in net income reflects increases in net interest income and non-interest income, partially offset by increases in the provision for loan losses, non-interest expense and income taxes. Net interest income increased by $2.1 million or 15.2% to $15.9 million for the year ended December 31, 2005 from $13.8 million for the year ended December 31, 2004. This increase resulted primarily from an increase in average net interest earning assets of $10.6 million or 29.3% to $46.8 million for the year ended December 31, 2005 from $36.2 million for the year ended December 31, 2004 partially offset by a slight decrease in the net interest margin to 3.94% for the year ended December 31, 2005 from 3.96% for the year ended December 31, 2004. The slight decrease in our net interest margin resulted primarily from an increase in the average cost of interest bearing liabilities to 2.59% for the year ended December 31, 2005 from 2.23% for the year ended December 31, 2004, partially offset by an increase in the yield on interest earning assets to 6.23% for the year ended December 31, 2005 from 5.96% for the year ended December 31, 2004.

Interest income on loans receivable increased by $4.0 million or 27.0% to $18.8 million for the year ended December 31, 2005 from $14.8 million for the year ended December 31, 2004. The increase was primarily due to an increase in average loans receivable of $53.0 million or 23.9% to $274.3 million for the year ended December 31, 2005 from $221.3 million for the year ended December 31, 2004 and an increase in the average yield on loans receivable to 6.84% for the year ended December 31, 2005 from 6.68% for the year ended December 31, 2004. The increase in the average balance of loans reflects management's philosophy of deploying funds in higher yielding loans, specifically commercial real estate as opposed to lower yielding investments in government securities. The increase in average yield reflects the Bank's diligence in deploying funds into prime based lending products whose yield increased as the Federal Open Market Committee continued to increase short-term interest rates throughout 2005.

Interest income on securities increased by $540,000 or 9.4% to $6.3 million for the year ended December 31, 2005 from $5.8 million for the year ended December 31, 2004. The increase was primarily attributable to an increase in the average balance of securities of $16.0 million or 14.8% to $124.3 million for the year ended December 31, 2005 from $108.3 million for the year ended December 31, 2004, partially offset by a decrease in the average yield on securities to 5.07% for the year ended December 31, 2005 from 5.32% for the year ended December 31, 2004. The increase in average balances reflects the on-going leverage strategy with the use of the Federal Home Loan Bank advances.

Interest income on other interest-earning assets consisting primarily of federal funds sold decreased by $88,000 or 55.3% to $71,000 for the year ended December 31, 2005 from $159,000 for the year ended December 31, 2004. This decrease was primarily due to a decrease in the average balance of other interest-earning assets to $4.7 million for the year ended December 31, 2005 from $17.7 million for the year ended December 31, 2004 partially offset by an increase in the average yield on other interest-earning assets to 1.51% for the year ended December 31, 2005 from 0.90% for the year ended December 31, 2004. During 2005, the Bank decided to actively manage its liquid investments in order to redeploy its earning assets into higher yielding loans and securities in an effort to maximize returns.

Total interest expense increased by $2.3 million or 33.3% to $9.2 million for the year ended December 31, 2005 from $6.9 million for the year ended December 31, 2004. This increase resulted from an increase in average total interest bearing deposit liabilities of $37.6 million or 13.2% to $323.0 million for the year ended December 31, 2005 from $285.4 million for the year ended December 31, 2004, and an increase of $7.8 million in average borrowings to $33.5 million at December 31, 2005, from $25.7 million for the year ended December 31, 2004, as well as an increase in the average cost of interest bearing liabilities to 2.59% for the year ended December 31, 2005 from 2.23% for the year ended December 31, 2004.

The provision for loan losses totaled $1.1 million and $690,000 for the years ended December 31, 2005 and 2004, 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 significant level of loan growth and (5) the existing level of reserves for loan losses that are possible and estimable. During 2005, the Bank experienced $534,000 in net charge-offs (consisting of $546,000 in charge-offs and $12,000 in recoveries) related primarily to the foreclosure and bankruptcy of one lending relationship and two commercial heavy equipment loans. During 2004, the Bank experienced $297,000 in net charge-offs (consisting of $332,000 in charge-offs and $35,000 in recoveries) related entirely to the liquidation of five commercial heavy equipment loans. The Bank had non-accrual loans totaling $787,000 at December 31, 2005 and $553,000 at December 31, 2004. The allowance for loan losses stood at $3.1 million or 1.07% of gross total loans at December 31, 2005 as compared to $2.5 million or 1.01% of gross total loans at December 31, 2004. 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 loses 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 both December 31, 2005 and 2004.

Total non-interest income increased by $292,000 or 46.9% to $915,000 for the year ended December 31, 2005 from $623,000 for the year ended December 31, 2004. The increase in non-interest income resulted primarily from a $177,000 increase in gain on sales of loans originated for sale, a $56,000 decrease in losses on sales of non-performing loans as the Bank did not sell any such loans or record any gain or loss there-from during the year ended December 31, 2005 as compared to a $56,000 loss recorded during the year ended December 31, 2004, a $31,000 increase in fees, service charges and other income and a $28,000 gain on sale of securities held-to-maturity in the current year. The aforementioned gain on sale of securities was accomplished from securities originally designated as held-to-maturity. Because certain language located in the text of FASB 115 allows for the sale of securities designated as held-to-maturity if certain criteria are met, management undertook the research necessary to make their determination that such sales were permitted. Upon scrutiny of the text and concurrence and confirmation with the Company's independent external auditor, the allowable transactions were consummated.

Total non-interest expense increased by $545,000 or 7.1% to $8.2 million for the year ended December 31, 2005 from $7.7 million for the year ended December 31, 2004. The increase in 2005 was primarily due to an increase of $452,000 or 11.4% in salaries and employee benefits expense to $4.4 million for the year ended December 31, 2005 from $4.0 million for the year ended December 31, 2004 as the Bank increased staffing levels and compensation in an effort to service its growing customer base. Full time equivalent employees increased to eighty-two (82) at December 31, 2005 from seventy-five (75) at December 31, 2004 and sixty-six (66) at December 31, 2003. An increase in the aggregate of $202,000 or 9.0% was recorded in the categories of occupancy, equipment and advertising expense to $2.4 million for the year ended December 31, 2005 from $2.2 million for the year ended December 31, 2004 as these expense increases are commensurate with a growing franchise. These increases were partially offset by a decrease of $109,000 or 7.6% in other non-interest expense to $1.3 million for the year ended December 31, 2005 from $1.4 million for the year ended December 31, 2004. Other non-interest expense is comprised of director fees, stationary, forms and printing, professional fees, legal fees, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses. The decrease in other non-interest expense is primarily attributable to decreased legal, professional and shareholder relation expense, as the Company incurred expenses associated with a contested proxy contest initiated by an opposing slate of directors during the year ended December 31, 2004. No such additional expenses were incurred during the year ended December 31, 2005.

Income tax expense increased by $337,000 or 14.0% to $2.7 million for the year ended December 31, 2005 from $2.4 million for the year ended December 31, 2004 reflecting pre-tax income of $7.5 million earned during the year ended December 31, 2005 compared to pre-tax income of $6.0 million earned during the year ended December 31, 2004, partially offset by the

formation of BCB Holding Company Investment Corp. (the Investment Company"). The Investment Company, a New Jersey Investment Company wholly owned by the Bank, is subject to a state income tax rate of 3.6% as compared to the 9.0% rate paid by the Company and the Bank. The Investment Company was funded by a transfer of securities from the Bank. The utilization of the Investment Company to hold investments during the year ended December 31, 2005 reduced consolidated income

tax expenses by approximately $223,000 and reduced the consolidated effective income tax rate by approximately 3.0%. The Company's effective tax rate was 36.7% for the year ended December 31, 2005 as compared to 40.0% for the year ended December 31, 2004.

Liquidity and Capital Resources

Our funding sources include income from operations, deposits and borrowings and principal payments on loans and investment securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatly influenced by the general level of interest rates, economic conditions and competition.

Our primary investing activities are the origination of commercial and multi-family real estate loans, one-to four-family mortgage loans, construction, commercial business and consumer loans, as well as the purchase of mortgage-backed and other investment securities. During 2006, loan originations totaled $119.6 million compared to $133.7 million and $110.8 million for 2005 and 2004, respectively. The continued strength of loan originations reflects management's efforts to increase our total assets, the continued focus on increasing commercial and multi-family lending operations and the refinance market in 2006.

During 2006, cash flow provided by the calls, maturities and principal repayments and prepayments received on securities held-to-maturity amounted to $28.8 million compared to $25.5 million and $49.1 million in 2005 and 2004. Deposit growth provided $19.9 million, $25.6 million and $83.6 million of funding to facilitate asset growth for the years ending December 31, 2006, 2005 and 2004, respectively. Borrowings increased $20.0 million in 2006 with additional borrowings of $70.0 million and repayment of $50.0 million through the FHLB.

Loan Commitments. In the ordinary course of business the Bank extends commitments to originate residential and commercial loans and other consumer loans. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since the Bank does not expect all of the commitments to be funded, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. Collateral may be obtained based upon management's assessment of the customers' creditworthiness. Commitments to extend credit may be written on a fixed rate basis exposing the Bank to interest rate risk given the possibility that market rates may change between the commitment date and the actual extension of credit. The Bank had outstanding commitments to originate and fund loans of approximately $48.4 million and $45.2 million at December 31, 2006 and 2005, respectively.

The following tables sets forth our contractual obligations and commercial commitments at December 31, 2006.

		Payments due by per	
		Less than	1-3
Contractual obligations	Total	1 Year	Years

			(In thousands)
Borrowed money	$ 74,124	$ --	$ --
Lease obligations	4,753	407	699
Certificates of deposit with original maturities of one year or more	121,948	85,605	32,003
Total	$ 200,825	$ 86,012	$ 32,702

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under U.S. GAAP, and expands disclosures about fair value measurements. Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. We are currently evaluating the potential impact, if any, of the adoption of FASB Statement No. 157 on our consolidated financial position, results of operations and cash flows.

On September 29, 2006, the FASB issued Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, which amends Statement Nos. 87 and 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under Statement 158, gains and losses, prior service costs and credits, and any remaining transition amounts under Statement Nos. 87 and 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. The measurement date -- the date at which the benefit obligation and plan assets are measured -- is required to be the company's fiscal year end. Statement 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The Company is currently analyzing the effects of Statement 158 but does not expect its implementation will have a significant impact on the Company's consolidated financial condition or results of operations.

In September 2006, the FASB issued FASB Staff Position AUG AIR-1, Accounting for Planned Major Maintenance Activities, which is effective for fiscal years beginning after December 15, 2006. This position statement eliminates the accrue-in-advance method of accounting for planned major maintenance activities. We do not expect this pronouncement to have a significant impact on the determination or reporting of our financial results.

On September 13, 2006, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulleting ("SAB") No. 108. SAB No. 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a potential current year misstatement. Prior to SAB No. 108, companies might evaluate the materiality of financial-statement misstatements using either the income statement

or balance sheet approach, with the income statement approach focusing on new

misstatements added in the current year, and the balance sheet approach focusing on the cumulative amount of misstatement present in a company's balance sheet. Misstatements that would be material under one approach could be viewed as immaterial under another approach, and not be corrected. SAB No. 108 now requires that companies view financial statement misstatements as material if they are material according to either the income statement or balance sheet approach. The Company has analyzed SAB 108 and determined that it will have no impact on the Company's consolidated financial condition or results of operations.

In July 2006, the FASBB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that companies recognize in their financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115." Statement No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. Statement No. 159 is effective for our Company January 1, 2008. The Company is evaluating the impact that the adoption of Statement No. 159 will have on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Market Risk

Qualitative Analysis. 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.

Quantitative Analysis. 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 December 31, 2006. 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 noninterest 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 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of December 31, 2006. The following sets forth the Company's NPV as of December 31, 2006.

Change in calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NPV as a % of Asset	
				NPV Ratio	Chang
+300bp	$ 34,390	$ (31,693)	(47.96)%	7.49%	(563
+200bp	45,077	(21,006)	(31.79)	9.53	(359
+100bp	55,622	(10,461)	(15.83)	11.40	(172
PAR	66,083	--	--	13.12	--
-100bp	71,033	4,950	7.49	13.84	72
-200bp	67,122	1,039	1.57	12.90	(22

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bp-basis points

The table above indicates that at December 31, 2006, in the event of a 100 basis point decrease in interest rates, we would experience a 7.49% increase in NPV. In the event of a 100 basis point increase in interest rates, we would experience a 15.83% 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements identified in Item 15(a)(1) hereof are included as Exhibit 13 and are incorporated hereunder.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On April 1, 2005, Radics & Co. LLC, ("Radics") merged with Beard Miller Company LLP ("Beard Miller") to become the Pine Brook, New Jersey office of Beard Miller. As a result, on April 1, 2005, Radics resigned as independent auditors of BCB Bancorp, Inc. On April 1, 2005, BCB Bancorp, Inc. engaged Beard Miller as its successor independent audit firm. BCB Bancorp, Inc.'s engagement of Beard Miller has been approved by our Audit Committee.

The reports of Radics on our consolidated financial statements as of and for the fiscal year ended December 31, 2004, contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the years ended December 31, 2005 and 2004, and in connection with the audit of our financial statements for such periods and until the date of Radics' resignation, there were no disagreements between us and Radics on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of Radics, would have caused Radics to make reference to such matter in connection with its audit reports on our financial statements.

We provided Radics with a copy of the above disclosures in response to Item 304(a) of Regulation S-K. We requested that Radics deliver to us a letter addressed to the Securities and Exchange Commission stating whether it agrees with the statements made by us in response to Item 304(a) of Regulation S-K, and if not, stating the respects in which it does not agree. A copy of Radics letter is filed as Exhibit 16 to a Form 8-K/A filed on April 27, 2005.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our 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 fiscal year (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Changes in internal controls.

There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation.

See the Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions. The Code of Ethics is available for free by writing to: President and Chief Executive Officer, BCB Bancorp, Inc., 104-110 Avenue C, Bayonne, New Jersey 07002. The Code of Ethics is filed as an exhibit to this Form 10-K.

The "Proposal I--Election of Directors" section of the Company's definitive Proxy Statement for the Company's 2006 Annual Meeting of Stockholders (the "2006 Proxy Statement") is incorporated herein by reference in response to the disclosure requirements of Items 401, 405, 406, 407(d)(4) and 407(d)(5) of Regulation S-K.

The information concerning directors and executive officers of the Company under the caption "Proposal I-Election of Directors" and information under the captions "Section 16(a) Beneficial Ownership Compliance" and "The Audit Committee" of the 2006 Proxy Statement is incorporated herein by reference.

There have been no changes during the last year in the procedures by which security holders may recommend nominees to the Company's board of directors.

ITEM 11. EXECUTIVE COMPENSATION

The "Executive Compensation" section of the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The "Proposal I--Election of Directors" section of the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The "Transactions with Certain Related Persons" section and "Proposal I-Election of Directors--Board Independence" of the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 14 is incorporated by reference to the Company's Proxy Statement for the 2007 Annual Meeting of Stockholders, "Proposal II-Ratification of the Appointment of Independent Auditors--Fees Paid to Beard Miller Company LLP."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

The exhibits and financial statement schedules filed as a part of this Form 10-K are as follows:

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Statements of Financial Condition as of December 31, 2006 and 2005

(C) Consolidated Statements of Income for each of the Years in the Three-Year period ended December 31, 2006

(D) Consolidated Statements of Changes in Stockholders' Equity for each of the Years in the Three-Year period ended December 31, 2006

(E) Consolidated Statements of Cash Flows for each of the Years in the Three-Year period ended December 31, 2006

(F) Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated statements or the notes thereto.

(b) Exhibits

3.1 Certificate of Incorporation of BCB Bancorp, Inc.****

3.2 Bylaws of BCB Bancorp, Inc.**

3.3 Specimen Stock Certificate*

10.1 Bayonne Community Bank 2002 Stock Option Plan***

10.2 Bayonne Community Bank 2003 Stock Option Plan***

10.3 2005 Director Deferred Compensation Plan****

10.4 Change in Control Agreement with Donald Mindiak*****

10.5 Change in Control Agreement with James E. Collins*****

10.6 Change in Control Agreement with Thomas M. Coughlin*****

10.7 Change in Control Agreement with Olivia Klim*****

10.8 Change in Control Agreement with Amer Saleem*****

10.9 Executive Agreement with Donald Mindiak*****

10.10 Executive Agreement with James E. Collins*****

10.11 Executive Agreement with Thomas M. Coughlin*****

10.12 Executive Agreement with Olivia Klim*****

10.13 Executive Agreement with Amer Saleem*****

10.14 Amendment to 2002 and 2003 Stock Option Plans******

13 Consolidated Financial Statements

14 Code of Ethics***

21 Subsidiaries of the Company****

23 Accountant's Consent to incorporate consolidated financial statements in Form S-8

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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* Incorporated by reference to the Form 8-K-12g3 filed with the Securities and Exchange Commission on May 1, 2003.

** Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission on December 13, 2004.

*** Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2004.

**** Incorporated by reference to the Company's Registration Statement on Form S-1, as amended, (Commission File Number 333-128214) originally filed with the Securities and Exchange Commission on September 9, 2005.

***** Incorporated by reference to Exhibit 10.4, 10.5, 10.6, 10.7, 10.8, 10.9, 10.10, 10.11, 10.12 and 10.13 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 10, 2005.

****** Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2005.

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Signatures

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

BCB BANCORP, INC.

Date: March 14, 2007 By: /s/ Donald Mindiak

Donald Mindiak
President and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Donald Mindiak Donald Mindiak	President, Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2007
/s/ Thomas M. Coughlin Thomas M. Coughlin	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	March 14, 2007
/s/ Mark D. Hogan Mark D. Hogan	Chairman of the Board	March 14, 2007
/s/ Robert Ballance Robert Ballance	Director	March 14, 2007
/s/ Judith Q. Bielan Judith Q. Bielan	Director	March 14, 2007

/s/ Joseph J. Brogan Joseph J. Brogan	Director	March 14, 2007
/s/ James E. Collins James E. Collins	Director	March 14, 2007
/s/ Joseph Lyga Joseph Lyga	Director	March 14, 2007
/s/ Alexander Pasiechnik Alexander Pasiechnik	Director	March 14, 2007
/s/ August Pellegrini, Jr. August Pellegrini, Jr.	Director	March 14, 2007
/s/ Joseph Tagliareni Joseph Tagliareni	Director	March 14, 2007

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* Incorporated by reference to the Form 8k-12g3 filed with the Securities and Exchange Commission on May 1, 2003.

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