BCB BANCORP INC
Form 10-K/A
March 16, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

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

For the Fiscal Year Ended December 31, 2004

OR

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

For the transition period from _______________ to _______________

Commission File Number: 0-50275

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 including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, no par value

(Title of Class)

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 twelve months (or for such shorter period that the Registrant was required to file reports) and (2) has been subject to such 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 amendments to this Form 10-K. |_|

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

YES |_| NO |X|

As of June 30, 2004, there were issued and outstanding 2,992,899 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 the average bid and asked prices of the Common Stock as of June 30, 2004, ($14.32) was $33.2 million (adjusted to reflect the five for four stock dividend paid on November 22, 2004).

DOCUMENTS INCORPORATED BY REFERENCE

1. Proxy Statement for the 2005 Annual Meeting of Stockholders (Parts I and III).

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PART 1

ITEM 1. DESCRIPTION OF BUSINESS

BCB Bancorp, Inc.

BCB Bancorp, Inc. is a New Jersey corporation, which on May 1, 2003 became the holding company parent 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, 2004 we had $378.3 million in consolidated assets, $337.2 million in deposits and $26.0 million in consolidated stockholders' equity.

Recent Events

During the fiscal year ended December 31, 2004, the Company engaged in several transactions primarily to augment income, expand services and reduce income tax exposure in a concerted effort to increase shareholder value.

In June 2004, the Company participated in the issuance of a Pooled Trust Preferred Security in the amount of $4.1 million. The Company's participation in the issuance of this security was facilitated by a favorable ruling from the Federal Reserve Bank regarding the Tier 1 Capital treatment of Pooled Trust Preferred Securities. The primary purpose for the Company's participation in the issuance of this instrument was an effort to augment capital thereby allowing additional balance sheet growth without diluting present shareholder percentage ownership.

The Company established an investment subsidiary during December 2004 for the purpose of investing and reinvesting in securities such as bonds, notes, mortgages and debentures. The subsidiary commenced operations in January 2005. Only those securities that are authorized to be purchased by the Bank will be purchased by the investment subsidiary. The primary benefit of the formation of the investment subsidiary is to affect a tax reduction strategy whereby income realized by the investment subsidiary is taxed at a lower rate than other income generated by the company.

The Company, through its subsidiary, Bayonne Community Bank, has entered into an agreement with Summit Lending of Hawaii to establish a retail mortgage division for the purposes of originating and subsequently brokering to the secondary market, mortgage product on one-to four-family residences in the State of New Jersey. In so doing the Bank, hence the Company, has the potential to enhance non-interest income through the receipt of fees for the sale of these loans to various approved investors. As a corollary to this transaction, the Company also avoids the incursion of interest rate risk on long-term mortgage product in the present lower rate, long term interest rate environment. It is anticipated that this division will begin its operation in earnest some time during the second half of 2005.

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 one- to four-family mortgage loans, home equity loans, construction loans, commercial and multi-family real estate 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.

Market Strategy

Our objective is to create a financial institution focused on delivering products and services matched to the customers' needs. A primary focus of our market 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 multi-family loans we believe such loans offer the Bank an opportunity to obtain higher returns while the revenue from the underlying units diversify our risk. We believe that customers are drawn to a locally owned and managed institution that demonstrates an active interest in its customers and their business and personal financial needs.

The banking industry in our market has experienced and continues to experience, substantial consolidation in recent years. Many of the area's locally owned or managed financial institutions have been acquired by larger regional bank holding companies. Management believes that this consolidation has been and will continue to be accompanied by increasing fees for bank services, the dissolution of local boards of directors, management and personnel changes and, in the perception of management, a decline in the level of customer service. With recent changes in regulations and the banking industry, this type of consolidation is expected to continue.

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 municipality of Bayonne and portions of Jersey City. 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,					
	2004		2003		2002	
					(Dollars in Thousands)	
	Amount	Percent	Amount	Percent	Amount	Percent
Type of loans:						
Real estate loans:						
One-to four-family	$ 34,855	13.98%	$ 33,913	17.74%	$ 25,475	20.64%
Construction	19,209	7.70	10,009	5.24	4,278	3.47
Home equity	20,629	8.27	16,825	8.80	14,106	11.43
Commercial and multi-family	158,755	63.68	115,160	60.25	65,842	53.34
Commercial business	15,123	6.07	14,048	7.35	12,934	10.48
Consumer	744	0.30	1,183	0.62	800	0.64
Total	249,315	100.00%	191,138	100.00%	123,435	100.00%
Less:						
Deferred loan (costs) fees, net	429		239		117	

Allowance for possible loan losses..	2,506	2,113	1,233
Total loans, net	$246,380	$188,786	$122,085

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Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2004. 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	$ 2,845	$ 2,423	$ 29,587	$ 35,855
Construction	18,572	252	385	19,209
Home equity	2,146	1,768	16,715	20,629
Commercial and multi-family ...	3,609	67,382	87,764	158,755
Commercial business	11,194	3,159	770	15,123
Consumer	367	365	12	744
Total amount due	$ 38,733	$ 75,349	$135,233	$249,315

Loans with Predetermined or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at December 31, 2004 that are due after December 31, 2005, 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	$ 29,587	$ 2,423	$ 32,010
Construction	637	--	637
Home equity	18,483	--	18,483
Commercial and multi-family	81,201	73,945	155,146
Commercial business	3,586	343	3,929
Consumer	377	--	377
Total amount due	$133,871	$ 76,711	$210,582

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. In August 2003, the Bank began to broker for a third party lender one-to four-family residential loans, which were primarily fixed rate loans with terms of 30 years. The Bank's loan brokerage activities permitted the Bank to offer customers longer-term fixed rate loans it would not otherwise originate while providing a source of fee income. During 2004, the Bank brokered $12.0 million in one-to four-family loans and received $136,000 in fee income 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 the 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. 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 $13.1 million of such loans during the year ended December 31, 2004. 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, 2004, our largest construction loan was our interest in a loan participation where our interest was in the amount of $2.0 million of which $1.8 million was disbursed. This construction loan has been made for the construction of residential properties. At December 31, 2004 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.

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 $2.6 million at December 31, 2004, and was secured by three professional

office buildings. Our largest multi-family loan had a principal balance of $2.2 million at December 31, 2004. 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.

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, 2004 had a principal balance of $819,000 and was secured by school buses. This loan was guaranteed by the Bayonne Board of Education.

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. We make various types of secured and unsecured consumer loans including home equity lines of credit 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,			
	2004	2003	2002	2001
	(In thousands)			
Beginning of period	$191,138	$123,435	$ 45,411	$ 1,481
Originations by Type:				
Real estate mortgage:				
One- to four-family residential	4,103	22,768	20,000	9,318
Construction	19,326	6,392	2,737	902
Home equity	14,212	9,393	8,711	9,961
Commercial and multi-family	64,219	62,966	47,676	16,883
Commercial business	8,628	2,544	10,846	3,022
Consumer	284	924	537	973
Total loans originated	110,772	104,987	90,507	41,059
Purchases:				
Real estate mortgage:				
One- to four-family residential	--	--	--	--
Construction	4,289	2,223	300	338
Home equity	--	--	--	--
Commercial and multi-family	8,750	3,207	2,794	5,318
Commercial business	--	--	--	--
Consumer	--	--	--	--
Total loans purchased	12,739	5,430	3,094	5,656
Sales:				
Real estate mortgage:				
One- to four-family residential	--	--	--	--
Construction	959	--	--	--
Home equity	--	--	--	--
Commercial and multi-family	788	3,480	1,599	--
Commercial business	1,128	--	--	--
Consumer	--	--	--	--
Total loans sold	2,875	3,480	1,599	--
Principal repayments	62,459	39,234	13,978	2,785
Total reductions	65,334	42,714	15,577	2,785
Increase (decrease) in other items, net	--	--	--	--
Net increase	58,177	67,703	78,024	43,930

Ending balance	$249,315	$191,138	$123,435	$ 45,411	$

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 Executive Loan Officer and five non-employee members of the Board of Directors. The President or the Executive Loan 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.

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 Executive

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Loan Officer for home equity loans or lines of credit of up to $250,000. Appraisals are processed by independent fee appraisers.

An attorney's certificate of title is required on all real estate mortgage loans. 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, 2004, our outstanding loan commitments totaled $38.8 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, 2004, we had three non-performing loans. The Bank had three other loans which were delinquent 90 days or more. These loans were not classified as non-performing as the borrowers have periodically made principal and interest payments on their respective 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, 2004, we did not have any loans deemed to be impaired.

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

	At December 31, 2004				At Decemb	
	60-89 Days		90 Days or More		60-89 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)					
Real estate mortgage:						
One- to four-family residential	--	$ --	1	$ 173	1	$ 103
Construction	--	--	--	--	--	--
Home equity	1	29	--	--	--	--
Commercial and multi-family ...	--	--	1	313	--	--
Total	1	29	2	486	1	103
Commercial business	1	123	3	515	3	355
Consumer	--	--	1	3	--	--
Total delinquent loans ...	2	$ 152	6	$1,004	4	$ 458
Delinquent loans to total loans ..		0.06%		0.40%		0.24%

	At December 31, 2002				At Decemb	
	60-89 Days		90 Days or More		60-89 Days	
	Number	Principal	Number	Principal	Number	Principal

	of Loans	Balance of Loans	of Loans	Balance of Loans	of Loans	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	1	12
Consumer	--	--	--	--	3	14
Total delinquent loans ...	--	$ --	1	$ 67	4	$ 26
Delinquent loans to total loans ..		--%		0.05%		0.06%

	At December 31, 2000 (1)			
	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	--	--	--	--
Consumer	--	--	--	--
Total delinquent loans ...	--	$ --	--	$ --
Delinquent loans to total loans ..		--%		--%

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(1) Bayonne Community Bank commenced operations on November 1, 2000.

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,				
	2004	2003	2002	2001	20
	(Dollars in thousands)				
Non-accruing loans:					
One- to four-family residential	$ 173	$ --	$ --	$ --	$
Construction	--	--	--	--	
Home equity	--	--	--	--	
Commercial and multi-family	313	67	67	--	
Commercial business	67	--	--	--	
Consumer	--	--	--	--	
Total	553	67	67	--	
Accruing loans delinquent more than 90 days:					
One- to four-family residential	--	--	--	--	
Construction	--	--	--	--	
Home equity	--	--	--	--	
Commercial and multi-family	--	319	--	--	
Commercial business	448	--	--	--	
Consumer	3	--	--	--	
Total	451	319	--	--	
Total non-performing loans	1,004	386	67	--	
Foreclosed assets	6	--	--	--	
Total non-performing assets	$1,010	$ 386	$ 67	$ --	$
Total non-performing assets as a percentage of total assets	0.27%	0.13%	0.04%	--%	
Total non-performing loans as a percent of total loans	0.40%	0.20%	0.05%	--%	

For the year ended December 31, 2004, gross interest income which would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to $43,000. We received and recorded $29,000 in interest income for such loans for the year ended December 31, 2004.

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

	Years Ended December 31,			
	2004	2003	2002	2001
	(Dollars in thousands)			
Balance at beginning of period	$2,113	$1,233	$ 412	$ 3
Charge-offs:				
One- to four-family residential	--	--	--	-
Construction	--	--	--	-
Home equity	--	--	--	-
Commercial and multi-family	--	--	--	-
Commercial business	332	--	10	-
Consumer	--	--	12	-
Total charge-offs	332	--	22	-
Recoveries	35	--	--	-
Net charge-offs	297	--	22	-
Provisions charged to operations	690	880	843	38
Ending balance	$2,506	$2,113	$1,233	$ 41
Ratio of non-performing assets to total assets at the end of period	0.27%	0.13%	0.04%	-
Ratio of net charge-offs during the period to loans outstanding during the period	0.13%	--%	0.03%	-
Ratio of net charge-offs during the period to non-performing loans	29.58%	--%	32.84%	-

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(1) Bayonne Community Bank commenced operations on November 1, 2000.

Classified Assets. Our policies provide for a classification system for problem assets. Under this classification system, problem assets are classified as "substandard," or "loss." 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 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. 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 as either substandard 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. When we classify problem assets as loss, we establish a specific allowance for losses equal to 100% of that portion of the asset so classified or charge off such amount. 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, 2004, we had $2.5 million in assets classified as substandard and $854,000 in assets classified as special mention. The loans classified as substandard represent primarily commercial loans secured either by commercial real estate ($1.7 million) or heavy equipment ($700,000). These loans have been classified substandard primarily because either

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updated financial information has not been timely provided, or the collateral underlying the loan is in the process of being revalued.

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: (i) known and inherent risks in our portfolio, (ii) adverse situations that may affect the borrower's ability to repay, (iii) the estimated value of any underlying collateral, and (iv) current economic conditions.

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, as part of its 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.

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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,			
2004	2003	2002	

	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	Amount
				(Dollars in Thousands)			
Type of loan:							
One- to four-family	$ 78	13.98%	$ 105	17.74%	$ 64	20.64%	$ 52
Construction	217	7.70	125	5.24	53	3.47	16
Home equity	82	8.27	50	8.80	64	11.43	70
Commercial and multi-family	1,669	63.68	1,178	60.25	658	53.34	225
Commercial business	444	6.07	649	7.35	376	10.48	33
Consumer	16	0.30	6	0.62	18	0.64	16
Total	$2,506	100.00%	$2,113	100.00%	$1,233	100.00%	$ 412

Allowance for Loan Losses. The following table sets forth information with respect to our allowance for loan losses:

	At or for the year ended December 31, 2004	At or for the year ended December 31, 2003	At or for the year ended December 31, 2002	D
			(Dollars in Thousands)	
Total loans outstanding	$ 249,315	$ 191,138	$ 123,435	
Average loans outstanding	$ 221,257	$ 155,145	$ 83,734	
Allowance balance at beginning of period	$ 2,113	$ 1,233	$ 412	
Provision:				
Real estate loans	588	619	476	
Commercial business	92	273	353	
Consumer	10	(12)	14	
Total provision	690	880	843	
Charge-offs:				
Real estate loans	--	--	--	
Commercial business	332	--	10	
Consumer	--	--	12	
Total charge-offs	332	--	22	
Recoveries:				
Real estate loans	--	--	--	
Commercial business	35	--	--	
Consumer	--	--	--	

Total recoveries	35	--	--
Allowance balances at end of period .	$ 2,506	$ 2,113	$ 1,233
Allowance for loan losses as a percent of total loans outstanding ..	1.01%	1.11%	1.00%
Net loans charged off as percent of average loans outstanding	0.13%	--%	0.03%

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, 2004, we had $117.0 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, 2004, our securities classified as held-to-maturity had a market value of $117.1 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.

At December 31, 2004, 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, 2004 our U.S. Government agency securities totaled $78.0 million, all of which were classified as held to maturity and which primarily consisted of callable securities issued by federally sponsored agencies.

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,		
	2004	2003	2002
	(In Thousands)		
Securities held to maturity:			
U.S. Government and Agency securities	$ 78,020	$ 71,982	$ 21,989
Mortgage-backed securities	39,016	18,331	28,613
Total securities held to maturity	117,036	90,313	50,602
Money market funds	--	6,000	2,000
FHLB stock	944	1,250	760
Total investment securities	$117,980	$ 97,563	$ 53,362

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

	Years Ended December 31,		
	2004	2003	2002
	(In thousands)		
Purchases:			
Fixed-rate	$75,823	$75,947	$27,092

Total purchases	$75,823	$75,947	$27,092
Sales:			
Fixed-rate	$ --	$ --	$ 1,989(1)
Total sales	$ --	$ --	$ 1,989
Principal Repayments:			
Repayment of principal	$49,112	$36,282	$13,077
Increase in other items, net	12	46	14
Net increases	$26,723	$39,711	$12,040

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(1) Consists of a Fannie Mae mortgage-backed security designated as available for sale, sold during the year ended December 31, 2002.

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, 2004 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, 2004					
	Within one year		More than One to five years		More than fiv ten years	
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Av Y
	(Dollars in Thousands)					
U.S. government agency securities	$ --	--%	$ 7,499	4.17%	$ 29,228	4
Mortgage-backed securities	--	--	--	--	529	6
FHLB stock	944	3.05	--	--	--	
Total investment securities	$ 944	3.05%	$ 7,499	4.17%	$ 29,757	4

As of December 31, 2004				
More than ten years		Total investment securities		
Carrying Value	Average Yield	Market Value	Carrying Value	Average Yield
(Dollars in Thousands)				

U.S. government agency securities	$ 41,293	5.70%	$ 77,767	$ 78,020	5.19%
Mortgage-backed securities	38,487	4.99	39,340	39,016	5.00
FHLB stock	--	--	944	944	3.05
Total investment securities	$ 79,780	5.36%	$118,051	$117,980	5.11%

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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, 2004, we had no brokered deposits.

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

	December 31,				
	2004		2003		
	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)	Amount	Weight Avera Rate(
	(Dollars in thousands)				
Demand	--%	$ 20,557	--%	$ 16,626	--
NOW	1.42	23,155	1.37	17,201	1.77
Money market	1.98	2,483	2.01	2,163	2.41
Savings and club accounts	2.20	197,868	2.28	162,832	2.79
Certificates of deposit	2.68	93,180	2.51	54,828	2.90
Total	2.14%	$337,243	2.11%	$253,650	2.53

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

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

	Years Ended December 31,		
	2004	2003	2002
	(Dollars in thousands)		
Beginning of period	$253,650	$163,519	$101,749
Net deposits	77,108	85,873	58,404
Interest credited on deposit accounts ...	6,485	4,258	3,366
Total increase in deposit accounts	83,593	90,131	61,770
Ending balance	$337,243	$253,650	$163,519
Percent increase	32.96%	55.12%	60.71%

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, 2004 (In Thousands)
Within three months	$ 4,678
Three through twelve months	12,844
Over twelve months	17,279
Total	$34,801

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

	At December 31,					
	2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Per
	(Dollars in thousands)					
Certificate of deposit rates:						
1.00% - 1.99%	$ 2,510	2.69%	$ 1,876	3.42%	$ 919	
2.00% - 2.99%	48,915	52.50	44,546	81.25	14,711	7
3.00% - 3.99%	41,725	44.78	8,406	15.33	4,348	2
4.00% - 4.99%	30	0.03	--	--	--	

5.00% - 5.99%	--	--	--	--	--	
6.00% - 6.99%	--	--	--	--	4	
Total	$93,180	100.00%	$54,828	100.00%	$19,982	10

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of December 31, 2004.

	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%	$ 2,510	$ --	$ --	$ --	$ 2,510
2.00% - 2.99%	45,838	2,727	334	16	48,915
3.00% - 3.99%	6,019	19,614	10,086	6,006	41,725
4.00% - 4.99%	--	--	--	30	30
Total	$54,367	$22,341	$10,420	$ 6,052	$93,180

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 lendable funds and to meet deposit withdrawal requirements. During the years ended December 31, 2004 and 2003, we had average short-term borrowings, consisting of FHLB advances, of $23.4 million and $2.9 million, respectively, with a weighted average cost of 1.54% and 1.48%, respectively. Our maximum short-term borrowings outstanding during both 2004 and 2003 was $25.0 million.

Employees

At December 31, 2004, we had 58 full-time and 25 part-time employees. None of our employees is represented by a collective bargaining group. We believe that our relationship with our employees is good.

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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, 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. Finally, the Financial Modernization Act imposes certain privacy requirements on all financial institutions and their treatment of consumer information. 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%

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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 deposits are insured up to a maximum of $100,000 per depositor under the Bank Insurance Fund of the FDIC. The FDIC has established a risk-based assessment system for all insured depository institutions. Under the risk-based assessment system, deposit insurance premium rates range from 0-27 basis points of assessed deposits.

Capital Adequacy Guidelines. The FDIC has promulgated risk-based capital guidelines, 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 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. These guidelines are substantially similar to the Federal Reserve guidelines discussed above.

In addition to the risk-based capital guidelines, 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, 2004, the Bank's ratio of total capital to risk-weighted assets was 12.83%. Our Tier 1 capital to risk-weighted assets was 11.84%, and our Tier I capital to adjusted total assets was 7.89%.

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, 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 gives 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.

Although the Company has incurred some additional expense in complying with the provisions of the Sarbanes-Oxley Act and the resulting regulations, management does not expect that such compliance will have a material impact on our results of operations or financial condition.

AVAILABILITY OF ANNUAL REPORT

We do not maintain a website. However, we will 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 2. PROPERTIES

At December 31, 2004, we conducted our business from our executive office located at 104-110 Avenue C, Bayonne, New Jersey, and our two branch offices. The aggregate book value of our premises and equipment was $5.7 million at December 31, 2004. We own our executive office facility and lease our two branch offices.

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, 2004, 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 COMPANY'S COMMON STOCK AND RELATED STOCK HOLDER MATTERS

BCB Bancorp, Inc. common stock is currently traded on the electronic

bulletin board under the symbol "BCBP", and there is an established market for such common stock. At December 31, 2004, BCB Bancorp, Inc. had one market maker.

The following table sets forth the high and low bid quotations for BCB Bancorp, Inc. common stock for the periods indicated. No cash dividends have been paid on the common stock to date. 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 the 25% and 10% common stock dividends paid by the Company on November 22, 2004 and November 17, 2003, respectively. This information has been obtained from monthly statistical summaries provided through marketwatch.com. As of December 31, 2004, there were 2,993,538 shares of BCB Bancorp, Inc. common stock issued and outstanding. At December 31, 2004, BCB Bancorp, Inc. had approximately 1,700 stockholders of record.

Fiscal 2004	High Bid	Low Bid	Cash Dividend Declared
Quarter Ended December 31, 2004	$23.00	$15.40	$ --
Quarter Ended September 30, 2004	16.00	14.20	--
Quarter Ended June 30, 2004	21.98	13.80	--
Quarter Ended March 31, 2004	22.40	16.80	--

Fiscal 2003	High Bid	Low Bid	Cash Dividend Declared
Quarter Ended December 31, 2003	$17.60	$12.00	$ --
Quarter Ended September 30, 2003	12.54	10.84	--
Quarter Ended June 30, 2003	12.73	10.29	--
Quarter Ended March 31, 2003	14.00	11.30	--

We did not repurchase any shares of our common stock during 2004.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables set forth selected consolidated historical financial and other data of BCB Bancorp, Inc. at and for December 31, 2004 and 2003, and for Bayonne Community Bank at and for years prior to December 31, 2003. 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 25% and 10% common stock dividends paid by the Company and Bank.

	Selected financial condition data at December 31,				
	2004	2003	2002	2001	2000
	(In thousands)				
Total assets	$378,289	$300,676	$183,107	$113,224	$ 29,536
Cash and cash equivalents	4,534	11,786	5,143	27,168	25,634
Securities, held to maturity	117,036	90,313	50,602	38,562	--
Loans receivable	246,380	188,785	122,085	44,973	1,451
Deposits	337,243	253,650	163,548	101,749	21,936

Borrowings	14,124	25,000	--	--	--
Stockholders' equity	26,036	21,167	18,772	11,303	7,204

	Selected operating data for the year ended December 31,				
	2004	2003	2002	2001	2000
	(In thousands)				
Net interest income	$ 13,755	$ 9,799	$ 5,960	$ 1,787	$ 173
Provision for loan losses	650	880	843	382	30
Non-interest income	623	480	336	152	4
Non-interest expense	7,661	5,390	3,272	2,006	570
Income tax (benefit)	2,408	1,614	872	(173)	(254)
Net income (loss)	$ 3,619	$ 2,395	$ 1,309	$ (276)	$ (169)
Net income (loss) per share:					
Basic	$ 1.22	$ 0.83	$ 0.54	$ (0.18)	$ N/A
Diluted	$ 1.17	$ 0.80	$ 0.54	$ (0.18)	$ N/A

	At or for the Years Ended December		
	2004	2003	2002
Selected Financial Ratios and Other Data:			
Return on average assets (ratio of net income to average total assets)	1.01%	1.03%	0.86%
Return on average stockholders' equity (ratio of net income to average stockholders' equity)	15.45	11.97	8.68
Non-interest income to average assets	0.17	0.21	0.22
Non-interest expense to average assets	2.15	2.32	2.16
Net interest rate spread during the period	3.73	4.03	3.60
Net interest margin (net interest income to average interest earning assets)	3.96	4.34	4.03
Ratio of average interest-earning assets to average interest-bearing liabilities	111.63	116.42	118.87
Asset Quality Ratios:			
Non-performing loans to total loans at end of period	0.40	0.13	0.04
Allowance for loan losses to non-performing loans at end of period	249.60	547.48	1,840.73
Allowance for loan losses to total loans at end of period	1.01	1.11	1.00
Capital Ratios:			
Stockholders' equity to total assets at end of period	6.88	7.04	10.25
Average stockholders' equity to average total assets	6.57	8.62	9.94
Tier 1 capital to adjusted total assets	7.89	7.02	10.25
Tier 1 capital to risk weighted assets	11.84	10.47	15.01

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(1) Ratios at December 31, 2000, and for the two months than ended have been omitted as not meaningful.

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

General

BCB Bancorp, Inc., completed its acquisition of Bayonne Community Bank on May 1, 2003. Information at and for the twelve months ended December 31, 2003 reflects the consolidated financial information of BCB Bancorp Inc. Prior to the completion of the acquisition, BCB Bancorp, Inc. had no assets, liabilities or operations. Consequently the information provided below at and for the years ended December 31, 2002 and prior is for Bayonne Community Bank on a stand-alone basis.

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 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 has 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." The Company has 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. 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, 2004 and 2003 would have been lower by $0.18 and $0.16 respectively. No stock options were granted prior to 2002. See Note 2 to "Notes to Consolidated Financial Statements." Effective July 1, 2005, the Company will have to account for stock options pursuant to SFAS No. 123 (revised 2004). See discussions under Recent Accounting Pronouncements for our analysis of the impact of SFAS No. 123 (revised 2004) on future operations.

Financial Condition

Comparison at December 31, 2004 and at December 31, 2003

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 $77.6 million or 25.8% to $378.3 million at December 31, 2004 from $300.7 million at December 31, 2003 as the Company continued to grow the Bank's deposit base and invest these deposits in loans and securities.

Total cash and cash equivalents decreased by $7.3 million or 61.5% to $4.5 million at December 31, 2004 from $11.8 million at December 31, 2003 as the Bank reduced excess liquidity and redeployed it into higher yielding loans and securities. Securities held-to-maturity increased by $26.7 million or 29.6% to $117.0 million at December 31, 2004 from $90.3 million at December 31, 2003. This increase was primarily attributable to the purchase of $48.1 million of callable agency securities and the purchase of $27.7 million of mortgage backed securities partially offset by the call of $42.0 million of agency securities and repayments and prepayments of $7.1 million in mortgage backed securities during the twelve months ended December 31, 2004.

Loans receivable increased by $57.6 million or 30.5% to $246.4 million at December 31, 2004 from $188.8 million at December 31, 2003. The increase resulted primarily from a $44.7 million increase in commercial and business loans, net of amortization, a $10.1 million increase in home mortgages and construction loans, net of amortization, and a $3.5 million increase in consumer loans, net of amortization, partially offset by an increase of $393,000 in the allowance for loan losses. The growth in loans receivable was primarily attributable to competitive pricing in a lower than normal interest rate environment and a vibrant local economy where real estate construction and rehabilitation remain strong.

During 2004, the Bank decided to discontinue its involvement in commercial heavy equipment lending due to the relatively poor performance of that portfolio. Accordingly, the portfolio, which consisted of 29 loans totaling $3.3 million at December 31, 2003, was reduced to 9 loans totaling $945,000 at December 31, 2004. In June 2004, the Bank sold in bulk 14 non-performing loans for $1.1 million, incurring a $56,000 loss. In addition, the Bank resolved 5 non-performing loans via repossession and sale of the underlying collateral, resulting in $297,000 in net charge-offs to the allowance for loan losses. The Bank has not originated any commercial heavy equipment loans since May 2003 and has no current plans to originate such loans in the future.

Fixed assets remained at $5.7 million at both December 31, 2004 and 2003 as fixed asset purchases during 2004 primarily equated to the depreciation of fixed assets during the fiscal year ended December 31, 2004.

Deposit liabilities increased by $83.6 million or 33.0% to $337.2 million at December 31, 2004 from $253.7 million at December 31, 2003. The increase resulted primarily from an increase of $35.0 million or 21.5% in savings and club accounts to $197.9 million from $162.8 million, an increase of $38.4 million or 69.9% in time deposits to $93.2 million from $54.8 million, and an increase of $10.2 million or 28.4% in demand deposits to $46.2 million from $36.0 million. The Bank has been able to achieve these growth rates through competitive pricing on select deposit products.

Borrowings decreased by $10.9 million or 43.5% to $14.1 million at December 31, 2004 from $25.0 million at December 31, 2003. This decrease resulted primarily from the maturity and subsequent reduction of $15.0 million of a $25.0 million Federal Home Loan Bank Advance partially offset by the issuance of pooled trust preferred securities totaling $4.1 million. The reduction in Federal Home Loan Bank Advances reflects managements philosophy of reducing wholesale borrowings during a time of steadily increasing short term interest rates so as to more closely monitor and reduce interest expense and to continue to fund balance sheet growth through more organic means.

Stockholders' equity increased by $4.9 million or 23.0% to $26.0 million at December 31, 2004 from $21.2 million at December 31, 2003. This increase was primarily attributable to net income for the twelve months ended December 31, 2004 of $3.6 million, cash totaling $1.1 million received from the exercise of stock options by directors, officers and employees of the Bank and a tax benefit related to the exercise of the aforementioned stock options of $179,000. At December 31, 2004 the Bank's Tier 1 leverage, Tier 1 risk-based and Total risk-based capital ratios were 7.75%, 11.84%, and 12.83% respectively.

Comparison at December 31, 2003 and at December 31, 2002

Total assets increased by $117.6 million, or 64.2%, to $300.7 million at December 31, 2003 from $183.1 million at December 31, 2002 as the Company continued to grow the Bank's deposit base and invest these deposits in loans and investments.

Total cash and cash equivalents increased by $6.7 million, or 131.4%, to $11.8 million at December 31, 2003 from $5.1 million at December 31, 2002 in order to accumulate cash liquidity to facilitate loan closings in the near-term. Investment securities held-to-maturity increased by $39.7 million, or 78.5%, to $90.3 million at December 31, 2003 from $50.6 million at December 31, 2002. This increase was primarily attributable to the purchase of $70.0 million of callable agency securities and the purchase of $6.0 million of mortgage-backed securities, which was partially offset by the call of $20.0 million of agency securities and $16.3 million of mortgage backed security repayments and prepayments during the twelve months ended December 31, 2003.

Loans receivable increased by $66.7 million, or 54.6%, to $188.8 million at December 31, 2003 from $122.1 million at December 31, 2002. The increase resulted primarily from a $50.2 million increase in commercial and multi-family loans net of amortization, a $14.2 million increase in home mortgages and construction loans net of amortization, a $2.9 million increase in consumer loans net of amortization, partially offset by an increase of $880,000 in the allowance for loan losses. The growth in loans receivable was primarily attributable to competitive pricing in a lower than normal interest rate environment and a strong local economy as real estate construction and rehabilitation was active during 2003.

Fixed assets increased by $3.1 million, or 119.2%, to $5.7 million at December 31, 2003 from $2.6 million at December 31, 2002. The increase in fixed assets resulted primarily from the rehabilitation of and equipment purchase for a leased facility, presently being used as a branch office, opened during the spring of 2003 and the acquisition, construction and outfitting of our 13,200 square foot corporate headquarters which opened during the fourth quarter of 2003.

Deposit liabilities increased by $90.2 million, or 55.2%, to $253.7 million at December 31, 2003 from $163.5 million at December 31, 2002. The increase resulted primarily from an increase of $46.5 million or 40.0% in savings and club accounts to $162.8 million from $116.3 million, an increase of $34.8 million or 174.0% in time deposits to $54.8 million from $20.0 million, and an increase of $8.8 million or 32.4% in demand deposits to $36.0 million from $27.2 million. The Bank has been able to achieve these growth rates through competitive pricing on select deposit products.

Borrowings increased by $25.0 million to $25.0 million at December 31, 2003, as the Bank employed a leverage strategy funded with wholesale borrowings from the Federal Home Loan Bank of New York maturing in November 2004 and carrying a 1.48% interest rate to invest in two callable investment securities issued by the FHLB. The two investment securities have a final maturity of fifteen years, and consist of a $20.85 million investment yielding 6.05% and a $4.15 million investment yielding 6.00%.

Stockholders' equity increased by $2.4 million, or 12.8%, to $21.2 million at December 31, 2003 from $18.8 million at December 31, 2002. The increase was wholly attributable to net income for the twelve months ended December 31, 2003 of $2.4 million. At December 31, 2003 the Bank's Tier 1 leverage, Tier 1 risk-based and Total risk-based capital ratios were 7.02%, 10.47%, and 11.51% respectively.

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Analysis of Net Interest Income

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

The following tables set forth balance sheets, average yields and costs, and certain other information for the 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, 2004		The year ended December 31, 2004		
	Actual Balance	Actual Yield/ Cost	Average Balance	Interest earned/paid	Average Yield/ Cost (4)
					(Dollars in thousands)
Interest-earning assets:					
Loans receivable	$246,380	6.45%	$221,257	$ 14,784	6.68%
Investment securities(1)	117,980	5.11	108,297	5,757	5.32
Interest-bearing deposits	2,181	1.89	17,721	159	0.90
Total interest-earning assets	366,541	5.99%	347,275	20,700	5.96%
Interest-earning liabilities:					

Interest-bearing demand deposits	$ 23,155	1.36%	$ 21,105	299	1.42%
Money market deposits	2,483	1.94	2,622	52	1.98
Savings deposits	197,868	2.16	181,383	3,981	2.20
Certificates of deposit	93,180	2.78	80,336	2,153	2.68
Borrowings	14,124	3.33	25,660	460	1.79
Total interest-bearing liabilities .	330,810	2.33%	311,106	6,945	2.23%
Net interest income				$ 13,755	
Interest rate spread(2)		3.66%			3.73%
Net interest margin(3)					3.96%
Ratio of average interest-earning assets to average interest-bearing liabilities	110.80%		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.

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	The year ended December 31, 2002		
	Average Balance	Interest earned/paid	Average Yield/ Cost (4)
Interest-earning assets:			
Loans receivable	$ 83,734	$ 6,119	7.31%
Investment securities(1)	48,380	2,949	6.10
Interest-bearing deposits	15,893	272	1.71
Total interest-earning assets	148,007	9,340	6.31%
Interest-earning liabilities:			
Interest-bearing demand deposits	$ 9,520	169	1.77%
Money market deposits	2,533	61	2.41
Savings deposits	99,057	2,761	2.79
Certificates of deposit	13,402	389	2.90
Borrowings	--	--	--
Total interest-bearing liabilities ...	124,512	3,380	2.71%

Net interest income		$ 5,960	
Interest rate spread(2)			3.60%
Net interest margin(3)			4.03%
Ratio of average interest-earning assets to average interest-bearing liabilities	118.87%		

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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 indicated.

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) the allocation of changes in rate and volume; and (iv) the net change.

	Years Ended December				
	2004 vs. 2003				
	Increase/(Decrease) Due to				Inc
	Volume	Rate	Rate/ Volume	Total Increase (Decrease)	Volume
	(In Thousands)				
Interest income:					
Loans receivable	$ 4,580	$ (379)	$ (162)	$ 4,039	$ 5,218
Investment securities	2,627	(94)	(75)	2,458	726
Interest-bearing deposits with other banks	63	3	2	68	(93)
Total interest-earning assets	7,270	(470)	(235)	6,565	5,851

Interest expense:					
Interest-bearing demand accounts ...	86	7	3	96	95
Money market	7	(1)	--	6	(6)
Savings and club	904	(113)	(45)	746	1,190
Certificates of Deposits	1,209	55	81	1,345	545
Borrowed funds	338	9	69	416	--
Total interest-bearing liabilities .	2,544	(43)	108	2,609	1,824
Change in net interest income	$ 4,726	$ (427)	$ (343)	$ 3,956	$ 4,027

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Results of Operations

Results of Operations for the Years Ended December 31, 2004 and 2003

Net income increased by $1.2 million or 51.1% to $3.6 million for the year ended December 31, 2004 from $2.4 million for the year ended December 31, 2003. The increase in net income is a result of 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 $4.0 million or 40.4% to $13.8 million for the year ended December 31, 2004 from $9.8 million for the year ended December 31, 2003. The increase resulted primarily from an increase in average net interest earning assets of $4.3 million or 13.5% to $36.2 million for the year ended December 31, 2004 from $31.9 million for the year ended December 31, 2003 partially offset by a decrease in the net interest margin to 3.96% for the year ended December 31, 2004 from 4.34% for the year ended December 31, 2003. The decrease in our net interest margin reflects the on-going philosophy of the Federal Reserve Open Market Committee, specifically during the second half of 2004, to tighten monetary policy by raising short-term interest rates while long term rates have trended slightly downward during that same time period.

Interest income on loans receivable increased by $4.04 million or 37.6% to $14.8 million for the year ended December 31, 2004 from $10.8 million for the year ended December 31, 2003. The increase was primarily due to an increase in average loans receivable of $66.1 million or 42.6% to $221.3 million for the year ended December 31, 2004 from $155.1 million for the year ended December 31, 2003 partially offset by a decrease in the average yield on loans receivable to 6.68% for the year ended December 31, 2004 from 6.93% for the year ended December 31, 2003. The increase in the average balance of loans reflects management's philosophy to deploy funds in higher yielding loans, specifically commercial real estate as opposed to investments in lower yielding government securities. The decrease in average yield reflects the continuing of the lower long-term interest rate environment in 2004.

Interest income on securities increased by $2.5 million or 74.5% to $5.8 million for the year ended December 31, 2004 from $3.3 million for the year ended December 31, 2003. The increase was primarily attributable to an increase of $48.0 million or 79.6% in the average balance of securities to $108.3 million for the year ended December 31, 2004 from $60.3 million for the year ended December 31, 2003, partially offset by a decrease in the average yield on securities to 5.32% for the year ended December 31, 2004 from 5.47% for the year ended December 31, 2003. The increase in average balances reflects the redeployment of funds previously invested in short-term interest earning

deposits and the on-going leverage strategy done with the use of the Federal Home Loan Bank advances.

Interest income on other interest-earning assets, consisting primarily of federal funds sold increased by $68,000 or 74.7% to $159,000 for the year ended December 31, 2004 from $91,000 for the year ended December 31, 2003. The increase was primarily due to an increase in the average balance of other interest-earning assets to $17.7 million for the year ended December 31, 2004 from $10.4 million for the year ended December 31, 2003 partially offset by a slight increase in the average yield on other interest-earning assets to 0.90% for the year ended December 31, 2004 from 0.87% for the year ended December 31, 2003. As the Bank's loan

pipeline consistently totaled over $30.0 million during 2004, the increase in average balance in other interest-earning assets is a reflection of management's philosophy to maintain a liquid source of funds to facilitate the prompt closing of those loans.

Total interest expense increased by $2.6 million or 60.2% to $6.9 million for the year ended December 31, 2004 from $4.3 million for the year ended December 31, 2003. This increase resulted from an increase in average total interest bearing deposit liabilities of $94.4 million or 49.4% to $285.4 million for the year ended December 31, 2004 from $191.1 million for the year ended December 31, 2003, and an increase of $22.7 million in average borrowings to $25.7 million at December 31, 2004, from $2.9 million for the year ended December 31, 2003. The average cost of total interest bearing liabilities was 2.23% for the years ended December 31, 2004 and 2003.

The provision for loan losses totaled $690,000 and $880,000 for the years ended December 31, 2004 and 2003, 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 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. As previously discussed, the Bank decided to discontinue its involvement in this lending segment. During 2003, there were no charge-offs or recoveries. The Bank had non-accrual loans totaling $553,000 at December 31, 2004 and $67,000 at December 31, 2003. The allowance for loan losses stood at $2.5 million or 1.01% of gross total loans at December 31, 2004 as compared to $2.1 million or 1.11% of gross total loans at December 31, 2003. 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, 2004 and 2003.

Total non-interest income increased by $143,000 or 29.8% to $623,000 for the year ended December 31, 2004 from $480,000 for the year ended December 31,

2003. The increase in non-interest income resulted primarily from a $150,000 increase in fees and service charges, a $42,000 increase in gain on sales of loans originated for sale, and a $7,000 increase in other income partially offset by the aforementioned $56,000 loss in 2004 on the sale of non-performing commercial heavy equipment loans.

Total non-interest expense increased by $2.3 million or 42.1% to $7.7 million for the year ended December 31, 2004 from $5.4 million for the year ended December 31, 2003. The increase in 2004 was primarily due to an increase of $1.2 million or 41.3% in salaries and

employee benefits expense to $4.0 million for the year ended December 31, 2004 from $2.8 million for the year ended December 31, 2003 as the Bank increased staffing levels and compensation in an effort to service its growing customer base. Full time equivalent employees increased to seventy-five (75) at December 31, 2004 from sixty-six (66) at December 31, 2003 and thirty-four (34) at December 31, 2002. Equipment expense increased by $488,000 to $1.4 million for the year ended December 31, 2004 from $940,000 for the year ended December 31, 2003. The primary component of this expense relates to the increased costs of the Bank's data service provider reflecting the overall growth of the Bank's balance sheet. Occupancy expense increased by $244,000 to $655,000 for the year ended December 31, 2004 from $411,000 for the year ended December 31, 2003 as the Bank incurred a full year's worth of occupancy expense on the two offices opened during 2003. Advertising expense decreased by $8,000 to $161,000 for the year ended December 31, 2004 from $169,000 for the year ended December 31, 2003. Other non-interest expense increased by $384,000 to $1.44 million for the year ended December 31, 2004 from $1.06 million for the year ended December 31, 2003. The increase in other non-interest expense was primarily attributable to increased legal, professional and shareholder relation expense as during the year ended December 31, 2004, the Company incurred expenses associated with a proxy contest initiated by an opposing slate of directors. Other non-interest expense is comprised of directors' fees, stationary, forms and printing, professional fees, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense increased by $794,000 or 49.2% to $2.4 million for the year ended December 31, 2004 from $1.6 million for the year ended December 31, 2003 reflecting pre-tax income of $6.0 million earned during the year ended December 31, 2004 compared to pre-tax income of $4.0 million earned during the year ended December 31, 2003.

Results of Operations for the Years Ended December 31, 2003 and 2002

Net income increased by $1.1 million, or 84.6%, to $2.4 million for the year ended December 31, 2003 from $1.3 million for the year ended December 31, 2002. This increase in net income resulted from increases in net interest income and non-interest income, which was partially offset by increases in the provision for loan losses, non-interest expense and income taxes. Net interest income increased by $3.8 million, or 63.3%, to $9.8 million for the year ended December 31, 2003 from $6.0 million for the year ended December 31, 2002. This increase resulted primarily from an increase in average net interest earning assets of $8.4 million, or 35.7%, to $31.9 million for the year ended December 31, 2003 from $23.5 million for the year ended December 31, 2002, and an increase in the net interest margin to 4.34% for the year ended December 31, 2003 from 4.03% for the year ended December 31, 2002. The increase in our net interest margin reflected management's ability to invest a large percentage of our deposit base in higher yielding, conservatively underwritten loans and federally-sponsored United States Government Agency Securities.

Interest income on loans receivable increased by $4.6 million, or 75.4%, to $10.7 million for the year ended December 31, 2003 from $6.1 million for the year ended December 31, 2002. This increase was primarily due to an increase in average loans receivable of $71.4 million, or 85.3%, to $155.1 million for the year ended December 31, 2003 from $83.7 million for the year ended December 31, 2002, which was partially offset by a decrease in the average yield on loans

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receivable to 6.93% for the year ended December 31, 2003 from 7.31% for the year ended December 31, 2002. The increase in the average balance of loans reflected management's strategy of deploying funds in higher yielding loans, specifically commercial real estate loans as opposed to lower yielding investments in government securities. The decrease in average yield reflects the lower interest rate environment in 2003 as compared to 2002.

Interest income on securities increased by $350,000, or 11.9%, to $3.30 million for the year ended December 31, 2003 from $2.95 million for the year ended December 31, 2002. The increase was primarily attributable to an increase in the average balance of investment securities of $11.9 million, or 24.6%, to $60.3 million for the year ended December 31, 2003 from $48.4 million for the year ended December 31, 2002, which was partially offset by a decrease in the average yield on investment securities to 5.47% for the year ended December 31, 2003 from 6.10% for the year ended December 31, 2002. The increase in average balances reflects the redeployment of funds previously invested in short-term interest earning deposits and the use of borrowings that were invested in short term investments to secure a positive short term interest rate spread.

Interest income on other interest-earning assets consisting primarily of federal funds sold decreased by $181,000, or 66.5%, to $91,000 for the year ended December 31, 2003 from $272,000 for the year ended December 31, 2002. This decrease was primarily due to a decrease in the average balance of other interest-earning assets to $10.4 million for the year ended December 31, 2003 from $15.9 million for the year ended December 31, 2002, and a decrease in the average yield on other interest-earning assets to 0.87% for the year ended December 31, 2003 from 1.71% for the year ended December 31, 2002. The decrease in the average balance reflects management's decision to deploy funds in higher yielding loans and securities and the decrease in average yield reflects the lower interest rate environment in 2003 as compared to 2002.

Total interest expense increased by $956,000, or 28.3%, to $4.3 million for the year ended December 31, 2003 from $3.4 million for the year ended December 31, 2002. This increase resulted from an increase in average total interest bearing deposits of $66.6 million, or 53.5%, to $191.1 million for the year ended December 31, 2003 from $124.5 million for the year ended December 31, 2002, and a $2.9 million increase in borrowings at December 31, 2003, compared to no borrowings the prior year-end, which was partially offset by a decrease in the average cost of interest bearing liabilities to 2.23% for the year ended December 31, 2003 from 2.71% for the year ended December 31, 2002. The decrease in average cost reflects the lower interest rate environment in 2003 as compared to 2002.

The provision for loan losses totaled $880,000 and $843,000 for the years ended December 31, 2003 and 2002 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. The Bank had non-accrual loans totaling $67,000 at December 31, 2003 and at December 31, 2002. The allowance for loan losses stood at $2.1 million or 1.1% of gross total loans at December 31, 2003, as compared to $1.2 million or 1.0% of gross total loans at December 31, 2002. The amount of the allowance is based on estimates and the ultimate losses may vary from such

estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at both December 31, 2003 and 2002.

Total non-interest income increased by $145,000, or 43.2%, to $481,000 for the year ended December 31, 2003 from $336,000 for the year ended December 31, 2002. The increase in non-interest income resulted primarily from a $53,000 increase in fees and service charges, a $94,000 increase in gain on sales of loans originated for sale as the Bank initiated a program to sell select fixed rate mortgages to the secondary market, and a $5,000 increase in other income, which was partially offset by a $8,000 decrease in gain on sales of securities available for sale.

Total non-interest expenses increased by $2.1 million, or 63.6%, to $5.4 million for the year ended December 31, 2003 from $3.3 million for the year ended December 31, 2002. The increase in 2003 was primarily due to an increase of $1.2 million, or 75.0%, in salaries and employee benefits expense to $2.8 million for the year ended December 31, 2003 from $1.6 million for the year ended December 31, 2002 as the Bank increased staffing levels and compensation in an effort to service its growing customer base. Full time equivalent employees increased to 66 at December 31, 2003 from 34 at December 31, 2002. Equipment expense increased by $294,000 to $940,000 for the year ended December 31, 2003 from $646,000 for the year ended December 31, 2002. The primary component of this expense relates to the increased costs of the Bank's data service provider reflecting the overall growth of the Bank's balance sheet. Occupancy expense increased by $164,000 to $411,000 for the year ended December 31, 2003 from $247,000 for the year ended December 31, 2002, and advertising expense increased by $90,000 to $169,000 for the year ended December 31, 2003 from $79,000 for the year ended December 31, 2002, primarily as a result of the opening of two new offices during the twelve months ended December 31, 2003 and the increased advertising expense to promote them. Other non-interest expense increased by $309,000 to $1.1 million for the year ended December 31, 2003 from $749,000 for the year ended December 31, 2002. Other non-interest expense is comprised of directors' fees, stationary, forms and printing, professional fees, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense increased by $742,000, or 85.1%, to $1.6 million for the year ended December 31, 2003 from $872,000 for the year ended December 31, 2002 reflecting pre-tax income of $4.0 million for the year ended December 31, 2003 compared to pre-tax income of $2.2 million earned for year ended December 31, 2002.

Liquidity and Capital Resources

Our funding sources include income from operations, deposits and borrowings, 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 2004, loan originations totaled $110.8 million compared to $105.0 million and $90.5 million for 2003 and 2002, respectively. The increase in loan originations reflects management's efforts to increase total assets of the Bank, the continued focus on increasing commercial and multi-family lending operations and the strong refinance market in 2004.

During 2004, cash flow provided by the calls and maturities and principal payments received on maturing securities held to maturity amounted to $49.1 million compared to $36.3 million and $13.1 million in 2003 and 2002. Deposit growth provided $83.6 million, $90.1 million and $61.8 million of funding for the years ending December 31, 2004, 2003 and 2002, respectively. Borrowings totaled $14.1 million in 2004 and were used to fund asset growth.

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 $38.8 million and $33.2 million at December 31, 2004 and 2003, respectively.

The following tables sets forth our contractual obligations and commercial commitments at December 31, 2004.

		Payments due by	
Contractual obligations	Total	Less than 1 Year	1-3 Years
			(In thousand
Borrowed money	$14,124	$10,000	$ --
Lease obligations	282	156	126
Certificates of deposit with original maturities of one year or more	78,799	39,986	32,761

Total	$93,205	$50,142	$32,887
	=======	=======	=======

Recent Accounting Pronouncements

Accounting for Share-based Payments

In December 2004, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment". This statement revises the original guidance contained in SFAS No, 123 and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees, and its related implementation guidance. Under SFAS No. 123 (revised 2004), a public entity such as the Company will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions) and recognize such cost over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). For stock options and similar instruments, grant-date fair value will be estimated using option-pricing models adjusted for the unique characteristics of instruments (unless observable market prices for the same or similar instruments are available). For Public entities, such as the Company, that do not or will not file as small business issuers, SFAS No. 123 (revised 2004) is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.

Under SFAS No. 123 (revised 2004), the Company will be required to record compensation expense for all new awards granted and any awards modified after June 30, 2005. In addition, the transition rules under SFAS No. 123 (revised 2004) will require that, for all awards outstanding at June 30, 2005, for which the requisite service has not yet been rendered, compensation cost be recorded as such service is rendered after June 30, 2005.

The aforementioned pronouncement related to stock-based payments will not have any effect on the Company's existing historical consolidated financial statements as restatements of previously reported periods will not be required. However, the Company's stock option awards generally require a service period which extends beyond the effective date of SFAS No. 123 (revised 2004) and, accordingly, the Company will be required to record compensation expense on such awards beginning on July 1, 2005. Our preliminary analysis indicates that compensation expense, net of income tax benefits, related to awards expected to exist at June 30, 2005, which will require future service by grantees, will be approximately $226,000 during the last six months of 2005, $376,000 in 2006 and $162,000 in 2007.

In December 2003, the FASB issued a revision to Interpretation 46, "Consolidation of Variable Interest Entities," which established standards for identifying a variable interest entity ("VIE") and for determining under what circumstances a VIE should be consolidated with its primary beneficiary. Application of this Interpretation is required in financial statements of public entities that have interests in special-purpose entities for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of VIE is required in financial statements for periods ending after March I5, 2004. Small business issuers must apply this interpretation to all other types of VIE at the end of the first reporting period ending after December 15, 2004. The adoption of this Interpretation has not had and is not expected to have a material effect on our financial position

or results of operations.

Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (SFAS No. 150). This Statement established standards for how a company classifies and measures certain financial instruments with characteristics of both liabilities and equity as well as their classification in the company's statement of financial position. It requires that the company classify a financial instrument that is within its scope as a liability when that instrument embodies an obligation of the issuer. SFAS No. 150 did not have any impact on the Company's Consolidated Financial Statements.

Amendment of Statement 133 on Derivative Instruments and Hedging Activities

On April 30, 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. With a number of exceptions, SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated financial statements.

Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee. In addition, FIN 45 elaborates on previously existing disclosure requirements for most guarantees, including loan guarantees such as standby letters of credit. The Company does not have financial letters of credit as of December 31, 2004.

ITEM 7A. QUALITATIVE AND QUANTITATIVE ANALYSIS OF MARKET RISK

Management of Market Risk

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

Committee, which consists of senior management and outside

directors operating under a policy adopted by the Board of Directors, meets as needed to review our asset/liability policies and interest rate risk position.

The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of December 31, 2004. 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 200 and 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of December 31, 2004. The following sets forth the Company's NPV as of December 31, 2004.

				NPV as a % of As
Change in calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NPV Ratio
+300bp	$ 28,230	$(21,295)	(43.00)%	8.35%
+200bp	36,460	(13,065)	(26.38)	10.39
+100bp	43,545	(5,980)	(12.08)	11.95
PAR	49,525	--	--	13.08
-100bp	48,735	(790)	(1.60)	12.60
-200bp	45,257	(4,268)	(8.62)	11.52

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bp-basis points

The table above indicates that at December 31, 2004, in the event of a 100 basis point decrease in interest rates, we would experience a 1.60% decrease in NPV. In the event of a 100 basis point increase in interest rates, we would experience a 12.08% 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

There were no changes in or disagreements with accountants in the Company's accounting and financial disclosure during 2004.

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 AND EXECUTIVE OFFICERS OF THE COMPANY

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.

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The "Proposal I--Election of Directors" section of the Company's definitive Proxy Statement for the Company's 2005 Annual Meeting of Stockholders (the "2005 Proxy Statement") is incorporated herein by reference.

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 2005 Proxy Statement is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The "Executive Compensation" section of the Company's 2005 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The "Proposal I--Election of Directors" section of the Company's 2005 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The "Transactions with Certain Related Persons" section of the Company's 2005 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 2005 Annual Meeting of Stockholders, "Proposal II-Ratification of the Appointment of Independent Auditors- -Fees Paid to Radics."

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) Management Responsibility Statement

(B) Independent Auditors' Report

(C) Consolidated Statements of Financial Condition as of December 31, 2004 and 2003

(D) Consolidated Statements of Income for each of the Years in the Three-Year period ended December 31, 2004

(E) Consolidated Statements of Changes in Stockholders' Equity for each of the Years in the Three-Year period ended December 31, 2004

(F) Consolidated Statements of Cash Flows for each of the Years in the Three-Year period ended December 31, 2004

(G) 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.

(c) 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**

13 Consolidated Financial Statements

14 Code of Ethics****

21 Subsidiary 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 Exhibit 10.1 and 10.2 to the Company's Registration Statement on Form S-8 (Commission File Number 333-11201) filed with the Securities and Exchange Commission on January 26, 2004.

*** 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.

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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, 2005

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, 2005
/s/ Thomas M. Coughlin Thomas M. Coughlin	Vice President, Chief Financial Officer (Principal Financial and Accounting Officer) and Director	March 14, 2005
/s/ Mark D. Hogan Mark D. Hogan	Chairman of the Board	March 14, 2005
/s/ Robert Ballance Robert Ballance	Director	March 14, 2005
/s/ Judith Q. Bielan	Director	March 14, 2005

Judith Q. Bielan

/s/ Joseph J. Brogan ------------------------ Joseph J. Brogan	Director	March 14, 2005
/s/ James E. Collins ------------------------ James E. Collins	Director	March 14, 2005
/s/ Joseph Lyga ------------------------ Joseph Lyga	Director	March 14, 2005
/s/ Alexander Pasiechnik ------------------------ Alexander Pasiechnik	Director	March 14, 2005
/s/ August Pellegrini, Jr. ------------------------ August Pellegrini, Jr.	Director	March 14, 2005

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