NORTHEAST COMMUNITY BANCORP INC
Form 10-Q
November 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from ______________ to _____________

Commission file number: 0-51852

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

United States of America (State or other jurisdiction of incorporation or organization)	06-1786701 (I.R.S. Employer Identification No.)
325 Hamilton Avenue, White Plains, New York (Address of principal executive offices)	10601 (Zip Code)

(914) 684-2500
(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer £ Accelerated Filer £
Non-accelerated Filer £

Smaller Reporting Company T

(Do not check if a smaller reporting company)

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

As of November 14, 2008, there were 13,225,000 shares of the registrant's common stock outstanding.

NORTHEAST COMMUNITY BANCORP, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

	September 30, 2008	December 31, 2007
	(In thousands, except share and per share data)	
ASSETS		
Cash and amounts due from depository institutions	$ 2,326	$ 1,878
Interest-bearing deposits	41,047	37,268
Cash and cash equivalents	43,373	39,146
Securities available for sale	209	320
Securities held to maturity	2,174	2,875
Loans receivable, net of allowance for loan losses of $1,715and $1,489, respectively	340,081	283,133
Bank owned life insurance	8,804	8,515
Premises and equipment, net	4,318	4,529
Federal Home Loan Bank of New York stock, at cost	1,900	414
Accrued interest receivable	1,650	1,340
Goodwill	1,310	1,310
Intangible assets	664	710
Real estate owned	608	–
Other assets	1,864	1,603
Total assets	$ 406,955	$ 343,895
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing	$ 5,974	$ 1,745
Interest bearing	249,689	224,233
Total deposits	255,663	225,978
FHLB of New York advances	30,000	–
Advance payments by borrowers for taxes and insurance	4,575	2,884
Accounts payable and accrued expenses	6,014	5,577
Note payable	649	627
Total liabilities	296,901	235,066
Commitments and contingencies	–	–
Stockholders' equity		
Preferred stock, $0.01 par value; 1,000,000 shares authorized, none issued	–	–
Common stock, $0.01 par value; 19,000,000 shares authorized, 13,225,000 shares issued and outstanding	132	132
Additional paid-in capital	57,578	57,555
Unearned Employee Stock Ownership Plan ("ESOP") shares	(4,471)	(4,665)
Retained earnings	56,978	55,956

Accumulated other comprehensive loss		(163)		(149)
Total stockholders' equity		110,054		108,829
Total liabilities and stockholders' equity	$	406,955	$	343,895

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except per share data)			
INTEREST INCOME				
Loans	$ 5,326	$ 3,884	$ 15,297	$ 10,506
Interest-earning deposits	185	538	695	1,443
Securities – taxable	52	140	157	708
Total Interest Income	5,563	4,562	16,149	12,657
INTEREST EXPENSE				
Deposits	1,968	1,486	5,897	4,102
Borrowings	241	18	452	18
Total Interest Expense	2,209	1,504	6,349	4,120
Net Interest Income	3,354	3,058	9,800	8,537
PROVISION FOR LOAN LOSSES	147	-	226	338
Net Interest Income after Provision for Loan Losses	3,207	3,058	9,574	8,199
NON-INTEREST INCOME				
Other loan fees and service charges	113	99	306	274
Net gain from disposition of premises and equipment	-	-	-	18,962
Earnings on bank owned life insurance	96	92	289	269
Investment advisory fees	208	-	611	-
Other	13	4	51	13
Total Non-Interest Income	430	195	1,257	19,518
NON-INTEREST EXPENSES				
Salaries and employee benefits	1,444	1,248	4,452	3,898
Net occupancy expense of premises	291	275	845	815
Equipment	116	101	387	368
Outside data processing	160	167	495	478
Advertising	33	17	133	68
Loss on impairment of REO	121	-	121	-
Other	597	554	1,922	1,733
Total Non-Interest Expenses	2,762	2,362	8,355	7,360
Income before Income Taxes	875	891	2,476	20,357
INCOME TAXES	333	337	961	8,790
Net Income	$ 542	$ 554	$ 1,515	$ 11,567
Net Income per Common Share – Basic	$ 0.04	$ .04	$ 0.12	$ 0.91
Weighted Average Number of Common Shares Outstanding – Basic	12,775	12,749	12,768	12,742
Dividends declared per common share	$ 0.03	$ 0.03	$ 0.09	$ 0.03

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
Nine Months Ended September 30, 2008 and 2007

	Common Stock	Additional Paid-in Capital	Unearned ESOP Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Income
	(In thousands, except per share data)						
Balance at December 31, 2006	$ 132	$ 57,513	$ (4,925)	$ 44,147	$ (116)	$ 96,751	
Comprehensive income:							
Net income	-	-	-	11,567	-	11,567	$ 11,567
Unrealized loss on securities available for sale, net of taxes of $1	-	-	-	-	(1)	(1)	(1)
Prior Service Cost – DRP, net of taxes of $10	-	-	-	-	(12)	(12)	(12)
Cash dividend declared ($.03 per share) to minority stockholders	-	-	-	(164)	-	(164)	
ESOP shares earned	-	29	195	-	-	224	
Total comprehensive income							$ 11,554
Balance at September 30, 2007	$ 132	$ 57,542	$ (4,730)	$ 55,550	$ (129)	$ 108,365	

Balance at December 31, 2007	$ 132	$ 57,555	$ (4,665)	$ 55,956	$ (149)	$ 108,829	
Comprehensive income:							
Net income	-	-	-	1,515	-	1,515	$ 1,515
Unrealized loss on securities available for sale, net of taxes of $18	-	-	-	-	(25)	(25)	(25)
Prior Service Cost and actuarial loss –	-	-	-	-	11	11	11

DRP, net of taxes of $8							
Cash dividend declared ($.09 per share) to minority stockholders	-	-	-	(493)	-	(493)	
ESOP shares earned	-	23	194	-	-	217	
Total comprehensive income							$ 1,501
Balance at September 30, 2008	$ 132	$ 57,578	$ (4,471)	$ 56,978	$ (163)	$ 110,054	

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2008	2007
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,515	$ 11,567
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net accretion of securities premiums and (discounts)	-	(95)
Provision for loan losses	226	338
Provision for depreciation	407	442
Amortization of deferred loan discounts, fees and costs, net	111	107
Amortization other	68	-
(Gain) from dispositions of premises and equipment	-	(18,962)
Loss on impairment of real estate owned	121	-
Earnings on bank owned life insurance	(289)	(269)
Increase in accrued interest receivable	(310)	(186)
Increase in other assets	(261)	(37)
Increase in accrued interest payable	5	8
Increase in other liabilities	461	4,323
ESOP shares earned	217	224
Net Cash Provided by (Used in) Operating Activities	2,271	(2,540)
Net (increase) in loans	(65,023)	(39,410)
Proceeds from sale of loans participation interests	7,045	-
Purchase of securities held to maturity	-	(5,000)
Principal repayments on securities available for sale	71	6
Principal repayments on securities held to maturity	698	23,365
Purchases of FHLB stock	(1,486)	(15)
Purchases of premises and equipment	(196)	(117)
Capitalized cost on real estate owned	(36)	-
Proceeds from sale of premises and equipment	-	9,080
Net Cash (Used in) Investing Activities	(58,927)	(12,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	29,685	11,348
Proceeds from long-term FHLB of New York advances	30,000	-
Increase in advance payments by borrowers for taxes and insurance	1,691	1,777
Cash dividends paid to minority stockholders	(493)	-
Net Cash Provided by Financing Activities	60,883	13,125
Net Increase (Decrease) in Cash and Cash Equivalents	4,227	(1,506)
Cash and Cash Equivalents - Beginning	39,146	36,749
Cash and Cash Equivalents - Ending	$ 43,373	$ 35,243
SUPPLEMENTARY CASH FLOWS INFORMATION		
Income taxes paid	$ 860	$ 4,865
Interest paid	$ 6,344	$ 4,112
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		

Loan made in conjunction with sale of premises and equipment	$	-	$	16,341
Loan transferred to Real Estate Owned	$	693	$	-

See Notes to Consolidated Financial Statements

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NORTHEAST COMMUNITY BANK
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Northeast Community Bancorp, Inc. (the "Company") is a Federally chartered corporation organized as a mid-tier holding company for Northeast Community Bank (the "Bank"), in conjunction with the Bank's reorganization from a mutual savings bank to the mutual holding company structure on July 5, 2006. The accompanying unaudited consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

New England Commercial Properties, LLC, a New York limited liability company and wholly owned subsidiary of the Bank, was formed in October 2007 to facilitate the purchase or lease of real property by the Bank. On April 28, 2008, the Bank accepted a deed-in-lieu of foreclosure on a multi-family property located in Hampton, New Hampshire and subsequently transferred the property to New England Commercial Properties.

The accompanying unaudited consolidated financial statements were prepared in accordance with generally accepted accounting principles for interim financial information as well as instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information or footnotes necessary for the presentation of financial position, results of operations, changes in stockholders' equity and cash flows in conformity with accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the full year or any other interim period. The December 31, 2007 consolidated statement of financial condition data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. That data, along with the interim financial information presented in the consolidated statements of financial condition, income, changes in stockholders' equity, and cash flows should be read in conjunction with the consolidated financial statements and notes thereto, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain recorded amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimate pertains to the allowance for loan losses.

NOTE 2 – EARNINGS PER SHARE

Basic earnings per common share is calculated by dividing the net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share is computed in a manner similar to basic earnings per common share except that the weighted average number of common shares outstanding is increased to include the incremental common shares (as computed using the treasury stock method) that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period. Common stock equivalents may include restricted stock awards and stock options. Anti-dilutive shares are common stock equivalents with weighted-average exercise prices in excess of the weighted-average market value for the periods presented. The Company did not grant any restricted stock awards or stock options and, during the nine-month periods ended September 30, 2008 and 2007, and had no potentially dilutive common stock equivalents at September 30, 2008 and 2007. Unallocated common shares held by the Employee Stock Ownership Plan ("ESOP") are not included in the weighted-average number of common shares outstanding for purposes of calculating both basic and diluted earnings per common share until they are committed to be released.

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NOTE 3 – EMPLOYEE STOCK OWNERSHIP PLAN

As of December 31, 2007 and September 30, 2008, the ESOP owned 518,420 and 518,200 shares of the Company's common stock, respectively, which are held in a suspense account until released for allocation to participants. As of December 31, 2007, the Company had allocated 25,921 shares to participants, and an additional 25,921 shares had been committed to be released. As of September 30, 2008, the Company had allocated 51,842 shares to participants, and an additional 19,441 shares had been committed to be released. The Company recognized compensation expense of $67,000 and $68,000 during the three-month periods ended September 30, 2008 and 2007, respectively, and $217,000 and $224,000 during the nine-month periods ended September 30, 2008 and 2007, respectively, which equals the fair value of the ESOP shares when they became committed to be released.

NOTE 4 – OUTSIDE DIRECTOR RETIREMENT PLAN ("DRP")

Periodic expenses for the Company's DRP were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	(In thousands)			
	2008	2007	2008	2007
Service cost	$ 12	$ 8	$ 36	$ 25
Interest cost	7	5	21	16
Amortization of actuarial loss	1	-	3	-
Amortization of prior service cost	5	5	15	15
Total	$ 25	$ 18	$ 75	$ 56

Effective January 1, 2006, the Bank implemented the DRP. This plan is a non-contributory defined benefit pension plan covering all non-employee directors meeting eligibility requirements as specified in the plan document. The DRP is accounted for under Statements of Financial Accounting Standards Nos. 132 and 158. The amortization of prior service cost and actuarial gains and losses in the nine-month periods ended September 30, 2008 and 2007 is also reflected as an element of other comprehensive income during the respective periods.

NOTE 5 – FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and financial liabilities. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," the Company will delay application of SFAS 157 for non-financial assets and non-financial liabilities, until January 1, 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correction or other means.

Level 3 Inputs – Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at the fair value effective January 1, 2008.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counter-party credit quality, the entity's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available for Sale. Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and the security's terms and conditions, among other things.

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NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes financial assets measured at fair value on a recurring basis as of September 30, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

Asset	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Securities available for sale	$ -	$ 209	$ -	$ 209

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The Company at September 30, 2008, had no financial assets and financial liabilities measured at fair value on a nonrecurring basis.

Certain non-financial assets and non-financial liabilities measured at fair value on a recurring basis include reporting units measured at fair value in the first step of a goodwill impairment test. Certain non-financial assets measured at fair value on a nonrecurring basis include non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, as well as intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment. As stated above, SFAS 157 will be applicable to these fair value measurements beginning January 1, 2009.

Effective January 1, 2008, the Company adopted the provisions of SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115." SFAS 159 permits the Company to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, thus the Company may record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principles, (ii) is irrevocable (unless a new election date occurs), and (iii) is applied only to entire instruments and not to portions of instruments. Adoption of SFAS 159 on January 1, 2008 did not have a significant impact on the Company's financial statements.

NOTE 6 – EFFECT OF SALE OF OUR NEW YORK CITY BRANCH OFFICE

On June 29, 2007, the Bank completed the sale of its branch office building located at 1353-55 First Avenue, New York, New York (the "Property"). The purchase price for the building was $28.0 million. At closing, the Bank received $10.0 million in cash and an $18.0 million zero coupon promissory note recorded at its then present value of $16.3 million (the "Original Note"). The Original Note was payable in two $9.0 million installments due on the first and second anniversaries of the Original Note. On July 31, 2008, as payment of the first installment due under the Original Note, the Bank received $2 million in cash and a new $7 million note bearing interest at 7% per annum and payable over a five-month period ending on December 31, 2008 (the "New Note"). Both the New Note and the remaining $9 million payable under the Original Note are secured by 100% of the interests in the companies owning the Property. In addition, the New Note is secured by a pocket mortgage on the Property, which is held in escrow by the Bank.

NOTE 7 – COMPREHENSIVE INCOME

Comprehensive income for the three months ended September 30, 2008, totaled $533,000 and consisted of net income of $542,000 and $9,000 in net other comprehensive loss related to securities available for sale (unrealized losses of $22,000 less income tax effect of $9,000) and benefit plan amounts under FAS 158 (amortization of prior service costs and actuarial gains of $7,000 less income tax effect of $3,000). Comprehensive income for the three months ended September 30, 2007, totaled $547,000 and consisted of net income of $554,000 and $7,000 in other comprehensive loss related to securities available for sale (unrealized losses of $6,000 less

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NOTE 7 – COMPREHENSIVE INCOME (Continued)

income tax effect of $3,000) and benefit plan amounts under FAS 158 (amortization of prior service costs and actuarial losses of $8,000 less income tax effect of $4,000).

NOTE 8 – EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board ("FASB") Statement No. 141 (R) "Business Combinations" was issued in December 2007. This Statement establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. The Statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of a company's fiscal year beginning after December 15, 2008. This new pronouncement will impact the Company's accounting for business combinations, if any, completed beginning January 1, 2009.

On September 29, 2006, the FASB issued Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which amends Statement 87 and Statement 106 to require recognition of the over funded or under funded status of pension and other postretirement benefit plans on the balance sheet. Under Statement 158, gains and losses, prior service costs and credits, and any remaining transition amounts under Statement 87 and Statement 106 that have not yet been recognized through net periodic benefit cost will be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. The measurement date — the date at which the benefit obligation and plan assets are measured — is required to be the company's fiscal year end. Statement 158 is effective for publicly-held companies for fiscal years ending after December 15, 2006, except for the measurement date provisions, which are effective for fiscal years ending after December 15, 2008. The implementation of the measurement date provisions of Statement 158, effective January 1, 2008, did not have a significant impact on the Company's financial condition or results of operations.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" (Statement 161). Statement 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. Statement 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS 133 has been applied, and the impact that hedges have on an entity's financial position, financial performance, and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently evaluating the potential impact this new pronouncement will have on its consolidated financial statements.

In May 2008, the FASB issued Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles." This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. This Statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In September 2006, the FASB's Emerging Issues Task Force (EITF) issued EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements" ("EITF 06-4"). EITF 06-4 requires the recognition of a liability related to the postretirement benefits covered by an endorsement split-dollar life insurance arrangement. The consensus highlights that the employer (who is also the policyholder) has a liability for the benefit it is providing to its employee. As such, if the policyholder has agreed to maintain the insurance policy in force for the employee's benefit during his or her retirement, then the liability recognized during the employee's active service period should be based on the future

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NOTE 8 – EFFECT OF RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

cost of insurance to be incurred during the employee's retirement. Alternatively, if the policyholder has agreed to provide the employee with a death benefit, then the liability for the future death benefit should be recognized by following the guidance in SFAS No. 106 or Accounting Principles Board (APB) Opinion No. 12, as appropriate.

For transition, an entity can choose to apply the guidance using either of the following approaches: (a) a change in accounting principle through retrospective application to all periods presented or (b) a change in accounting principle through a cumulative-effect adjustment to the balance in retained earnings at the beginning of the year of adoption. This EITF is effective for fiscal years beginning after December 15, 2007. The implementation of this guidance did not have a material impact on the Company's consolidated financial statements.

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 “Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements” (EITF 06-10). EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. The requirements of EITF 06-10 are essentially equivalent to EITF 06-04 and are effective for fiscal years beginning after December 15, 2007. Implementation of this guidance did not have a material impact on the Company's consolidated financial statements.

In June 2007, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-11, “Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards” (“EITF 06-11”). EITF 06-11 states that an entity should recognize a realized tax benefit associated with dividends on non-vested equity shares, non-vested equity share units and outstanding equity share options charged to retained earnings as an increase in additional paid in capital. The amount recognized in additional paid in capital should be included in the pool of excess tax benefits available to absorb potential future tax deficiencies on share-based payment awards. EITF 06-11 should be applied prospectively to income tax benefits of dividends on equity-classified share-based payment awards that are declared in fiscal years beginning after December 15, 2007. In the absence of any existing share-based compensation plans, the implementation of this guidance will not impact on the Company's consolidated financial statements. Should share-based compensation plans be adopted in the future, this guidance will apply.

In October 2008, the FASB issued FSP SFAS No. 157-3, “Determining the Fair Value of a Financial Asset When The Market for That Asset Is Not Active” (FSP 157-3), to clarify the application of the provisions of SFAS 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies to our September 30, 2008 financial statements. The application of the provisions of FSP 157-3 did not materially affect our results of operations or financial condition as of and for the periods ended September 30, 2008.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements that are based on assumptions and may describe future plans, strategies and expectations of the Company. These forward-looking statements are generally identified by use of the words “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project” or similar expressions. The Company’s abi predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company include, but are not limited to, changes in interest rates, national and regional economic conditions, legislative and regulatory changes, monetary and fiscal policies of the U.S. government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality and composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Bank’s market area, changes in real estate market values in the Bank’s market area, and changes in relevant accounting principles and guidelines. Additional factors that may affect the Company’s results are discussed in the Company’s Annual Report on Form 10-K under “Item 1A. Risk Factors.” These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be

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placed on such statements. Except as required by applicable law or regulation, the Company does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

CRITICAL ACCOUNTING POLICIES

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income to be critical accounting policies. We consider the following to be our critical accounting policies: allowance for loan losses and deferred income taxes.

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover probable credit losses in the loan portfolio at the statement of financial condition date. The allowance is established through the provision for loan losses, which is charged to income. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish the allowance are: loss exposure at default; the amount and timing of future cash flows on impacted loans; value of collateral; and determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance on a quarterly basis and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectibility of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. In addition, the Office of Thrift Supervision, as an integral part of its examination process, periodically reviews our allowance for loan losses. The Office of Thrift Supervision could require us to recognize adjustments to the allowance based on its judgments about information available to it at the time of its examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would negatively affect earnings. For additional discussion, see note 1 of the notes to the consolidated financial statements included elsewhere in this filing.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes as prescribed in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets, which are inherently subjective, are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. A valuation allowance would result in additional income tax expense in the period, which would negatively affect earnings.

COMPARISON OF FINANCIAL CONDITION AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007

Total assets increased by $63.1 million, or 18.3%, from $343.9 million at December 31, 2007, to $407.0 million at September 30, 2008. The increase in total assets was primarily due to increases of $56.9 million in loans receivable, net, $4.2 million in cash and cash equivalents, and an increase of $1.5 million in Federal Home Loan Bank ("FHLB") of New York stock.

Cash and cash equivalents increased by $4.2 million, or 10.8%, to $43.4 million at September 30, 2008, from $39.1 million at December 31, 2007. The increase in short-term liquidity was primarily the result of increases of $30.0 million in Federal Home Loan Bank advances and $29.7 million in deposits which had not yet been redeployed in the loan portfolio.

Net loans receivable increased by $56.9 million, or 20.1%, to $340.1 million at September 30, 2008 from $283.1 million at December 31, 2007, due primarily to loan originations of $96.0 million and increases in commercial lines of credit and term loans of $1.6 million that exceeded loan repayments of $40.4 million.

Federal Home Loan Bank (“FHLB”) of New York stock increased by $1.5 million, or 358.9%, to $1.9 million at September 30, 2008, from $414,000 at December 31, 2007. The increase was due to increased borrowings from the FHLB in the first and third quarters of 2008, which required additional purchases of FHLB New York stock.

Real estate owned increased to $608,000 at September 30, 2008 from zero at December 31, 2007 due to the acceptance on April 28, 2008 of a deed-in-lieu of foreclosure on a multi-family property located in Hampton, New Hampshire.

Advances from the FHLB increased to $30.0 million at September 30, 2008 from zero at December 31, 2007. The increase in borrowings was used to fund loan originations. During the nine-month period ended September 30, 2008, the Bank borrowed $30.0 million in fixed rate term advances from the FHLB. These advances mature during 2009 through 2013 and have an average interest rate of 3.53%.

Deposits increased by $29.7 million, or 13.1%, to $255.7 million at September 30, 2008 from $226.0 million at December 31, 2007. The increase in deposits was primarily attributable to an effort by the Bank to increase deposits from commercial business loan customers and through the offering of competitive interest rates in our retail branches and in two nationwide certificate of deposit listing services.

Advance payments by borrowers for taxes and insurance increased by $1.7 million, or 58.6%, to $4.6 million at September 30, 2008, from $2.9 million at December 31, 2007 due primarily to the increase in loans receivable and the timing of payments to municipalities, which are generally semi-annual in June and December.

Stockholders’ equity increased by $1.2 million, or 1.1%, to $110.1 million at September 30, 2008, from $108.8 million at December 31, 2007. This increase was primarily the result of net income of $1.5 million and the amortization of $217,000 for the ESOP for the period, partially offset by cash dividends declared of $493,000.

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COMPARISON OF OPERATING RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

General. Net income decreased by $12,000, or 2.2%, to $542,000 for the three months ended September 30, 2008 from $554,000 for the three months ended September 30, 2007. The decrease was primarily the result of increases of $1.0 million in interest income and $235,000 in non-interest income, offset by increases of $705,000 in interest expense, $400,000 in non-interest expense and $147,000 in provision for loan losses.

Net Interest Income. Net interest income increased by $296,000, or 9.7%, to $3.4 million for the three months ended September 30, 2008 from $3.1 million for the three months ended September 30, 2007. The increase in net interest income resulted primarily from the increased average balance of loans receivable of $90.0 million due primarily to increased loan originations, partially offset by a 37 basis point decrease in our net interest spread to 2.64% for the three months ended September 30, 2008 from 3.01% for the three months ended September 30, 2007.

The decrease in the interest rate spread in the third quarter of 2008 compared to the third quarter of 2007 was due to a decrease in the yield earned on our interest-earning assets and an increase in the cost of our interest-bearing liabilities. The yield on our interest-earning assets decreased by 29 basis points to 5.84% for the three months ended September 30, 2008 from 6.13% for the three months ended September 30, 2007. The decrease was largely due to the decline in yield on other-interest earning assets due to lower short-term market interest rates. The cost of our interest-bearing liabilities increased by 7 basis points to 3.20% for the three months ended September 30, 2008 from 3.13% for the three months ended September 30, 2007. The increase in average cost was due to an increased reliance on higher cost certificates of deposit and borrowings to fund loan growth.

The net interest margin decreased by 59 basis points between these periods from 4.11% for the quarter ended September 30, 2007 to 3.52% for the quarter ended September 30, 2008. The increase in the net interest income, despite the declines in the net interest spread and net interest margin, was due to the increase in loans receivable providing more interest income than the interest expense incurred from corresponding increases in funding sources.

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The following table summarizes average balances and average yields and costs of interest-earning assets and interest-bearing liabilities for the three months ended September 30, 2008 and 2007. Yield and costs are presented on an annualized basis.

	Three Months Ended September 30, 2008			2007		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans	$ 335,697	$ 5,326	6.35%	$ 245,685	$ 3,884	6.32%
Securities	4,225	52	4.92	10,228	140	5.48
Other interest-earning assets	41,184	185	1.80	41,695	538	5.16
Total interest-earning assets	381,106	5,563	5.84	297,608	4,562	6.13
Allowance for loan losses	(1,551)			(1,536)		
Non-interest-earning assets	22,201			19,281		
Total assets	$ 401,756			$ 315,353		
Liabilities and equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 20,844	$ 33	0.63	$ 20,187	$ 27	0.53
Savings and club accounts	58,625	117	0.81	58,258	104	0.71
Certificates of deposit	169,751	1,818	4.28	112,690	1,355	4.81
Total interest-bearing deposits	249,220	1,968	3.16	191,135	1,486	3.11
Borrowings	27,003	241	3.57	1,304	18	5.52
Total interest-bearing liabilities	276,223	2,209	3.20	192,439	1,504	3.13
Noninterest-bearing demand	4,930			2,623		
Other liabilities	10,710			12,092		
Total liabilities	291,863			207,154		
Stockholders’ equity	109,893			108,199		
Total liabilities and Stockholders’ equity	$ 401,756			$ 315,353		
Net interest income		$ 3,354			$ 3,058	
Interest rate spread			2.64			3.00
Net interest margin			3.52			4.11
Net interest-earning assets	$ 104,883			$ 105,169		
Average interest-earning assets to average interest-bearing liabilities	137.97%			154.65%		

Total interest income increased by $1.0 million, or 21.9%, to $5.6 million for the three months ended September 30, 2008, from $4.6 million for the three months ended September 30, 2007. Interest income on loans increased by $1.4 million, or 37.1%, to $5.3 million for the three months ended September 30, 2008 from $3.9 million for the three months ended September 30, 2007. The average balance of the loan portfolio increased by $90.0 million, or 36.6%, to $335.7 million for the three months ended September 30, 2008 from $245.7 million for the three months ended

September 30, 2007 as loan originations and participation purchases outpaced loan repayments. The average yield on loans increased by 3 basis points to 6.35% for the three months ended September 30, 2008 from 6.32% for the three months ended September 30, 2007.

Interest income on securities decreased by $88,000, or 62.9%, to $52,000 for the three months ended September 30, 2008 from $140,000 for the three months ended September 30, 2007. The decrease was primarily due to a decrease of $6.0 million, or 58.7%, in the average balance of securities to $4.2 million for the three months ended September 30, 2008 from $10.2 million for the three months ended September 30, 2007. The decrease was also due to a decrease of 56 basis points in the average yield on securities to 4.92% for the three months ended

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September 30, 2008 from 5.48% for the three months ended September 30, 2007. The decrease in the average balance was due to the redeployment of funds into loans receivable, while the decrease in the yield on securities was due to lower market interest rates.

Interest income on other interest-earning assets decreased by $353,000, or 65.6%, to $185,000 for the three months ended September 30, 2008 from $538,000 for the three months ended September 30, 2007. The decrease was primarily the result of a decrease of 336 basis points in the yield to 1.80% for the three months ended September 30, 2008 from 5.16% for the three months ended September 30, 2007, while the average balance of other-interest earning assets decreased by $511,000 to $41.2 million for the three months ended September 30, 2008 from $41.7 million for the three months ended September 30, 2007. The decrease in the yield on other interest-earning assets was due to a decline in the short-term interest rates subsequent to the quarter ended September 30, 2007. The decrease in the average balance of other-interest bearing assets was due to the redeployment of funds into loans receivable.

Total interest expense increased by $705,000, or 46.9%, to $2.2 million for the three months ended September 30, 2008 from $1.5 million for the three months ended September 30, 2007. The increase was primarily due to an increase in the average balances of interest-bearing deposits and borrowed money. Interest expense on deposits increased by $482,000, or 32.4%, to $2.0 million for the three months ended September 30, 2008 from $1.5 million for the three months ended September 30, 2007. During this same period, the average interest cost of deposits increased by 5 basis points to 3.16% for the three months ended September 30, 2008 from 3.11% for the three months ended September 30, 2007. Interest expense on borrowed money increased by $223,000 to $241,000 for the three months ended September 30, 2008 from $18,000 for the three months ended September 30, 2007. During this same period, the average cost of borrowings decreased by 195 basis points to 3.57% for the three months ended September 30, 2008 from 5.52% for the three months ended September 30, 2007.

The increase in interest expense on deposits is attributable to the Bank's effort to increase deposits through the posting of competitive interest rates in our retail branch network and on two nationwide certificate of deposit listing services. This had the effect of increasing the average balance of certificates of deposits by $57.1 million, or 50.6%, to $169.8 million for the three months ended September 30, 2008 from $112.7 million for the three months ended September 30, 2007. As a result, interest expense on our certificates of deposits increased by $463,000, or 34.2%, to $1.8 million for the three months ended September 30, 2008 from $1.4 million for the three months ended September 30, 2007. Mitigating this increase was a decrease of 53 basis points in the cost of certificates of deposits to 4.28% for the three months ended September 30, 2008 from 4.81% for the three months ended September 30, 2007.

Interest expense on our other deposit products increased by $20,000, or 15.3%, to $151,000 for the three months ended September 30, 2008 from $131,000 for the three months ended September 30, 2007. The increase was due to an increase of 10 basis points in the cost of our interest-bearing demand deposits to 0.63% for the three months ended September 30, 2008 from 0.53% for the three months ended September 30, 2007 and an increase of 10 basis points in the cost of our savings and holiday club deposits to 0.81% for the three months ended September 30, 2008 from 0.71% for the three months ended September 30, 2007. The increase was also due to increases of $657,000, or 3.3%, in the average balance of interest-bearing demand deposits to $20.8 million for the three months ended September 30, 2008 from $20.2 million for the three months ended September 30, 2007, and $367,000, or 0.6%, in the average balance of our savings and holiday club deposits to $58.6 million for the three months ended September 30, 2008 from $58.3 million for the three months ended September 30, 2007.

Interest expense on borrowing increased by $223,000 to $241,000 for the three months ended September 30, 2008 from $18,000 for the three months ended September 30, 2007. The increase was primarily due to an increase of $25.7 million in the average balance of borrowed money to $27.0 million for the three months ended September 30, 2008 from $1.3 million for the three months ended September 30, 2007. Interest expense on borrowed money for the three months ended September 30, 2008 comprised of $234,000 in interest expense on an average balance of $26.4 million in FHLB advances and $7,000 in interest expense on an average balance of $644,000 on a note payable incurred in connection with the acquisition of the operating assets of Hayden Financial Group LLC (now operating as Hayden Wealth Management Group, the Bank's investment advisory and financial planning service division) in the fourth quarter of 2007. This compared to interest expense from FHLB advances of $18,000 for the

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three months ended September 30, 2007 due to a borrowing of $4.0 million that occurred on June 29, 2007 and that was subsequently paid-off on July 31, 2007.

Provision for Loan Losses. The following table summarizes the activity in the allowance for loan losses and provision for loan losses for the three months ended September 30, 2008 and 2007.

	Three Months Ended September 30,	
	2008	2007
	(Dollars in thousands)	
Allowance at beginning of period	$ 1,568	$ 1,538
Provision for loan losses	147	-
Charge-offs	-	49
Recoveries	-	-
Net charge-offs	-	49
Allowance at end of period	$ 1,715	$ 1,489
Allowance to nonperforming loans	56.90%	65.48%
Allowance to total loans outstanding at the end of the period	0.50%	0.58%
Annualized net charge-offs (recoveries) to average loans outstanding during the period	0.00%	0.06%

The allowance for loan losses was $1.72 million at September 30, 2008, $1.49 million at December 31, 2007, and $1.49 million at September 30, 2007. We recorded a provision for loan losses of $147,000 for the three-month period ended September 30, 2008. The primary reason for the provision in the 2008 period was the growth of the Bank's loan portfolio, and a general weakening in the economy throughout our lending territory. In this regard, the Bank's gross loan portfolio grew by $15.5 million, or 4.8%, to $341.8 million at September 30, 2008 from $326.3 million at June 30, 2008. We did not have any charge-offs during the three months ended September 30, 2008. See also "Nonperforming Assets."

We did not record any provisions for loan losses during the three months ended September 30, 2007. We recorded a charge-off of $49,000 on a multi-family mortgage loan that was subsequently foreclosed and sold as real estate owned during the three months ended September 30, 2007.

We did not have any recoveries during the three months ended September 30, 2008 and September 30, 2007.

Non-interest Income. Non-interest income increased by $235,000, or 120.5%, to $430,000 for the three months ended September 30, 2008 from $195,000 for the three months ended September 30, 2007. The increase was primarily due to $208,000 in fee income generated by Hayden Wealth Management Group, which commenced operations during the fourth quarter of 2007. The increase was also due to an increase of $14,000, or 14.1%, in other loan fees and service charges to $113,000 for the three months ended September 30, 2008 from $99,000 for the three months ended September 30, 2007.

Non-interest Expense. Non-interest expense increased by $400,000, or 16.9%, to $2.8 million for the three months ended September 30, 2008 from $2.4 million for the three months ended September 30, 2007. The increase resulted from increases of $196,000 in salaries and employee benefits, $121,000 in an impairment loss recognized on a foreclosed multi-family property, $43,000 in other non-interest expense, $16,000 in advertising expense, $16,000 in occupancy expense, and $15,000 in equipment expense, partially offset by a $7,000 decrease in outside data processing expense.

Salaries and employee benefits, which represent more than 50% of the Company's non-interest expense, increased by $196,000, or 15.7%, to $1.4 million in 2008 from $1.2 million in 2007 due to an increase in the number of full time equivalent employees from 76 at September 30, 2007 to 87 at September 30, 2008. The increase was due to the acquisition of Hayden Financial Group, LLC, an investment advisory firm, in November 2007 and the addition of one loan officer in December 2007.

The Bank recognized an impairment loss of $121,000 in 2008 on a foreclosed multi-family property due to a fair value calculation based upon a recent appraisal. The Bank did not have any impairment loss on foreclosed property in 2007.

Other non-interest expense increased by $43,000, or 7.8%, to $597,000 in 2008 from $554,000 in 2007 due mainly to increases in amortization expense of intangible assets and other non-interest expense categories, partially offset by decreases in legal fees and telephone expense.

Advertising expense increased by $16,000 to $33,000 in 2008 from $17,000 in 2007 due to an increased effort to market the Bank's loan, deposit, and investment products and services. Occupancy expense increased by $16,000 to $291,000 in 2008 from $275,000 in 2007 due to the additional occupancy expense in connection with the acquisition of Hayden Financial Group. Equipment expense increased by $15,000, or 14.9%, to $116,000 in 2008 from $101,000 in 2007 due to the upgrade of equipment. Outside date processing expense decreased by $7,000, or 4.2%, to $160,000 in 2008 from $167,000 in 2007 due to a decrease in the Bank's ATM data processing expense.

Income Taxes. Income tax expense decreased by $4,000, or 1.6%, to $333,000 for the three months ended September 30, 2008 from $337,000 for the three months ended September 30, 2007. The decrease resulted primarily from a $16,000 decrease in pre-tax income in 2008 compared to 2007. The effective tax rate was 38.1% for the three months ended September 30, 2008 compared to 37.8% for the three months ended September 30, 2007.

COMPARISON OF OPERATING RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

General. Net income decreased by $10.1 million, or 86.9%, to $1.5 million for the nine months ended September 30, 2008 from $11.6 million for the nine months ended September 30, 2007. The decrease was primarily the result of the $19.0 million gain ($10.7 million net of income taxes) from the disposition of the Bank's branch office building located at 1353-55 First Avenue that occurred during the nine months ended September 30, 2007. Absent the impact of the building sale, net income improved approximately $0.6 million due primarily to increased net interest income.

Net Interest Income. Net interest income increased by $1.3 million, or 14.8%, to $9.8 million for the nine months ended September 30, 2008 from $8.5 million for the nine months ended September 30, 2007. The increase in net interest income resulted primarily from the increased average balance of net interest earning assets of $16.0 million due primarily to increased loan originations partially offset by a 53 basis point decrease in our net interest spread to 2.66% for the nine months ended September 30, 2008 from 3.19% for the nine months ended September 30, 2007.

The decrease in the interest rate spread was due to a decrease in the yield earned on our interest-earning assets and an increase in the cost of our interest-bearing liabilities. The yield on our interest-earning assets decreased by 19 basis points to 5.92% for the nine months ended September 30, 2008 from 6.11% for the nine months ended September 30, 2007. The decrease was largely due to the decline in yield on other-interest earning assets due to lower short-term market interest rates. The cost of our interest-bearing liabilities increased by 35 basis points to 3.27% for the nine months ended September 30, 2008 from 2.92% for the nine months ended September 30, 2007.

The net interest margin decreased by 52 basis points between these periods to 3.60% for the nine months ended September 30, 2008 from 4.12% for the nine months ended September 30, 2007. The increase in the net interest income, despite the declines in the net interest spread and net interest margin, was due to the increase in net interest-earning assets.

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The following table summarizes average balances and average yields and costs of interest-earning assets and interest-bearing liabilities for the nine months ended September 30, 2008 and 2007. Yield and costs are presented on an annualized basis.

	Nine Months Ended September 30,					
	2008			2007		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
	(Dollars in thousands)					
Assets:						
Interest-earning assets:						
Loans	$ 318,635	$ 15,297	6.40%	$ 220,517	$ 10,506	6.35%
Securities	4,008	157	5.22	18,857	708	5.01
Other interest-earning assets	40,807	695	2.27	36,782	1,443	5.23
Total interest-earning assets	363,450	16,149	5.92	276,156	12,657	6.11
Allowance for loan losses	(1,510)			(1,314)		
Non-interest-earning assets	20,484			23,052		
Total assets	$ 382,424			$ 297,894		
Liabilities and equity:						
Interest-bearing liabilities:						
Interest-bearing demand deposits	$ 21,356	$ 104	0.65	$ 20,414	$ 78	0.51
Savings and club accounts	58,134	333	0.76	59,276	311	0.70
Certificates of deposit	162,820	5,460	4.47	107,687	3,713	4.60
Total interest-bearing deposits	242,310	5,897	3.24	187,377	4,102	2.92
Borrowings	16,830	452	3.58	469	18	5.12
Total interest-bearing liabilities	259,140	6,349	3.27	187,846	4,120	2.92
Noninterest-bearing demand	3,932			1,826		
Other liabilities	9,890			7,213		
Total liabilities	272,962			196,885		
Stockholders' equity	109,462			101,009		
Total liabilities and Stockholders' equity	$ 382,424			$ 297,894		
Net interest income		$ 9,800			$ 8,537	
Interest rate spread			2.65			3.19
Net interest margin			3.60			4.12
Net interest-earning assets	$ 104,310			$ 88,310		
Average interest-earning assets to average interest-bearing liabilities	140.25%			147.01%		

Total interest income increased by $3.5 million, or 27.6%, to $16.1 million for the nine months ended September 30, 2008 from $12.7 million for the nine months ended September 30, 2007. Interest income on loans increased by $4.8 million, or 45.6%, to $15.3 million for the nine months ended September 30, 2008 from $10.5 million for the nine months ended September 30, 2007. The average balance of the loan portfolio increased by $98.1 million to $318.6

million for the nine months ended September 30, 2008 from $220.5 million for the nine months ended September 30, 2007 as loan originations and purchases outpaced loan repayments. The average yield on loans increased by 5 basis points to 6.40% for the nine months ended September 30, 2008 from 6.35% for the nine months ended September 30, 2007.

Interest income on securities decreased by $551,000, or 77.8%, to $157,000 for the nine months ended September 30, 2008 from $708,000 for the nine months ended September 30, 2007. The decrease was primarily due to a decrease of $14.9 million, or 78.7%, in the average balance of securities to $4.0 million for the nine months ended September 30, 2008 from $18.9 million for the nine months ended September 30, 2007. This decrease was

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partially offset by an increase of 21 basis points in the average yield on securities to 5.22% for the nine months ended September 30, 2008 from 5.01% for the nine months ended September 30, 2007. The decrease in the average balance of securities was due to the redeployment of funds into loans receivable.

Interest income on other interest-earning assets decreased by $748,000, or 51.8%, to $695,000 for the nine months ended September 30, 2008 from $1.4 million for the nine months ended September 30, 2007. The decrease was primarily the result of a decrease of 296 basis points in the yield to 2.27% for the nine months ended September 30, 2008 from 5.23% for the nine months ended September 30, 2007, partially offset by an increase of $4.0 million in the average balance of other interest-earning assets to $40.8 million for the nine months ended September 30, 2008 from $36.8 million for the nine months ended September 30, 2007. The decrease in the yield of other interest-earning assets was due to a decline in the short-term interest rates subsequent to the nine months ended September 30, 2007. The increase in the average balance of other interest-earning assets was due to the increase in deposits and borrowed money prior to using these funds for loan originations.

Total interest expense increased by $2.2 million, or 54.1%, to $6.3 million for the nine months ended September 30, 2008 from $4.1 million for the nine months ended September 30, 2007. Interest expense on deposits increased by $1.8 million, or 43.8%, to $5.9 million for the nine months ended September 30, 2008 from $4.1 million for the nine months ended September 30, 2007. During this same period, the average interest cost of deposits increased by 32 basis points to 3.24% for the nine months ended September 30, 2008 from 2.92% for the nine months ended September 30, 2007.

The increase in interest expense on deposits is attributable to an effort by the Bank to increase deposits through the posting of competitive interest rates in our retail branch network and on two nationwide certificate of deposit listing services. This had the effect of increasing the average balance of certificates of deposits by $55.1 million, or 51.2%, to $162.8 million for the nine months ended September 30, 2008 from $107.7 million for the nine months ended September 30, 2007. As a result, interest expense on our certificates of deposits increased by $1.8 million, or 47.1%, to $5.5 million for the nine months ended September 30, 2008 from $3.7 million for the nine months ended September 30, 2007. Mitigating this increase was a decrease of 13 basis points in the cost of certificates of deposits to 4.47% for the nine months ended September 30, 2008 from 4.60% for the nine months ended September 30, 2007.

Interest expense on our other deposit products increased by $48,000, or 12.3%, to $437,000 for the nine months ended September 30, 2008 from $389,000 for the nine months ended September 30, 2007. The increase was due to an increase of 14 basis points in the cost of our interest-bearing demand deposits to 0.65% for the nine months ended September 30, 2008 from 0.51% for the nine months ended September 30, 2007 and an increase of 6 basis points in the cost of our savings and holiday club deposits to 0.76% for the nine months ended September 30, 2008 from 0.70% for the nine months ended September 30, 2007. The increase in cost was partially offset by an aggregate decrease in the average balance of interest –bearing demand deposits and savings and holiday club deposits to $79.5 million for the nine months ended September 30, 2008 from $79.7 million for the nine months ended September 30, 2007.

Interest expense on borrowings increased by $434,000 to $452,000 for the nine months ended September 30, 2008 from $18,000 for the nine months ended September 30, 2007. The increase was primarily due to an increase of $16.4 million in the average balance of borrowed money to $16.8 million for the nine months ended September 30, 2008 from $469,000 for the nine months ended September 30, 2007. Interest expense on borrowed money for the nine months ended September 30, 2008 was comprised of $430,000 in interest expense on an average balance of $16.2 million in FHLB advances and $22,000 in interest expense on an average balance of $637,000 on a note payable incurred in connection with the acquisition of the operating assets of Hayden Financial Group LLC in the fourth quarter of 2007. This compared to interest expense from FHLB advances of $18,000 for the nine months ended September 30, 2007 due to a borrowing of $4.0 million that occurred on June 29, 2007 and that was subsequently paid-off on July 31, 2007.

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Provision for Loan Losses. The following table summarizes the activity in the allowance for loan losses and provision for loan losses for the Nine months ended September 30, 2008 and 2007.

	Nine Months Ended September 30, 2008	2007
	(In thousands)	
Allowance at beginning of period	$ 1,489	$ 1,200
Provision for loan losses	226	338
Charge-offs	-	49
Recoveries	-	-
Net charge-offs	-	49
Allowance at end of period	$ 1,715	$ 1,489

We recorded provisions for loan losses of $226,000 and $338,000 during the nine month periods ended September 30, 2008 and 2007, respectively, due primarily to the growth of the Bank's loan portfolio, an increase in nonperforming loans and a general weakening in the economy throughout our lending territory. There were no charge-offs during the nine months ended September 30, 2008. We incurred a charge-off of $49,000 on a multi-family mortgage loan that was subsequently foreclosed and sold as real estate owned during the nine months ended September 30, 2007. See also "Nonperforming Assets."

There were no recoveries during the nine month periods ended September 30, 2008 and 2007, respectively.

Non-interest Income. Non-interest income decreased by $18.3 million, or 93.6%, to $1.2 million for the nine months ended September 30, 2008 from $19.5 million for the nine months ended September 30, 2007. The decrease was primarily due to the $19.0 million gain during the 2007 period from the disposition of the Bank's branch office building located at 1353-55 First Avenue, New York, New York. The decrease was partially offset by $611,000 in fee income generated by Hayden Wealth Management Group, the Bank's investment advisory and financial planning service division acquired during the fourth quarter of 2007, a $32,000 one-time payment from Visa in 2008 in connection with Visa's initial public stock offering, and an increase of $32,000 in loan fees and service charges.

Non-interest Expense. Non-interest expense increased by $995,000, or 13.5%, for the nine months ended September 30, 2008 to $8.4 million from $7.4 million for the nine months ended September 30, 2007. The increase resulted primarily from increases of $554,000 in salaries and employee benefits, $189,000 in other non-interest expense, $121,000 in an impairment loss recognized on a foreclosed multi-family property, $65,000 in advertising expense, $30,000 in occupancy expense, $19,000 in equipment expense, and $17,000 in outside data processing expense.

Salaries and employee benefits increased by $554,000, or 14.2%, to $4.5 million in 2008 from $3.9 million in 2007 due to an increase in the number of full time equivalent employees from 76 at September 30, 2007 to 87 at September 30, 2008. The increase was due to the acquisition of the operating assets of Hayden Financial Group, LLC, an investment advisory firm, in November 2007, and the addition of one loan officer in December 2007.

Other non-interest expense increased by $189,000, or 10.9%, to $1.9 million in 2008 from $1.7 million in 2007 due mainly to increases in directors, officers and employee expenses, legal fees, audit and accounting fees, and amortization expense of intangible assets. These increases were partially offset by decreases in various other non-interest expense categories, the most significant of which were in directors' compensation and telephone expense.

The Bank recognized an impairment loss of $121,000 in 2008 on a foreclosed multi-family property due to a fair value calculation based upon a recent appraisal. The Bank did not have any impairment loss on foreclosed property in

2007.

Advertising expense increased by $65,000, or 95.6%, to $133,000 in 2008 from $68,000 in 2007 due to an increased effort to market the Bank's loan, deposit, and investment products and services. Occupancy expense increased by $30,000, or 3.7%, to $845,000 in 2008 from $815,000 in 2007 due to the additional occupancy expense

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in connection with the acquisition of Hayden Financial Group. Equipment expense increased by $19,000, or 5.2%, to $387,000 in 2008 from $368,000 in 2007 due to the upgrade of equipment. Outside date processing expense increased by $17,000, or 3.6%, to $495,000 in 2008 from $478,000 in 2007 due to an increase in the Company's core data processing expense.

Income Taxes. Income tax expense decreased by $7.8 million, or 89.1%, to $961,000 for the nine months ended September 30, 2008, from $8.8 million for the nine months ended September 30, 2007. The decrease resulted primarily from a $17.9 million decrease in pre-tax income in 2008 compared to 2007. The effective tax rate was 38.8% for the nine months ended September 30, 2008 compared to 43.2% for the same period in 2007. The decrease in the effective tax rate is the result of a greater percentage of our pre-tax income being tax-exempt in 2008.

NON PERFORMING ASSETS

The following table provides information with respect to our non-performing assets at the dates indicated. We had no troubled debt restructurings at the dates presented.

	At September 30, 2008	At December 31, 2007
	(Dollars in thousands)	
Non-accrual loans	$ 3,014	$ 1,867
Loans past due 90 days or more and accruing	-	407
Total non-performing loans	3,014	2,274
Real estate owned	608	–
Total non-performing assets	3,622	2,274
Troubled debt restructurings	-	–
Total troubled debt restructurings and non-performing assets	$ 3,622	$ 2,274
Total non-performing loans to total loans	0.88%	0.80%
Total non-performing loans to total assets	0.74%	0.66%
Total non-performing assets and troubled debt restructurings to total assets	0.89%	0.66%

At September 30, 2008, we had three non-accrual non-residential mortgage loans totaling $2.0 million. One of the non-accrual non-residential mortgage loans had an outstanding balance of $845,000 and is secured by an office building located in Mamaroneck, New York. Another non-accrual non-residential mortgage loan had an outstanding balance of $769,000 and is secured by two gasoline stations and an automobile repair facility located in Putnam and Westchester Counties, New York. The debtor has filed for bankruptcy under Chapter 11. The third non-accrual non-residential mortgage loan had an outstanding balance of $431,000 and is secured by a non-residential building located in Yonkers, New York. Based on current fair value of the properties collateralizing these loans, the Bank has not established specific reserves on these loans.

At September 30, 2008, we had three non-accrual multi-family delinquent mortgage loans totaling $969,000. One of the non-accrual multi-family mortgage loans had an outstanding balance of $406,000 and is secured by a six-unit apartment building located in Newark, New Jersey. Another non-accrual multi-family mortgage loan had an outstanding balance of $261,000 and is secured by an apartment building located in Elizabeth, New Jersey. The third non-accrual multi-family mortgage loan had an outstanding balance of $302,000 and is secured by a 16-unit single room occupancy building located in Rochester, New Hampshire. Based on current fair value of the properties collateralizing these loans, the Bank has not established specific reserves on these loans.

We have commenced foreclosure actions on all of the above-mentioned non-performing loans.

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The other non-performing asset consists of a multi-family property located in Hampton, New Hampshire with respect to which the Bank accepted a deed-in-lieu of foreclosure on April 28, 2008. We intend to renovate and market the property, and, based on a recent fair value estimate of the property, we recognized an impairment loss of $121,000 during the three month period ended September 30, 2008.

LIQUIDITY MANAGEMENT

Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of securities, and borrowings from the Federal Home Loan Bank of New York. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

We regularly adjust our investments in liquid assets based upon our assessment of: (1) expected loan demands; (2) expected deposit flows; (3) yields available on interest-earning deposits and securities; and (4) the objectives of our asset/liability management policy.

Our most liquid assets are cash and cash equivalents. The levels of these assets depend on our operating, financing, lending, and investing activities during any given period. Cash and cash equivalents totaled $43.4 million at September 30, 2008 and consist primarily of deposits at other financial institutions and miscellaneous cash items. Securities classified as available for sale and whose fair value exceeds our amortized cost provide an additional source of liquidity. Total securities classified as available for sale were $209,000 at September 30, 2008.

At September 30, 2008, we had $59.1 million in loan commitments outstanding, consisting of $39.4 million of real estate loan commitments, $13.3 million in unused commercial business lines of credit, $4.7 million in unused real estate equity lines of credit, $1.6 million in unused loans in process, and $181,000 in consumer lines of credit. Certificates of deposit due within one year of September 30, 2008 totaled $126.4 million. This represented 74.1% of certificates of deposit at September 30, 2008. We believe the large percentage of certificates of deposit that mature within one year reflects customers' hesitancy to invest their funds for long periods in the current interest rate environment. If these maturing deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and borrowings. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before September 30, 2009. We believe, however, based on past experience, a significant portion of our certificates of deposit will remain with us. We have the ability to attract and retain deposits by adjusting the interest rates offered.

Our primary investing activities are the origination of loans and the purchase of securities. Our primary financing activities consist of deposit accounts and FHLB advances. At September 30, 2008, we had the ability to borrow in additional $53.4 million in outstanding advances, from the FHLB of New York. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors. We generally manage the pricing of our deposits to be competitive and to maintain or increase our core deposit relationships depending on our level of real estate loan commitments outstanding. Occasionally, we offer promotional rates on certain deposit products to attract deposits or to lengthen repricing time frames.

CAPITAL MANAGEMENT

The Bank is subject to various regulatory capital requirements administered by the Office of Thrift Supervision, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. At September 30, 2008, the Bank exceeded all regulatory capital requirements. The Bank is considered “well capitalized” under regulatory guidelines.

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OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments, letters of credit and lines of credit. The liabilities under such transactions are not material.

For the nine months ended September 30, 2008 and the year ended December 31, 2007, we engaged in no off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Qualitative Aspects of Market Risk. The Company's most significant form of market risk is interest rate risk. We manage the interest rate sensitivity of our interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment. Deposit accounts typically react more quickly to changes in market interest rates than mortgage loans because of the shorter maturities of deposits. As a result, sharp increases in interest rates may adversely affect our earnings while decreases in interest rates may beneficially affect our earnings. To reduce the potential volatility of our earnings, we have sought to improve the match between asset and liability maturities and rates, while maintaining an acceptable interest rate spread. Our strategy for managing interest rate risk emphasizes: originating mortgage real estate loans that reprice to market interest rates in three to five years; purchasing securities that typically reprice within a three year time frame to limit exposure to market fluctuations; and, where appropriate, offering higher rates on long-term certificates of deposit to lengthen the repricing time frame of our liabilities. We currently do not participate in hedging programs, interest rate swaps or other activities involving the use of derivative financial instruments.

We have an Asset/Liability Committee, comprised of our chief executive officer, chief financial officer, chief mortgage officer, chief retail banking officer and treasurer, whose function is to communicate, coordinate and control all aspects involving asset/liability management. The committee establishes and monitors the volume, maturities, pricing and mix of assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Our goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income and net income.

Quantitative Aspects of Market Risk. We use an interest rate sensitivity analysis prepared by the Office of Thrift Supervision to review our level of interest rate risk. This analysis measures interest rate risk by computing changes in the net portfolio value of our cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. Net portfolio value represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. These analyses assess the risk of loss in market risk-sensitive instruments in the event of a sudden and sustained 100 to 300 basis point increase or 100 basis point decrease in market interest rates with no effect given to any steps that we might take to counter the effect of that interest rate movement.

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The following table presents the change in our net portfolio value at September 30, 2008 that would occur in the event of an immediate change in interest rates based on Office of Thrift Supervision assumptions, with no effect given to any steps that we might take to counteract that change.

	Net Portfolio Value (Dollars in thousands)			Net Portfolio Value as % of Portfolio Value of Assets	
Basis Point ("bp") Change in Rates	$ Amount	$ Change	% Change	NPV Ratio	Change
300	$ 89,128	$ (3,746)	(4)%	22.42%	(27) bp
200	90,451	(2,423)	(3)%	22.53%	(15) bp
100	91,703	(1,171)	(1)%	22.62%	(7) bp
50	92,314	(560)	(1)%	22.66%	(3) bp
0	92,874	-	-	22.69%	
(50)	93,336	463	0%	22.69%	1bp
(100)	93,754	880	1%	22.69%	0bp

We and the Office of Thrift Supervision use various assumptions in assessing interest rate risk. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under differing interest rate scenarios, among others. As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analyses presented in the foregoing tables. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates could deviate significantly from those assumed in calculating the table. Prepayment rates can have a significant impact on interest income. Because of the large percentage of loans we hold, rising or falling interest rates have a significant impact on the prepayment speeds of our earning assets that in turn affect the rate sensitivity position. When interest rates rise, prepayments tend to slow. When interest rates fall, prepayments tend to rise. Our asset sensitivity would be reduced if prepayments slow and vice versa. While we believe these assumptions to be reasonable, there can be no assurance that assumed prepayment rates will approximate actual future loan repayment activity.

Item 4. Controls and Procedures

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonable likely to materially affect, the Company’s internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be party to various legal proceedings incident to our business. At September 30, 2008, we were not a party to any pending legal proceedings that we believe would have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission Of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

- 10.1 Northeast Community Bank Executive Incentive Deferral Plan.
- 31.1 CEO certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 CFO certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
- 32.1 CEO and CFO certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Signatures

Pursuant to the requirements 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.

Northeast Community Bancorp, Inc.

Date: November 14, 2008	By: /s/ Kenneth A. Martinek Kenneth A. Martinek President and Chief Executive Officer
Date: November 14, 2008	By: /s/ Salvatore Randazzo Salvatore Randazzo Executive Vice President and Chief Financial Officer