

BCB BANCORP INC  
Form S-1/A  
November 16, 2005

As filed with the Securities and Exchange Commission on November 16, 2005

Registration No. 333-128214

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**PRE-EFFECTIVE AMENDMENT NO. 1**

**TO THE**

**Form S-1**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**BCB BANCORP, INC.**

*(Exact Name of Registrant as Specified in Its Charter)*

**New Jersey**

*(State or Other Jurisdiction of  
Incorporation or Organization)*

**6712**

*(Primary Standard Industrial  
Classification Code Number)*

**26-0065262**

*(I.R.S. Employer  
Identification Number)*

**104-110 Avenue C**

**Bayonne, New Jersey 07002**

**(201) 823-0700**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of  
Registrant's Principal Executive Offices)*

**Donald Mindiak**

**104-110 Avenue C**

**Bayonne, New Jersey 07002**

**(201) 823-0700**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of  
Agent for Service)*

**Copies to:**

**Alan Schick, Esq.**

**Marc P. Levy, Esq.**

**Luse Gorman Pomerenk & Schick, P.C.**

**5335 Wisconsin Avenue, N.W., Suite 400**

**Washington, D.C. 20015**

**(202) 274-2000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☐

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement

for the same offering: ☐

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: ☐

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price per Share</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
Common Stock, no par value per share	1,150,000 shares	\$15.65	\$17,997,500(1)	\$2,118.31(2)

(1) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(c) under the Securities Act, based on the average of the bid and asked prices of the Registrant's Common Stock as reported on the Electronic Over the Counter Bulletin Board as of November 14, 2005.

(2) Previously paid \$2,141.86 on September 9, 2005.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

[SUBJECT TO COMPLETION DATED , 2005]

**PRELIMINARY PROSPECTUS**

**1,000,000 Shares  
Common Stock**

We are a New Jersey corporation and the holding company for Bayonne Community Bank, a New Jersey chartered bank with headquarters in Bayonne, New Jersey. We are offering 1,000,000 shares of our common stock for sale. Our shares of common stock currently trade on the Over the Counter Electronic Bulletin Board under the trading symbol BCBP. We have received approval to have our common stock listed for trading on the Nasdaq National Market under the symbol BCBP. On , 2005, the last reported sale price of our common stock was \$ per share.

**This investment involves a degree of risk, including the possible loss of principal. Therefore, before buying any shares of our common stock, you should carefully consider the section of this prospectus entitled Risk Factors beginning on page .**

The shares of common stock we offer are not deposits, savings accounts or obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$ (1)	\$ (1)
Proceeds to us, before expenses	\$	\$

(1) These amounts give effect to an underwriting discount of \$ per share on all shares except shares that have been reserved for sale to directors and executive officers, as to which an underwriting discount of \$ per share will apply.

This is a firm commitment underwriting. We have granted the underwriters a 30-day option to purchase up to an additional 150,000 shares of our common stock at the public offering price, less underwriting discounts and commissions to cover over-allotments.

**Neither the Securities and Exchange Commission, the New Jersey Department of Banking and Insurance, the Federal Deposit Insurance Corporation, nor any state securities commission or other regulatory body has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

The underwriters expect to deliver the shares to purchasers on or about , 2005.

**Janney Montgomery Scott llc**  
The date of this Prospectus is , 2005



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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. Because this is a summary, it may not contain all of the information that is important to you. Therefore, you should also read the more detailed information set forth in this prospectus, our consolidated financial statements and the other information that is incorporated by reference to this prospectus before making a decision to invest in our common stock. The words "we," "our" and "us" refer to BCB Bancorp, Inc. and its wholly-owned subsidiary Bayonne Community Bank, unless indicated otherwise.*

*Unless we indicate otherwise, the information in this prospectus assumes that the underwriters will not exercise their over-allotment option to purchase additional shares of common stock.*

### **BCB Bancorp, Inc.**

We were incorporated on May 1, 2003, and are the New Jersey-chartered parent of Bayonne Community Bank. We have not engaged in any significant business activity other than owning all of the outstanding shares of common stock of Bayonne Community Bank. Our executive office is located at 104-110 Avenue C, Bayonne, New Jersey 07002 and our telephone number is (201) 823-0700. At September 30, 2005, we had \$446.9 million in consolidated assets, \$351.9 million in consolidated deposits and \$29.2 million in consolidated shareholders' equity. We are subject to extensive regulation by the Board of Governors of the Federal Reserve System (the "FRB"). Our website is [www.bcb Bancorp.com](http://www.bcb Bancorp.com).

### **Bayonne Community Bank**

Bayonne Community Bank was chartered in October 2000, as a New Jersey-chartered commercial bank headquartered in Bayonne, New Jersey. Bayonne Community Bank conducts its business from its executive office located at 104-110 Avenue C, Bayonne, New Jersey and two branches, all of which are located in Bayonne, New Jersey. Our website is [www.BayonneCommunityBank.com](http://www.BayonneCommunityBank.com).

Our business plan emphasizes both profitability and growth. On an operational basis, we achieved profitability in our tenth month of operation. For the nine-month period ended September 30, 2005, our return on average equity was 16.42% and our return on average assets was 1.18%. Our earnings per share grew from \$0.43 for the year ended December 31, 2002 to \$1.19 for the twelve months ended September 30, 2005, a compound annual growth rate of 44.2%. We achieved this earnings growth by focusing on core deposits and by controlling our non-interest expenses. This has been accomplished during a period of significant asset growth. From September 30, 2002 to September 30, 2005, our assets have grown from \$169.3 million to \$446.9 million. Management is committed to maintaining profitability while continuing to grow loans and deposits.

### **Market Area**

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

Our market area includes the cities of Bayonne, Jersey City and portions of Hoboken. These areas are all considered bedroom or commuter communities to Manhattan. These areas have all experienced strong growth in median household incomes and are projected to equal or exceed historical growth over the next five years. 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.

## Our Business Strategy

Our business strategy is to operate as a well-capitalized, profitable and independent community-oriented financial institution dedicated to providing quality customer service. Specifically, our business strategy incorporates the following elements:

*Maintaining a community focus.* Our management and Board of Directors have strong ties to the Bayonne community and are active in the community through non-profit board memberships, local business development organizations, and industry associations;

*Focusing on profitability.* For the nine-month period ended September 30, 2005, our return on average equity was 16.42% and our return on average assets was 1.18%. Our diluted earnings per share grew from \$0.43 for the year ended December 31, 2002 to \$1.19 for the twelve months ended September 30, 2005, a compound annual growth rate of 44.2%;

*Continuing our growth.* From September 30, 2002 to September 30, 2005, our assets have increased from \$169.3 million to \$446.9 million. Over the same time period, our loan balances have increased from \$101.2 million to \$286.1 million, while deposits have increased from \$150.2 million to \$351.9 million;

*Concentrating on real estate-based lending.* A primary focus of our business strategy is originating loans secured by commercial and multi-family properties;

*Capitalizing on market dynamics.* The consolidation of the banking industry in Hudson County has created a need for a customer focused banking institution;

*Providing attentive and personalized service.* Management believes that providing attentive and personalized service is the key to gaining deposit and loan relationships in Bayonne and its surrounding communities; and

*Attracting highly experienced and qualified personnel.* An important part of our strategy is hiring bankers who have prior experience in the Hudson County market as well as pre-existing business relationships. Our management team has an average of 27 years of banking experience, while our lenders and branch personnel have significant prior experience at community banks and regional banks in Hudson County.

More information regarding our business strategy can be found at page , under the section Business of BCB Bancorp, Inc Business Strategy.



### The Offering

Common stock offered	1,000,000 shares(1)
Common stock outstanding after the offering	shares(2)
Net proceeds	The net proceeds of the offering will be approximately \$ million without the underwriters' over-allotment option, assuming an offering price of \$ per share (based upon the closing price of our common stock on , 2005).
Use of proceeds	The proceeds of the offering will be available for contribution to the capital of Bayonne Community Bank, for use in our lending and investment activities, for branch expansion and for our general corporate purposes. See Use of Proceeds at page .
Dividends on common stock	We have not historically paid cash dividends on our common stock. See Market for Common Stock and Dividends at page .
Current Over the Counter Electronic Bulletin Board Symbol	BCBP
Proposed Nasdaq National Market symbol	BCBP
Risk Factors	Before investing, you should carefully review the information contained under Risk Factors beginning at page .

- (1) The number of shares offered assumes that the underwriters' over-allotment option is not exercised. If the over-allotment option is exercised in full, we will issue and sell 1,150,000 shares.
- (2) The number of shares outstanding after the offering is based on the number of shares outstanding as of , 2005 and assumes that the underwriter's over-allotment option is not exercised. It excludes an aggregate of shares reserved for issuance under our stock option plans, of which options to purchase shares at a weighted average exercise price of \$ had been granted and were outstanding as of , 2005.

**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA  
OF BCB BANCORP, INC. AND SUBSIDIARY**

The following tables set forth selected consolidated historical financial and other data of BCB Bancorp, Inc. at and for the nine months ended September 30, 2005 and 2004, and at and for the years ended December 31, 2004 and 2003, and for Bayonne Community Bank at and for years prior to December 31, 2003. This information is derived in part from, and should be read together with, the audited Consolidated Financial Statements and Notes thereto of BCB Bancorp, Inc. beginning on page F-2. The information presented at September 30, 2005 and for the nine-month periods ended September 30, 2005 and September 30, 2004 are derived from unaudited consolidated financial statements but, in the opinion of management, reflects all adjustments, consisting of normal recurring adjustments, necessary to present fairly the results for these interim periods. The selected operating data for the nine months ended September 30, 2005, are not necessarily indicative of the results of operations that may be expected for the entire year.

	<b>At or for the Nine Months Ended September 30,</b>		<b>At or for the Years Ended December 31,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
(In thousands, except per share data)							
<b>Selected Balance Sheet Data:</b>							
Total assets	\$ 446,858	\$ 383,151	\$ 378,289	\$ 300,676	\$ 183,108	\$ 113,224	\$ 29,536
Cash and cash equivalents	5,821	16,854	4,534	11,786	5,144	27,168	25,634
Securities, held to maturity	141,573	120,929	117,036	90,313	50,602	38,562	
Loans receivable, net	286,070	234,668	246,380	188,786	122,085	44,973	1,451
Deposits	351,877	328,334	337,243	253,650	163,519	101,749	21,936
Borrowings	64,524	29,124	14,124	25,000			
Shareholders' equity	29,173	24,746	26,036	21,167	18,772	11,303	7,204
<b>Selected Income Sheet Data:</b>							
Net interest income	\$ 11,728	\$ 10,065	\$ 13,755	\$ 9,799	\$ 5,960	\$ 1,787	\$ 173
Provision for loan losses	760	440	690	880	843	382	30
Non-interest income	607	477	623	480	336	152	4
Non-interest expense	5,966	5,914	7,661	5,390	3,272	2,006	569
Income tax (benefit)	2,064	1,675	2,408	1,614	872	(173)	(169)
Net income (loss)	\$ 3,545	\$ 2,513	\$ 3,619	\$ 2,395	\$ 1,309	\$ (276)	\$ (254)
<b>Common Share Data:</b>							
Net income (loss) per share:							
Basic(1)	\$ 0.95	\$ 0.68	\$ 0.97	\$ 0.67	\$ 0.43	\$ (0.14)	\$ N/A
Diluted(1)	\$ 0.91	\$ 0.65	\$ 0.93	\$ 0.64	\$ 0.43	\$ (0.14)	\$ N/A

- (1) Per share data have been adjusted for all periods to reflect the two 25% and three 10% common stock dividends paid by BCB Bancorp, Inc. and Bayonne Community Bank. One of the two 25% common stock dividends was paid on October 27, 2005.

	At or for the Nine Months Ended September 30,		At or for the Years Ended December 31,(1)			
	2005(2)	2004(2)	2004	2003	2002	2001
<b>Selected Financial Ratios and Other Data:</b>						
Return on average assets	1.18%	0.97%	1.01%	1.03%	0.86%	(0.38)%
Return on average shareholders equity	16.42	13.72	15.45	11.97	8.68	(3.28)
Non-interest income to average assets	0.20	0.18	0.17	0.21	0.22	0.21
Non-interest expense to average assets	1.98	2.27	2.15	2.32	2.16	2.77
Net interest rate spread during the period	3.71	3.75	3.73	4.03	3.60	1.97
Net interest margin	4.00	3.97	3.96	4.34	4.03	2.59
Ratio of average interest-earning assets to average interest-bearing liabilities	113.01	111.64	111.63	116.42	118.87	118.73
<b>Asset Quality Ratios:</b>						
Non-performing loans to total loans	0.40	0.40	0.40	0.20	0.05	
Allowance for loan losses to non-performing loans	273.26	250.58	249.60	547.48	1,840.73	
Allowance for loan losses to total loans	1.10	1.00	1.01	1.11	1.00	0.91
<b>Capital Ratios:</b>						
Shareholders equity to total assets	6.53	6.46	6.88	7.04	10.25	9.98
Tier 1 capital to adjusted total assets	6.53	6.46	6.88	7.04	10.25	9.98
Tier 1 capital to risk-weighted assets	9.71	9.50	10.31	10.50	15.01	15.09
Total risk-based capital to risk-weighted assets	10.77	10.41	11.30	11.55	15.99	15.64

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

(2) Ratios have been annualized where appropriate.

## RISK FACTORS

You should carefully consider the following risks in evaluating an investment in the shares of our common stock.

### ***Risks Associated with our Business***

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

At September 30, 2005, \$182.0 million, or 62.8% of our loan portfolio consisted of commercial and multi-family real estate loans. We intend to continue to emphasize the origination of these types of loans. These loans generally expose a lender to greater risk of nonpayment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential loans. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan.

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

Since September 30, 2002, our assets have grown at a compound annual growth rate of 38.2%, our loan balances have grown at a compound annual growth rate of 41.4% and our deposits have grown at a compound annual growth rate of 32.8%. We intend to use a portion of the proceeds of this offering to support further growth of our assets and deposits and the number of branches we operate. Our ability to continue to grow depends, in part, upon our ability to expand our market presence, successfully attract core deposits, and identify attractive commercial lending opportunities.

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

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

Our loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses may not cover inherent losses in our loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. At September 30, 2005, our allowance for loan losses totaled \$3.2 million, representing 1.10% of total loans.

While we have only been operating for five years, we have experienced significant growth in our loan portfolio, particularly our loans secured by commercial real estate. Although we believe we have underwriting standards to manage normal lending risks, and although we had \$1.16 million, or 0.26% of total assets consisting of non-performing assets at September 30, 2005, it is difficult to assess the future performance of our loan portfolio due to the relatively recent origination of many of these loans. We can give you no assurance that our non-performing loans will not increase or that our non-performing or delinquent loans will not adversely affect our future performance.

In addition, federal and state regulators periodically review our allowance for loan losses and may require us to increase our allowance for loan losses or recognize further loan charge-offs. Any increase in

our allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a material adverse effect on our results of operations and financial condition.

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

Net interest income is the most significant component of our operating income. We do not rely on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. For the nine months ended September 30, 2005 and the year ended December 31, 2004, our net interest income was \$11.7 million and \$13.8 million, respectively. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of interest earning assets relative to the amount of interest bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we do not have significant sources of fee income to make up for decreases in net interest income.

**Fluctuations in interest rates could reduce our profitability.**

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

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

inflation rates;

business activity levels;

money supply; and

domestic and foreign financial markets.

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

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

Our business, the location of our branches and the real estate collateralizing our real estate loans are concentrated in New Jersey. As a result, we are exposed to geographic risks. The occurrence of an economic downturn in New Jersey, or adverse changes in laws or regulations in New Jersey could impact the credit quality of our assets, the business of our customers and our ability to expand our business.

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

In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. As of September 30, 2005, approximately 94.0% of our total loans were secured by real estate. Adverse developments affecting commerce or real estate values in the local economies in our primary market areas could increase the credit risk associated with our loan portfolio. In addition, substantially all of our loans are to individuals and businesses in New Jersey. Our business customers may not have customer bases that are as diverse as businesses serving regional or national markets. Consequently, any decline in the economy of our market area could have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

**Our continued pace of growth may require us to raise additional capital in the future, but that capital may not be available when it is needed.**

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. We anticipate that our existing capital resources will satisfy our capital requirements for the foreseeable future. We may, at some point, need to raise additional capital to support continued growth, both internally and through acquisitions.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial performance. Accordingly, we cannot assure you of our ability to raise additional capital if needed or on terms acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired.

**We rely on our management team for the successful implementation of our business strategy.**

The success of BCB Bancorp, Inc. and Bayonne Community Bank has been largely due to the efforts of our senior management team consisting of Donald Mindiak, President and Chief Executive Officer, Thomas M. Coughlin, Executive Vice President and Chief Financial Officer, James E. Collins, Senior Lending Officer, Olivia Klim, Executive Vice President, Business Development and Amer Saleem, Vice President, Commercial Lending. The loss of services of one or more of these individuals may have a material adverse effect on our ability to implement our business plan.

**There is no assurance that we will be able to successfully compete with others for business.**

The area in which we operate is considered attractive from an economic and demographic viewpoint, and is a highly competitive banking market. We compete for loans, deposits and investment dollars with numerous regional and national banks and other community banking institutions, as well as other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers, and private lenders. Many competitors have substantially greater resources than we do, and operate under less stringent regulatory environments. The differences in resources and regulations may make it harder for us to compete profitably, reduce the rates that we can earn on loans and investments, increase the rates we must offer on deposits and other funds, and adversely affect our overall financial condition and earnings.

**Our profitability could be adversely affected if we are unable to promptly deploy the capital raised in the offering.**

We may not be able to immediately deploy all of the capital raised in the offering. Investing the net offering proceeds in securities until we are able to deploy such proceeds for the origination of loans will provide lower margins than we generally earn on loans, which may adversely impact shareholder returns, including earnings per share, return on average assets and return on average equity.

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

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

Like other bank holding companies and financial institutions, we must comply with significant anti-money laundering and anti-terrorism laws. Under these laws, we are required, among other things, to enforce a customer identification program and file currency transaction and suspicious activity reports with the federal government. Government agencies have substantial discretion to impose significant monetary penalties on institutions which fail to comply with these laws or make required reports. Because we operate our business in the highly urbanized greater Newark/New York City metropolitan area, we may be at greater risk of scrutiny by government regulators for compliance with these laws.

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

Under Section 404 of the Sarbanes-Oxley Act of 2002, we will be required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls at December 31, 2007, and our auditors must attest to our assessment. This is expected to result in additional expenses in 2006 and 2007. Moreover, a review of our financial systems and controls may uncover deficiencies in existing systems and controls. If that is the case, we would have to take the necessary steps to correct any deficiencies, which may be costly and may strain our management resources and negatively impact earnings. We also would be required to disclose any such deficiencies, which could adversely affect the market price of our common stock.

***Risk Associated with an Investment in our Common Stock***

**The market price of our common stock may decline after the stock offering.**

The price per share at which we sell the common stock may be more or less than the market price of our common stock on the date the stock offering is consummated. If the actual purchase price is less than the market price for the shares of common stock, some purchasers in the stock offering may be inclined to immediately sell shares of common stock to attempt to realize a profit. Any such sales, depending on the volume and timing, could cause the market price of our common stock to decline. Additionally, because stock prices generally fluctuate over time, there is no assurance that purchasers of common stock in the stock offering will be able to sell shares after the stock offering at a price that is equal to or greater than the actual purchase price. Purchasers should consider these possibilities in determining whether to purchase shares of common stock and the timing of any sale of shares of common stock. Our shares of common stock currently trade on the Over the Counter Electronic Bulletin Board under the trading symbol BCBP. We have received approval to have our common stock listed for trading on the Nasdaq National Market under the symbol BCBP.

**Our management controls a substantial percentage of our common stock and therefore have the ability to exercise substantial control over our affairs.**

As of September 30, 2005, our directors and executive officers beneficially owned 1,051,045 shares (adjusted to reflect the 25% common stock dividend paid on October 27, 2005), or approximately 26.9% of our common stock, including options to purchase an aggregate of 190,910 shares of our common stock



at exercise prices ranging from \$5.29 to \$11.84 per share as adjusted to reflect the 25% common stock dividend. Because of the large percentage of common stock held by our directors and executive officers, such persons could significantly influence the outcome of any matter submitted to a vote of our shareholders even if other shareholders were in favor of a different result.

**Our trust preferred securities have a priority right to payment of dividends.**

We have supported our continued growth through the issuance of trust preferred securities from special purpose trusts and accompanying debt from BCB Bancorp, Inc. Trust preferred securities have a priority right to distributions and payment over the common stock. At September 30, 2005 we had trust preferred securities and accompanying debt totaling \$4.1 million.

**Our management has broad discretion concerning application of the net proceeds from this offering.**

The net proceeds of this offering will be used to provide additional regulatory capital for expansion capability and general corporate purposes, including but not limited to, increased commercial and consumer lending activity and investment in securities. Within these categories, management may determine to apply the net proceeds in its discretion.

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We make certain forward-looking statements in this prospectus and in other documents that we incorporate by reference into this prospectus that are based upon our current expectations and projections about current events. We intend these 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 we are including this statement for purposes of these safe harbor provisions. You can identify these statements from our use of the words estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include, but may be limited to:

statements of our goals, intentions and expectations;

statements regarding our business plans and prospects and growth and operating strategies;

statements regarding the quality of our products and our loan and investment portfolios; and

estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

significantly increased competition among depository and other financial institutions;

changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;

general economic conditions, either nationally or in our market areas, that are worse than expected;

adverse changes in the securities markets;

credit risk of lending activities, including changes in the level and trend of loan delinquencies and write-offs;

changes in management's estimate of the adequacy of the allowance for loan losses;

the ability to successfully integrate entities that we have acquired or will acquire;

legislative or regulatory changes that adversely affect our business;

the ability to enter new markets successfully and capitalize on growth opportunities;

effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;

timely development of and acceptance of new products and services;

changes in consumer spending, borrowing and savings habits;

effect of changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and other regulatory and accounting bodies;

changes in our organization, compensation and benefit plans;

costs and effects of litigation and unexpected or adverse outcomes in such litigation;

our success in managing risks involved in the foregoing; and

the impact of war or terrorist activities.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results. We discuss these uncertainties and others in the section of this prospectus named Risk Factors beginning on page .

### USE OF PROCEEDS

Other than the shares subject to the underwriter's over-allotment option, the net proceeds of the offering are expected to be approximately \$       million, after deducting the underwriting discount and estimated expenses of the offering of \$       (assuming a public offering price of \$       per share, based on the last sale price on       , 2005). The proceeds of the offering will be available for contribution to the capital of Bayonne Community Bank, for use in our lending and investment activities, for branch expansion and for our general corporate purposes. In August 2005, we entered into a lease agreement to develop a branch location in Hoboken, New Jersey. We anticipate that the cost of preparing this location to be a branch facility will be approximately \$250,000. It is expected that this location will be opened during the second quarter of 2006. We may also use a portion of the proceeds in connection with acquisitions of other institutions or for investment in activities which are permitted for bank holding companies. There are no definitive plans or commitments for any acquisitions. There can be no assurance that we will establish additional branches, how much it will cost to develop and build out any new branch, that we will acquire another institution in whole or in part, or that any new branch or acquisition will be successful or contribute to shareholder value.

Other than as discussed above, we have no definitive plans or commitments for any particular investments or the use of any particular amount of the proceeds of the offering. Pending allocation to specific uses, we intend to invest the proceeds in investment grade securities.

**CAPITALIZATION**

The following table sets forth our capitalization at September 30, 2005. The pro forma capitalization includes the impact of the 25% common stock dividend paid on October 27, 2005. Our capitalization is presented on a historical basis and on a pro forma basis as if the offering had been completed as of September 30, 2005 and assuming:

the net proceeds of the offering at an assumed offering price of \$ \_\_\_\_\_ per share (based on the closing price on \_\_\_\_\_, 2005) after deducting underwriting discounts and commissions and estimated offering expenses payable by us in this offering of \$ \_\_\_\_\_; and

the underwriters' over-allotment option is not exercised.

The following information should be read in conjunction with our consolidated financial statements for the year ended December 31, 2004, and the related notes thereto, and the unaudited consolidated financial statements for the nine months ended September 30, 2005, and the related notes beginning at page F-2.

	At or for September 30, 2005	
	Historical	Pro Forma
	(Dollars in thousands, except for per share amounts)	
<b>Long Term Debt:</b>		
Floating Rate Junior Subordinated Debt Securities due 2034	\$ 4,124	
Total	\$ 4,124	\$
<b>Shareholders' Equity:</b>		
Common Stock, no par value, 10,000,000 authorized; 2,995,185 (3,743,981 as adjusted) issued and 2,973,203 (3,716,503 as adjusted) outstanding	239	
Additional paid in capital	27,739	
Retained earnings	1,617	
Treasury shares, at cost: 21,982 shares	(422)	
Less:		
Accumulated other comprehensive income, net of taxes		
<b>Total Shareholders' Equity</b>	<b>\$ 29,173</b>	<b>\$</b>
Book value per common share	\$ 7.85	\$
Tangible book value per common share	\$ 7.85	\$
<b>Capital Ratios:</b>		
<b>BCB Bancorp, Inc.</b>		
Shareholders' equity to total assets	6.53%	%
Tier 1 capital to adjusted total assets	6.53	
Tier 1 capital to risk-weighted assets	9.71	

Total risk-based capital to risk-weighted assets	10.77	
<u>Bayonne Community Bank</u>		
Shareholders' equity to total assets	7.50%	%
Tier 1 capital to adjusted total assets	7.50%	
Tier 1 capital to risk-weighted assets	11.17%	
Total risk-based capital to risk-weighted assets	12.23%	

**MARKET FOR COMMON STOCK AND DIVIDENDS**

**Market for Common Stock.** Our common stock is currently traded on the Over the Counter Electronic Bulletin Board under the symbol BCBP. At September 30, 2005, BCB Bancorp, Inc. had one market maker. We have received approval to have our common stock listed on the Nasdaq National Market under the symbol BCBP. In order to list the common stock on the Nasdaq National Market, the presence of at least three registered and active market makers is required. Janney Montgomery Scott LLC has advised us that it intends to make a market in shares of our common stock following the offering, but it is under no obligation to do so or to continue to do so.

The following table sets forth the high and low bid quotations for BCB Bancorp, Inc. common stock for the periods indicated. These quotations represent prices between dealers and do not include retail markups, markdowns, or commissions and do not reflect actual transactions. The information presented reflects common stock dividends paid by the Company on January 29, 2003, of 10%, November 17, 2003, of 10%, November 22, 2004, of 25%, and October 27, 2005, of 25%. 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 shareholders of record.

<b>Fiscal 2005</b>	<b>High Bid</b>	<b>Low Bid</b>
Quarter Ended September 30, 2005	\$ 17.12	\$ 15.40
Quarter Ended June 30, 2005	15.80	14.00
Quarter Ended March 31, 2005	16.80	14.92

<b>Fiscal 2004</b>	<b>High Bid</b>	<b>Low Bid</b>
Quarter Ended December 31, 2004	\$ 18.40	\$ 12.32
Quarter Ended September 30, 2004	12.80	11.36
Quarter Ended June 30, 2004	17.58	11.04
Quarter Ended March 31, 2004	17.92	13.44

<b>Fiscal 2003</b>	<b>High Bid</b>	<b>Low Bid</b>
Quarter Ended December 31, 2003	\$ 14.08	\$ 9.60
Quarter Ended September 30, 2003	10.03	8.67
Quarter Ended June 30, 2003	10.18	8.23
Quarter Ended March 31, 2003	11.20	9.04

On April 27, 2005, our Board of Directors approved a stock repurchase program for the repurchase of up to 149,677 shares (approximately 187,096 shares on a split-adjusted basis). To date, we have repurchased 21,982 shares (approximately 27,478 shares on a split-adjusted basis) of our common stock. We suspended our repurchase activities prior to deciding to proceed with this offering.

Our transfer agent for the common stock is Registrar & Transfer Company, Cranford, New Jersey.

**Dividends.** No cash dividends have been paid on the common stock to date. Our ability and decision to pay cash dividends in the future, if any, will depend on a number of factors, including our earnings, financial condition, capital requirements, tax considerations, statutory and regulatory limitations and general economic conditions. Our ability to pay cash dividends is restricted by certain covenant restrictions contained in the indenture that governs the terms of the debt that is associated with our trust preferred stock issuance and is further impacted by Bayonne Community Bank's ability to pay cash dividends to us, which are restricted by certain regulations of the New Jersey Department of Banking and Insurance and the FDIC.

**Our Policy Regarding Dividends.** Since our formation, we have not paid any cash dividends to our shareholders. At the present time, our Board of Directors does not intend to pay cash dividends to our



shareholders. The future dividend policy of Bayonne Community Bank is subject to these legal and regulatory considerations and to the discretion of our Board of Directors, and depends upon a number of factors, including but not limited to, operating results, financial condition and general business conditions. You should not buy our common stock if you have a desire or need for dividend income.

There are legal restrictions on the ability of Bayonne Community Bank to pay cash dividends. Under federal and state law, we are required to maintain certain surplus and capital levels and may not distribute dividends in cash or in kind, if after such distribution we would fall below such levels. Specifically, an insured depository institution is prohibited from making any capital distribution to its shareholders, including by way of dividend, if after making such distribution the depository institution fails to meet the required minimum level for any relevant capital measure including the risk-based capital adequacy and leverage standards reflected under Capitalization.

Additionally, under the New Jersey Business Corporation Act, BCB Bancorp, Inc. is prohibited from paying any cash dividends to shareholders if, after the payment of such dividend, BCB Bancorp, Inc. would be unable to pay its debts as they become due in the usual course of business or, if its total assets would be less than its total liabilities.

## **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 year ended December 31, 2003, and subsequent periods 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.

Factors that could have a material adverse effect on our operations include, but may not be 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 our loan and/or investment portfolios;

changes in deposit flows, competition, and demand for financial services, loans, deposits and investment products in our local markets;

changes in accounting principles and guidelines;

war or terrorist activities; and

other economic, competitive, governmental, regulatory, geopolitical and technological factors affecting our operations, pricing and services.

This discussion and analysis reflects our financial statements and other relevant statistical data, and is intended to enhance your understanding of our financial condition and results of operations. The information in this section has been derived from the audited and unaudited financial statements, which appear beginning on page F-1 of this prospectus. You should read the information in this section in conjunction with the business and financial information regarding us provided in this prospectus.

### **Overview**

Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities (including mortgage-backed securities and U.S. Government and agency securities) and other interest-earning assets (primarily cash and cash equivalents and interest earning deposits), and the interest paid on our interest-bearing liabilities, consisting primarily of deposits and Federal Home Loan Bank advances. Net interest income increased to \$11.7 million for the nine months ended September 30, 2005 from \$10.1 million for the nine months ended September 30, 2004, and increased to \$13.8 million for the year ended December 31, 2004 from \$9.8 million for the year ended December 31, 2003. The primary reasons for the improvements in our net interest income were the increases in both our average interest-earning assets and the excess of interest-earning assets over interest-bearing liabilities. While the relatively low interest rate environment of recent years is not expected to continue, the negative impact of rising interest rates on our net interest rate spread is expected to be mitigated to some extent by the net proceeds from the offering which will support the growth of our interest-earning assets in future periods.

Our results of operations also are affected by our provision for loan losses, non-interest income and non-interest expense. Non-interest income consists primarily of fees and service charges, gains on the sale of securities and miscellaneous other income. Non-interest expense consists primarily of salaries and

employee benefits, equipment expense, occupancy, advertising, deposit insurance premiums, and other operating expenses (consisting of stationery and printing, regulatory assessments, professional fees, directors fees and other operational expenses). Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

In the nine month period ended September 30, 2005, our total assets have increased by \$68.6 million to \$446.9 million, reflecting our business strategy of managed growth. During this period, net loans receivable increased by \$39.7 million to \$286.1 million. During this period, our portfolio of investment securities increased \$24.6 million, and our investment in interest earning deposits increased by \$1.2 million. The growth in assets was funded by growth in deposits, which increased by \$14.7 million and by Federal Home Loan Bank advances, which increased by \$50.4 million.

### **Critical Accounting Policies**

Critical accounting policies are those accounting policies that can have a significant impact on our 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 our consolidated financial statements that management believes are 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 Board of Directors of BCB Bancorp, Inc. intends to consider accelerating the vesting of stock options granted under the 2002 and 2003 stock option plans to a date that is prior to January 1, 2006. Beginning January 1, 2006, we will account for stock options pursuant to Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004). See discussions under Recent Accounting Pronouncements on page for our analysis of the impact of SFAS No. 123 (revised 2004) on future operations.

### **Financial Condition**

#### ***Comparison of Financial Condition at September 30, 2005 and at December 31, 2004***

**General.** Total assets increased by \$68.6 million or 18.1% to \$446.9 million at September 30, 2005 from \$378.3 million at December 31, 2004. We continued to grow assets primarily through the origination of real estate loans funded primarily from our retail deposit growth, repayments and prepayments of loans as well as the mortgage backed securities portfolio and the utilization of Federal Home Loan Bank advances. Asset growth has stabilized, reflecting an emphasis on controlled loan growth. Growth is expected to occur at a more measured pace than in the past and in a manner consistent with our capital levels.

**Loan Portfolio.** Loans receivable increased by \$39.7 million or 16.1% to \$286.1 million at September 30, 2005 from \$246.4 million at December 31, 2004. The increase resulted primarily from a \$34.3 million or 16.1% increase in real estate mortgages comprising residential, commercial and construction loans, net of amortization, a \$1.9 million or 12.3% increase in commercial business loans, and a \$4.5 million or 20.9% increase in consumer loans, net of amortization, partially offset by a \$672,000 or 26.8% increase in the allowance for loan losses to \$3.2 million at September 30, 2005.

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

	At September 30,		At December 31,					
	2005		2004		2003		2002	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)								
Type of loans:								
Real estate loans:								
One- to four-family residential	\$ 37,746	13.02%	\$ 34,855	13.98%	\$ 33,913	17.74%	\$ 25,475	20.64%
Construction	27,331	9.43	19,209	7.70	10,009	5.24	4,278	3.47
Home equity	25,418	8.77	20,629	8.27	16,825	8.80	14,106	11.43
Commercial and multi-family	181,995	62.78	158,755	63.68	115,160	60.25	65,842	53.34
Commercial business	16,989	5.86	15,123	6.07	14,048	7.35	12,934	10.48
Consumer	418	0.14	744	0.30	1,183	0.62	800	0.64
Total	289,897	100.00%	249,315	100.00%	191,138	100.00%	123,435	100.00%
Less:								
Deferred loan fees, net	649		429		239		117	
Allowance for possible loan losses	3,178		2,506		2,113		1,233	
Total loans, net	\$ 286,070		\$ 246,380		\$ 188,786		\$ 122,085	

At December 31,					
2001			2000		
	Amount	Percent	Amount	Percent	
(Dollars in thousands)					
Type of loans:					
Real estate loans:					
One- to four-family residential	\$ 9,099	20.04%	\$ 269	18.16%	
Construction	1,241	2.73			

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Home equity	9,374	20.64	360	24.31
Commercial and multi-family	21,883	48.19	750	50.64
Commercial business	2,988	6.58	60	4.05
Consumer	826	1.82	42	2.84
Total	45,411	100.00%	1,481	100.00%

Less:

Deferred loan fees, net	26	
Allowance for possible loan losses	412	30
Total loans, net	\$ 44,973	\$ 1,451

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

	Nine Months Ended September 30,		Years Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
(In thousands)							
Beginning of period	\$ 249,315	\$ 191,138	\$ 191,138	\$ 123,435	\$ 45,411	\$ 1,481	\$
<b>Originations by Type:</b>							
Real estate mortgage:							
One- to four-family residential	5,205	3,086	4,103	22,768	20,000	9,318	250
Construction	27,515	16,896	19,326	6,392	2,737	902	
Home equity	10,773	11,690	14,212	9,393	8,711	9,961	360
Commercial and multi-family	52,553	51,830	64,219	62,966	47,676	16,883	750
Commercial business	6,743	8,311	8,628	2,544	10,846	3,022	79
Consumer	179	222	284	924	537	973	42
Total loans originated	102,968	92,035	110,772	104,987	90,507	41,059	1,481
<b>Purchases:</b>							
Real estate mortgage:							
One- to four-family residential							
Construction	4,165	3,014	4,289	2,223	300	338	
Home equity							
Commercial and multi-family	1,000	7,700	8,450	3,207	2,794	5,318	
Commercial business							
Consumer							
Total loans purchased	5,165	10,714	12,739	5,430	3,094	5,656	
<b>Sales:</b>							
Real estate mortgage:							

One- to four-family residential							
Construction		959	959				
Home equity							
Commercial and multi-family	612	788	788	3,480	1,599		
Commercial business		1,128	1,128				
Consumer							
Total loans sold	612	2,875	2,875	3,480	1,599		
Principal repayments	66,939	53,544	62,459	39,234	13,978	2,785	
Total reductions	67,551	56,419	65,334	42,714	15,577	2,785	
Net increase	40,582	46,330	58,177	67,703	78,024	43,930	1,481
Ending balance	\$ 289,897	\$ 237,468	\$ 249,315	\$ 191,138	\$ 123,435	\$ 45,411	\$ 1,481



*Delinquencies and Non-performing Assets.* The following table sets forth delinquencies in our loan portfolio as of the dates indicated:

At September 30, 2005					At December 31, 2004			
60-89 Days		90 Days or More			60-89 Days		90 Days or More	
Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans		Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
(Dollars in thousands)								
<u>Real estate mortgage:</u>								
One- to four-family residential	\$		\$		\$		1	\$ 173
Construction								
Home equity	1	12			1	29		
Commercial and multi-family			2	555			1	313
Total	1	12	2	555	1	29	2	486
Commercial business	2	132	2	596	1	123	3	515
Consumer			1	12			1	3
Total delinquent loans	3	\$ 144	5	\$ 1,163	2	\$ 152	6	\$ 1,004
Delinquent loans to total loans								
		0.05%		0.40%		0.06%		0.40%

At December 31, 2003					At December 31, 2002			
60-89 Days		90 Days or More			60-89 Days		90 Days or More	
Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans		Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
(Dollars in thousands)								
<u>Real estate mortgage:</u>								
One- to four-family residential	1	\$ 103	\$		\$		\$	
Construction								

Home equity									
Commercial and multi-family									
Total	1	103							
Commercial business	3	355	3	386			1	67	
Consumer									
Total delinquent loans	4	\$ 458	3	\$ 386	\$		1	\$ 67	
Delinquent loans to total loans		0.24%		0.20%		%		0.05%	

	At December 31, 2001				At December 31, 2000(1)			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
(Dollars in thousands)								
<u>Real estate mortgage:</u>								
One- to four-family residential		\$		\$		\$		\$
Construction								
Home equity								
Commercial and multi-family								
Total								
Commercial business	1	12						
Consumer	3	14						
Total delinquent loans	4	\$ 26		\$		\$		\$
Delinquent loans to total loans		0.06%		%		%		%

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



The table below sets forth the amounts and categories of non-performing assets in our loan portfolio. Loans are placed on non-accrual status when the collection of principal and/or interest become doubtful. For all periods presented, we 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 September 30,		At December 31,			
	2005	2004	2003	2002	2001	2000(1)
(Dollars in thousands)						
<u>Non-accruing loans:</u>						
One- to four-family residential	\$	\$ 173	\$	\$	\$	\$
Construction						
Home equity						
Commercial and multi-family	555	313	67	67		
Commercial business	596	67				
Consumer	12					
Total	1,163	553	67	67		
<u>Accruing loans delinquent more than 90 days:</u>						
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	1,163	1,004	386	67		
Foreclosed assets		6				
Total non-performing assets	\$ 1,163	\$ 1,010	\$ 386	\$ 67	\$	\$
Total non-performing assets as a percentage of total assets	0.26%	0.27%	0.13%	0.04%	%	%
Total non-performing loans as a percentage of total loans	0.40%	0.40%	0.20%	0.05%	%	%

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

For the nine months ended September 30, 2005 and the year ended December 31, 2004, gross interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to \$66,000 and \$43,000, respectively. We received and recorded \$33,000 and \$29,000 in interest income for such loans for the nine months ended September 30, 2005 and the year ended December 31, 2004, respectively.

*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 September 30,		At December 31,									
	2005		2004		2003		2002		2001		2000	
	Percent of Loans in Each Category in Total Amount	Loans	Percent of Loans in Each Category in Total Amount	Loans	Percent of Loans in Each Category in Total Amount	Loans	Percent of Loans in Each Category in Total Amount	Loans	Percent of Loans in Each Category in Total Amount	Loans	Percent of Loans in Each Category in Total Amount	Loans
(Dollars in thousands)												
Type of loan:												
One- to- four-family	74	13.02%	\$ 78	13.98%	\$ 105	17.74%	\$ 64	20.64%	\$ 52	20.04%	\$ 5	18.16%
Construction	12	9.43	217	7.70	125	5.24	53	3.47	16	2.73		
Home equity	96	8.77	82	8.27	50	8.80	64	11.43	70	20.64	6	24.31
Commercial and multi-family	43	62.78	1,669	63.68	1,178	60.25	658	53.34	225	48.19	15	50.64
Commercial business	537	5.86	444	6.07	649	7.35	376	10.48	33	6.58	2	4.05
Consumer	16	0.14	16	0.30	6	0.62	18	0.64	16	1.82	2	2.84
Total	\$ 3,178	100.00%	\$ 2,506	100.00%	\$ 2,113	100.00%	\$ 1,233	100.00%	\$ 412	100.00%	\$ 30	100.00%

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

At or for the Nine Months Ended September 30,		At or for the Years Ended December 31,				
2005	2004	2004	2003	2002	2001	2000
(Dollars in thousands)						

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Total loans outstanding	\$ 289,897	\$ 237,468	\$ 249,315	\$ 191,138	\$ 123,435	\$ 45,411	\$ 1,481
Average loans outstanding	\$ 269,333	\$ 213,522	\$ 221,257	\$ 155,145	\$ 83,734	\$ 19,129	\$ 741
Allowance balance at beginning of period	\$ 2,506	\$ 2,113	\$ 2,113	\$ 1,233	\$ 412	\$ 30	\$
Provision:							
Real estate loans	579	375	588	619	476	337	26
Commercial business	170	59	92	273	353	31	2
Consumer	11	6	10	(12)	14	14	2
Total provision	760	440	690	880	843	382	30
Charge-offs:							
Real estate loans							
Commercial business	88	220	332		10		
Consumer	11				12		
Total charge-offs	99	220	332		22		
Recoveries:							
Real estate loans							
Commercial business	11	35	35				
Consumer							
Total recoveries	11	35	35				
Allowance balances at end of period	\$ 3,178	\$ 2,368	\$ 2,506	\$ 2,113	\$ 1,233	\$ 412	\$ 30
Allowance for loan losses as a percent of total loans outstanding	1.10%	1.00%	1.01%	1.11%	1.00%	0.91%	2.03%
Net loans charged off as percent of average loans outstanding(1)	0.04%	0.12%	0.13%	%	0.03%	%	%

(1) Annualized where appropriate.

*Cash and Cash Equivalents.* Total cash and cash equivalents increased by \$1.3 million, or 28.9% to \$5.8 million at September 30, 2005 from \$4.5 million at December 31, 2004. The increase in cash and cash equivalents reflects the proceeds from maturing investments that were not redeployed in investments or loans.

*Securities.* Securities classified as held-to-maturity increased by \$24.6 million or 21.0% to \$141.6 million at September 30, 2005 from \$117.0 million at December 31, 2004. The increase was primarily attributable to the purchase of \$55.8 million of callable agency securities during the nine months ended September 30, 2005, partially offset by call options exercised on \$18.8 million of callable agency securities, sales of \$6.0 million of callable agency securities and \$1.3 million of mortgage backed securities and \$5.2 million of repayments and prepayments in the mortgage backed security portfolio. As the Company's securities are exclusively categorized as held-to-maturity, we relied on an explanatory portion of SFAS 115 to engage in the specific sales of agency securities.

Specifically, SFAS 115 recognizes sales of debt securities that meet either of the following two conditions as maturities for purposes of the classification of securities:

- a. The sale of a security occurs near enough to its maturity date (or call date if exercise of the call is probable) that interest rate risk is substantially eliminated as a pricing factor. That is, the date of sale is so near the maturity or call date (for example, within three months) that changes in market interest rates would not have a significant effect on the security's fair value.
- b. The sale of a security occurs after the enterprise has already collected a substantial portion (at least 85%) of the principal outstanding at acquisition due either to prepayments on the debt security or to scheduled payments on a debt security payable in equal installments (both principal and interest) over its term.

In the case of the sale of the agency debt securities, SFAS 115 was satisfied because the sale of the securities occurred near enough to their call date, with the call being probable, that interest rate risk was substantially eliminated. In the case of the sale of the mortgage backed securities, a substantial portion (over 85%) of the principal outstanding at acquisition, had been collected.

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

	At September 30,		At December 31,	
	2005	2004	2003	2002
(In thousands)				
Securities held to maturity:				
U.S. Government and agency securities	\$ 109,089	\$ 78,020	\$ 71,982	\$ 21,989
Mortgage-backed securities	32,484	39,016	18,331	28,613
Total securities held to maturity	141,573	117,036	90,313	50,602
Money market funds			6,000	2,000
FHLB stock	3,120	944	1,250	760
Total investment securities	\$ 144,693	\$ 117,980	\$ 97,563	\$ 53,362

At September 30, 2005, we had no investments that had an aggregate book value in excess of 10% of our equity.



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

	Nine Months Ended September 30,		Years Ended December 31,		
	2005	2004	2004	2003	2002
(In thousands)					
<b>Purchases:</b>					
Fixed-rate	\$ 55,815	\$ 45,368	\$ 75,823	\$ 75,947	\$ 27,091
Total purchases	\$ 55,815	\$ 45,368	\$ 75,823	\$ 75,947	\$ 27,091
<b>Sales:</b>					
Fixed-rate(1)(2)	\$ 7,345	\$	\$	\$	\$ 1,989
Total sales	\$ 7,345	\$	\$	\$	\$ 1,989
<b>Principal repayments:</b>					
Repayment of principal	\$ 23,956	\$ 14,677	\$ 49,112	\$ 36,282	\$ 13,077
Increase (decrease) in other items, net	23	(75)	12	46	15
Net increase	\$ 24,537	\$ 30,616	\$ 26,723	\$ 39,711	\$ 12,040

(1) During the nine months ended September 30, 2005, sales consist of sales of mortgage-backed securities held to maturity, which had repaid over 85% of their original principal balances and U.S. Government and agency securities, which had a high probability of being called within three months.

(2) 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 our securities portfolio at September 30, 2005 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

As of September 30, 2005				
Within One Year	More Than One to Five Years	More Than Five to ten Years	More Than Ten Years	Total Investment Securities

	Weighted Carrying Value	Average Yield	Weighted Carrying Value	Average Yield	Weighted Carrying Value	Average Yield	Weighted Carrying Value	Average Yield	Market Value	Weighted Carrying Value	Average Yield
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(Dollars in thousands)

U.S. government agency securities	\$ 5,000	4.00%	\$ 14,499	4.36%	\$ 47,294	4.98%	\$ 42,296	5.76%	\$ 108,286	\$ 109,089	5.16%
Mortgage-backed securities					394	6.00	32,090	4.95	32,220	32,484	4.96
FHLB stock	3,120	5.00							3,120	3,120	5.00
Total investment securities	\$ 8,120	4.38%	\$ 14,499	4.36%	\$ 47,688	4.99%	\$ 74,386	5.41%	\$ 143,626	\$ 144,693	5.11%

*Deposits.* Deposits increased by \$14.7 million or 4.4% to \$351.9 million at September 30, 2005 from \$337.2 million at December 31, 2004. The increase resulted primarily from an increase during the nine months ended September 30, 2005 of \$32.7 million in time deposit accounts and an increase of \$5.8 million in transaction accounts, partially offset by a \$23.9 million decrease in savings and club accounts as we have experienced deposit flow from lower cost savings and club balances to higher cost time deposits. Time deposit rates have increased during the nine months ended September 30, 2005 reflecting the increase in short term market interest rates. We have been able to achieve the growth in deposits through competitive pricing on select deposit products.

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.

At September 30, 2005				At December 31, 2004		
	Weighted Average Rate(1)	Percent	Amount	Weighted Average Rate(1)	Percent	Amount
(Dollars in thousands)						
Demand	%	8.4%	\$ 29,757	%	6.1%	\$ 20,557
NOW	1.38	5.6	19,830	1.42	6.9	23,155
Money market	1.81	0.7	2,367	1.98	0.7	2,483
Savings and club accounts	2.18	49.5	174,016	2.20	58.7	197,868
Certificates of deposit	3.05	35.8	125,907	2.68	27.6	93,180
Total	2.24%	100.0%	\$ 351,877	2.14%	100.0%	\$ 337,243

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

At December 31,						
2003				2002		
	Weighted Average Rate(1)	Percent	Amount	Weighted Average Rate(1)	Percent	Amount
(Dollars in thousands)						
Demand	%	6.6%	\$ 16,626	%	8.6%	\$ 14,007
NOW	1.37	6.8	17,201	1.77	6.5	10,656
Money market	2.01	0.8	2,163	2.41	1.6	2,546
Savings and club accounts	2.28	64.2	162,832	2.79	71.1	116,328
Certificates of deposit	2.51	21.6	54,828	2.90	12.2	19,982
Total	2.11%	100.0%	\$ 253,650	2.53%	100.0%	\$ 163,519

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

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

Nine Months Ended September 30,		Years Ended December 31,		
2005	2004	2004	2003	2002

**(Dollars in thousands)**

Beginning of period	\$ 337,243	\$ 253,650	\$ 253,650	\$ 163,519	\$ 101,749
Net deposits	8,877	70,072	77,183	85,873	58,404
Interest credited on deposit accounts	5,757	4,612	6,410	4,258	3,366
Total increase in deposit accounts	14,634	74,684	83,593	90,131	61,770
Ending balance	\$ 351,877	\$ 328,334	\$ 337,243	\$ 253,650	\$ 163,519
Percent increase	4.34%	29.44%	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 September 30, 2005	
	(In thousands)	
Within three months	\$	6,824
Three through twelve months		13,925
Over twelve months		32,600
Total	\$	53,349

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

		At December 31,							
		At September 30, 2005		2004		2003		2002	
		Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in thousands)									
Certificate of deposit rates:									
1.00% - 1.99%	\$		%	\$ 2,510	2.69%	\$ 1,876	3.42%	\$ 919	4.60%
2.00% - 2.99%		29,196	23.19	48,915	52.50	44,546	81.25	14,711	73.62
3.00% - 3.99%		59,690	47.41	41,725	44.78	8,406	15.33	4,348	21.76
4.00% - 4.99%		36,808	29.23	30	0.03				
5.00% - 5.99%		213	0.17						
6.00% - 6.99%								4	0.02
Total	\$	125,907	100.00%	\$ 93,180	100.00%	\$ 54,828	100.00%	\$ 19,982	100.00%

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of September 30, 2005.

		Maturity Date				
		1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 Years	Total
(In thousands)						
Interest rate:						
2.00% - 2.99%	\$	28,303	\$ 832	\$ 43	\$ 18	\$ 29,196
3.00% - 3.99%		29,214	25,870	3,547	1,059	59,690

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4.00% - 4.99%	4,588	9,395	9,191	13,634	36,808
5.00% - 5.99%	213				213
Total	\$ 62,318	\$ 36,097	\$ 12,781	\$ 14,711	\$ 125,907

*Borrowings.* Borrowed money increased by \$50.4 million or 356.8% to \$64.5 million at September 30, 2005 from \$14.1 million at December 31, 2004. The increase in borrowings reflects the use of FHLB advances to augment deposits as our funding source for originating loans.

Our borrowings consist primarily of long-term fixed rate callable FHLB repurchase agreements and short-term FHLB advances with interest rates that adjust regularly. Our borrowings also include, since June 2004, \$4.1 million of a trust preferred floating rate junior subordinated debenture (the *Debenture*) issued to a special purpose subsidiary. The *Debenture* pays interest at a floating rate that adjusts quarterly by 265 basis points above the LIBOR rate. The *Debenture* is callable at the option of BCB Bancorp, Inc. on or after June 17, 2009, and will fully mature on June 17, 2034. At September 30, 2005, and December 31, 2004, the interest rate on this debenture was 6.54% and 5.15%, respectively. At September 30, 2005, long-term FHLB repurchase agreements, all of which mature in 2015, totaled \$50.0 million and had a weighted average interest rate of 3.37%. These repurchase agreements are callable after one year from the issuance date. The following table sets forth information concerning balances and interest rates on our short-term borrowings at the dates and for the periods indicated.

	At or for the Nine Months Ended September 30,		At or for the Years Ended December 31,		
	2005	2004	2004	2003	2002
(Dollars in thousands)					
Balance at end of period	\$ 10,400	\$ 25,000	\$ 10,000	\$ 25,000	\$
Average balance during period	\$ 12,064	\$ 25,000	\$ 23,440	\$ 2,945	\$
Maximum outstanding at any month end	\$ 21,400	\$ 25,000	\$ 25,000	\$ 25,000	\$
Weighted average interest rate at end of period	4.11%	1.48%	2.58%	1.48%	%
Average interest rate during period	3.06%	1.48%	1.54%	1.49%	%

At September 30, 2005, we had the ability to borrow approximately \$106.9 million under our credit facilities with the FHLB.

**Shareholders' Equity.** Shareholders' equity increased by \$3.2 million or 12.3% to \$29.2 million at September 30, 2005 from \$26.0 million at December 31, 2004. The increase was primarily attributable to net income for the nine months ended September 30, 2005 of \$3.5 million partially offset by \$422,000 utilized to repurchase 21,982 (approximately 27,478 shares on a split-adjusted basis) shares of common stock under BCB Bancorp, Inc.'s stock repurchase plan. At September 30, 2005, Bayonne Community Bank's tier 1, tier 1 risk-based and total risk based capital ratios were 7.50%, 11.17% and 12.23% respectively.

**Comparison of Financial Condition 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 BCB Bancorp, Inc. continued to grow Bayonne Community Bank's deposit base and invest these deposits in loans and securities.

**Loans.** 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 multi-family 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 strong local economy where real estate construction and rehabilitation of existing buildings remained active.

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 assume prepayments or scheduled principal repayments.

	<b>Due Within 1 Year</b>	<b>Due After 1 through 5 Years</b>	<b>Due After 5 Years</b>	<b>Total</b>
<b>(In thousands)</b>				
One- to four-family	\$ 2,845	\$ 2,423	\$ 29,587	\$ 34,855
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
<b>Total amount due</b>	<b>\$ 38,733</b>	<b>\$ 75,349</b>	<b>\$ 135,233</b>	<b>\$ 249,315</b>

The following table sets forth the dollar amount of all loans at December 31, 2004 that are due after December 31, 2005, divided into loans that have predetermined interest rates and that have floating or adjustable interest rates.

	<b>Fixed Rates</b>	<b>Floating or Adjustable Rates</b>	<b>Total</b>
<b>(In thousands)</b>			
One- to four-family residential	\$ 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
<b>Total amount due</b>	<b>\$ 133,871</b>	<b>\$ 76,711</b>	<b>\$ 210,582</b>

During 2004, we decided to discontinue our involvement in heavy equipment commercial 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, reduced to nine loans totaling \$945,000 at December 31, 2004. In June 2004, we sold in bulk 14 non-performing loans for \$1.1 million, incurring a \$56,000 loss. In addition, we resolved five non-performing loans through repossession and sale of the underlying collateral, resulting in \$297,000 in net charge-offs to the allowance for loan losses. We have not originated any heavy equipment commercial loans since May 2003 and have no current plans to originate such loans in the future.

*Cash and Cash Equivalents.* 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 we reduced excess liquidity and redeployed it into higher yielding loans and securities.



*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.

*Other Assets.* Fixed assets remained at \$5.7 million at both December 31, 2004 and 2003 as fixed asset purchases during 2004 approximately equaled the depreciation of fixed assets during the year ended December 31, 2004.

*Deposits.* Deposit liabilities increased by \$83.5 million or 32.9% 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. We achieved these growth rates through competitive pricing on select deposit products and personalized service.

*Borrowings.* 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 FHLB advance partially offset by the issuance of pooled trust preferred securities totaling \$4.1 million. The reduction in FHLB advances reflects management's 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.

*Shareholders' Equity.* Shareholders' 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 year 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 and a tax benefit of \$179,000 related to the exercise of stock options. At December 31, 2004, Bayonne Community 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 of Financial Condition 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 we continued to grow our deposit base and invest the deposits in loans and investments.

*Loans.* 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 \$50.4 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 \$3.1 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 vibrant local economy as real estate construction and rehabilitation was active during 2003.

*Cash and Cash Equivalents.* 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.

*Securities.* 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.

*Other Assets.* 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 purchased 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.

*Deposits.* 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. We have been able to achieve these growth rates through competitive pricing on select deposit products and personalized service.

*Borrowings.* Borrowings were \$25.0 million at December 31, 2003. We had no borrowings at December 31, 2002. We employed a leverage strategy funded with wholesale borrowings from the FHLB 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 \$20.9 million investment yielding 6.05% and a \$4.2 million investment yielding 6.00%.

*Shareholders Equity.* Shareholders 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 year ended December 31, 2003 of \$2.4 million. At December 31, 2003, Bayonne Community Bank's tier 1 leverage, tier 1 risk-based and total risk-based capital ratios were 7.02%, 10.47%, and 11.51% respectively.

## Results of Operations

### *Results of Operations for the Nine Months Ended September 30, 2005 and 2004*

*Net Income.* Net income increased by \$1.0 million or 41.1% to \$3.5 million for the nine months ended September 30, 2005 from \$2.5 million for the nine months ended September 30, 2004. The increase in net income is due to increases in net interest income and non-interest income, partially offset by increases in the provision for loan losses, non-interest expense and income taxes. Net interest income increased by \$1.7 million or 16.5% to \$11.7 million for the nine months ended September 30, 2005 from \$10.1 million for the nine months ended September 30, 2004. This increase resulted primarily from an increase in average interest earning assets of \$53.4 million or 15.8% to \$391.0 million for the nine months ended September 30, 2005 from \$337.6 million for the nine months ended September 30, 2004. The increase in average interest earning assets was funded primarily through an increase in average interest bearing liabilities of \$43.6 million or 14.4% to \$346.0 million for the nine months ended September 30, 2005 from \$302.4 million for the nine months ended September 30, 2004. The increase in net interest income also reflects a slight increase in the net interest margin to 4.00% for the nine months ended September 30, 2005 from 3.97% for the nine months ended September 30, 2004.

*Interest Income.* Interest income on loans receivable increased by \$3.0 million or 28.0% to \$13.7 million for the nine months ended September 30, 2005 from \$10.7 million for the nine months ended September 30, 2004. The increase was primarily attributable to an increase in average loans receivable of \$55.8 million or 26.1% to \$269.3 million for the nine months ended September 30, 2005 from \$213.5 million for the nine months ended September 30, 2004, and an increase in the average yield on loans receivable to 6.80% for the nine months ended September 30, 2005 from 6.69% for the nine months ended September 30, 2004. The increase in average loans reflects management's philosophy to deploy funds in higher yielding instruments, specifically commercial real estate loans, in an effort to achieve higher returns.

Interest income on securities held-to-maturity increased by \$247,000 or 5.8% to \$4.5 million for the nine months ended September 30, 2005 from \$4.2 million for the nine months ended September 30, 2004. The increase was primarily due to an increase in the average balance of securities held-to-maturity of \$13.2 million or 12.6% to \$117.9 million for the nine months ended September 30, 2005 from \$104.7 million for the nine months ended September 30, 2004 partially offset by a decrease in the average yield on securities held-to-maturity to 5.06% for the nine months ended September 30, 2005 from 5.39% for the nine months ended September 30, 2004. The increase in average balance reflects management's philosophy to deploy funds in securities absent the opportunity to invest in higher yielding loans in an effort to achieve higher returns. The decrease in average yield reflects the lower interest rate environment for investment securities in 2005 as compared to 2004.

Interest income on other interest-earning assets decreased by \$94,000 or 77.7% to \$27,000 for the nine months ended September 30, 2005 from \$121,000 for the nine months ended September 30, 2004. This decrease was primarily due to a decrease of \$15.6 million or 80.4% in the average balance of other

interest-earning assets to \$3.8 million for the nine months ended September 30, 2005 from \$19.4 million for the nine months ended September 30, 2004 partially offset by a slight increase in the average yield on other interest-earning assets to 0.94% for the nine months ended September 30, 2005 from 0.83% for the nine months ended September 30, 2004. The decrease in average balance reflects management's philosophy to deploy funds in higher yielding instruments such as commercial real estate loans and securities in an effort to achieve higher returns.

*Interest Expense.* Total interest expense increased by \$1.5 million or 30.6% to \$6.5 million for the nine months ended September 30, 2005 from \$5.0 million for the nine months ended September 30, 2004. The increase resulted primarily from an increase in average interest bearing liabilities of \$43.6 million or 14.4% to \$346.0 million for the nine months ended September 30, 2005 from \$302.4 million for the nine months ended September 30, 2004, and an increase in the average cost of interest bearing liabilities to 2.51% for the nine months ended September 30, 2005 from 2.20% for the nine months ended September 30, 2004. The increase in the average cost of interest bearing liabilities reflects increasing short-term market interest rates between the nine-month period ending September 30, 2004 and the nine-month period ending September 30, 2005.

*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.

	Nine Months Ended September 30, 2005			Nine Months Ended September 30, 2004		
	Average Balance	Interest Earned/Paid	Average Yield/Cost(4)	Average Balance	Interest Earned/Paid	Average Yield/Cost(4)
(Dollars in thousands)						
Interest-earning assets:						
Loans receivable	\$ 269,333	\$ 13,741	6.80%	\$ 213,522	\$ 10,706	6.69%
Investment securities(1)	117,879	4,475	5.06	104,655	4,228	5.39
Interest-earning deposits	3,833	27	0.94	19,443	121	0.83
Total interest-earning assets	391,045	18,243	6.22%	337,620	15,055	5.95%
Interest-bearing liabilities:						
Interest-bearing demand deposits	\$ 20,910	217	1.38%	\$ 19,857	209	1.40%
Money market deposits	2,358	32	1.81	2,522	37	1.96
Savings deposits	187,432	3,059	2.18	176,825	2,905	2.19
Certificates of deposit	109,632	2,511	3.05	76,634	1,512	2.63
Borrowings	25,693	696	3.61	26,580	327	1.64
Total interest-bearing liabilities	346,025	6,515	2.51%	302,418	4,990	2.20%
Net interest income	\$ 11,728			\$ 10,065		
Interest rate spread(2)	3.71%			3.75%		
Net interest margin(3)	4.00%			3.97%		
Ratio of average interest-earning assets to average	113.01%			111.64%		

interest-bearing  
liabilities

	Year Ended December 31, 2004			Year Ended December 31, 2003			Year Ended December 31, 2002		
	Average Balance	Interest Earned/ Paid	Average Yield/ Cost	Average Balance	Interest Earned/ Paid	Average Yield/ Cost	Average Balance	Interest Earned/ Paid	Average Yield/ Cost
(Dollars in thousands)									
Interest-earning assets:									
Loans receivable	\$ 221,257	\$ 14,784	6.68%	\$ 155,145	\$ 10,745	6.93%	\$ 83,734	\$ 6,119	7.31%
Investment securities(1)	108,297	5,757	5.32	60,286	3,299	5.47	48,380	2,949	6.10
Interest-earning deposits	17,721	159	0.90	10,446	91	0.87	15,893	272	1.71
Total interest-earning assets	347,275	20,700	5.96%	225,877	14,135	6.26%	148,007	9,340	6.31%
Interest-bearing liabilities:									
Interest-bearing demand deposits	\$ 21,105	299	1.42%	\$ 14,844	203	1.37%	\$ 9,520	169	1.77%
Money market deposits	2,622	52	1.98	2,287	46	2.01	2,533	61	2.41
Savings deposits	181,383	3,981	2.20	141,749	3,235	2.28	99,057	2,761	2.79
Certificates of deposit	80,336	2,153	2.68	32,186	808	2.51	13,402	389	2.90
Borrowings	25,660	460	1.79	2,945	44	1.49			
Total interest-bearing liabilities	311,106	6,945	2.23%	194,011	4,336	2.23%	124,512	3,380	2.71%
Net interest income	\$ 13,755			\$ 9,799			\$ 5,960		
Interest rate spread(2)	3.73%			4.03%			3.60%		
Net interest margin(3)	3.96%			4.34%			4.03%		

Ratio of average interest-earning assets to average interest-bearing liabilities	111.63%	116.42%	118.87%
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- (1) Includes FHLB of New York stock.
- (2) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.
- (3) Net interest margin represents net interest income as a percentage of average interest-earning assets.
- (4) Average yields are computed using annualized interest income and expense for the periods.



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

**Nine Months Ended September 30,****2005 vs 2004**

	<b>Increase/(Decrease) Due to</b>			<b>Total Increase (Decrease)</b>
	<b>Volume</b>	<b>Rate</b>	<b>Rate/Volume</b>	
<b>(In thousands)</b>				
<b>Interest income:</b>				
Loans receivable	\$ 2,798	\$ 188	\$ 49	\$ 3,035
Investment securities	534	(255)	(32)	247
Interest-earning deposits with other banks	(97)	16	(13)	(94)
<b>Total interest-earning assets</b>	<b>3,235</b>	<b>(51)</b>	<b>4</b>	<b>3,188</b>
<b>Interest expense:</b>				
Interest-bearing demand accounts	11	(3)		8
Money market	(2)	(3)		(5)
Savings and club	174	(18)	(2)	154
Certificates of deposit	651	243	105	999
Borrowing funds	(11)	393	(13)	369
<b>Total interest-bearing liabilities</b>	<b>823</b>	<b>612</b>	<b>90</b>	<b>1,525</b>
<b>Change in net interest income</b>	<b>\$ 2,412</b>	<b>\$ (663)</b>	<b>\$ (86)</b>	<b>\$ 1,663</b>

## Years Ended December 31,

## 2004 vs. 2003

## 2003 vs. 2002

	Increase/(Decrease) Due to				Increase/(Decrease) Due to			
	Volume	Rate	Rate/ Volume	Total Increase (Decrease)	Volume	Rate	Rate/ Volume	Total Increase (Decrease)
(In thousands)								
Interest income:								
Loans receivable	\$ 4,580	\$ (379)	\$ (162)	\$ 4,039	\$ 5,218	\$ (320)	\$ (272)	\$ 4,626
Investment securities	2,627	(94)	(75)	2,458	726	(302)	(74)	350
Interest-earning deposits with other banks	63	3	2	68	(93)	(134)	46	(181)
Total interest-earning assets	7,270	(470)	(235)	6,565	5,851	(756)	(300)	4,795
Interest expense:								
Interest-bearing demand accounts	86	7	3	96	95	(38)	(23)	34
Money market	7	(1)		6	(6)	(10)	1	(15)
Savings and club	904	(113)	(45)	746	1,190	(501)	(215)	474
Certificates of deposit	1,209	55	81	1,345	545	(53)	(73)	