

WESTCORP /CA/  
Form PRER14A  
April 05, 2004

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. 1)

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

[X] Preliminary Proxy Statement  
 [ ] Definitive  
Proxy  
Statement  [ ]  
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Material Pursuant  
to Section  
240.14a-11(c) or  
Section  
240.14a-12  [ ]  
Confidential, for  
Use of the  
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(as permitted by  
Rule 14a-6(e)(2))

WESTCORP

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] Fee not required.

[ ] \$500 per each party to the controversy to Exchange Act Rule 14a-6(i)(3).

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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit  
price or other

underlying  
value of  
transaction  
computed  
pursuant to  
Exchange Act  
Rule 0-11 (Set  
forth the  
amount on  
which the filing  
fee is calculated  
and state how it  
was  
determined):

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(4) Proposed  
maximum  
aggregate value  
of transaction:

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(5) Total fee  
paid:

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Fee paid  
previously with  
preliminary  
materials.  Check  
box if any part  
of the fee is  
offset as  
provided by  
Exchange Act  
Rule 0-11(a)(2)  
and identify the  
filing for which  
the offsetting  
fee was paid  
previously.  
Identify the  
previous filing  
by registration  
statement  
number, or the  
Form or  
Schedule and  
the date of its  
filing.

(1) Amount  
Previously Paid:

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(2) Form,  
Schedule or  
Registration  
Statement No.:

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(3) Filing  
Party:

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(4) Date  
Filed:

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**23 Pasteur**

**Irvine, California 92618**

April 5, 2004

Dear Shareholder:

You are encouraged to join us for Westcorp's annual meeting of shareholders to be held at 10:00 a.m. on Monday, April 26, 2004, at our corporate headquarters located at 23 Pasteur, Irvine, California. The Board of Directors and management will be reviewing a successful 2003 and presenting strategies for our continued success. You will have the opportunity to express your views and ask questions.

The business items to be acted on during the meeting are listed in the Notice of Annual Meeting and are described more fully in the Proxy Statement. The Board of Directors has considered the proposals and recommends that you vote **FOR** them.

Your vote, regardless of the number of shares you own, is important. You may vote on the Internet, by telephone or by mail. Please review the instructions on the enclosed proxy card regarding each of these voting options. If you attend the annual meeting you may vote in person if you desire, even if you have previously submitted your proxy.

We look forward to seeing you at the meeting. On behalf of our Board of Directors, I thank you for your continued support and confidence.

Sincerely,

Ernest S. Rady  
*Chairman of the Board and  
Chief Executive Officer*

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**23 Pasteur**

**Irvine, California 92618**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on April 26, 2004**

To the Shareholders of Westcorp:

The Annual Meeting of Shareholders of Westcorp, a California corporation, will be held at our corporate headquarters, 23 Pasteur, Irvine, California, on Monday, April 26, 2004, at 10:00 a.m., for the following purposes:

1. elect four directors;
2. approve the Westcorp Long Term Incentive Plan;
3. approve the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors;
4. ratify the appointment of Ernst & Young LLP as Westcorp's independent auditors; and
5. transact such other business as may properly come before the annual meeting.

You are entitled to vote at the annual meeting if you were a stockholder at the close of business on the record date for the annual meeting, which is March 11, 2004. You may vote in person at the annual meeting, by completing and mailing the enclosed proxy card, by telephone or on the Internet.

Whether or not you plan to attend the annual meeting, please submit a proxy as soon as possible, so your shares can be voted at the annual meeting. For specific instructions on voting, please refer to the instructions on the proxy card. You have the right to revoke your proxy at any time before it is voted. If you receive more than one proxy card because your shares are registered in different names or at different addresses, each proxy should be submitted to ensure that all your shares will be properly voted.

By Order of the Board of Directors

Guy Du Bose  
*Vice President, General Counsel and Secretary*

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**23 Pasteur**

**Irvine, California 92618**

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**PROXY STATEMENT**

*Approximate date proxy material first sent to shareholders:  
April 5, 2004*

**PROXIES AND VOTING INFORMATION**

**Solicitation of Proxies**

This Proxy Statement is furnished by the Board of Directors of Westcorp in connection with its solicitation of proxies for use at our annual meeting of shareholders for the purposes stated in the Notice of Annual Meeting of Shareholders preceding this Proxy Statement. The entire cost of soliciting these proxies will be borne by us.

**Meeting Date and Location**

The annual meeting will be held on Monday, April 26, 2004 at 10:00 a.m. at Westcorp's corporate headquarters located at 23 Pasteur, Irvine, California 92618.

**Purposes**

At the annual meeting, the shareholders will consider and vote on proposals to (i) elect four directors, (ii) approve the Westcorp Long Term Incentive Plan, (iii) approve the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors, (iv) ratify the appointment of Ernst & Young LLP as our independent auditors, and (v) transact such other business as may properly come before the annual meeting.

**Record Date; Shareholders Entitled to Vote**

The record date for the annual meeting is March 11, 2004. You may vote at the annual meeting if you were a shareholder at the close of business on the record date. Only shareholders of record at the close of business on the record date will be entitled to vote at the annual meeting. As of the record date there were 51,782,995 shares of our common stock outstanding, \$1.00 par value. No shares of any other class of stock are outstanding.

**Market Value of Stock**

As of March 11, 2004, our common stock had a market price of \$40.30 per share. Our common stock is traded on the New York Stock Exchange.

**Voting Securities**

Proxies duly executed and returned by you and received by us before the annual meeting will be voted FOR the election of the four directors specified in this proxy, FOR the Westcorp Long Term Incentive Plan, FOR the approval of the amendment of Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors, and FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors, unless a contrary choice is specified in the proxy. Although shareholder ratification of the appointment of Ernst & Young LLP as our independent auditors is neither required nor binding, the Board of Directors has elected to seek ratification by the affirmative vote of a majority of the shares of common stock represented and voting at the annual meeting. If you have indicated a specification as provided on the proxy card, the shares represented by your proxy will be voted and cast in accordance with your specification. As to other matters, if any, to be voted upon, the person designated as proxy will take such actions as he or she may

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deem advisable in his or her discretion. Our Board of Directors selected Ernest Rady as proxy and Thomas Wolfe as alternate. They are officers and directors of Westcorp. Each share of the Westcorp common stock outstanding at the close of business on the record date will be entitled to one vote for each of the various proposals submitted to the shareholders.

Your execution of the enclosed proxy will not affect your right as a shareholder to attend the annual meeting and to vote in person. You may revoke your proxy by either (i) a later dated proxy, (ii) a written revocation sent to and received by our Secretary prior to the annual meeting or (iii) attendance at the annual meeting and voting in person.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

Westcorp's Board of Directors currently is divided into two classes of directors serving staggered two-year terms. Directors for each class are elected at the annual meeting of shareholders held in the year in which the term for their class expires. The term for four Class II Directors will expire at this annual meeting. At the annual meeting, four nominees, Judith M. Bardwick, James R. Dowlan, Duane A. Nelles, and Ernest S. Rady, are nominated for election to serve until 2006 and until their successors are elected and qualified; provided that if the amendment to the Articles of Incorporation and Bylaws to declassify the Board of Directors, as described in Proposal 3, is adopted by the shareholders, then each of these directors shall serve a one-year term ending in 2005. All of the nominees are currently directors of Westcorp.

The following information is submitted concerning our directors, including the nominees for election, Judith M. Bardwick, James R. Dowlan, Duane A. Nelles, and Ernest S. Rady

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Position</b>
Judith M. Bardwick	71	1994	Director
Robert T. Barnum	58	1998	Director
James R. Dowlan	66	2001	Director
Duane A. Nelles	60	2003	Director
Ernest S. Rady	66	1982	Chairman of the Board of Directors and Chief Executive Officer
Harry M. Rady	36	2003	Director
Charles E. Scribner	66	1998	Director
Thomas A. Wolfe	44	2002	Director and President

**Director Nominees**

**Judith M. Bardwick, Ph.D.** has been a Director of Westcorp and Western Financial Bank since 1994. She has been a Director of Westcorp's second-tier subsidiary, WFS Financial, since 2001. Dr. Bardwick is President and founder of Bardwick and Associates, a management consulting firm. In addition to her many academic achievements, Dr. Bardwick has been an active business consultant for more than two decades. Dr. Bardwick earned a B.S. degree from Purdue University and an M.S. from Cornell. She received her Ph.D. from the University of Michigan and subsequently became a Full Professor and Associate Dean of the College of Literature, Science and the Arts at that university. Dr. Bardwick has devoted herself to consulting and business-related research and writing, concentrating on issues relating to improving organizational efficiency and management skills. She has been a clinical Professor of Psychiatry at the University of California at San Diego since 1984 and has worked as a psychological therapist. Her most recent business book, *Toward the Eye of the Storm*, was published in 2002. She is the author of seven other books. In addition, she has published more than 85 articles on a wide range of topics during her distinguished career.

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**James R. Dowlan** has been a Director of Westcorp since 2001 and a Director of WFS Financial since 1995. He served as Senior Executive Vice President of WFS Financial from 1995 through January 1999. He started as Senior Vice President of Western Financial Bank in 1984 and then acted as Executive Vice President of the Bank from 1989 until the Auto Finance Division of Western Financial Bank was combined with WFS Financial in 1995. He also served as Chairman of the Board of Western Financial Insurance Agency, Inc., and Chairman of Westthrift Life Insurance Company, subsidiaries of the Bank, and President and Chief Executive Officer of WFS Financial Auto Loans, Inc. and WFS Financial Auto Loans 2, Inc., subsidiaries of WFS Financial. Prior to his association with Western Financial Bank, Mr. Dowlan was Vice President of Loan Administration for Union Bank, where he held several positions since 1973. He served for several years on the National Advisory Board Installment Lending, the American Bankers Association and the Consumer Lending Committee of the California Bankers Association. He is a graduate of the Pacific Coast Banking School, University of Washington.

**Duane A. Nelles** has been a Director of Westcorp and Western Financial Bank since February 2003 and of WFS Financial since 1995. Since 1988 he also has served on the Board of Directors of QUALCOMM, Inc., a world leader in digital wireless communications. Mr. Nelles was a partner in an international accounting firm, now known as PricewaterhouseCoopers, from 1968 to 1987. From 1987 to 2000, he headed a private personal investment business. Mr. Nelles received his M.B.A. degree from the University of Michigan.

**Ernest S. Rady** has served as Chairman of the Board and Chief Executive Officer of Westcorp since 1973 and as President from 1982 to 1996 and from 1998 to 1999. He has served as Chairman of the Board of Western Financial Bank since 1982 and Chief Executive Officer of the Bank from 1994 to 1996 and from 1998 to present. He has been Chairman of the Board of WFS Financial since 1995 and a Director since 1988. Mr. Rady is a principal shareholder, manager, and consultant to a group of companies engaged in real estate management and development, property and casualty insurance and investment management through American Assets, Inc. and Insurance Company of the West. Mr. Rady is the father of Director Harry Rady.

**The Board recommends a vote FOR the election to the Board**

**of each of the nominees named above.**

The person named as proxy and his alternate in the accompanying proxy have advised us of their intention to vote shares covered by proxies received in favor of the election of the nominees named above, each of whom have consented to be named and have indicated their intent to serve if elected. If any nominee becomes unavailable for any reason, the proxy or his alternate in his discretion will vote for substitute nominees of the Board of Directors, unless otherwise instructed.

**Directors Whose Terms Will Expire in 2005**

Westcorp's directors listed below whose terms are not expiring this year will continue in office for the remainder of their terms or earlier in accordance with Westcorp's Bylaws. Information regarding the business experience of each of these directors is provided below.

**Robert T. Barnum** has been a Director of Westcorp and of Western Financial Bank, a subsidiary of Westcorp, since 1998. He is a private investor and advisor to several private equity funds. He is currently the Chairman of the Board of Korea First Bank, a \$25 billion asset Korean Bank owned jointly by Texas Pacific Group, Blum Capital and the Government of Korea. Mr. Barnum was the Chief Financial Officer and then President and Chief Operating Officer of American Savings from its acquisition in 1989 until its sale to Washington Mutual in 1998. American Savings was a \$20 billion California thrift that was owned by the Robert M. Bass group. Mr. Barnum was a director of National RE until its sale to General Re in 1996 and of Harborside Healthcare until its recapitalization in 1997, and of Center Trust Properties until its sale to Pan Pacific in 2003. Mr. Barnum is currently on the Board and Chairman of the Audit Committee of American Residential Investment Trust and Ameriquest Capital Corporation. He also is on the Board of Berkshire Mortgage. Mr. Barnum holds a B.S. in Mathematics from the University of Illinois and an M.B.A. in Finance from Indiana University.

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**Harry M. Rady** has been a Director of Westcorp and Western Financial Bank since 2003. Mr. Rady serves as the Chief Investment Officer and Director of American Assets, Inc., a financial, investment management, and real estate conglomerate, and has been with American Assets for the past eight years. For the past two years, he also has served as Chief Investment Officer and a Director of Insurance Company of the West, a property casualty insurance company. Mr. Rady received his M.B.A. from the University of Southern California. Harry Rady is the son of Director Ernest Rady.

**Charles E. Scribner** has been a Director of Westcorp and Western Financial Bank since 1998. Mr. Scribner was with Bank of America for 34 years, retiring in May 1994. From 1979 to 1983, he was Regional Senior Vice President in charge of the Orange County/ Los Angeles coastal region, responsible for loan deposits and general operations of 150 branches in the region. From 1984 to 1986, he was Senior Vice President and General Manager of the northern Asian operation for Bank of America headquartered in Tokyo. Mr. Scribner later became Area Manager of southern Asia for Bank of America from 1986 through 1989. He was in charge of all banking activities in eight countries and was headquartered in Singapore. From 1990 to 1994, he served as Bank of America's Executive Vice President and General Manager of the southern California Commercial Banking wholesale activities. Mr. Scribner currently serves on the Board of Insurance Company of the West, Whittier Institute, Western Financial Bank and Westcorp.

**Thomas A. Wolfe** has been a Director of Westcorp and WFS Financial since February 2002. He has served as President of Westcorp since February 2002, having previously served as Senior Vice President since March 1999. Mr. Wolfe has served as President of Western Financial Bank since May 2002 and as Vice Chairman and Director since March 2002. In February 2002, Mr. Wolfe was elected Chief Executive Officer of WFS Financial, having previously served as President and Chief Operating Officer since March 1999. Mr. Wolfe began his career with WFS Financial as Executive Vice President and National Production Manager in April 1998. Prior to joining WFS Financial, he held the position of National Production Manager at Key Auto Finance, where he oversaw the production of the indirect auto finance business, which included prime, sub-prime, leasing and commercial lending. Mr. Wolfe has been in the auto finance and consumer credit industry since 1982. He previously held positions with Citibank and General Motors Acceptance Corporation. Mr. Wolfe is also a Director of DealerTrack Holdings, Inc. He graduated from Oregon State University in 1981 with a degree in finance.

**Audit Committee and Qualified Legal Compliance Committee**

Westcorp has a standing Audit Committee of the Board of Directors composed of Directors Robert T. Barnum, Duane A. Nelles, and Charles E. Scribner. Mr. Barnum is Chairman of the Audit Committee. Information regarding the functions performed by the Audit Committee, its membership, and the number of meetings held during the last fiscal year is set forth in this Proxy Statement in the Report of the Audit Committee and in the Audit Committee Charter. A copy of the Audit Committee Charter, adopted by our Board of Directors and pursuant to which the Audit Committee conducts its functions, is attached to this proxy as Appendix A. The full Board of Directors has determined that each of the members of the Audit Committee, Mr. Barnum, Mr. Nelles, and Mr. Scribner, qualifies as (i) independent under the standards prescribed by the Securities and Exchange Commission and the New York Stock Exchange and (ii) an audit committee financial expert under the definition adopted by the Securities and Exchange Commission. The full Board of Directors also has confirmed with Westcorp's general and outside counsel that all relationships that exist between Westcorp and its independent directors are within the standards prescribed by the New York Stock Exchange and the Securities and Exchange Commission. The members of the Audit Committee also serve as the members of our Qualified Legal Compliance Committee in accordance with Securities and Exchange Commission regulations. The Charter for the Qualified Legal Compliance Committee is available at [www.westcorpinc.com](http://www.westcorpinc.com).

**Compensation Committee**

Westcorp has a standing Compensation Committee of the Board of Directors whose current members are Directors Charles E. Scribner, Robert T. Barnum, and James R. Dowlan. Mr. Scribner is Chairman of the Compensation Committee. Mr. Dowlan was formerly an officer of Westcorp's subsidiaries WFS Financial and

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Western Financial Bank. The Compensation Committee reviews and approves recommendations for annual salaries of employees, otherwise known as associates, reviews and sets the levels of compensation of senior management, and establishes policies applicable to, performance related to, and basis for compensation. The Compensation Committee held three meetings during 2003. The Compensation Committee Charter is available at westcorpinc.com.

**Corporate Governance and Nominating Committee**

Westcorp established a standing Corporate Governance and Nominating Committee on February 25, 2004 consisting of Directors Robert T. Barnum, Duane A. Nelles, and Charles E. Scribner. The full Board of Directors has determined that each of the members of the Corporate Governance and Nominating Committee qualifies as independent under the standards prescribed by the Securities and Exchange Commission and the New York Stock Exchange. The full Board of Directors also has confirmed with Westcorp's general and outside counsel that all relationships that exist between Westcorp and its independent Directors are within the standards prescribed by the New York Stock Exchange and the Securities and Exchange Commission.

The Corporate Governance and Nominating Committee will consider director candidates to the Board of Directors recommended by shareholders. Shareholders may propose director nominees for consideration by the Corporate Governance and Nominating Committee by submitting the names and supporting information to Secretary, Westcorp, 23 Pasteur, Irvine, California 92618, by 120 days before April 5, 2005.

The Corporate Governance and Nominating Committee shall select individuals as director nominees who shall have the highest personal and professional integrity, who shall have demonstrated exceptional ability and judgment, and who shall be most effective, in conjunction with the other nominees to the Board of Directors, in collectively serving the long-term interests of the shareholders of Westcorp as a whole, rather than special interest groups. The Corporate Governance and Nominating Committee identifies and evaluates director nominees by (i) reviewing the present needs of the Board of Directors and establishing specific criteria, (ii) reviewing the performance of the incumbent directors, (iii) proposing to the Board of Directors criteria for board composition before each search is undertaken, (iv) determining whether a search firm should be hired, (v) providing parameters to a search firm, if one is hired, and (vi) reviewing the qualifications of any proposed new directors. The Charter for the Corporate Governance and Nominating Committee is available at www.westcorpinc.com.

**Meetings of the Board**

The Board of Directors of Westcorp held a total of nine meetings during 2003. All directors have attended at least 75% of all board and applicable committee meetings. Westcorp's policy is that all directors should attend the annual meeting of the Board of Directors. Last year, all of the directors attended the annual meeting.

**Director Compensation**

Each director who is not also an associate of Westcorp or its subsidiaries received \$5,000 for each quarterly board meeting attended, \$2,250 for each non-quarterly board meeting attended, and \$1,000 for each committee meeting that is not held in conjunction with a board meeting. Directors who are associates of Westcorp or its subsidiaries do not receive additional compensation for their services as directors. Directors who attend a Westcorp and WFS Financial board meeting on the same day are compensated for only one of the two meetings.

**PROPOSAL 2**

**APPROVAL OF THE WESTCORP LONG TERM INCENTIVE PLAN**

The Board of Directors has adopted the Westcorp Long Term Incentive Plan (the Plan). The Plan consists of a series of essentially identical agreements entered into between Westcorp and selected associates of Westcorp. A copy of the form of agreement used for the Plan is attached to this Proxy Statement as Appendix B. You are being asked to vote to approve the Plan at the annual meeting. The following is a brief

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summary of the material terms and conditions of the Plan, but is qualified in its entirety by reference to the full text of the Plan. You are urged to review the Plan in connection with casting your vote on this proposal. Approval of this proposal requires an affirmative vote of a majority of the shares voting at the annual meeting.

The Board of Directors believes that it is important for Westcorp to have a variety of incentive plans to attract and retain the most qualified associates. The Plan is one of the incentive plans we have created for that purpose. The Plan is designed to induce those who are covered by the Plan to work to achieve the long-term growth objectives desired by the Board of Directors. The Plan generally authorizes the payment of a cash award to selected associates if Westcorp has achieved a per share tangible net book valuation of \$28.08 by December 31, 2004 and the associate entitled to an award remains employed by Westcorp or one of its subsidiaries on April 30, 2005. The Plan further provides that no payment may be made under the Plan unless that payment will be deductible by Westcorp. Under the applicable Internal Revenue Service rules, shareholder approval of the Plan is required for the payment to be deductible by Westcorp.

The Plan is administered by the Board of Directors. The Board of Directors determines which associates are to be offered an award under the Plan, the amount of the award, and whether any adjustments are to be made to the terms of the Plan, including specifically the per share target valuation of Westcorp.

To date, the Board of Directors has offered awards under the Plan to the following named Executive Officers and other associates in the following amounts:

Thomas A. Wolfe	\$ 1,000,000
Lee A. Whatcott	\$ 405,000
David W. Prescher	\$ 277,500
Dawn M. Martin	\$ 300,000
All others	\$ 1,993,553

In all cases, no incentive award will be paid unless the Plan is approved by the shareholders. In addition, no incentive award will be paid to any associate if Westcorp has not achieved a per share tangible net book valuation of \$28.08 by December 31, 2004 and that associate is still employed by Westcorp or a subsidiary of Westcorp on April 30, 2005. The Plan does provide that if an associate covered by the Plan is terminated for reasons other than for cause after June 30, 2004, then the associate will receive a partial payment if all other conditions are met. The amount of this partial payment will be based upon the percentage of time the associate is employed between the date that associate executed a Plan agreement and April 30, 2005. As of the date of this Proxy Statement, none of the associates covered by the Plan are subject to the termination without cause provision. If an associate covered by the Plan is terminated for cause, (such as dishonesty, breach of fiduciary duty, violation of law or material violation of company policy) or resigns, retires, is disabled for more than six months as of April 30, 2005 or dies prior to that date, no payment will be made under the Plan.

The term tangible net book value is defined in the Plan and means Westcorp's shareholder's equity, as determined in accordance with generally accepted accounting principles and disclosed in the financial statements filed by Westcorp with the Securities and Exchange Commission, reduced by all intangible assets of Westcorp (including but not limited to goodwill). At December 31, 2003, the tangible net book value of Westcorp was \$23.00. The Board of Directors has the authority, in its sole and absolute discretion, to adjust the target valuation of \$28.08 per share. The Plan provides that the participation by Westcorp or one or more of its subsidiaries in a merger, reorganization or consolidation, or the acquisition or disposition of assets or securities may result in an adjustment. However, the Board of Directors is not obligated to make an adjustment notwithstanding that one or more of such events may have occurred prior to December 31, 2004. As of the date of this proxy statement, the Board of Directors has not indicated that it has any intention of adjusting the target valuation.

As noted above, an award under the Plan will not be made unless the payment of that award will be deductible by Westcorp. In that event, the payment of the award will be taxable to the associate receiving the award as ordinary income in the year of its receipt. In contemplation that payments may be required under the Plan, Westcorp commenced expensing the amounts that might be due, such that the actual payment of the

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awards, if actually made after April 30, 2005, will not have a material affect on the financial condition of Westcorp.

**The Board of Directors recommends a FOR vote  
on the approval of the Westcorp Long Term Incentive Plan.**

**PROPOSAL 3**

**APPROVAL OF THE AMENDMENT OF WESTCORP S**

**ARTICLES OF INCORPORATION AND BYLAWS  
TO DECLASSIFY THE BOARD OF DIRECTORS**

As part of its review of corporate governance issues during 2003, our Board of Directors decided that all directors should be elected by the shareholders each year. Currently, our Board of Directors is divided into two classes of directors serving staggered two-year terms, so that approximately one-half of our Directors are elected at each annual meeting of shareholders. A board that is divided into classes in this manner is often referred to as a classified board.

Our Board of Directors has unanimously approved and recommended for approval by shareholders an amendment to Article IV, Paragraph C of the Articles of Incorporation and Article III, Section 3 and Section 4 of the Bylaws to eliminate the classification of our Board into two different classes. A copy of the proposed amendment is attached to this Proxy Statement as Appendix C. The proposed amendments to the Articles and Bylaws will be voted on together; they will either both be accepted or both be rejected. If the amendments are approved and become effective, our Board of Directors will not be classified and newly elected members will not serve staggered terms. Instead, all directors, including the directors elected at this annual meeting, will be elected at each annual meeting of shareholders and serve a one-year term and until their successors are elected and qualify or until their earlier resignation, disqualification, disability or removal. The proposed amendments will not, however, shorten the term of any incumbent director whose term does not expire this year.

As is the case for many other corporations, our primary purpose in maintaining a staggered board structure was to promote stability by helping to maintain a greater continuity of experience on our Board of Directors because a significant number of directors on the board at any given time will have at least one year of experience with Westcorp. A classified board has also been viewed as an antitakeover device designed to encourage persons, or groups of persons, seeking control of a company to do so by means of a process that involved voluntary agreements reached through negotiations with our management and Board of Directors.

Many investors believe that staggered boards decrease directors' accountability to shareholders. These investors, including many shareholder activists and significant institutional investors, urge that stockholders should have the opportunity to elect a public company's directors annually. The annual election of the entire Board of Directors affords shareholders the opportunity to consider the performance of the nominees on a yearly basis.

The Board of Directors has approved and is recommending this Proposal 3 to the shareholders as being in the best interests of Westcorp and its shareholders because (i) it enhances accountability of the Board of Directors and provides shareholders with a mechanism to register their views on the performance of the Board collectively and of each director individually for their decisions and policies on an annual basis and (ii) the classification of the Board of Directors is not effective as an antitakeover device because a majority of the shares of Westcorp outstanding are controlled by a single person, our Chairman, Ernest Rady.

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**Required Vote**

The approval of Proposal 3 requires the affirmative vote of the holders of at least sixty-six and two thirds percent (66 2/3%) of the voting power of all of the then outstanding shares of Westcorp's voting stock.

**The Board of Directors recommends a FOR vote on the amendment of  
Westcorp's Articles of Incorporation and Bylaws to declassify the Board of Directors**

**PROPOSAL 4**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

Upon the recommendation of the Audit Committee, the accounting firm of Ernst & Young LLP serves Westcorp and its subsidiaries as their independent auditors at the direction of our Board of Directors. This matter is not required to be submitted for shareholder approval, and although shareholder approval is not binding, the Board and the Audit Committee have elected to seek shareholder ratification of the appointment of Ernst & Young LLP as Westcorp's independent auditors. One or more representatives of Ernst & Young LLP are expected to be present at the annual meeting and will have an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

**Audit Fees, Audit Related Fees, Tax Fees, and Other Fees**

Consolidated fees paid to the independent auditors for the last fiscal year were as follows: annual audit \$437,000, audit related \$325,972, tax fees \$161,733, and other fees \$19,500. Consolidated fees paid to independent auditors for 2002 were as follows: annual audit \$275,000, audit related \$778,860, and tax fees \$166,242. Fees paid by Westcorp to Ernst & Young LLP are allocated to Westcorp's subsidiaries and affiliates under various intercompany agreements. Audit fees include the audit of Westcorp's consolidated financial statements included in the Form 10-K and review of Westcorp's interim financial information included in its Form 10-Q's. Audit related fees relate primarily to transaction due diligence and accounting consultations. Tax fees relate primarily to tax consulting and compliance services.

**The Board of Directors recommends a FOR vote on the ratification of  
the appointment of Ernst & Young LLP as Westcorp's independent auditors.**

**Table of Contents****EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

The following information is provided with respect to executive officers who are not directors. These officers providing services to Westcorp may be employed by related companies, and provide those services at fair market value to us, while also serving as officers of Westcorp.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Officer Since</u>
Richard G. Banes	Vice President and Director of Audit Services	46	1999
Marguerite Drew	Western Financial Bank Executive Vice President and President of Retail Banking	46	2002
Guy Du Bose	Vice President, General Counsel and Secretary	49	1992
Robert Galea	WFS Financial and Western Financial Bank Executive Vice President and Chief Marketing Officer	53	2002
Karen Marchak	WFS Financial and Western Financial Bank Executive Vice President and Director of Human Performance	46	2000
Dawn M. Martin	Senior Vice President and Chief Information Officer	44	1997
Cathy J. Mungon	WFS Financial and Western Financial Bank Executive Vice President and Director of Project Office	53	1985
Mark Olson	Vice President and Controller	41	1994
J. Keith Palmer	Vice President and Treasurer	44	1993
David W. Prescher	WFS Financial Executive Vice President and Western Financial Bank Vice President	41	1997
James E. Tecca	Western Financial Bank Vice Chairman and President of Commercial Banking	61	1996
Ronald Terry	Vice President and Chief Credit Officer	37	2000
Lee A. Whatcott	Executive Vice President, Chief Financial Officer and Chief Operating Officer	44	1988

The following is a brief account of the business experience of each executive officer who is not a director.

**Richard G. Banes** joined us in 1999 and serves as the Vice President and Director of Audit Services of Westcorp. Since December 2003, Mr. Banes has served as Executive Vice President and Director of Audit Services of Western Financial Bank and WFS Financial. Prior to this, Mr. Banes was Senior Vice President and Director of Audit Services of Western Financial Bank and WFS Financial. Mr. Banes is a licensed certified public accountant in California and a member of the American Institute of Certified Public Accountants and the Institute of Internal Auditors. Prior to joining us, Mr. Banes was Senior Vice President and Director of Management Audit for Avco Financial Services, a worldwide sub-prime consumer finance and auto lending company from 1996 to 1999. From 1993 to 1996, he was Senior Vice President and Audit Director for First Interstate Bank, a major U.S. bank that was acquired in 1996 by Wells Fargo Bank. Prior to First Interstate, Mr. Banes was a financial services audit professional at Ernst & Young LLP.

**Marguerite Drew** has served as Executive Vice President and President of Retail Banking for Western Financial Bank since December 2003. Prior to this, she was Senior Vice President and Director of Retail Banking for Western Financial Bank. She joined Western Financial Bank in 2001 as Southern California Regional Manager. Ms. Drew has over 25 years of retail banking experience. She was with Wells Fargo Bank for 22 years prior to joining Western Financial Bank. From 1991 to 1995, she was the Vice President Business Manager in the Newport/Costa Mesa area, responsible for both business deposits and loan growth. From 1995 to 2001, she was the Orange County/ San Diego Coastal Regional Vice President, responsible for loan deposit, investments, and general operations for over 50 branches, traditional and in-store.

**Guy Du Bose** serves as Vice President, General Counsel and Secretary for Westcorp and Senior Vice President, General Counsel and Secretary of WFS Financial and Western Financial Bank, all since 1999. He started as Vice President and Legal Counsel of the Bank in 1992. He became Senior Vice President of the Bank in 1997 and General Counsel and Secretary of the Bank in 1999. Prior to his association with us,



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Mr. Du Bose was Chief Operating Officer and General Counsel of Guardian Federal Savings, Senior Vice President and General Counsel of Mercury Federal Savings and Loan Association, and Corporate Counsel of Southern California Savings. Mr. Du Bose is an active member of the California State Bar Association and a member of various professional associations.

**Robert Galea** joined us in 2002 and has served as Executive Vice President and Chief Marketing Officer for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, Mr. Galea was Senior Vice President and Chief Marketing Officer for WFS Financial and Western Financial Bank. Mr. Galea manages all marketing efforts for WFS Financial and Western Financial Bank. Prior to joining WFS Financial and Western Financial Bank, Mr. Galea was Senior Vice President, Director of Marketing with Chittenden Bank in Vermont from 2001 to 2002 and Senior Vice President, Director of Marketing with Imperial Bank in Los Angeles from 1998 to 2001. Prior to 1998, Mr. Galea was with Home Savings of America in Southern California for over 20 years in sales and marketing positions.

**Karen Marchak** has served as Executive Vice President and Director of Human Performance for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, she was Senior Vice President and Director of Human Performance for WFS Financial and Western Financial Bank. From 2000 to 2002, she was a Vice President with WFS Financial and Western Financial Bank. Before joining us in 2000, she created and managed the organizational development function at Mission Hospital from 1998 to 2000. From 1996 to 1998, Ms. Marchak managed a training and organizational development department at Jack in the Box.

**Dawn M. Martin** has been Senior Vice President and Chief Information Officer of Westcorp and Executive Vice President and Chief Information Officer of WFS Financial and Western Financial Bank since 1999. Ms. Martin joined WFS Financial, in April 1997 as Senior Vice President, Manager of Network Computing. Prior to joining us, Ms. Martin was Senior Vice President and System Integration Officer at American Savings Bank where she was employed from 1984 to 1997.

**Cathy J. Mungon** has served as Executive Vice President and Director of Project Office for WFS Financial and Western Financial Bank since December 2003. From 2002 to December 2003, she was Senior Vice President and Director of Project Office. From 1999 to 2002, she was Senior Vice President and Director of Operations for WFS Financial. Ms. Mungon joined Western Financial Bank in 1981 when she became a member of the Systems/ Training Department. She was promoted to Assistant Vice President of Western Financial Bank in 1985. In 1992, she was promoted to Vice President of Systems/ Training and Operations. In 1995, she transferred to WFS Financial as Vice President of Business Systems Support and Operations. Prior to joining us, Ms. Mungon was a training manager for Morris Plan and, previous to Morris Plan, Nationwide Finance.

**Mark Olson** has served as Controller of Westcorp, WFS Financial and Western Financial Bank since 1995 and as Vice President of Westcorp and Senior Vice President of WFS Financial and Western Financial Bank since 1997. He joined Western Financial Bank in 1991 as Accounting Systems Director. Prior to joining the Bank, Mr. Olson was employed by Ernst & Young LLP. Mr. Olson is a licensed certified public accountant in California and a member of the American Institute of Certified Public Accountants.

**J. Keith Palmer** has been Treasurer of Westcorp, WFS Financial and Western Financial Bank since 1995, Vice President of Westcorp since 1996 and Senior Vice President of WFS Financial and Western Financial Bank since 1997. Prior to joining Western Financial Bank in 1993, Mr. Palmer served as a Capital Markets Examiner with the Office of Thrift Supervision from 1991 to 1993. From 1986 to 1991, Mr. Palmer served in various capacities with the Office of Thrift Supervision.

**David W. Prescher** has served as Executive Vice President and National Production Manager for WFS Financial since 2002 and Vice President of Western Financial Bank since 2003. Mr. Prescher joined WFS Financial in 1988 as Branch Manager of the San Diego office. In 1997, he was promoted to Senior Vice President and Chief Credit Officer, and in 1998 he was named Division Manager of the Western Division. Mr. Prescher is a board member of the California Financial Services Association.

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**James E. Tecca** has been Vice Chairman of Western Financial Bank since 2002. He served as President of Western Financial Bank from 1999 to 2002, after serving as Executive Vice President since 1996 in charge of the Commercial Banking Group. Prior to joining Western Financial Bank, he was a Senior Vice President with Bank of America for 20 years. In addition, Mr. Tecca was Chief Operating Officer with Bay View Federal Bank in San Francisco and President and Chief Executive Officer of Girard Savings Bank in San Diego.

**Ronald Terry** has served as Vice President and Chief Credit Officer of Westcorp since February 2004 and as Senior Vice President and Chief Credit Officer of WFS Financial since 2000. Prior to joining WFS Financial, Mr. Terry worked for Equifax, from 1999 to 2000, as an Automotive Finance Consultant. From 1997 to 1999, Mr. Terry was Credit Risk Manager at Mitsubishi Motors Credit of America. Prior to joining Mitsubishi, Mr. Terry was with Experian for six years managing the development of generic and custom scorecards.

**Lee A. Whatcott** has served as Chief Financial Officer of Westcorp, WFS Financial and Western Financial Bank since 1995, as Executive Vice President of Westcorp since 1999, and as Senior Executive Vice President of WFS Financial and Western Financial Bank since 1999. He also has served as Chief Operating Officer of Westcorp, WFS Financial and Western Financial Bank since 2002. Mr. Whatcott joined us in 1988 and was named Vice President and Controller in 1992 and Senior Vice President in 1995. Prior to joining us, he was employed by Ernst & Young LLP.

**CODE OF ETHICS**

All our directors, officers, and associates, including our Chief Executive Officer, Chief Financial Officer, and Controller, are required to abide by our Code of Ethics to insure that our business is conducted in a consistently legal and ethical manner. Our Code of Ethics covers all areas of professional conduct, including conflicts of interest, protection of confidential information, and strict adherence to all laws and regulations applicable to the conduct of our business. The Code of Ethics requires the reporting of any conduct believed in good faith to be an actual or apparent violation of the Code of Ethics. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain, and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by associates of concerns regarding questionable accounting or auditing matters. We currently have such procedures in place. Our Code of Ethics is published on our web site at [www.westcorpinc.com](http://www.westcorpinc.com)

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table discloses compensation received for the three fiscal years ended December 31, 2003, by our Chairman of the Board and Chief Executive Officer and the next four most highly compensated executive officers in 2003, also known as the named executive officers.

**Table of Contents****SUMMARY COMPENSATION TABLE**

Principal	Year	Annual Compensation(1)			Long-Term Compensation			
		Salary(\$)	Bonus\$(2)	Other Annual Compensation\$(3)	Westcorp	WFS	Awards	All Other
					Stock Options	Stock Options		
man of board of directors	2003	\$ 348,330	\$ 250,000	0	40,000	0	0	\$ 139,500(5)
Chief Executive Officer of Westcorp Inc.	2002	337,488	200,000	0	40,000	0	0	(131,485)
Chief Executive Officer of Westcorp Inc.	2001	320,840	175,000	0	40,000	0	0	179,456
man of board of WFS	2003	487,499	300,000	0	35,000			104,244(6)
President of Westcorp, Chief Executive Officer of Westcorp and WFS	2002	412,492	250,000	44,800	35,000	0	0	42,810
Chief Executive Officer of Westcorp and WFS	2001	341,660	210,000	76,850	25,000	0	0	24,978
man of bank	2003	384,167	219,000	0	25,000	0	0	96,776(7)
Chief Executive Officer of Westcorp and WFS	2002	349,997	100,000	0	25,000	0	0	49,402
Chief Executive Officer of Westcorp and WFS	2001	295,000	122,000	0	20,000	0	0	85,947
man of bank	2003	285,831	143,000	44,407	20,000	0	0	76,307(8)
Chief Executive Officer of Westcorp and WFS	2002	261,227	124,000	0	20,000	0	0	(9,107)
Chief Executive Officer of Westcorp and WFS	2001	191,167	55,792	0	10,000	0	0	29,251
man of bank	2003	242,500	85,000	33,240	10,000	0		52,842(9)
Chief Executive Officer of Westcorp and WFS	2002	233,333	70,000	0	10,000	0	0	41,538

Information per of	2001	220,833	62,000						
	782,074	100.00%	409,038	100.00%	412,784	100.00%	369,349	100.00%	322,438
	556		522		654		630		575
	8,417		6,644		5,304		4,065		3,733
	\$773,101		\$401,872		\$406,826		\$364,654		\$318,130

(1) Includes business lines of credit

(2) Includes home equity lines of credit

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Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2010. The amount shown represents outstanding principal balances. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as being due in one year or less. Variable-rate loans are shown as due at the time of repricing. The table does not include prepayments or scheduled principal repayments.

	Due within 1 Year	Due after 1 through 5 Years	Due after 5 Years	Total
(In Thousands)				
Residential	\$1,812	\$2,988	\$229,635	\$234,435
Construction	15,805	1,630	413	17,848
Commercial business(1)	20,784	18,671	14,705	54,160
Commercial and multi-family	20,359	60,837	329,016	410,212
Home equity(2)	1,526	3,993	58,084	63,603
Consumer	111	537	1,168	1,816
Total amount due	\$60,397	\$88,656	\$633,021	\$782,074

Loans with Predetermined or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at December 31, 2010 that are due after December 31, 2011, and have predetermined interest rates and that have floating or adjustable interest rates.

	Fixed Rates	Floating or Adjustable Rates	Total
(In Thousands)			
Residential	\$225,704	\$6,919	\$232,623
Construction	1,017	1,026	2,043
Commercial business(1)	14,103	19,273	33,376
Commercial and multi-family	181,072	208,781	389,853
Home equity(2)	52,905	9,172	62,077
Consumer	1,700	5	1,705
Total amount due	\$476,501	\$245,176	\$721,677

(1) Includes business lines of credit

(2) Includes home equity lines of credit

Commercial and Multi-family Real Estate Loans. Our commercial and multi-family real estate loans are secured by commercial real estate (for example, shopping centers, medical buildings, retail offices) and multi-family residential units, consisting of five or more units. Permanent loans on commercial and multi-family properties are generally originated in amounts up to 75% of the appraised value of the property. Our commercial real estate loans are secured by improved property such as office buildings, retail stores, warehouses, church buildings and other non-residential buildings. Commercial and multi-family real estate loans are generally made at rates that adjust above the five year U.S. Treasury interest rate, with terms of up to 25 years, or are balloon loans with fixed interest rates which generally mature in three to five years with principal amortization for a period of up to 30 years. Our largest commercial loan had a principal balance of \$2.9 million at December 31, 2010, was secured by a mixed use residential/commercial property and was performing in accordance with its terms on that date. Our largest multi-family loan had a principal balance of \$4.4 million at December 31, 2010. This loan, which was operating under the terms of a work-out plan and had performed according to its



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adjusted terms, had that workout plan expire on December 31, 2010. The loan will now return to its original terms and is expected to perform as required.

Loans secured by commercial and multi-family real estate are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. The borrower's creditworthiness and the feasibility and cash flow potential of the project is of primary concern in commercial and multi-family real estate lending. Loans secured by income properties are generally larger and involve greater risks than residential mortgage loans because payments on loans secured by income properties are often dependent on the successful operation or management of the properties. As a result, repayment of such loans may be subject to a greater extent than residential real estate loans to adverse conditions in the real estate market or the economy. We intend to continue emphasizing the origination of loans secured by commercial real estate and multi-family properties.

Residential One- to Four-Family Lending. Our one- to four-family residential mortgage loans are secured by property located primarily in the State of New Jersey. We generally originate one- to four-family residential mortgage loans in amounts up to 80% of the lesser of the appraised value or selling price of the mortgaged property without requiring mortgage insurance. We will originate loans with loan to value ratios up to 90% provided the borrowers obtain private mortgage insurance. We originate both fixed rate and adjustable rate loans. One- to four-family loans may have terms of up to 30 years. The majority of one- to four-family loans we originate for retention in our portfolio have terms no greater than 15 years. We offer adjustable rate loans with fixed rate periods of up to five years, with principal and interest calculated using a maximum 30-year amortization period. We offer these loans with a fixed rate for the first five years with repricing following every year after the initial period. Adjustable rate loans may adjust up to 200 basis points annually and 600 basis points over the term of the loan. We also broker for a third party lender one- to four-family residential loans, which are primarily fixed rate loans with terms of 30 years. Our loan brokerage activities permit us to offer customers longer-term fixed rate loans we would not otherwise originate while providing a source of fee income. During 2010, we brokered \$19.4 million in one- to four-family loans and recognized gains of \$295,000 from the sale of such loans. As a result of the Pamrapo Bancorp acquisition we were able to market our one-to-four-family origination program to a broader cross-section of our primary market area.

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

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

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Construction Loans. We offer loans to finance the construction of various types of commercial and residential property. We originated \$5.4 million of such loans during the year ended December 31, 2010. Construction loans to builders generally are offered with terms of up to eighteen months and interest rates are tied to the prime rate plus a margin. During 2010, we deemphasized the origination of construction loans. These loans generally are offered as adjustable rate loans. We will originate residential construction loans for individual borrowers and builders, provided all necessary plans and permits are in order. Construction loan funds are disbursed as the project progresses. At December 31, 2010, our largest construction loan was \$3.8 million, of which \$2.8 million was disbursed. This construction loan has been made for the construction of twenty-one residential units. At December 31, 2010, this loan was performing in accordance with its terms.

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

Home Equity Loans and Home Equity Lines of Credit. We offer home equity loans and lines of credit that are secured by the borrower's primary residence. Our home equity loans can be structured as loans that are disbursed in full at closing or as lines of credit. Home equity loans and lines of credit are offered with terms up to 15 years. Virtually all of our home equity loans are originated with fixed rates of interest and home equity lines of credit are originated with adjustable interest rates tied to the prime rate. Home equity loans and lines of credit are underwritten under the same criteria that we use to underwrite one- to four-family loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 80% when combined with the principal balance of the existing mortgage loan. At the time we close a home equity loan or line of credit, we file a mortgage to perfect our security interest in the underlying collateral. At December 31, 2010, the outstanding balances of home equity loans and lines of credit totaled \$63.6 million, or 8.13% of our loan portfolio.

Commercial Business Loans. Our commercial business loans are underwritten on the basis of the borrower's ability to service such debt from income. Our underwriting standards for commercial business loans include a review of the applicant's tax returns, financial statements, credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan based on cash flow generated by the applicant's business. Commercial business loans are generally made to small and mid-sized companies located within the State of New Jersey. In most cases, we require collateral of real estate, equipment, accounts receivable, inventory, chattel or other assets before making a commercial business loan. Our largest commercial business loan at December 31, 2010 was an unsecured loan to a local Board of Education and had a principal balance of \$6.2 million. This loan was performing in accordance with its terms as of that date.



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

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

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

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

	Years Ended December 31,				
	2010	2009	2008	2007	2006
	(In Thousands)				
Beginning of period	\$409,038	\$412,784	\$369,349	\$322,438	\$288,145
Loans Acquired Through Merger	412,142	—	—	—	—
Originations by Type:					
Real estate mortgage:					
Residential	13,408	19,509	9,683	6,454	9,203
Construction	5,366	16,060	15,591	48,415	34,889
Home equity	7,995	3,015	9,699	14,512	15,821
Commercial and multi-family	31,604	33,809	63,601	55,892	51,542
Commercial business	47,607	17,843	11,624	16,987	7,946
Consumer	200	132	492	215	222
Total loans originated	106,180	90,368	110,690	142,475	119,623
Purchases:					
Real estate mortgage:					
Residential	—	—	—	—	—
Construction	676	1,744	113	3,726	4,870
Home equity	—	—	—	—	—
Commercial and multi-family	992	—	—	5,267	1,737
Commercial business	—	—	—	600	400
Consumer	—	—	—	—	—
Total loans purchased	1,668	1,744	113	9,593	7,007
Sales:					
Real estate mortgage:					
Residential	—	—	—	—	—
Construction	493	1,238	2,523	5,040	2,044
Home equity	—	—	—	—	—
Commercial and multi-family	1,085	—	—	1,275	3,388
Commercial business	130	—	—	—	—

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Consumer	—	—	—	—	—
Total loans sold	1,708	1,238	2,523	6,315	5,432
Principal repayments	138,539	94,549	63,651	97,396	86,905
Transfer of loans to real estate owned	6,887	71	1,194	1,446	—
Total reductions	145,246	94,620	64,845	98,842	92,337
Net increase (decrease)	373,036	(3,746 )	43,435	46,911	34,293
Ending balance	\$782,074	\$409,038	\$412,784	\$369,349	\$322,438

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

Upon receipt of a completed loan application from a prospective borrower, a credit report is ordered. Income and certain other information is verified. If necessary, additional financial information may be requested. An appraisal is required for the underwriting of all one- to four-family loans. We may rely on an estimate of value of real estate performed by our Senior Lending Officer for home equity loans or lines of credit of up to \$250,000. Appraisals are processed by state certified independent appraisers approved by the Board of Directors.

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

Loan Commitments. Written commitments are given to prospective borrowers on all approved real estate loans. Generally, we honor commitments for up to 60 days from the date of issuance. At December 31, 2010, our outstanding loan origination commitments totaled \$3.0 million, standby letters of credit totaled \$2.0 million, outstanding construction loans in progress totaled \$5.2 million and undisbursed lines of credit totaled \$33.7 million.

Loan Delinquencies. We send a notice of nonpayment to borrowers when their loan becomes 15 days past due. If such payment is not received by month end, an additional notice of nonpayment is sent to the borrower. After 60 days, if payment is still delinquent, a notice of right to cure default is sent to the borrower giving 30 additional days to bring the loan current before foreclosure is commenced. If the loan continues in a delinquent status for 90 days past due and no repayment plan is in effect, foreclosure proceedings will be initiated. In an effort to more closely monitor the performance of our loan portfolio and asset quality, the Bank has created various concentration of credit reports, specifically as it relates to our construction and commercial real estate portfolios. These reports stress test declining property values up to and including a 25% value depreciation to the original appraised value to determine our potential exposure.

Loans are reviewed and are placed on a non-accrual status when the loan becomes more than 90 days delinquent or when, in our opinion, the collection of additional interest is doubtful. Once placed on non-accrual status, the accrual of interest income is discontinued. Income is subsequently recognized only to the extent that cash payments are received until delinquency status is reduced to less than ninety days, in which case the loan is returned to accrual status. At December 31, 2010, we had \$41.8 million in non-accruing loans. Our largest exposure of non-

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performing loans at that date consisted of two loans, with one specific borrower with a combined principal balance of \$3.0 million, collateralized by two multi-unit apartment complexes. These units are under contract to have their notes sold to a third party. The closing on these facilities occurred during the first quarter of 2011, with the bank realizing a loss of approximately \$76,000. Another loan relationship consisting of two loans with one specific borrower and a balance of \$2.25 million is also in non-accrual status. This borrower is in foreclosure and while there has been a certain level of depreciation of the underlying collateral, the Bank believes that upon conveyance and disposition of the properties, the Bank will not incur a loss on these facilities.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of the loan agreement. We have determined that first mortgage loans on one- to four-family properties and all consumer loans represent large groups of smaller-balance homogeneous loans that are collectively evaluated. Additionally, we have determined that an insignificant delay (less than 90 days) will not cause a loan to be classified as impaired and a loan is not impaired during a period of delay in payment, if we expect to collect all amounts due including interest accrued at the contractual interest rate for the period of delay. We independently evaluate all loans identified as impaired. We estimate credit losses on impaired loans based on the present value of expected cash flows or the fair value of the underlying collateral if the loan repayment will be derived from the sale or operation of such collateral. Impaired loans, or portions of such loans, are charged off when we determine that a realized loss has occurred. Until such time, an allowance for loan losses is maintained for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the loan terms, except when an impaired loan is also a nonaccrual loan, in which case the portion of the receipts related to interest is recognized as income. At December 31, 2010, we had fifty seven loans with an unpaid principal balance totaling \$33.6 million which are classified as impaired and on which loan loss allowances totaling \$2.1 million have been established. During 2010, interest income of \$2.1 million was recognized on impaired loans during the time of impairment.

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

	At December 31, 2010				At December 31, 2009			
	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)							
Real estate mortgage:								
Residential	9	\$3,706	48	\$15,115	3	\$3,973	5	\$1,559
Construction	—	—	7	2,773	—	—	7	4,343
Home equity	7	694	20	1,632	2	517	2	251
Commercial and multi-family	9	5,391	64	21,147	5	2,729	8	5,280
Total	25	9,791	139	40,667	10	7,219	22	11,433
Commercial business	4	456	5	861	1	369	1	500
Consumer	1	5	4	283	—	—	—	—
Total delinquent loans	30	\$10,252	148	\$41,811	11	\$7,588	23	\$11,933
Delinquent loans to total loans		1.31 %		5.35 %		1.86 %		2.92 %



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	At December 31, 2008				At December 31, 2007			
	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)								
Real estate mortgage:								
Residential	3	\$1,507	4	\$1,213	—	\$—	1	\$319
Construction	1	360	—	—	—	—	1	1,247
Home equity	—	—	—	—	—	—	1	149
Commercial and multi-family	2	265	5	2,515	2	1,770	5	2,558
Total	6	2,132	9	3,728	2	1,770	8	4,273
Commercial business	—	—	—	—	—	—	—	—
Consumer	—	—	—	—	—	—	—	—
Total delinquent loans	6	\$2,132	9	\$3,728	2	\$1,770	8	\$4,273
Delinquent loans to total loans		0.51 %		0.90 %		0.48 %		1.16 %

	At December 31, 2006			
	60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
(Dollars in Thousands)				
Real estate mortgage:				
Residential	—	\$ —	—	\$ —
Construction	1	1,356	—	—
Home equity	—	—	—	—
Commercial and multi-family	—	—	1	307
Total	1	1,356	1	307
Commercial business	—	—	—	—
Consumer	1	2	1	16
Total delinquent loans	2	\$ 1,358	2	\$ 323
Delinquent loans to total loans		0.42 %		0.10 %

The table below sets forth the amounts and categories of non-performing assets in the Bank's loan portfolio. Loans are placed on non-accrual status when delinquent more than 90 days or when the collection of principal and/or interest become doubtful. Foreclosed assets include assets acquired in settlement of loans.

	At December 31,				
	2010	2009	2008	2007	2006
(Dollars in Thousands)					
Non-accruing loans:					
Residential	\$15,115	\$1,559	\$1,213	\$319	\$—
Construction	2,773	4,343	—	1,247	—

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Home equity	1,632	251	—	149	—
Commercial and multi-family	21,147	5,280	2,515	2,039	307
Commercial business	861	500	—	—	—
Consumer	283	—	—	—	16
Total	41,811	11,933	3,728	3,754	323
Accruing loans delinquent more than 90 days:					
Residential	—	—	—	—	—
Construction	—	—	—	—	—
Home equity	—	—	—	—	—
Commercial and multi-family	—	—	—	519	—
Commercial business	—	—	—	—	—
Consumer	—	—	—	—	—
Total	—	—	—	519	—
Total non-performing loans	41,811	11,933	3,728	4,273	323
Foreclosed assets	3,602	1,270	1,435	287	—
Total non-performing assets	\$45,413	\$13,203	\$5,163	\$4,560	\$323
Total non-performing assets as a percentage of total assets	4.10	% 2.09	% 0.89	% 0.81	% 0.06
Total non-performing loans as a percentage of total loans	5.35	% 2.92	% 0.90	% 1.16	% 0.10

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For the year ended December 31, 2010, gross interest income which would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to \$1.9 million. We received and recorded \$280,000 in interest income for such loans for the year ended December 31, 2010. The year over year increase in non-performing loans reflects nonperforming loans acquired as part of the Pamrapo Bancorp, Inc. acquisition.

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

When we classify problem assets, we may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally do not qualify as regulatory capital. At December 31, 2010, we had \$668,000 in assets classified as loss, all of which is considered impaired, \$16.8 million in assets classified as doubtful, of which \$5.4 million was classified as impaired, \$31.5 million in assets classified as substandard, of which \$11.4 million was classified as impaired and \$40.1 million in assets classified as special mention, of which \$11.5 million was classified as impaired. The loans classified as substandard represent primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment. The loans that have been classified substandard were classified as such primarily because either updated financial information has not been timely provided, or the collateral underlying the loan is in the process of being revalued.

The Company’s internal credit risk grades are based on the definitions currently utilized by the banking regulatory agencies. The grades assigned and definitions are as follows, and loans



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graded excellent, above average, good and watch list (risk ratings 1-4) are treated as “pass” for grading purposes:

5 – Special Mention- Loans currently performing but with potential weaknesses including adverse trends in borrower’s operations, credit quality, financial strength, or possible collateral deficiency.

6 – Substandard- Loans that are inadequately protected by current sound worth, paying capacity, and collateral support. Loans on “nonaccrual” status. The loan needs special and corrective attention.

7 – Doubtful- Weaknesses in credit quality and collateral support make full collection improbable, but pending reasonable factors remain sufficient to defer the loss status.

8 – Loss- Continuance as a bankable asset is not warranted. However, this does not preclude future attempts at partial recovery.

Allowances for Loan Losses. A provision for loan losses is charged to operations based on management’s evaluation of the losses that may be incurred in our loan portfolio. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available, our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings. Management reviews the adequacy of the allowance on at least a quarterly basis to ensure that the provision for loan losses has been charged against earnings in an amount necessary to maintain the allowance at a level that is adequate based on management’s assessment of probable estimated losses. The Company’s methodology for assessing the adequacy of the allowance for loan losses consists of several key elements. These elements include a general allocated allowance for impaired loans, a specific allowance for impaired loans, and an unallocated portion.

The Company consistently applies the following comprehensive methodology. During the quarterly review of the allowance for loan losses, the Company considers a variety of factors that include:

General economic conditions.

Trends in charge-offs.

Trends and levels of delinquent loans.

Trends and levels of non-performing loans, including loans over 90 days delinquent.

Trends in volume and terms of loans.

Levels of allowance for specific classified loans.

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## Credit Concentrations

The methodology includes the segregation of the loan portfolio into two divisions. Loans that are performing and loans that are impaired. Loans which are performing are evaluated homogeneously by loan class or loan type. The allowance of performing loans are evaluated based on historical loan loss peer analysis with an adjustment for qualitative factors due to economic conditions in the market. Impaired loans are loans which are 60 or more days delinquent or troubled debt restructured. These loans are individually evaluated for loan loss either by current appraisal, estimated economic factor, or net present value. Impaired loans which do not produce a specific loan loss are reconsidered under the general valuation method of performing loans. Management reviews the overall estimate for feasibility and bases the loan loss provision accordingly. The Company also maintains an unallocated allowance. The unallocated allowance is used to cover any factors or conditions which may cause a potential loan loss but are not specifically identifiable. It is prudent to maintain an unallocated portion of the allowance because no matter how detailed an analysis of potential loan losses is performed, these estimates by definition lack precision. Management must make estimates using assumptions and information that is often subjective and changing rapidly.

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

	Years Ended December 31,					
	2010	2009	2008	2007	2006	
	(Dollars in Thousands)					
Balance at beginning of period	\$6,644	\$5,304	\$4,065	\$3,733	\$3,090	
<b>Charge-offs:</b>						
Residential	—	—	—	—	—	
Construction	15	—	90	270	—	
Commercial business(1)	351	—	3	—	66	
Commercial and multi-family	323	205	—	—	—	
Home equity(2)	—	—	—	—	—	
Consumer	—	7	8	15	1	
Total charge-offs	689	212	101	285	67	
Recoveries	12	2	40	17	85	
Net charge-offs (recoveries)	677	210	61	268	(18 )	
Provisions charged to operations	2,450	1,550	1,300	600	625	
Ending balance	\$8,417	\$6,644	\$5,304	\$4,065	\$3,733	
<b>Ratio of non-performing assets to total assets at the end of period</b>	4.10	% 2.09	% 0.89	% 0.81	% 0.06	%
<b>Allowance for loan losses as a percent of total loans outstanding</b>	1.08	% 1.62	% 1.28	% 1.10	% 1.16	%
<b>Ratio of net charge-offs (recoveries) during the period to total loans outstanding at end of the period</b>	0.09	% 0.05	% 0.01	% 0.07	% (0.01 )	%

Ratio of net charge-offs (recoveries) during the period to non-performing loans	1.62	%	1.79	%	1.64	%	6.27	%	(5.57)	)%
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(1) Includes business lines of credit

(2) Includes home equity lines of credit

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

Type of loan:	2010		2009		At December 31, 2008		2007		2006	
	Percent of Loans in each Category in Total		Percent of Loans in each Category in Total		Percent of Loans in each Category in Total		Percent of Loans in each Category in Total		Percent of Loans in each Category in Total	
	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans
	(Dollars in Thousands)									
Residential	\$171	29.98 %	\$430	18.70 %	\$688	17.94 %	\$221	14.96 %	\$69	13.64 %
Construction	426	2.28	1,437	12.55	941	15.14	885	13.53	1,068	12.06
Home equity	204	8.13	186	8.39	167	9.22	172	9.58	126	10.02
Commercial and multi-family	6,179	52.45	4,184	54.71	3,175	54.07	2,476	56.35	2,285	59.60
Commercial business	1,286	6.93	365	5.50	216	3.42	262	5.38	168	4.56
Consumer	18	0.23	42	0.15	117	0.21	49	0.20	17	0.12
Unallocated	133	-	-	-	-	-	-	-	-	-
Total	\$8,417	100.00%	\$6,644	100.00%	\$5,304	100.00%	\$4,065	100.00%	\$3,733	100.00%

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Investment Activities

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

Current regulatory and accounting guidelines regarding investment securities require us to categorize securities as held-to-maturity, available for sale or trading. As of December 31, 2010, the amortized cost of securities classified as held-to-maturity was \$165.6 million. We had \$1.1 million in securities classified as available for sale, and no securities classified as trading. Securities classified as available for sale are reported for financial reporting purposes at the fair value with net changes in the fair value from period to period included as a separate component of stockholders' equity, net of income taxes. At December 31, 2010, our securities classified as held-to-maturity had a fair value of \$166.8 million. Changes in the fair value of securities classified as held-to-maturity do not affect our income, unless we determine there to be an other-than-temporary impairment for those securities in an unrealized loss position. At December 31, 2010, management concluded that all unrealized losses were temporary in nature since they are related to interest rate fluctuations rather than any underlying credit quality of the issuers. Additionally, the Company has no plans to sell these securities and has concluded that it is unlikely it would have to sell these securities prior to the anticipated recovery of the unrealized losses. During the year ended December 31, 2010, we had no securities sales.

At December 31, 2010, our investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations; (ii) U.S. federal agency or federally sponsored agency obligations; (iii) mortgage-backed securities; and (iv) certificates of deposit. The Board of Directors may authorize additional investments. At December 31, 2010, our U.S. Government agency securities totaled \$30.8 million, all of which were classified as held-to-maturity and which primarily consisted of callable securities issued by government sponsored enterprises. Our level of U.S. government agency securities totaled \$98.0 million at December 31, 2009. The decrease during 2010 reflects the maturity or call of \$130.5 million in U.S. government agency securities.

As a source of liquidity and to supplement our lending activities, we have invested in residential mortgage-backed securities. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees or credit enhancements that reduce credit risk. Mortgage-backed securities can serve as collateral for borrowings and, through repayments, as a source of liquidity. Mortgage-backed securities

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represent a participation interest in a pool of single-family or other type of mortgages. Principal and interest payments are passed from the mortgage originators, through intermediaries (generally government-sponsored enterprises) that pool and repackage the participation interests in the form of securities, to investors, like us. The government-sponsored enterprises guarantee the payment of principal and interest to investors and include Freddie Mac, Ginnie Mae, and Fannie Mae.

Mortgage-backed securities typically are issued with stated principal amounts. The securities are backed by pools of mortgage loans that have interest rates that are within a set range and have varying maturities. The underlying pool of mortgages can be composed of either fixed rate or adjustable rate mortgage loans. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates. The interest rate risk characteristics of the underlying pool of mortgages (i.e., fixed rate or adjustable rate) and the prepayment risk, are passed on to the certificate holder. The life of a mortgage-backed pass-through security is equal to the life of the underlying mortgages. Expected maturities will differ from contractual maturities due to scheduled repayments and because borrowers may have the right to call or prepay obligations with or without prepayment penalties. As a result of our acquisition of Pamrapo Bancorp, Inc. and our own internal activities, our level of mortgage backed securities, all of which are classified as held to maturity, increased from \$34.6 million at December 31, 2009 to \$127.0 million at December 31, 2010.

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

	2010	At December 31,	
		2009	2008
		(In Thousands)	
Securities available for sale:			
Equity securities	\$ 1,098	\$ 1,346	\$ 888
Securities held to maturity:			
U.S. Government and Agency securities	30,838	98,023	98,607
Mortgage-backed securities	126,955	34,621	42,673
Corporate subordinated notes	6,000	—	—
Municipal obligations	1,376	—	—
Trust originated preferred security	403	—	—
Total securities held to maturity	165,572	132,644	141,280
FHLB stock	6,723	5,714	5,736
Total investment securities	\$ 173,393	\$ 139,704	\$ 147,904

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

	Years Ended December 31,		
	2010	2009	2008
	(In Thousands)		
Securities acquired through merger	\$86,770	\$—	\$—
<b>Purchases:</b>			
Fixed-rate	\$104,997	\$147,647	\$60,606
Total purchases	\$104,997	\$147,647	\$60,606
<b>Sales:</b>			
Fixed-rate	\$—	\$—	\$—
Total sales	\$—	\$—	\$—
<b>Principal Repayments:</b>			
Repayment of principal	\$(156,757 )	\$155,553	\$84,400
Increase (decrease) in other items, net	(2,082 )	730	(58 )
Net (decreases) increases	\$32,928	\$(8,636 )	\$(23,850 )

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Maturities of Securities Portfolio. The following table sets forth information regarding the scheduled maturities, carrying values, estimated market values, and weighted average yields for the Bank's debt securities portfolio at December 31, 2010 by contractual maturity. The following table does not take into consideration the effects of scheduled repayments or the effects of possible prepayments.

	As of December 31, 2010									
	Within one year		More than One to five years		More than five to ten years		More than ten years		Total investment	
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Fair Value	Carrying Value
	(Dollars in Thousands)									
U.S. government agency securities	\$-	-	\$3,315	5.00%	\$-	2.35%	\$27,523	2.69%	\$30,970	\$30,970
Mortgage-backed securities	6	6.00%	775	2.74	54,629	-	71,545	3.96	128,054	128,054
Corporate subordinated notes	6,000	8.09	-	-	-	-	-	-	6,000	6,000
Municipal obligations	-	-	-	-	-	-	1,376	5.37	1,355	1,355
Trust originated preferred security	-	-	-	-	-	-	403	7.67	406	403
<b>Total investment securities</b>	<b>\$6,006</b>	<b>8.09%</b>	<b>\$4,090</b>	<b>4.57%</b>	<b>\$54,629</b>	<b>2.35%</b>	<b>\$100,847</b>	<b>3.65%</b>	<b>\$166,785</b>	<b>\$166,785</b>



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## Sources of Funds

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

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

The interest rates paid by us on deposits are set at the direction of our senior management. Interest rates are determined based on our liquidity requirements, interest rates paid by our competitors, our growth goals, and applicable regulatory restrictions and requirements. At December 31, 2010, we had \$6.3 million of brokered deposits.

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

	2010		December 31, 2009		2008	
	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)	Amount
	(Dollars in Thousands)					
Demand	—	% \$69,471	—	% \$37,082	—	% \$30,561
NOW	0.85	80,775	1.22	34,270	1.25	25,843
Money market	0.85	55,676	1.94	33,656	2.79	19,539
Savings and club accounts	0.73	245,951	1.12	108,170	1.36	99,586
Certificates of deposit	1.77	434,415	3.19	250,560	4.13	234,974
Total	1.33	% \$886,288	2.44	% \$463,738	2.84	% \$410,503

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

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

	Years Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Beginning of period	\$463,738	\$410,503	\$398,819
Net deposits(1)	414,034	43,097	107
Interest credited on deposit accounts	8,516	10,138	11,577
Total increase in deposit accounts	422,550	53,235	11,684
Ending balance	\$886,288	\$463,738	\$410,503
Percent increase	91.12	% 12.97	% 2.93

(1) Includes deposits totaling \$435,810 received in connection with the Pamrapo Bancorp, Inc., acquisition.

**Jumbo Certificates of Deposit.** As of December 31, 2010, the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to \$100,000 was approximately \$236.1 million. The following table indicates the amount of our certificates of deposit of \$100,000 or more by time remaining until maturity.

Maturity Period	At December 31, 2010	
	(In Thousands)	
Within three months	\$	43,801
Three through twelve months		136,353
Over twelve months		55,962
Total	\$	236,116

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

	2010		At December 31, 2009		2008	
	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)						
Certificate of deposit rates:						
1.00% - 1.99%	\$ 312,597	71.96 %	\$ 111,078	44.33 %	\$ 245	0.10 %
2.00% - 2.99%	74,265	17.10	56,002	22.35	42,847	18.23
3.00% - 3.99%	41,004	9.44	47,731	19.05	107,017	45.54
4.00% - 4.99%	5,531	1.27	33,619	13.42	74,084	31.53
5.00% - 5.99%	1,018	0.23	2,130	0.85	10,781	4.60
Total	\$ 434,415	100.00 %	\$ 250,560	100.00 %	\$ 234,974	100.00 %

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of December 31, 2010.

	Maturity Date				Total
	1 Year or Less	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 Years	
(In Thousands)					
Interest rate:					
1.00% - 1.99%	\$ 287,830	\$ 23,328	\$ 714	\$ 725	\$ 312,597
2.00% - 2.99%	35,835	19,711	3,814	14,905	74,265
3.00% - 3.99%	4,749	1,423	9,739	25,093	41,004
4.00% - 4.99%	5,329	202	—	—	5,531
5.00% - 5.99%	110	20	888	—	1,018
Total	\$ 333,853	\$ 44,684	\$ 15,155	\$ 40,723	\$ 434,415

Borrowings. Beginning September 7, 2010, the Federal Home Loan Bank of New York (“FHLBNY”) replaced the existing Overnight Repricing Advance Program and its associated companion products, the Overnight Line of Credit (“OLOC”), OLOC Plus, OLOC Companion, and OLOC Companion Plus with the new Overnight Advance. The new Overnight advance permits the Bank to borrow overnight up to its maximum borrowing capacity at the FHLBNY. The Bank is no longer restricted to the previous borrowing limits of 10% (OLOC) or up to 20% (OLOC Plus) of total assets. At December 31, 2010, the Bank’s total credit exposure cannot exceed 50% of its total assets, or \$553,444,000, based on the borrowing limitations outlined in the Federal Home Loan Bank of New York’s member products guide. The total credit exposure limit to 50% of total assets is recalculated each quarter. Additionally, at December 31, 2010 we had a floating rate junior subordinated debenture of \$4.1 million which has been callable at the Company’s option since June 17, 2009, and quarterly thereafter.

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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 Years Ended December 31,		
	2010	2009	2008
	(Dollars in Thousands)		
Balance at end of period	\$—	\$—	\$2,000
Average balance during period	\$—	\$38	\$4,796
Maximum outstanding at any month end	\$—	\$—	\$20,500
Weighted average interest rate at end of period	—	—	0.44 %
Average interest rate during period	—	% 0.51	% 1.23 %

## Employees

At December 31, 2010, we had 123 full-time and 51 part-time employees. None of our employees is represented by a collective bargaining group. We believe that our relationship with our employees is good.

## Subsidiaries

We have two non-bank subsidiaries. BCB Holding Company Investment Corp. was established in 2004 for the purpose of holding and investing in securities. Only securities authorized to be purchased by BCB Community Bank are held by BCB Holding Company Investment Corp. At December 31, 2010, this company held \$159.5 million in securities. With the merger with Pamrapo Bancorp. Inc., we acquired Pamrapo Service Corporation which has been inactive since May 2010.

## Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intended to protect depositors, not shareholders. The description below is limited to certain material aspects of the statutes and regulations addressed, and is not intended to be a complete description of such statutes and regulations and their effects on the Company or the Bank.

As further described below under the heading “The Dodd-Frank Act”, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), will significantly change the current bank regulatory structure described in this section and will affect the lending, investment, trading and operating activities of financial institutions and their holding companies. These and any other changes in applicable laws or regulations, whether by Congress or regulatory agencies, may have a material effect on the business and prospects of the Company and the Bank.

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The Dodd-Frank Act

The Dodd-Frank Act will significantly change the current bank regulatory structure and affect the lending, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act will eliminate the Office of Thrift Supervision and require that federal savings associations be regulated by the Office of the Comptroller of the Currency (the primary federal regulator for national banks). The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve Board (“Federal Reserve”) to supervise and regulate all savings and loan holding companies.

The Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository institutions, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In addition, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months. These new leverage and capital requirements must take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rulemaking authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit “unfair, deceptive or abusive” acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives the state attorneys general the ability to enforce applicable federal consumer protection laws.

The Dodd Frank Act also broadens the base for FDIC insurance assessments. The FDIC must promulgate rules under which assessments will be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2008, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012. Lastly, the Dodd-Frank Act increases stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called “golden parachute” payments, and by authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate and solicit votes for their own candidates using a company’s proxy materials. The legislation also directs the Federal Reserve to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded.

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It is difficult to predict at this time what impact the new legislation and implementing regulations will have on community banks such as the Bank, including the lending and credit practices of such banks. Moreover, many of the provisions of the Dodd-Frank Act are not yet in effect, and the legislation requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. Although the substance and scope of these regulations cannot be determined at this time, it is expected that the legislation and implementing regulations, particularly those provisions relating to the new Consumer Financial Protection Bureau and mutual holding company dividend waivers, will increase our operating and compliance costs and restrict our ability to pay dividends in the future.

Bank Holding Company Regulation

As a bank holding company registered under the Bank Holding Company Act of 1956, as amended, the Company is subject to the regulation and supervision applicable to bank holding companies by the Federal Reserve. The Company is also subject to the provisions of the New Jersey Banking Act of 1948 (the “New Jersey Banking Act”) and the regulations of the Commissioner of the New Jersey Department of Banking and Insurance (“Commissioner”). The Company is required to file reports with the Federal Reserve and the Commissioner regarding its business operations and those of its subsidiaries.

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

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

The Bank Holding Company Act has been amended to permit bank holding companies and banks, which meet certain capital, management and Community Reinvestment Act standards, to engage in a broader range of non-banking activities. In addition, bank holding companies which elect to become financial holding companies may engage in certain banking and non-banking activities without prior Federal Reserve approval. At this time, the Company

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has elected not to become a financial holding company, as it does not engage in any activities not permissible for banks.

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

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

The Company is subject to regulatory capital requirements and guidelines imposed by the Federal Reserve, which are substantially similar to those imposed by the FDIC on depository institutions within their jurisdictions. At December 31, 2010, the Company, was considered to be a well capitalized Bank Holding Company.

The Federal Reserve may set higher capital requirements for holding companies whose circumstances warrant it. For example, holding companies experiencing internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory levels, without significant reliance on intangible assets.

As noted above, the Dodd-Frank Act requires the Federal Reserve to set minimum capital levels for bank holding companies that are as stringent as those required for insured depository institutions, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. Such changes, and others that may be proposed and implemented in the future, may affect the Company's capital ratios and risk-adjusted assets.

New Jersey Regulation. Under the New Jersey Banking Act, a company owning or controlling a savings bank is regulated as a bank holding company and must file certain reports with the Commissioner and is subject to examination by the Commissioner. Under the New Jersey Banking Act, as well as Federal law, no person may acquire control of the Company or the Bank without first obtaining approval of such acquisition of control from the Federal Reserve and the Commissioner.

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Bank Regulation

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

Insurance of Deposit Accounts. The FDIC insures deposits at FDIC insured financial institutions such as the Bank. Deposit accounts in the Bank are insured by the FDIC generally up to a maximum of \$250,000 per separately insured depositor and up to a maximum of \$250,000 for self-directed retirement accounts. The FDIC charges the insured financial institutions premiums to maintain the Deposit Insurance Fund.

Under the FDIC's current risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other risk factors. The rates for nearly all of the financial institutions industry vary between five and seven cents for every \$100 of domestic deposits.

As part of its plan to restore the Deposit Insurance Fund in the wake of the large number of bank failures following the financial crisis, the FDIC imposed a special assessment of 5 basis points for the second quarter of 2009. In addition, the FDIC has required all insured institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. As part of this prepayment, the FDIC assumed a 5% annual growth in the assessment base and applied a 3 basis point increase in assessment rates effective January 1, 2011.

In February 2011, the FDIC published a final rule under the Dodd-Frank Act to reform the deposit insurance assessment system. The rule redefines the assessment base used for calculating deposit insurance assessments effective April 1, 2011. Under the new rule, assessments will be based on an institution's average consolidated total assets minus average tangible equity as opposed to total deposits. Since the new base will be much larger than the current base, the FDIC also lowered assessment rates so that the total amount of revenue collected from the industry will not be significantly altered. The new rule is expected to benefit smaller financial institutions, which typically rely more on deposits for funding, and shift more of the burden for supporting the insurance fund to larger institutions, which have greater access to non-deposit sources of funding.

The Dodd-Frank Act also extended the unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012. Unlike the FDIC's Temporary Liquidity Guarantee Program, the insurance provided under the Dodd-Frank Act does not extend to low-interest NOW accounts, and there is no separate assessment on covered accounts.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the



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FDIC. We do not currently know of any practice, condition or violation that may lead to termination of our deposit insurance.

In addition to the FDIC assessments, the Financing Corporation (“FICO”) is authorized to impose and collect, with the approval of the FDIC, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the FICO in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 through 2019. For the year ended December 31, 2010, we paid \$60,000 in FICO assessments.

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

In addition to the risk-based capital rules, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio. This measurement is substantially similar to the Federal Reserve leverage capital measurement discussed above. At December 31, 2010, the Bank’s ratio of total capital to risk-weighted assets was 15.89%. Our Tier 1 capital to risk-weighted assets was 14.95%, and our Tier 1 capital to average assets was 9.16%.

As noted above, the Dodd-Frank Act establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months. These new leverage and capital requirements must take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

Transactions with Affiliates. Transactions between banks and their related parties or affiliates are limited by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. In a holding company context, the parent bank holding company and any companies which are controlled by such parent holding company are affiliates of the bank. Generally, Sections 23A and 23B of the Federal Reserve Act and Regulation W (i) limit the extent to which the bank or its subsidiaries may engage in “covered transactions” with any one affiliate to an amount equal to 10.0% of such institution’s capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20.0% of such institution’s capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the institution or subsidiary as those provided to non-affiliates. The term “covered transaction” includes the making of loans, purchase of assets, issuance of a guarantee and other similar transactions. In addition, loans or other extensions of credit by the financial institution to the affiliate are required to be collateralized in accordance with the requirements set forth in Section 23A of the Federal Reserve Act. The Sarbanes-Oxley Act of 2002 generally prohibits loans by a company to its executive officers and directors. However, the law contains a specific exception for loans by a depository institution to its executive officers and directors in

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compliance with federal banking laws assuming such loans are also permitted under the law of the institution's chartering state. Under such laws, the Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such person's control, is limited. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. Loans to executive officers are further limited by specific categories.

The Dodd-Frank Act requires that the Federal Reserve make certain changes to the regulations governing transactions with affiliates described above. It is uncertain when such changes will become effective.

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

The USA PATRIOT Act

The USA PATRIOT Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act included measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III imposed affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

The bank regulatory agencies have increased the regulatory scrutiny of the Bank Secrecy Act and anti-money laundering programs maintained by financial institutions. Significant penalties and fines, as well as other supervisory orders may be imposed on a financial institution for non-compliance with these requirements. In addition, the federal bank regulatory agencies must consider the effectiveness of financial institutions engaging in a merger transaction in combating money laundering activities. The Bank has adopted policies and procedures which are in compliance with these requirements.

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Federal Securities Laws

The Company's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended ("Exchange Act"). The Company is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Under the Exchange Act, we are required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls. For the year ending December 31, 2011, we expect that our auditors will have to audit our internal control over financial reporting.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), contains a broad range of legislative reforms intended to address corporate and accounting fraud. In addition to the establishment of a new accounting oversight board that will enforce auditing, quality control and independence standards and will be funded by fees from all publicly traded companies, Sarbanes-Oxley places certain restrictions on the scope of services that may be provided by accounting firms to their public company audit clients. Any non-audit services being provided to a public company audit client will require preapproval by the company's audit committee. In addition, Sarbanes-Oxley makes certain changes to the requirements for audit partner rotation after a period of time. Sarbanes-Oxley requires chief executive officers and chief financial officers, or their equivalent, to certify to the accuracy of periodic reports filed with the Securities and Exchange Commission, subject to civil and criminal penalties if they knowingly or willingly violate this certification requirement. The Company's Chief Executive Officer and Chief Financial Officer have signed certifications to this Form 10-K as required by Sarbanes-Oxley. In addition, under Sarbanes-Oxley, counsel will be required to report evidence of a material violation of the securities laws or a breach of fiduciary duty by a company to its chief executive officer or its chief legal officer, and, if such officer does not appropriately respond, to report such evidence to the audit committee or other similar committee of the board of directors or the board itself.

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

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condition or operations. Directors and executive officers must also provide information for most changes in ownership in a company's securities within two business days of the change.

Sarbanes-Oxley also increases the oversight of, and codifies certain requirements relating to, audit committees of public companies and how they interact with the company's "registered public accounting firm." Audit Committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a "financial expert" (as such term is defined by the Securities and Exchange Commission) and if not, why not. Under Sarbanes-Oxley, a company's registered public accounting firm is prohibited from performing statutorily mandated audit services for a company if such company's chief executive officer, chief financial officer, comptroller, chief accounting officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company during the one-year period preceding the audit initiation date. Sarbanes-Oxley also prohibits any officer or director of a company or any other person acting under their direction from taking any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company's financial statements for the purpose of rendering the financial statements materially misleading. Sarbanes-Oxley also requires the Securities and Exchange Commission to prescribe rules requiring inclusion of any internal control report and assessment by management in the annual report to shareholders. Sarbanes-Oxley requires the company's registered public accounting firm that issues the audit report to attest to and report on management's assessment of the company's internal controls.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to conduct a comprehensive review and assessment of the adequacy of our existing financial systems and controls. For the year ending December 31, 2011, we expect that our auditors will have to audit our internal control over financial reporting.

AVAILABILITY OF ANNUAL REPORT

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

ITEM 1A.RISK FACTORS

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

At December 31, 2010, \$410.2 million, or 52.45% of our loan portfolio consisted of commercial and multi-family real estate loans. We intend to continue to emphasize the origination of these types of loans. These loans generally expose a lender to greater risk of nonpayment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation and income stream of the borrower's business. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Consequently, an

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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 December 31, 2006, our assets have grown at a compound annual growth rate of 16.7%, our loan balances have grown at a compound annual growth rate of 19.4% and our deposits have grown at a compound annual growth rate of 18.3%. Our ability to continue to grow depends, in part, upon our ability to expand our market presence, successfully attract core deposits, and identify attractive commercial lending opportunities.

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

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

Our loan customers may not repay their loans according to the terms of their loans, and the collateral securing the payment of their loans may be insufficient to assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses may not cover losses in our loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. At December 31, 2010, our allowance for loan losses totaled \$8.4 million, representing 1.08% of total loans.

While we have only been operating for ten 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 \$45.4 million, or 4.10% of total assets consisting of non-performing assets at December 31, 2010, 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

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regulatory agencies could have a material adverse effect on our results of operations and financial condition.

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

Net interest income is the most significant component of our operating income. We do not rely on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities or investment advisory products or services. For the years ended December 31, 2010 and 2009, our net interest income was \$26.4 million and \$19.4 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.

**If Our Investment in the Federal Home Loan Bank of New York is Classified as Other-Than-Temporarily Impaired or as Permanently Impaired, Our Earnings and Stockholders' Equity Could Decrease**

We own common stock of the Federal Home Loan Bank of New York. We hold the FHLBNY common stock to qualify for membership in the Federal Home Loan Bank System and to be eligible to borrow funds under the FHLBNY's advance program. The aggregate cost and fair value of our FHLBNY common stock as of December 31, 2010 was \$6.7 million based on its par value. There is no market for our FHLBNY common stock.

Recent published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting rules and asset quality risks that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capitalization of a Federal Home Loan Bank, including the FHLBNY, could be substantially diminished or reduced to zero. Consequently, we believe that there is a risk that our investment in FHLBNY common stock could be deemed other-than-temporarily impaired at some time in the future, and if this occurs, it would cause our earnings and stockholders' equity to decrease by the after-tax amount of the impairment charge.

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.

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

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

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

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

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

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

In addition, the market value of the real estate securing loans as collateral could be adversely affected by unfavorable changes in market and economic conditions. As of December 31, 2010, approximately 92.8% 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

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increased loan delinquencies, which could result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, foreclosures or losses caused by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of operations and financial condition.

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

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

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

ITEM 1B.UNRESOLVED STAFF COMMENTS

None.

ITEM 2.PROPERTIES

At December 31, 2010, we conducted our business from our executive office located at 104-110 Avenue C, Bayonne, New Jersey, and our ten branch offices, which are located in Bayonne, Jersey City, Hoboken and Monroe Township, New Jersey. The aggregate book value of our premises and equipment was \$11.4 million at December 31, 2010. We own our executive office facility and lease seven branch offices. We also own two branch locations that were acquired with the merger of Pamrapo Bancorp, Inc. that we classified as property held for sale. The aggregate book value of the property held for sale was \$1.02 million at December 31, 2010.

ITEM 3.LEGAL PROCEEDINGS

We are involved, from time to time, as plaintiff or defendant in various legal actions arising in the normal course of its business. At December 31, 2010, we were not involved in any material legal proceedings the outcome of which would have a material adverse affect on our financial condition or results of operations.



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ITEM 4.

RESERVED

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## PART II

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

BCB Bancorp, Inc.'s common stock trades on the Nasdaq Global Market under the symbol "BCBP." In order to list common stock on the Nasdaq Global Market, the presence of at least three registered and active market makers is required and BCB Bancorp, Inc. has at least three market makers.

The following table sets forth the high and low closing prices for BCB Bancorp, Inc. common stock for the periods indicated. As of December 31, 2010, there were 9,383,695 shares of BCB Bancorp, Inc. common stock outstanding. At December 31, 2010, BCB Bancorp, Inc. had approximately 1,600 stockholders of record.

	High	Low	Cash Dividend Declared
Fiscal 2010			
Quarter Ended December 31, 2010	\$10.08	\$8.70	\$0.12
Quarter Ended September 30, 2010	9.26	7.00	0.12
Quarter Ended June 30, 2010	9.60	7.80	0.12
Quarter Ended March 31, 2010	9.79	8.75	0.12
Fiscal 2009			Cash Dividend Declared
Quarter Ended December 31, 2009	\$9.72	\$7.76	\$0.12
Quarter Ended September 30, 2009	10.42	7.31	0.12
Quarter Ended June 30, 2009	10.40	8.75	0.12
Quarter Ended March 31, 2009	10.99	8.50	0.12

Please see "Item 1. Business—Bank Regulation—Dividends" for a discussion of restrictions on the ability of the Bank to pay the Company dividends.

## Compensation Plans

Set forth below is information as of December 31, 2010 regarding equity compensation plans that have been approved by shareholders. The Company has no equity based benefit plans that were not approved by shareholders.

Plan	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average Exercise price(2)	Number of securities remaining available for issuance under plan
Equity compensation plans approved by shareholders	289,613 (1)	\$ 12.00	8,116
Equity compensation plans not approved by shareholders	—	—	-0-
Total	289,613	\$ 12.00	8,116

- (1) Consists of options to purchase (i) 60,231 shares of common stock under the 2002 Stock Option Plan and (ii) 201,382 shares of common stock under the 2003 Stock Option Plan and (iii) 28,000 shares of common stock under the 2003 Stock Option Plan from the former Pamrapo Bancorp, Inc., converted to options to purchase shares of common stock of BCB Bancorp under the terms of the merger agreement.
- (2) The weighted average exercise price reflects the exercise prices ranging from \$9.34 to \$15.65 per share for options granted under the 2003 Stock Option Plan and ranging from \$5.29 to \$15.65 per share for options under the 2002 Stock Option Plan and ranging from \$18.41 to \$29.25 per share for options under the 2003 Stock Option Plan from the former Pamrapo Bancorp, Inc., converted to options to purchase shares of common stock of BCB Bancorp under the terms of the merger agreement.

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## Stock Performance Graph

Set forth hereunder is a stock performance graph comparing (a) the cumulative total return on the common stock for the period beginning with the closing sales price on January 1, 2005 through December 31, 2010, (b) the cumulative total return on all publicly traded commercial bank stocks over such period, and (c) the cumulative total return of Nasdaq Market Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of \$100.

Index	Period Ending					
	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10
BCB Bancorp, Inc.	100.00	109.57	103.63	71.37	64.99	74.64
NASDAQ Composite	100.00	110.39	122.15	73.32	106.57	125.91
SNI Bank	100.00	116.98	90.90	51.87	51.33	57.52

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On November 20, 2007, the Company announced a third stock repurchase plan to repurchase 5% or 234,002 shares of the Company's common stock. This plan was completed during 2010. On July 14, 2010, the Company announced a fourth stock repurchase plan to repurchase 5% or 479,965 shares of the Company's common stock. Set forth below is information regarding purchases of our common stock made by or on behalf of the Company during the fourth quarter of 2010.

Period	Total number of shares purchased	Average price per share paid	Total number of shares purchased as part of a publicly announced program	Number of shares remaining to be purchased under program
October 1-31	27,034	\$ 8.90	27,034	571,392
November 1-30	27,613	9.33	54,647	543,779
December 1-31	124,777	9.49	179,424	419,002
Total	179,424	\$ 9.38	—	—

## ITEM 6.SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected consolidated historical financial and other data of BCB Bancorp, Inc. at and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006. The information is derived in part from, and should be read together with, the audited Consolidated Financial Statements and Notes thereto of BCB Bancorp, Inc. Per share data has been adjusted for all periods to reflect the common stock dividends paid by the Company, as well as the completion of the Company's acquisition of Pamrapo Bancorp, Inc. on July 6, 2010.

	Selected financial condition data at December 31,				
	2010	2009	2008	2007	2006
	(In Thousands)				
Total assets	\$1,106,888	\$631,503	\$578,624	\$563,477	\$510,835
Cash and cash equivalents	121,127	67,347	6,761	11,780	25,837
Securities, held to maturity	165,572	132,644	141,280	165,017	148,672
Loans receivable	773,101	401,872	406,826	364,654	318,130
Deposits	886,288	463,738	410,503	398,819	382,747
Borrowings	114,124	114,124	116,124	114,124	74,124
Stockholders' equity	98,974	51,391	49,715	48,510	51,963

	Selected operating data for the year ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands, except for per share amounts)				
Net interest income	\$26,432	\$19,384	\$19,960	\$17,173	\$17,784
Provision for loan losses	2,450	1,550	1,300	600	625
Non-interest income (loss)	13,862	931	(2,054 )	1,092	1,260
Non-interest expense	22,013	12,396	11,314	10,718	9,632
Income tax	1,505	2,621	1,820	2,509	3,220
Net income	\$14,326	\$3,748	\$3,472	\$4,438	\$5,567
Net income per share:					

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Basic	\$2.06	\$0.81	\$0.75	\$0.92	\$1.11
Diluted	\$2.05	\$0.80	\$0.74	\$0.90	\$1.08
Dividends declared per share	\$0.48	\$0.48	\$0.41	\$0.32	\$0.30

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	At or for the Years Ended December 31,									
	2010	2009		2008		2007		2006		
Selected Financial Ratios and Other Data:										
Return on average assets (ratio of net income to average total assets)	1.62	%	0.61	%	0.60	%	0.83	%	1.13	%
Return on average stockholders' equity (ratio of net income to average stockholders' equity)	22.67		7.34		7.00		8.86		11.12	
Non-interest income (loss) to average assets	1.57		0.15		(0.36)	)	0.20		0.26	
Non-interest expense to average assets	2.49		2.03		1.97		1.99		1.96	
Net interest rate spread during the period	2.81		2.88		3.09		2.71		3.19	
Net interest margin (net interest income to average interest earning assets)	3.05		3.24		3.54		3.26		3.69	
Ratio of average interest-earning assets to average interest-bearing liabilities	115.05		114.07		115.05		116.94		118.09	
Cash dividend payout ratio	23.30		59.26		54.67		34.78		26.98	
Asset Quality Ratios:										
Non-performing loans to total loans at end of period	5.35		2.92		0.90		1.16		0.10	
Allowance for loan losses to non-performing loans at end of period	20.13		55.68		142.27		95.13		1,155.73	
Allowance for loan losses to total loans at end of period	1.08		1.62		1.28		1.10		1.16	
Capital Ratios:										
Stockholders' equity to total assets at end of period	8.94		8.14		8.59		8.61		10.17	
Average stockholders' equity to average total assets	7.14		8.35		8.61		9.32		10.19	
Tier 1 capital to average assets	9.16		8.68		9.22		8.81		10.91	
Tier 1 capital to risk weighted assets	14.95		13.11		13.38		13.05		15.36	

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

## General

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

Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in the Company's Annual Report on Form 10-K and in other documents filed by the Company with the Securities and Exchange Commission. Forward-looking statements, which are based on certain assumptions and describe future

plans, strategies and expectations of the Company, are generally identified by the use of the words “plan,” “believe,” “expect,” “intend,” “anticipate,” “estimate,” “project,” “may,” “will,” “should,” “could,” “predicts,” “forecasts,” “potential” or similar terms or the negative of these terms. The Company’s ability to predict results or the actual effects of its plans



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or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

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

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

Critical Accounting Policies

Critical accounting policies are those accounting policies that can have a significant impact on the Company's financial position and results of operations that require the use of complex and subjective estimates based upon past experiences and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those policies applied in preparing the Company's consolidated financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 2 of "Notes to Consolidated Financial Statements."

Allowance for Loan Losses

Loans receivable are presented net of an allowance for loan losses. In determining the appropriate level of the allowance, management considers a combination of factors, such as economic and industry trends, real estate market conditions, size and type of loans in portfolio, nature and value of collateral held, borrowers' financial strength and credit ratings, and prepayment and default history. The calculation of the appropriate allowance for loan losses requires a substantial amount of judgment regarding the impact of the aforementioned factors, as well as other factors, on the ultimate realization of loans receivable. In addition, our determination of the amount of the allowance for loan losses is subject to review by the New Jersey Department of Banking and Insurance and the FDIC, as part of their examination process. After a review of the information available, our regulators might require the establishment of an additional allowance. Any increase in the loan loss allowance required by regulators would have a negative impact on our earnings.

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Other-than-Temporary Impairment of Securities

If the fair value of a security is less than its amortized cost, the security is deemed to be impaired. Management evaluates all securities with unrealized losses quarterly to determine if such impairments are “temporary” or “other-than-temporary” in accordance with Accounting Standards Codification (“ASC”) Topic 320, Investments – Debt and Equity Securities.

Accordingly, temporary impairments are accounted for based upon the classification of the related securities as either available for sale or held to maturity. Temporary impairments on available for sale securities are recognized, on a tax-effected basis, through Other Comprehensive Income (“OCI”) with offsetting entries adjusting the carrying value of the securities and the balance of deferred taxes. Conversely, the carrying values of held to maturity securities are not adjusted for temporary impairments. Information concerning the amount and duration of temporary impairments on both available for sale and held to maturity securities is generally disclosed in the notes to the consolidated financial statements.

Other-than-temporary impairments are accounted for based upon several considerations. First, other-than-temporary impairments on equity securities and on debt securities that the Company has decided to sell as of the close of a fiscal period, or will, more likely than not, be required to sell prior to the full recovery of fair value to a level equal to or exceeding amortized cost, are recognized in earnings. If neither of these conditions regarding the likelihood of the sale of debt securities are applicable, then the other-than-temporary impairment is bifurcated into credit-related and noncredit-related components. A credit-related impairment generally represents the amount by which the present value of the cash flows that are expected to be collected on a debt security fall below its amortized cost. The noncredit-related component represents the remaining portion of the impairment not otherwise designated as credit-related. Credit-related, other-than-temporary impairments are recognized in earnings and noncredit-related, other-than-temporary impairments are recognized in OCI. Equity securities on which there is an unrealized loss that is deemed other-than-temporary are written down to fair value with the write-down recognized in earnings.

Fair Value Measurements

Management uses its best judgment in estimating fair value measurements of the Company’s financial instruments; however, there are inherent weaknesses in any estimation technique. Management utilizes various assumptions and valuation techniques to determine fair value, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, quoted market prices, and appraisals. The fair value estimates are not necessarily indicative of the actual amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have not been re-evaluated or updated subsequent to those respective dates. As such, the estimated fair values subsequent to the respective dates may be different than the amounts reported.

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Financial Condition

Comparison at December 31, 2010 and at December 31, 2009

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 \$475.4 million or 75.3% to \$1.107 billion at December 31, 2010 from \$631.5 million at December 31, 2009 as the Company completed its acquisition of Pamrapo Bancorp, Inc., and continued to grow the Bank's assets through loan originations and growth in our securities portfolio and liquid cash and cash equivalents.

Total cash and cash equivalents increased by \$53.8 million or 79.9% to \$121.1 million at December 31, 2010 from \$67.3 million at December 31, 2009 reflecting management's decision to increase liquid assets pending acceptable investment opportunities in either loans or investment securities when appropriate. The increase in cash and cash equivalents resulted primarily from the previously mentioned transaction with Pamrapo Bancorp, Inc., as well as the proceeds received on those investment securities whose call options were exercised by their issuing agencies. Securities held-to-maturity increased by \$33.0 million or 24.9% to \$165.6 million at December 31, 2010 from \$132.6 million at December 31, 2009. This increase was primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc. Investment securities totaling approximately \$86.8 million were acquired in the transaction, comprised primarily of Government Sponsored Enterprise ("GSE") mortgage backed securities. In conformity with accounting principles generally accepted in the United States of America, the investment securities acquired as part of the acquisition were recorded at their fair value at the consummation of the transaction. In addition to the aforementioned, the change in the balance of investment securities outstanding was primarily attributable to call options exercised on \$130.5 million of callable agency securities and \$26.3 million of repayments and prepayments in the mortgage backed securities portfolio during the year ended December 31, 2010, partially offset by purchases of \$105.0 million of callable agency securities and mortgage backed securities.

Loans receivable increased by \$371.2 million or 92.4% to \$773.1 million at December 31, 2010 from \$401.9 million at December 31, 2009. The increase resulted primarily from the completion of the acquisition of Pamrapo Bancorp, Inc. In conformity with accounting principles generally accepted in the United States of America, the loans acquired were recorded at their fair value of \$412.1 million at the consummation of the transaction. The increase also reflects loan originations of \$106.2 million in 2010 as compared with originations of \$90.4 million in 2009. During 2010 we emphasized the origination of commercial business loans which totaled \$47.6 million as compared with \$17.8 million in 2009, and we deemphasized the origination of one-to four-family and construction loans. At December 31, 2010, the allowance for loan losses was \$8.4 million or 1.08% of total loans.

Deposit liabilities increased by \$422.6 million or 91.1% to \$886.3 million at December 31, 2010 from \$463.7 million at December 31, 2009. The increase resulted primarily from the completion of the acquisition of Pamrapo Bancorp, Inc. Retail deposits totaling \$435.8 million were acquired in the transaction comprised primarily of \$125.1 million in savings and club accounts, \$111.1 million in transaction accounts and \$199.6 million in time deposit accounts. In

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conformity with accounting principles generally accepted in the United States of America, the retail deposits acquired in the business combination transaction were recorded at their fair value at the consummation of the transaction. The balance of the change in retail deposit balances resulted primarily from a \$15.8 million decrease in time deposit account balances and a \$10.2 million decrease in transaction account balances, partially offset by a \$12.7 million increase in savings and club account balances. During the year ended December 31, 2010, the Federal Open Market Committee (“FOMC”) continued its low short term interest rate policy. This has resulted in a steepening of the yield curve, resulting in lower short term time deposit account yields which in turn has had the effect of decreasing interest expense.

Borrowed money remained constant at \$114.1 million for the periods ended December 31, 2010 and December 31, 2009. Subsequent to the completion of the acquisition of Pamrapo Bancorp, Inc., the balance of borrowed money increased by \$43.8 million to \$157.9 million as a result of the fair value of borrowed money assumed from Pamrapo at the time of the acquisition. Shortly thereafter, the balance of borrowed money that was assumed through the acquisition was repaid in its entirety. The purpose of the borrowings reflects the use of long term Federal Home Loan Bank advances to augment deposits as the Bank’s funding source for originating loans and investing in GSE investment securities.

Total stockholders’ equity increased by \$47.6 million or 92.6% to \$99.0 million at December 31, 2010 from \$51.4 million at December 31, 2009. The increase in stockholders’ equity occurred primarily as a result of the common stock issued in conjunction with the business combination transaction with Pamrapo Bancorp, Inc., totaling \$38.6 million. Additionally, the increase in stockholders’ equity reflects net income of \$14.3 million for the year ended December 31, 2010, primarily as a result of the gain on bargain purchase associated with the acquisition, and the exercise of stock options during the year to purchase 13,677 shares of the Company’s common stock for approximately \$73,000, partially offset by the repurchase of 193,383 shares of the Company’s common stock in the stock repurchase plans in place and undertaken during the year totaling \$1.8 million and cash dividends paid to shareholders during the year totaling \$3.4 million. At December 31, 2010 the Bank’s Tier 1 leverage, Tier 1 risk-based and Total risk-based capital ratios were 9.16%, 14.95%, and 15.89% respectively.

Analysis of Net Interest Income

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

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.

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	At December 31, 2010		Year ended December 31, 2010			Year ended December 31, 2009		
	Actual Balance	Actual Yield/ Cost	Average Balance	Interest earned/paid	Average Yield/ Cost (5)	Average Balance	Interest earned/paid	Average Yield/ Cost (5)
(Dollars in Thousands)								
Interest-earning assets:								
Loans receivable (1)	\$787,090	4.38%	\$605,269	\$34,502	5.70%	\$412,297	\$27,349	6.63%
Investment securities(2)	173,393	3.16	153,006	5,481	3.58	139,150	6,982	5.02
Interest-earning deposits	99,062	0.12	107,369	117	0.11	47,365	47	0.10
Total interest-earning assets	1,059,545	3.78%	865,644	40,100	4.63%	598,812	34,378	5.74%
Interest-earning liabilities:								
Interest-bearing demand deposits	\$80,775	0.69%	\$65,169	\$553	0.85%	\$32,287	\$395	1.22%
Money market deposits	55,676	0.69	45,195	385	0.85	24,885	482	1.94
Savings deposits	245,951	0.53	179,020	1,304	0.73	103,406	1,157	1.12
Certificates of deposit	434,415	1.43	348,229	6,220	1.77	250,221	7,984	3.19
Borrowings	114,124	4.56	114,778	5,206	4.54	114,162	4,976	4.36
Total interest-bearing liabilities	930,941	1.47%	752,391	13,668	1.82%	524,961	14,994	2.86
Net interest income				\$26,432			\$19,384	
Interest rate spread(3)		2.31%			2.81%			2.88%
Net interest margin(4)					3.05%			3.24%
Ratio of interest-earning assets to interest-bearing liabilities	113.81	%	115.05	%		114.07	%	

(1) Excludes allowance for loan losses.

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

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

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

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

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	Year Ended December 31, 2008			
	Average Balance	Interest earned/paid	Average Yield/Cost (5)	
	(Dollars in Thousands)			
Interest-earning assets:				
Loans receivable (1)	\$ 393,198	\$ 27,248	6.96	%
Investment securities(2)	161,281	9,185	5.70	
Interest-earning deposits	10,034	190	1.89	
Total interest-earning assets	564,513	36,623	6.49	%
Interest-earning liabilities:				
Interest-bearing demand deposits	\$ 23,930	\$ 300	1.25	%
Money market deposits	26,697	746	2.79	
Savings deposits	100,754	1,370	1.36	
Certificates of deposit	220,375	9,106	4.13	
Borrowings	118,920	5,141	4.32	
Total interest-bearing liabilities	490,676	16,663	3.40	%
Net interest income		\$ 19,960		
Interest rate spread(3)			3.09	%
Net interest margin(4)			3.54	%
Ratio of average interest-earning assets to average interest-bearing liabilities	115.05	%		

(1) Excludes allowance for loan losses.

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

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

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

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

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## Rate/Volume Analysis

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

	Years Ended December 31,							
	2010 vs. 2009				2009 vs. 2008			
	Increase/(Decrease)				Increase/(Decrease)			
	Due to		Total	Increase (Decrease)	Due to		Total	Increase (Decrease)
Volume	Rate	Volume	Volume		Rate	Volume		
			(In Thousands)					
Interest income:								
Loans receivable	\$13,037	(3,985 )	(1,899 )	\$7,153	\$1,156	(1,012 )	(43 )	101
Investment securities	564	(1,910 )	(155 )	(1,501 )	(1,123 )	(1,230 )	150	(2,203 )
Interest-earning deposits with other banks	59	5	6	70	707	(180 )	(670 )	(143 )
Total interest-earning assets	13,660	(5,890 )	(2,048 )	5,722	740	(2,422 )	(563 )	(2,245 )
Interest expense:								
Interest-bearing demand accounts	402	(121 )	(123 )	158	105	(7 )	(3 )	95
Money market	393	(270 )	(220 )	(97 )	(51 )	(229 )	16	(264 )
Savings and club	846	(404 )	(295 )	147	36	(243 )	(6 )	(213 )
Certificates of Deposits	3,128	(3,514 )	(1,378 )	(1,764 )	1,233	(2,074 )	(281 )	(1,122 )
Borrowed funds	27	202	1	230	(205 )	42	(2 )	(165 )
Total interest-bearing liabilities	4,796	(4,107 )	(2,015 )	(1,326 )	1,118	(2,511 )	(276 )	(1,669 )
Change in net interest income	\$8,864	\$(1,783 )	\$(33 )	\$7,048	\$(378 )	\$89	\$(287 )	\$(576 )

## Results of Operations for the Years Ended December 31, 2010 and 2009

Net income increased by \$10.58 million or 282.1% to \$14.33 million for the year ended December 31, 2010 from \$3.75 million for the year ended December 31, 2009. The increase in net income resulted primarily from increases in net interest income and non-interest income and a decrease in income taxes, partially offset by increases in non-interest expense and the provision for loan losses.

Net interest income increased by \$7.0 million or 36.1% to \$26.4 million for the year ended December 31, 2010 from \$19.4 million for the year ended December 31, 2009. The increase in net interest income resulted primarily from an increase in the average balance of interest earning assets of \$266.8 million or 44.6% to \$865.6 million for the year ended December 31, 2010 from \$598.8 million for the year ended December 31, 2009, partially offset by a decrease in the average yield on interest earning assets to 4.63% for the year ended December 31, 2010 from 5.74% for the year ended December 31, 2009. The average balance of interest bearing liabilities increased by \$227.4 million or 43.3% to \$752.4 million at December 31, 2010 from \$525.0 million at December 31, 2009 while the average cost of interest bearing liabilities decreased to 1.82% for the year ended December 31, 2010 from 2.86% for the year ended December 31, 2009. As a result of the aforementioned, our net interest margin decreased to 3.05% for the year ended December 31, 2010 from 3.24% for the year ended December 31, 2009.





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The increase in non-interest income resulted primarily from the gain on bargain purchase associated with the completion of the acquisition of Pamrapo Bancorp, Inc. of \$12.6 million for the year ended December 31, 2010 as compared to no such corresponding gain for the year ended December 31, 2009. A bargain purchase is defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquire, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquisition.

Interest income on loans receivable increased by \$7.2 million or 26.4% to \$34.5 million for the year ended December 31, 2010 from \$27.3 million for the year ended December 31, 2009. The increase was primarily due to an increase in average loans receivable of \$193.0 million or 46.8% to \$605.3 million for the year ended December 31, 2010 from \$412.3 million for the year ended December 31, 2009, partially offset by a decrease in the average yield on loans receivable to 5.70% for the year ended December 31, 2010 from 6.63% for the year ended December 31, 2009. The increase in the average balance of loans is primarily attributable to the acquisition of Pamrapo Bancorp, Inc. The decrease in average yield reflects the competitive price environment prevalent in the Bank's primary market area on loan facilities as well as the repricing downward of variable rate loans. Further, as the average yield on the loans acquired in the business combination transaction with Pamrapo Bancorp Inc., were less than that of BCB Bancorp, Inc., as a stand-alone institution, the combination of both portfolios decreased the resulting portfolio's yield accordingly.

Interest income on securities decreased by \$1.5 million or 21.4% to \$5.5 million for the year ended December 31, 2010 from \$7.0 million for the year ended December 31, 2009. The decrease was primarily attributable to a decrease in the average yield on securities to 3.58% for the year ended December 31, 2010 from 5.02% for the year ended December 31, 2009, partially offset by an increase in the average balance of securities of \$13.8 million or 9.9% to \$153.0 million for the year ended December 31, 2010 from \$139.2 million for the year ended December 31, 2009. The decrease in average yield reflects the lower long term interest rate environment prevalent for investment securities for the year ended December 31, 2010. The increase in the average balance is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc.

Interest income on other interest-earning assets consisting primarily of interest earning demand deposits increased by \$70,000 or 148.9% to \$117,000 for the year ended December 31, 2010 from \$47,000 for the year ended December 31, 2009. This increase was primarily due to an increase in the average balance of other interest earning assets of \$60.0 million or 126.6% to \$107.4 million for the year ended December 31, 2010 from \$47.4 million for the year ended December 31, 2009. The average yield on other interest-earning assets remained relatively stable at 0.11% for the year ended December 31, 2010 as compared to 0.10% for the year ended December 31, 2009. The increase in the average balance of other interest earning assets is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc. The static nature of the average yield on other interest earning assets reflects the current philosophy by the FOMC of keeping short term interest rates at historically low levels for the last two years.

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Total interest expense decreased by \$1.3 million or 8.7% to \$13.7 million for the year ended December 31, 2010 from \$15.0 million for the year ended December 31, 2009. This decrease resulted primarily from a decrease in the average cost of interest bearing liabilities to 1.82% for the year ended December 31, 2010 from 2.86% for the year ended December 31, 2009, partially offset by an increase in the average balance of total interest bearing liabilities of \$227.4 million or 43.3% to \$752.4 million for the year ended December 31, 2010 from \$525.0 million for the year ended December 31, 2009. The decrease in the average cost reflects the Company's ability to reduce the pricing on a select number of retail deposit products. The increase in the balance of average interest bearing liabilities is primarily attributable to the completion of the acquisition of Pamrapo Bancorp, Inc.

The provision for loan losses totaled \$2.45 million and \$1.55 million for the years ended December 31, 2010 and 2009, respectively. The provision for loan losses is established based upon management's review of the Bank's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the significant level of loan growth and (5) the existing level of reserves for loan losses that are probable and estimable. During 2010, the Bank experienced \$677,000 in net charge-offs (consisting of \$689,000 in charge-offs and \$12,000 in recoveries). During 2009, the Bank experienced \$210,000 in net charge-offs (consisting of \$212,000 in charge-offs and \$2,000 in recoveries). The Bank had non-accrual loans totaling \$41.8 million at December 31, 2010 and \$11.9 million at December 31, 2009. The allowance for loan losses stood at \$8.4 million or 1.08% of gross total loans at December 31, 2010 as compared to \$6.6 million or 1.62% of gross total loans at December 31, 2009. The decrease is due to no carryover of Pamrapo's allowance for credit losses associated with the loans we acquired as the loans were initially recorded at fair value. The credit mark pertaining to the acquired loans was \$7.5 million at December 31, 2010. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at both December 31, 2010 and 2009.

Total non-interest income increased by \$12.9 million to \$13.86 million for the year ended December 31, 2010 from \$931,000 for the year ended December 31, 2009. The increase in non-interest income resulted primarily from the gain on bargain purchase associated with the completion of the acquisition of Pamrapo Bancorp, Inc. of \$12.6 million for the year ended December 31, 2010 from no such corresponding gain for the year ended December 31, 2009. A bargain purchase is defined as a business combination in which the total acquisition-date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any non-controlling interest in the acquire, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquisition. The increase in non-interest income also reflects a \$250,000 increase in fees and service charges to \$907,000 for the year ended

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December 31, 2010 from \$657,000 for the year ended December 31, 2009. Gain on sales of loans originated for sale increased by \$70,000 or 31.1% to \$295,000 for the year ended December 31, 2010 from \$225,000 for the year ended December 31, 2009. The increase in gain on sale of loans originated for sale occurred primarily as a result of the active local market for refinancing one-to four-family residential mortgages, aided in large part by the low interest rate environment. Other income increased by \$387,000 to \$423,000 for the year ended December 31, 2010 from \$36,000 for the year ended December 31, 2009. This increase occurred primarily as a result of a \$237,500 litigation settlement with the Bayonne Medical Center, a \$50,000 recovery from a previous charge-off regarding a check kiting incident and a \$67,000 recovery received through litigation on a real estate facility where insurance proceeds were improperly retained by a third party. The aforementioned increases were partially offset by a loss on sale of real estate of \$345,000 for the year ended December 31, 2010 compared to a gain of \$13,000 for the year ended December 31, 2009.

Total non-interest expense increased by \$9.6 million or 77.4% to \$22.0 million for the year ended December 31, 2010 from \$12.4 million for the year ended December 31, 2009. Unless specified otherwise, the increase in the categories of non-interest expense occurred primarily as a result of the acquisition of Pamrapo Bancorp, Inc. Salaries and employee benefits expense increased by \$5.4 million or 100.0% to \$10.8 million for the year ended December 31, 2010 from \$5.4 million for the year ended December 31, 2009. This increase occurred primarily as a result of an increase in the number of full time equivalent employees to one hundred sixty nine (169) at December 31, 2010 from eighty-eight (88) at December 31, 2009 and from eighty-five (85) at December 31, 2008 as well as the recognition of the payout of voluntary termination packages totaling \$1.1 million offered to the employees in conjunction with the acquisition of Pamrapo Bancorp, Inc. Equipment expense increased by \$1.2 million or 57.1% to \$3.3 million for the year ended December 31, 2010 from \$2.1 million for the year ended December 31, 2009. The primary component of this expense item is data service provider expense which increases with the growth of the Bank's assets. Occupancy expense increased by \$810,000 or 73.6% to \$1.9 million for the year ended December 31, 2010 from \$1.1 million for the year ended December 31, 2009. Advertising expense increased by \$63,000 or 23.1% to \$336,000 for the year ended December 31, 2010 from \$273,000 for the year ended December 31, 2009. Professional fees increased by \$315,000 or 67.7% to \$780,000 for the year ended December 31, 2010 from \$465,000 for the year ended December 31, 2009. The increase in professional fees resulted primarily from an increase in legal fees in conjunction with various representations of legal issues encountered in the normal course of a growing franchise. Directors' fees increased by \$158,000 or 40.0% to \$553,000 for the year ended December 31, 2010 from \$395,000 for the year ended December 31, 2009. Regulatory assessments increased by \$67,000 or 6.1% to \$1.2 million for the year ended December 31, 2010 from \$1.1 million for the year ended December 31, 2009. Merger related expenses remained relatively static at \$644,000 for the year ended December 31, 2010 as compared to \$648,000 for the year ended December 31, 2009. Other non-interest expense increased by \$1.66 million or 200.2% to \$2.49 million for the year ended December 31, 2010 from \$829,000 for the year ended December 31, 2009. The increase in other non-interest expense occurred primarily as a result of an increase in loan expense and fees associated with the collection process on certain delinquent loan facilities. Additionally, other non-interest expense is comprised of stationary, forms and printing, check printing,

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correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense decreased by \$1.1 million or 42.3% to \$1.5 million for the year ended December 31, 2010 from \$2.6 million for the year ended December 31, 2009. While net income increased during the year ended December 31, 2010 as compared to the year ended December 31, 2009, this increase was primarily attributable to the gain on bargain purchase related to the completion of the acquisition of Pamrapo Bancorp, Inc. As the gain associated with this transaction is non-taxable, the income tax provision for the year ended December 31, 2010 was calculated exclusive of this gain. Conversely, a portion of the expenses associated with the consummation of the Pamrapo Bancorp, Inc., transaction categorized as merger related expenses are not deductible for income tax purposes. The consolidated effective income tax rates for the years ended December 31, 2010 and 2009 were 9.5% and 41.2%, respectively.

Results of Operations for the Years Ended December 31, 2009 and 2008

Net income increased by \$276,000 or 8.0% to \$3.75 million for the year ended December 31, 2009 from \$3.47 million for the year ended December 31, 2008. The increase in net income resulted primarily from an increase in non-interest income (loss), partially offset by a decrease in net interest income and increases in the provision for loan losses, non-interest expense and income taxes. Net interest income decreased by \$576,000 or 2.9% to \$19.4 million for the year ended December 31, 2009 from \$20.0 million for the year ended December 31, 2008. The decrease in net interest income resulted primarily from a decrease in the average yield on interest earning assets to 5.74% for the year ended December 31, 2009 from 6.49% for the year ended December 31, 2008, partially offset by an increase of \$34.3 million or 6.1% in the average balance of interest earning assets to \$598.8 million for the year ended December 31, 2009 from \$564.5 million for the year ended December 31, 2008. The average balance of interest bearing liabilities increased by \$34.3 million or 7.0% to \$525.0 million at December 31, 2009 from \$490.7 million at December 31, 2008 while the average cost of interest bearing liabilities decreased to 2.86% for the year ended December 31, 2009 from 3.40% for the year ended December 31, 2008. As a result of the aforementioned, our net interest margin decreased to 3.24% for the year ended December 31, 2009 from 3.54% for the year ended December 31, 2008.

The increase in non-interest income (loss) resulted primarily from the absence of the other than temporary impairment (OTTI) charge of \$2.9 million on a \$3.0 million investment in Federal National Mortgage Association (FNMA) preferred stock which occurred during the year ended December 31, 2008. The increase in non-interest expense resulted primarily from merger related expenses relating to the business combination transaction with Pamrapo Bancorp, Inc. This transaction was completed at the beginning of the third quarter of 2010. Additionally, there was an increase in our FDIC assessments due to a one-time special FDIC assessment which totaled \$282,000 for the Bank that all financial institutions were required to pay during the third quarter of 2009 and an increase in FDIC assessment rates during the year ended December 31, 2009.

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Interest income on loans receivable increased by \$101,000 or 0.4% to \$27.3 million for the year ended December 31, 2009 from \$27.2 million for the year ended December 31, 2008. The increase was primarily due to an increase in average loans receivable of \$19.1 million or 4.9% to \$412.3 million for the year ended December 31, 2009 from \$393.2 million for the year ended December 31, 2008, partially offset by a decrease in the average yield on loans receivable to 6.63% for the year ended December 31, 2009 from 6.96% for the year ended December 31, 2008. The increase in the average balance of loans reflects management's philosophy of deploying funds in higher yielding instruments, specifically commercial real estate loans, in an effort to achieve higher returns. The decrease in average yield reflects the competitive price environment prevalent in the Bank's primary market area for commercial and construction loans as well as the effect of the actions taken by the Federal Open Market Committee to maintain interest rates at their diminished levels during 2009.

Interest income on securities decreased by \$2.2 million or 23.9% to \$7.0 million for the year ended December 31, 2009 from \$9.2 million for the year ended December 31, 2008. The decrease was primarily attributable to a decrease in the average balance of securities of \$22.1 million or 13.7% to \$139.2 million for the year ended December 31, 2009 from \$161.3 million for the year ended December 31, 2008 and a decrease in the average yield on securities to 5.02% for the year ended December 31, 2009 from 5.70% for the year ended December 31, 2008. The decrease in average balances reflects the issuing agencies decision to exercise their call options on a select number of securities which resulted in decreases to the investment portfolio. The decrease in average yield reflects the lower interest rate environment prevalent for investment securities for the year ended December 31, 2009.

Interest income on other interest-earning assets consisting primarily of interest earning demand deposits decreased by \$143,000 or 75.3% to \$47,000 for the year ended December 31, 2009 from \$190,000 for the year ended December 31, 2008. This decrease was primarily due to a decrease in the average yield on other interest-earning assets to 0.10% for the year ended December 31, 2009 from 1.89% for the year ended December 31, 2008, partially offset by an increase in the average balance of other interest earning assets of \$37.4 million or 374.0% to \$47.4 million for the year ended December 31, 2009 from \$10.0 million for the year ended December 31, 2008.

Total interest expense decreased by \$1.7 million or 10.2% to \$15.0 million for the year ended December 31, 2009 from \$16.7 million for the year ended December 31, 2008. This decrease resulted primarily from a decrease in the average cost of interest bearing liabilities to 2.86% for the year ended December 31, 2009 from 3.40% for the year ended December 31, 2008 and a decrease in the average balance of average borrowings of \$4.7 million or 4.0% to \$114.2 million for the year ended December 31, 2009 from \$118.9 million for the year ended December 31, 2008, partially offset by an increase in the average balance of total interest bearing deposit liabilities of \$39.0 million or 10.5% to \$410.8 million for the year ended December 31, 2009 from \$371.8 million for the year ended December 31, 2008.

The provision for loan losses totaled \$1.55 million and \$1.30 million for the years ended December 31, 2009 and 2008, respectively. The provision for loan losses is established based

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upon management's review of the Bank's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the significant level of loan growth and (5) the existing level of reserves for loan losses that are probable and estimable.

During 2009, the Bank experienced \$210,000 in net charge-offs (consisting of \$212,000 in charge-offs and \$2,000 in recoveries). During 2008, the Bank experienced \$61,000 in net charge-offs (consisting of \$101,000 in charge-offs and \$40,000 in recoveries). The Bank had non-accrual loans totaling \$11.9 million at December 31, 2009 and \$3.7 million at December 31, 2008. The allowance for loan losses stood at \$6.6 million or 1.62% of gross total loans at December 31, 2009 as compared to \$5.3 million or 1.28% of gross total loans at December 31, 2008. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at both December 31, 2009 and 2008.

We had total non-interest income of \$931,000 for the year ended December 31, 2009 compared to a loss of \$2.1 million for the year ended December 31, 2008. The increase in non-interest income resulted primarily from the absence of the OTTI charge of \$2.9 million on a \$3.0 million investment in FNMA preferred stock which occurred during the year ended December 31, 2008, as well as an \$88,000 increase in gain on sales of loans originated for sale to \$225,000 for the year ended December 31, 2009 from \$137,000 for the year ended December 31, 2008, and a \$12,000 increase in gain on sale of real estate owned, partially offset by a decrease of \$30,000 or 4.1% in fees, service charges and other income to \$693,000 for the year ended December 31, 2009 from \$723,000 for the year ended December 31, 2008. The increase in gain on sale of loans originated for sale reflects the lower interest rate environment for the refinancing of one-to four-family residential real estate properties during 2009.

Total non-interest expense increased by \$1.1 million or 9.7% to \$12.4 million for the year ended December 31, 2009 from \$11.3 million for the year ended December 31, 2008. The increase in non-interest expense resulted primarily from an increase in merger related expenses of \$476,000 or 276.7% to \$648,000 for the year ended December 31, 2009, from \$172,000 for the year ended December 31, 2008 relating to the business combination transaction with Pamrapo Bancorp, Inc. This transaction was completed at the beginning of the third quarter of 2010. Salaries and employee benefits expense decreased by \$89,000 or 1.6% to \$5.4 million for the year ended December 31, 2009 from \$5.5 million for the year ended December 31, 2008. This decrease occurred despite a slight increase in full time equivalent employees to eighty-eight (88) at December 31, 2009 from eighty-five (85) at December 31, 2008 and from ninety-three (93) at December 31, 2007. Occupancy expense increased by \$63,000 or 5.9% to \$1.12 million for the year ended December 31, 2009 from \$1.06 million for the year ended December 31, 2008. Equipment expense increased by \$105,000 or 5.2% to \$2.1 million for the year ended December 31, 2009 from \$2.0 million for the year ended December 31, 2008. The primary

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component of this expense item is data service provider expense which increases with the growth of the Bank's assets. Advertising expense increased by \$32,000 or 13.3% to \$273,000 for the year ended December 31, 2009 from \$241,000 for the year ended December 31, 2008. Professional fees increased by \$146,000 or 45.8% to \$465,000 for the year ended December 31, 2009 from \$319,000 for the year ended December 31, 2008. The increase in professional fees resulted primarily from an increase in legal fees in conjunction with various representations of legal issues encountered in the normal course of a growing franchise. Directors' fees increased by \$44,000 or 12.5% to \$395,000 for the year ended December 31, 2009 from \$351,000 for the year ended December 31, 2008. Regulatory assessments increased by \$841,000 to \$1.1 million for the year ended December 31, 2009 from \$296,000 for the year ended December 31, 2008. This increase occurred primarily as a result of an increase in FDIC assessment rates during 2009 and a special one-time assessment which totaled \$282,000 that all financial institutions were required to pay during the third quarter of 2009. Other non-interest expense increased by \$24,000 or 3.0% to \$829,000 for the year ended December 31, 2009 from \$805,000 million for the year ended December 31, 2008. Other non-interest expense is comprised of stationary, forms and printing, check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense increased by \$801,000 or 44.0% to \$2.62 million for the year ended December 31, 2009 from \$1.82 million for the year ended December 31, 2008 reflecting increased pre-tax income earned during 2009. The consolidated effective income tax rate for the year ended December 31, 2009 was 41.2% and for the year ended December 31, 2008 was 34.4%. The increase in the consolidated effective income tax rate relates primarily to the increase of merger related expenses of \$476,000 or 276.7% to \$648,000 for the year ended December 31, 2009 from \$172,000 for the year ended December 31, 2008 and the lack of deductibility for a portion of these expenses for income tax purposes.

Liquidity and Capital Resources

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

Our primary investing activities are the origination of commercial and multi-family real estate loans, one- to four-family mortgage loans, construction, commercial business and consumer loans, as well as the purchase of mortgage-backed and other investment securities. During 2010 loan originations totaled \$106.2 million compared to \$90.4 million and \$110.7 million for 2009 and 2008, respectively. Management continues to emphasize prudent loan origination policies and practices as it continues its efforts to increase total assets by emphasizing the origination of commercial and multi-family lending operations.

During 2010, cash flow provided by the calls, maturities and principal repayments and prepayments received on securities held-to-maturity amounted to \$156.8 million compared to \$155.6 million and \$84.4 million in 2009 and 2008. During 2010, there was a decrease in deposits of \$13.3 million, excluding the increase in deposits associated with Pamrapo Bancorp,

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Inc. acquisition, as compared to an increase of \$53.2 million and \$11.7 million for the years ending December 31, 2009 and 2008, respectively. Borrowings of \$43.8 million assumed in the acquisition of Pamrapo Bancorp, Inc. were repaid during 2010.

**Loan Commitments.** In the ordinary course of business the Bank extends commitments to originate residential and commercial loans and other consumer loans. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since the Bank does not expect all of the commitments to be funded, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. Collateral may be obtained based upon management's assessment of the customers' creditworthiness. Commitments to extend credit may be written on a fixed rate basis exposing the Bank to interest rate risk given the possibility that market rates may change between the commitment date and the actual extension of credit. The Bank had outstanding commitments to originate and fund loans of approximately \$44.0 million and \$25.0 million at December 31, 2010 and 2009, respectively.

The following table sets forth our contractual obligations and commercial commitments at December 31, 2010.

Contractual obligations	Total	Payments due by period			
		Less than 1 Year	1-3 Years	More than 3-5 Years	More than 5 Years
		(In Thousands)			
Benefit Plans	\$6,417	\$648	\$1,212	\$1,283	\$3,274
Borrowed money	114,124	-	-	-	114,124
Lease obligations	6,109	959	1,648	972	2,530
Certificates of deposit	434,415	333,853	59,839	40,481	242
<b>Total</b>	<b>\$561,065</b>	<b>\$335,460</b>	<b>\$62,699</b>	<b>\$42,736</b>	<b>\$120,170</b>

## Recent Accounting Pronouncements

In January 2010, The FASB has issued ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require that a reporting entity disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and present separately information about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs. In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures:



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- For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and
- A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements.

ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Early adoption is permitted. The adoption of the applicable provisions of this pronouncement did not have a material impact on our consolidated financial statements. The Company does not expect the new pronouncement will have a material impact on the consolidated financial statements for those disclosures that go into effect during fiscal 2011.

In June 2010, the FASB issued ASU 2010-18, Receivables, (Topic 310): Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset, codifies the consensus reached in EITF Issue No. 09-I, “Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset.” The amendments to the Codification provide that modifications of loans that are accounted for within a pool under Subtopic 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. ASU 2010-18 does not affect the accounting for loans under the scope of Subtopic 310-30 that are not accounted for within pools. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40.

ASU 2010-18 is effective prospectively for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. Upon initial adoption of ASU 2010-18, an entity may make a one-time election to terminate accounting for loans as a pool under Subtopic 310-30. This election may be applied on a pool-by-pool basis and does not preclude an entity from applying pool accounting to subsequent acquisitions of loans with credit deterioration. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

On July 21, 2010, FASB issued Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (“ASU 2010-20”), which amends ASC 830, Receivables, to enhance disclosures about the credit quality of financing receivables and the allowance for credit losses. ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users’s evaluation of (i) the nature of credit risk inherent in the entity’s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses, and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing

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receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, the activity in the allowance for credit losses as well as information about modified, impaired, nonaccrual, and past due loans and credit quality indicators. ASU 2010-20 is effective for The Company's consolidated financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for The Company's consolidated financial statements that include periods beginning on or after January 1, 2011. We adopted this period's end disclosure requirements as of December 31, 2010, and have provided the applicable disclosures.

Accounting Standards Update No. 2010-29 addresses the interpretation of the pro forma revenue and earnings disclosure requirements for business combinations. It specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. It requires expanded supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments in this Updates are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We early adopted these requirements as of December 31, 2010, and have provided the applicable disclosure.

Accounting Standards Update No. 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Market Risk

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

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with the guidelines approved by the Board of Directors. Senior management monitors the level of interest rate risk on a regular basis and the Asset/Liability Committee, which consists of senior management and outside directors operating under a policy adopted by the Board of Directors, meets as needed to review our asset/liability policies and interest rate risk position.

Quantitative Analysis. The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of December 31, 2010. Assumptions have been made by the Company relating to interest rates, loan prepayment rates, core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates were used for fixed rate loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based upon management's judgment of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. Variable rate loans were scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table include prepayment rates on loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months, and money market and noninterest bearing accounts were scheduled with an assumed term of 24 months. The NPV at "PAR" represents the difference between the Company's estimated value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 200 to 300 basis points has been excluded since it would not be meaningful in the interest rate environment as of December 31, 2010. The following sets forth the Company's NPV as of December 31, 2010.

Change in calculation	Net Portfolio Value	\$ Change from PAR	% Change from PAR	NPV as a % of Assets NPV Ratio	Change
+300bp	\$ 85,894	\$ (31,943 )	-27.11 %	8.24 %	(222 )bp
+200bp	103,796	(14,041 )	-11.92	9.67	(79 )
+100bp	115,633	(2,204 )	-1.87	10.48	2
PAR	117,837	-	-	10.46	-
-100bp	121,200	3,363	2.85	10.60	14

bp-basis points

The table above indicates that at December 31, 2010, in the event of a 100 basis point increase in interest rates, we would experience a 1.87% decrease in NPV.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in NPV require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the NPV table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide

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a precise forecast of the effect of changes in market interest rates on our net interest income, and will differ from actual results.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

The required Disclosure is incorporated by reference to the BCB Bancorp, Inc. Proxy Statement for the 2011 Annual Meeting of Stockholders.

ITEM 9A.(T) CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2010 (the "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic SEC filings.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management of BCB Bancorp, Inc., and subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's system of internal control is designed under the supervision of management, including our Chief Executive Officer and Chief Operating Officer, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles ("GAAP").

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with the authorization of management and the Board of Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that

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could have a material effect on our consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections on any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

As of December 31, 2010, management assessed the effectiveness of the Company's internal control over financial reporting based upon the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon its assessment, management believes that the Company's internal control over financial reporting as of December 31, 2010 is effective using these criteria. This annual report does not include an audit report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to audit by the Company's registered public accounting firm pursuant to the Dodd- Frank Act that permits the company to provide only management's report in this annual report.

(c) Changes in Internal Controls over Financial Reporting.

There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that has materially affected or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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

ITEM 9B.OTHER INFORMATION

None.

PART III

ITEM 10.DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company has adopted a Code of Ethics that applies to the Company's chief executive officer, chief financial officer or, controller or persons performing similar functions. The Code of Ethics is available for free by writing to: President and Chief Executive Officer, BCB Bancorp, Inc., 104-110 Avenue C, Bayonne, New Jersey 07002. The Code of Ethics was filed as an exhibit to the Form 10-K for the year ended December 31, 2004.

The "Proposal I—Election of Directors" section of the Company's definitive Proxy Statement for the Company's 2010 Annual Meeting of Stockholders (the "2011 Proxy Statement") is incorporated herein by reference in response to the disclosure requirements of Items 401, 405, 406, 407(d)(4) and 407(d)(5) of Regulation S-K.

The information concerning directors and executive officers of the Company under the caption "Proposal I-Election of Directors" and information under the captions "Section 16(a) Beneficial Ownership Compliance" and "The Audit Committee" of the 2011 Proxy Statement is incorporated herein by reference.

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

ITEM 11.EXECUTIVE COMPENSATION

The "Executive Compensation" section of the Company's 2011 Proxy Statement is incorporated herein by reference.

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

The "Proposal I—Election of Directors" section of the Company's 2011 Proxy Statement is incorporated herein by reference.

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

The "Transactions with Certain Related Persons" section and "Proposal I-Election of Directors—Board Independence" of the Company's 2011 Proxy Statement is incorporated herein by reference.

ITEM 14.PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by Item 14 is incorporated by reference to the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders, "Proposal II-Ratification of the Appointment of Independent Auditors—Fees Paid to ParenteBeard LLC."

PART IV

ITEM 15.EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

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

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Statements of Financial Condition as of December 31, 2010 and 2009

(C) Consolidated Statements of Income for each of the Years in the Three-Year period ended December 31, 2010

(D) Consolidated Statements of Changes in Stockholders' Equity for each of the Years in the Three-Year period ended December 31, 2010

(E) Consolidated Statements of Cash Flows for each of the Years in the Three-Year period ended December 31, 2010

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(F) Notes to Consolidated Financial Statements

(a)(2) Financial Statement Schedules

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

(b) Exhibits

3.1	Certificate of Incorporation of BCB Bancorp, Inc. (1)
3.2	Bylaws of BCB Bancorp, Inc. (2)
3.3	Specimen Stock Certificate (3)
10.1	BCB Community Bank 2002 Stock Option Plan (4)
10.2	BCB Community Bank 2003 Stock Option Plan (5)
10.3	Amendment to 2002 and 2003 Stock Option Plans (6)
10.4	2005 Director Deferred Compensation Plan (7)
10.5	Employment Agreement with Donald Mindiak (8)
10.6	Employment Agreement with Thomas M. Coughlin (9)
10.7	Employment Agreement with Kenneth Walter (10)
10.8	Executive Agreement with Donald Mindiak (11)
10.9	Executive Agreement with Thomas M. Coughlin (12)
10.10	Executive Agreement with Kenneth Walter (13)
10.11	Acknowledgment and Release Agreement with Donald Mindiak (14)
10.12	Acknowledgment and Release Agreement with Thomas M. Coughlin (15)
10.13	Consulting Agreement with Dr. August Pellegrini, Jr. (16)
10.14	Consulting Agreement with James E. Collins (17)
10.15	Amended and Restated Settlement Agreement with James E. Collins (18)
<u>13</u>	Consolidated Financial Statements
14	Code of Ethics (19)





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23 Consent of Independent Registered Public Accounting Firm

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

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

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

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- (1) Incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, as amended, (Commission File Number 333-128214) originally filed with the Securities and Exchange Commission on September 9, 2005.
- (2) Incorporated by reference to Exhibit 3 to the Form 8-K filed with the Securities and Exchange Commission on October 12, 2007.
- (3) Incorporated by reference to Exhibit 4 to the Form 8-K-12g3 filed with the Securities and Exchange Commission on May 1, 2003.
- (4) Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 26, 2004.
- (5) Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on January 26, 2004.
- (6) Incorporated by reference to Exhibit 10.14 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2006.
- (7) Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, as amended, (Commission File Number 333-128214) originally filed with the Securities and Exchange Commission on September 9, 2005.
- (8) Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (9) Incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (10) Incorporated by reference to Exhibit 10.3 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (11) Incorporated by reference to Exhibit 10.4 to the Form 8-K filed with the Securities and Exchange Commission on December 15, 2008.

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- (12) Incorporated by reference to Exhibit 10.5 to the Form 8-K filed with the Securities and Exchange Commission on December 15, 2008.
- (13) Incorporated by reference to Exhibit 10.4 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (14) Incorporated by reference to Exhibit 10.5 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (15) Incorporated by reference to Exhibit 10.6 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (16) Incorporated by reference to Exhibit 10.7 to the Form 8-K filed with the Securities and Exchange Commission on July 8, 2010.
- (17) Incorporated by reference to Exhibit 10.2 to the Form 8-K filed with the Securities and Exchange Commission on September 1, 2010.
- (18) Incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the Securities and Exchange Commission on September 1, 2010.
- (19) Incorporated by reference to Exhibit 14 to the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 2004.

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Signatures

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

BCB BANCORP, INC.

Date: March 31, 2011

By: /s/ Donald Mindiak  
Donald Mindiak  
President and Chief Executive Officer  
(Duly Authorized Representative)

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

Signatures	Title	Date
/s/ Donald Mindiak Donald Mindiak	President, Chief Executive Officer, and Director	March 31, 2011
/s/ Kenneth D. Walter Kenneth D. Walter	Chief Financial Officer and Director	March 31, 2011
/s/ Mark D. Hogan Mark D. Hogan	Chairman of the Board	March 31, 2011
/s/ Robert Ballance Robert Ballance	Director	March 31, 2011
/s/ Judith Q. Bielan Judith Q. Bielan	Director	March 31, 2011

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/s/ Joseph J. Brogan Joseph J. Brogan	Director	March 31, 2011
/s/ James E. Collins James E. Collins	Director	March 31, 2011
/s/ Robert A. Hughes Robert A. Hughes	Director	March 31, 2011
/s/ Joseph Lyga Joseph Lyga	Director	March 31, 2011
/s/ Alexander Pasiechnik Alexander Pasiechnik	Director	March 31, 2011
/s/ Joseph Tagliareni Joseph Tagliareni	Director	March 31, 2011

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