USA Compression Partners, LP
Form 10-K
February 13, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

or

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

For the transition period from to

Commission file number: 001-35779

USA Compression Partners, LP

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	75-2771546 (I.R.S. Employer Identification No.)

100 Congress Avenue, Suite 450 Austin, TX (Address of Principal Executive Offices)	 78701 (Zip Code)

(512) 473-2662

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Units Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes   No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes   No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" or an "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of common units held by non-affiliates of the registrant (treating directors and executive officers of the registrant's general partner and holders of 5% or more of the common units outstanding, for this purpose, as if they were affiliates of the registrant) as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter was $369,969,262. This calculation does not reflect a determination that such persons are affiliates for any other purpose.

As of February 8, 2018, there were 62,194,405 common units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

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PART I

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This report contains “forward-looking statements.” All statements other than statements of historical fact contained in this report are forward-looking statements, including, without limitation, statements regarding our plans, strategies, prospects and expectations concerning our business, results of operations and financial condition. You can identify many of these statements by looking for words such as “believe,” “expect,” “intend,” “project,” “anticipate,” “estimate,” “conti or similar words or the negative thereof.

Known material factors that could cause our actual results to differ from those in these forward-looking statements are described below, in Part I, Item 1A (“Risk Factors”) and in Part II, Item 7 (“Management’s Discussion and Analysis of Financial Condition and Results of Operations”). Important factors that could cause our actual results to differ materially from the expectations reflected in these forward-looking statements include, among other things:

- changes in general economic conditions and changes in economic conditions of the crude oil and natural gas industry specifically;
- competitive conditions in our industry;
- changes in the long-term supply of and demand for crude oil and natural gas;
- our ability to realize the anticipated benefits of acquisitions and to integrate the acquired assets with our existing fleet, including the CDM Acquisition (as defined below);
- actions taken by our customers, competitors and third-party operators;
- the deterioration of the financial condition of our customers;
- changes in the availability and cost of capital;
- operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control;

- the effects of existing and future laws and governmental regulations;

- the effects of future litigation; and

- the failure to consummate the CDM Acquisition.

All forward-looking statements included in this report are based on information available to us on the date of this report and speak only as of the date of this report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing cautionary statements.

ITEM 1.Business

References in this report to "USA Compression," "we," "our," "us," "the Partnership" or like terms refer to USA Compression Partners, LP and its wholly owned subsidiaries, including USA Compression Partners, LLC ("USAC Operating") and USAC OpCo 2, LLC ("OpCo 2" and, together with USAC Operating, the "Operating Subsidiaries"). References to our "general partner" refer to USA Compression GP, LLC. References to "USA Compression Holdings" refer to USA Compression Holdings, LLC, the owner of our general partner. References to "USAC Management" refer to USA Compression Management Services, LLC, a wholly owned subsidiary of our general partner. References to "Riverstone" refer to Riverstone/Carlyle Global Energy and Power Fund IV, L.P., and affiliated entities, including Riverstone Holdings, LLC.

Overview

We are a growth-oriented Delaware limited partnership and we believe that we are one of the largest independent providers of compression services in the United States ("U.S.") in terms of total compression fleet horsepower. We have been providing compression services since 1998 and completed our initial public offering in January 2013. As of December 31, 2017, we had 1,799,781 horsepower in our fleet and 153,020 horsepower on order for expected delivery during 2018 and 2019. We provide compression services to our customers primarily in connection with infrastructure applications, including both allowing for the processing and transportation of natural gas through the domestic pipeline system and enhancing crude oil production through artificial lift processes. As such, our compression services play a critical role in the production, processing and transportation of both natural gas and crude oil.

We provide compression services in a number of shale plays throughout the U.S., including the Utica, Marcellus, Permian Basin, Delaware Basin, Eagle Ford, Mississippi Lime, Granite Wash, Woodford, Barnett, Haynesville, Niobrara and Fayetteville shales. The demand for our services is driven by the domestic production of natural gas and crude oil; as such, we have focused our activities in areas with attractive natural gas and crude oil production growth, which are generally found in these shale and unconventional resource plays. According to studies promulgated by the Energy Information Agency ("EIA"), the production and transportation volumes in these shale plays are expected to increase over the long term due to the comparatively attractive economic returns versus returns achieved in many conventional basins. Furthermore, the changes in production volumes and pressures of shale plays over time require a wider range of compression services than in conventional basins. We believe we are well positioned to meet these changing operating conditions due to the flexibility of our compression units. While our business focuses largely on compression services serving infrastructure applications, including centralized natural gas gathering systems and processing facilities, which utilize large horsepower compression units, typically in shale plays, we also provide compression services in more mature conventional basins, including gas lift applications on crude oil wells targeted by horizontal drilling techniques. Gas lift, a process by which natural gas is injected into the production tubing of an existing producing well, thus reducing the hydrostatic pressure and allowing the oil to flow at a higher rate, and other artificial lift technologies are critical to the enhancement of production of oil from horizontal wells operating in tight shale plays.

We operate a modern fleet of compression units, with an average age of approximately five years. We acquire our compression units from third-party fabricators who build the units to our specifications, utilizing specific components from original equipment manufacturers and assembling the units in a manner that provides us the ability to meet certain operating condition thresholds. Our standard new-build compression units are generally configured for multiple compression stages allowing us to operate our units across a broad range of operating conditions. The design flexibility of our units, particularly in midstream applications, allows us to enter into longer-term contracts and reduces the redeployment risk of our horsepower in the field. Our modern and standardized fleet, decentralized field level operating structure and technical proficiency in predictive and preventive maintenance and overhaul operations have enabled us to achieve average service run times consistently at or above the levels required by our customers.

As part of our services, we engineer, design, operate, service and repair our compression units and maintain related support inventory and equipment. The compression units in our modern fleet are designed to be easily adaptable to fit our customers’ changing compression requirements. Focusing on the needs of our customers and providing them with reliable and flexible compression services in geographic areas of attractive growth helps us to generate stable cash flows for our unitholders.

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We provide compression services to our customers under fixed-fee contracts with initial contract terms typically between six months and five years, depending on the application and location of the compression unit. We typically continue to provide compression services at a specific location beyond the initial contract term, either through contract renewal or on a month-to-month or longer basis. We primarily enter into take-or-pay contracts whereby our customers are required to pay our monthly fee even during periods of limited or disrupted throughput, which enhances the stability and predictability of our cash flows. We are not directly exposed to commodity price risk because we do not take title to the natural gas or crude oil involved in our services and because the natural gas used as fuel by our compression units is supplied by our customers without cost to us.

We provide compression services to major oil companies and independent producers, processors, gatherers and transporters of natural gas and crude oil. Regardless of the application for which our services are provided, our customers rely upon the availability of the equipment used to provide compression services and our expertise to help generate the maximum throughput of product, reduce fuel costs and minimize emissions. While we are currently focused on our existing service areas, our customers may have compression demands in other areas of the U.S. in conjunction with their field development projects. We continually consider expansion of our areas of operation in the U.S. based upon the level of customer demand. Our modern, flexible fleet of compression units, which have been designed to be rapidly deployed and redeployed throughout the country, provides us with opportunities to expand into other areas with both new and existing customers.

Our assets and operations are organized into a single reportable segment and are all located and conducted in the U.S. See our consolidated financial statements, and the notes thereto, included elsewhere in this report for financial information on our operations and assets; such information is incorporated herein by reference.

Recent Developments

On January 15, 2018, we entered into a Contribution Agreement (the “Contribution Agreement”) with Energy Transfer Partners, L.P. (“ETP”), Energy Transfer Partners GP, L.P., the general partner of ETP (“ETP GP”), ETC Compression, LLC (“ETC” and, together with ETP and ETP GP, the “Contributors”) and, solely for certain purposes therein, Energy Transfer Equity, L.P. (“ETE” and together with ETP, the “Energy Transfer Parties”), pursuant to which, among other things, ETP will contribute to us, and we will acquire from ETP, all of the issued and outstanding membership interests of CDM Resource Management LLC (“CDM Management”) and CDM Environmental & Technical Services LLC (“CDM E&T” and, together with CDM Management, “CDM”) for aggregate consideration of approximately $1.7 billion consisting of units representing limited partner interests in the Partnership and an amount in cash equal to $1.225 billion, subject to certain adjustments (the “CDM Acquisition”).

The CDM Acquisition is expected to close in the first half of 2018, subject to customary closing conditions, including (i) the concurrent closing of the GP Purchase (as defined below), and (ii) the transactions contemplated by the Equity Restructuring Agreement (as defined below), including the Restructuring (as defined below), shall be able to be consummated immediately following the Closing (as defined below), and as otherwise described in the Contribution Agreement (the “Closing”).

On January 15, 2018, and in connection with the execution of the Contribution Agreement, ETE entered into a Purchase Agreement (the “GP Purchase Agreement”) with Energy Transfer Partners, L.L.C. (together with ETE, the “GP Purchasers”), USA Compression Holdings, and, solely for certain purposes therein, R/C IV USACP Holdings, L.P. and ETP, pursuant to which the GP Purchasers will acquire from USA Compression Holdings (i) all of the outstanding limited liability company interests in our general partner, and (ii) 12,466,912 common units (the “GP Purchase”).

On January 15, 2018, and in connection with the execution of the Contribution Agreement, we entered into an Equity Restructuring Agreement (the “Equity Restructuring Agreement”) with our general partner and ETE, pursuant to which, among other things, we, our general partner and ETE have agreed to cancel our incentive distribution rights (the “Cancellation”) and convert our General Partner Interest (as defined in the Equity Restructuring Agreement) into a non-economic general partner interest (the “Conversion” and, together with the Cancellation, the “Restructuring”), in exchange for our issuance of 8,000,000 common units to the general partner, effective at the Closing.

On January 15, 2018, we entered into a Series A Preferred Unit and Warrant Purchase Agreement (the "Series A Purchase Agreement") with certain investment funds managed or sub-advised by EIG Global Energy Partners ("EIG") and other investment vehicles unaffiliated with EIG (collectively, the "Purchasers") to issue and sell in a private placement (the "Private Placement") $500 million in the aggregate of (i) newly authorized and established Series A Perpetual Preferred Units representing limited partner interests in the Partnership (the "Preferred Units") and (ii) warrants to purchase common units (the "Warrants"). We will issue 500,000 Preferred Units to the Purchasers at a price of $1,000 per Preferred Unit (the "Preferred Unit Purchase Price"), less a 1.0% structuring and origination fee, for total net proceeds, before expenses, of $495 million. In addition, we will pay a 1.0% commitment fee to the Purchasers at the closing, as well as reimburse the Purchasers for up to $400,000 of certain expenses incurred in connection with the transaction. We will also issue two tranches of Warrants to the Purchasers, which will include Warrants to purchase 5,000,000 common units with a strike price of $17.03 per unit and Warrants to purchase 10,000,000 common units with a strike price of $19.59 per unit. The Warrants may be exercised by the holders thereof at any time beginning on the one year anniversary of the closing date and before the tenth anniversary of the closing date. Upon exercise of the Warrants, we may, at our option, elect to settle the Warrants in common units on a net basis. The Series A Purchase Agreement contains customary representations, warranties and covenants of the Partnership and the Purchasers. The closing of the Private Placement is subject to customary closing conditions, including that we will have increased the aggregate commitments under our revolving credit facility to (or entered into a similar revolving facility with minimum aggregate commitments of) at least $1.3 billion.

In connection with the CDM Acquisition, on January 15, 2018, we entered into a commitment letter (the "Bridge Commitment") with JPMorgan Chase Bank, N.A. and Barclays Bank PLC, as modified by the joinder to commitment letter and bridge fee letter entered into by the Partnership, JPMorgan Chase Bank, N.A. and Barclays Bank PLC with each of Regions Bank, Royal Bank of Canada, Wells Fargo Bank, N.A., MUFG Union Bank, N.A., a member of MUFG, a global financial group, The Bank of Nova Scotia and SunTrust Bank and certain affiliates of such parties (the "Commitment Letter"). The Commitment Letter provides for senior unsecured bridge loans in an aggregate amount up to $725 million (the "Bridge Loans"). The proceeds of such Bridge Loans may be used (a) to finance a portion of the purchase price of the CDM Acquisition and (b) to pay fees and expenses incurred in connection therewith. The availability of the borrowings is subject to the satisfaction of certain customary conditions. The Bridge Commitment will expire upon the earliest to occur of (1) the Outside Date as defined in the Contribution Agreement (as the same may be extended thereunder), (2) the consummation of the CDM Acquisition without use of the Bridge Loans, (3) the termination of the Contribution Agreement in accordance with its terms, or (4) September 30, 2018. The Bridge Loans are available to backstop a portion of the CDM Acquisition purchase price that we expect to fund with the net proceeds of other debt financing.

Our historical financial and other information in this Annual Report on Form 10-K do not give effect to any of the transactions described in this section titled "Recent Developments."

Business Strategies

Our principal business objective is to increase the quarterly cash distributions that we pay to our unitholders over time while ensuring the ongoing stability and growth of our business. We expect to achieve this objective by executing on the following strategies:

- Capitalize on the increased need for natural gas compression in conventional and unconventional plays. We expect additional demand for compression services to result from the continuing shift of natural gas production to domestic shale plays as well as the declining production pressures of aging conventional basins. The EIA continues to expect overall natural gas production and transportation volumes, and in particular volumes from domestic shale plays, to increase over the long term. Furthermore, the changes in production volumes and pressures of shale plays over time require a wider range and increased level of compression services than in conventional basins. Our fleet of modern, flexible compression units is capable of being rapidly deployed and redeployed and is designed to operate in multiple compression stages, which will enable us to capitalize on these opportunities both in emerging shale plays and conventional basins.

- Continue to execute on attractive organic growth opportunities. From 2007 to 2017, we grew the horsepower in our fleet of compression units and our compression revenues each at a compound annual growth rate of 15% primarily through organic growth. We believe organic growth opportunities will continue to be a source of near-term growth and we expect such organic growth levels in 2018 will be consistent with the growth seen in the second half of 2017. We seek to achieve continued organic growth by (i) increasing our business with existing customers, (ii) obtaining new customers in our existing areas of operations and (iii) expanding our operations into new geographic areas.

- Partner with customers who have significant compression needs. We actively seek to identify customers with meaningful acreage positions or significant infrastructure development in active and growing areas. We work with these customers to jointly develop long-term and adaptable solutions designed to optimize their lifecycle compression costs. We believe this is important in determining the overall economics of producing, gathering and transporting natural gas and crude oil. Our proactive and collaborative approach positions us to serve as our customers' compression service provider of choice.

- Pursue accretive acquisition opportunities. While our principal growth strategy is to continue to grow organically, we may pursue accretive acquisition opportunities, including the acquisition of complementary businesses, participation in joint ventures or the purchase of compression units from existing or new customers in conjunction with providing compression services to them. We consider opportunities that (i) are in our existing geographic areas of operations or new, high-growth regions, (ii) meet internally established economic thresholds and (iii) may be financed on reasonable terms.

- Focus on asset utilization. We seek to actively manage our business in a manner that allows us to continue to achieve high utilization rates at attractive service rates while providing us with the most financial flexibility possible. From time to time, we expect the crude oil and natural gas industry to be impacted by the cyclicality of commodity prices. During downturns in commodity prices, producers and midstream operators may reduce their capital spending, which in turn can hinder the demand for compression services. We have the ability, in response to industry conditions, to drastically and rapidly reduce our capital spending, which allows us to avoid financing organic growth with outside capital and aligns our capital spending with the demand for compression services. By reducing organic growth and avoiding new unit deliveries during downturns, we are able to conserve capital and instead focus on the deployment and re-deployment of our existing asset base. With higher utilization, we are better positioned to continue to generate attractive rates of return on our already-deployed capital.

- Maintain financial flexibility. We intend to maintain financial flexibility to be able to take advantage of growth opportunities. Historically, we have utilized our cash flow from operations, borrowings under our revolving credit facility and issuances of equity securities to fund capital expenditures to expand our compression services business. This approach has allowed us to significantly grow our fleet and the amount of cash we generate, while maintaining our debt at levels we believe are manageable for our business. We believe the appropriate management of our financial position and the resulting access to capital positions us to take advantage of future growth opportunities as they arise.

Our Operations

Compression Services

We provide compression services for a monthly service fee. As part of our services, we engineer, design, operate, service and repair our fleet of compression units and maintain related support inventory and equipment. In certain instances, we also engineer, design, install, operate, service and repair certain ancillary equipment used in conjunction with our compression services. We have consistently provided average service run times at or above the levels required by our customers. In general, our team of field service technicians services only our compression fleet and ancillary equipment. In limited circumstances for established customers, we will agree to service third-party owned equipment. We do not own any compression fabrication facilities.

Our Compression Fleet

The fleet of compression units that we own and use to provide compression services consists of specially engineered compression units that utilize standardized components, principally engines manufactured by Caterpillar, Inc. and compressor frames and cylinders manufactured by Ariel Corporation. Our units can be rapidly and cost effectively modified for specific customer applications. Approximately 98% of our fleet horsepower as of December 31, 2017 was purchased new and the average age of our compression units was approximately five years. Our modern, standardized compression unit fleet is powered primarily by the Caterpillar 3400, 3500 and 3600 engine classes, which range from 401 to 4,735 horsepower per unit. These larger horsepower units, which we define as 400 horsepower per unit or greater, represented 83.0% of our total fleet horsepower (including compression units on order) as of December 31, 2017. In addition, a portion of our fleet consists of smaller horsepower units ranging from 30 horsepower to 399 horsepower that are primarily used in gas lift applications. We believe the young age and overall composition of our compressor fleet result in fewer mechanical failures, lower fuel usage, and reduced environmental emissions.

The following table provides a summary of our compression units by horsepower as of December 31, 2017:

Unit Horsepower	Fleet Horsepower	Number of Units	Horsepower on Order (1)	Number of Units on Order	Total Horsepower	Number of Units	Percent of Total Horsepower		Percent of Total Units	
Small horsepower										
<400	333,004	2,227	—	—	333,004	2,227	17.1	%	65.0	%
Large horsepower										
>400 and <1,000	161,822	284	—	—	161,822	284	8.3	%	8.3	%
>1,000	1,304,955	844	153,020	69	1,457,975	913	74.7	%	26.7	%
Total	1,799,781	3,355	153,020	69	1,952,801	3,424	100.0	%	100.0	%

(1) As of December 31, 2017, we had 147,500 and 5,520 horsepower on order for delivery during 2018 and 2019, respectively.

The following table sets forth certain information regarding our compression fleet as of the dates and for the periods indicated:

	Year Ended December 31,			Percent Change	
Operating Data:	2017	2016	2015	2017	2016
Fleet horsepower (at period end) (1)	1,799,781	1,720,547	1,712,196	4.6 %	0.5 %
Total available horsepower (at period end) (2)	1,950,301	1,730,547	1,712,196	12.7 %	1.1 %
Revenue generating horsepower (at period end) (3)	1,624,377	1,387,073	1,424,537	17.1 %	(2.6) %
Average revenue generating horsepower (4)	1,505,657	1,377,966	1,408,689	9.3 %	(2.2) %
Revenue generating compression units (at period end)	2,830	2,552	2,737	10.9 %	(6.8) %
Average horsepower per revenue generating compression unit (5)	554	534	517	3.7 %	3.3 %
Horsepower utilization (6):					
At period end	94.8 %	87.1 %	89.2 %	8.8 %	(2.4) %
Average for the period (7)	92.0 %	87.4 %	90.5 %	5.3 %	(3.4) %

(1) Fleet horsepower is horsepower for compression units that have been delivered to us (and excludes units on order). As of December 31, 2017, we had 147,500 and 5,520 horsepower on order for delivery during 2018 and 2019, respectively.

(2) Total available horsepower is revenue generating horsepower under contract for which we are billing a customer, horsepower in our fleet that is under contract but is not yet generating revenue, horsepower not yet in our fleet that is under contract but not yet generating revenue and that is subject to a purchase order and idle horsepower. Total available horsepower excludes new horsepower on order for which we do not have a compression services contract.

(3) Revenue generating horsepower is horsepower under contract for which we are billing a customer.

(4) Calculated as the average of the month-end revenue generating horsepower for each of the months in the period.

(5) Calculated as the average of the month-end revenue generating horsepower per revenue generating compression unit for each of the months in the period.

(6) Horsepower utilization is calculated as (i) the sum of (a) revenue generating horsepower, (b) horsepower in our fleet that is under contract, but is not yet generating revenue and (c) horsepower not yet in our fleet that is under contract not yet generating revenue and that is subject to a purchase order, divided by (ii) total available horsepower less idle horsepower that is under repair. Horsepower utilization based on revenue generating horsepower and fleet horsepower at each applicable period end was 90.3%, 80.6% and 83.2% for the years ended December 31, 2017, 2016 and 2015, respectively.

(7) Calculated as the average utilization for the months in the period based on utilization at the end of each month in the period. Average horsepower utilization based on revenue generating horsepower and fleet horsepower was 85.9%, 80.3% and 85.1% for each year ended December 31, 2017, 2016, and 2015, respectively.

A growing number of our compression units contain electronic control systems that enable us to monitor the units remotely by satellite or other means to supplement our technicians' on-site monitoring visits. We intend to continue to selectively add remote monitoring systems to our fleet during 2018 where beneficial from an operating and financial standpoint. All of our compression units are designed to automatically shut down if operating conditions deviate from a pre-determined range. While we retain the care, custody, ongoing maintenance and control of our compression units, we allow our customers, subject to a defined protocol, to start, stop, accelerate and slow down compression units in response to field conditions.

We adhere to routine, preventive and scheduled maintenance cycles. Each of our compression units is subjected to rigorous sizing and diagnostic analyses, including lubricating oil analysis and engine exhaust emission analysis. We have proprietary field service automation capabilities that allow our service technicians to electronically record and track operating, technical, environmental and commercial information at the discrete unit level. These capabilities allow our field technicians to identify potential problems and often act on them before such problems result in down-time.

Generally, we expect each of our compression units to undergo a major overhaul between service deployment cycles. The timing of these major overhauls depends on multiple factors, including run time and operating conditions. A major overhaul involves the periodic rebuilding of the unit to materially extend its economic useful life or to enhance the unit's ability to fulfill broader or more diversified compression applications. Because our compression fleet is comprised of units of varying horsepower that have been placed into service with staggered initial on-line dates, we are able to schedule overhauls in a way to avoid excessive annual maintenance capital expenditures and minimize the revenue impact of down-time.

We believe that our customers, by outsourcing their compression requirements, can achieve higher compression run-times, which translates into increased volumes of either natural gas or crude oil production and, therefore, increased revenues. Utilizing our compression services also allows our customers to reduce their operating, maintenance and equipment costs by allowing us to efficiently manage their changing compression needs. In many of our service contracts, we guarantee our customers availability (as described below) ranging from 95% to 98%, depending on field- level requirements.

General Compression Service Contract Terms

The following discussion describes the material terms generally common to our compression service contracts. We generally have separate contracts for each distinct location for which we will provide compression services.

Term and termination. Our contracts typically have an initial term of between six months and five years, depending on the application and location of the compression unit. After the expiration of the applicable term, the contract continues on a month-to-month or longer basis until terminated by us or our customer upon notice as provided for in the applicable contract. As of December 31, 2017, approximately 51% of our compression services on a revenue basis were provided on a month-to-month basis to customers who continue to utilize our services following expiration of the primary term of their contracts with us.

Availability. Our contracts often provide a guarantee of specified availability. We define availability as the percentage of time in a given period that our compression services are being provided or are capable of being provided.

Availability is reduced by instances of “down-time” that are attributable to anything other than events of force majeure or acts or failures to act by the customer. Down-time under our contracts usually begins when our services stop being provided or when we receive notice from the customer of the problem. Down-time due to scheduled maintenance is excluded from our availability commitment. Our failure to meet a stated availability guarantee may result in a service fee credit to the customer. As a consequence of our availability guarantee, we are incentivized to perform predictive and preventive maintenance on our fleet as well as promptly respond to a problem to meet our contractual commitments and ensure our customers the compression availability on which their business and our service relationship are based. For service contracts that do not have a stated availability guarantee, we work with those customers to ensure that our compression services meet their operational needs.

Fees and expenses. Our customers pay a fixed monthly fee for our services. Compression services generally are billed monthly in advance of the service period, except for certain customers whom we bill at the beginning of the service month; and payments are generally due 30 days from the date of the invoice. We are not responsible for acts of force majeure, and our customers generally are required to pay our monthly fee even during periods of limited or disrupted throughput. We are generally responsible for the costs and expenses associated with operation and maintenance of our compression equipment, although certain fees and expenses are the responsibility of our customers under the terms of their contracts. For example, all fuel gas is provided by our customers without cost to us, and in many cases customers are required to provide all water and electricity. At the customer’s option, we can provide fluids necessary to run the unit to the customer for an additional fee. We provide such fluids for a substantial majority of the compression units deployed in gas lift applications. We are also reimbursed by our customers for certain ancillary expenses such as trucking and crane operation, depending on the terms agreed to in the applicable contract, resulting in little to no gross operating margin.

Service standards and specifications. We commit to provide compression services under service contracts that typically provide that we will supply all compression equipment, tools, parts, field service support and engineering in order to meet our customers’ requirements. Our contracts do not specify the specific compression equipment we will use; instead, in consultation with the customer, we determine what equipment is necessary to perform our contractual commitments.

Title; Risk of loss. We own all of the compression equipment in our fleet that we use to provide compression services, and we normally bear the risk of loss or damage to our equipment and tools and injury or death to our personnel.

Insurance. Our contracts typically provide that both we and our customers are required to carry general liability, workers’ compensation, employers’ liability, automobile and excess liability insurance.

Marketing and Sales

Our marketing and client service functions are performed on a coordinated basis by our sales team and field technicians. Salespeople and field technicians qualify, analyze and scope new compression applications as well as regularly visit our customers to ensure customer satisfaction, to determine a customer's needs related to existing services being provided and to determine the customer's future compression service requirements. This ongoing communication allows us to quickly identify and respond to our customers' compression requirements.

Customers

Our customers consist of more than 250 companies in the energy industry, including major integrated oil companies, public and private independent exploration and production companies and midstream companies. Our ten largest customers accounted for approximately 43% of our revenue for each of the years ended December 31, 2017 and 2016.

Suppliers and Service Providers

The principal manufacturers of components for our natural gas compression equipment include Caterpillar, Inc., Cummins Inc., and Arrow Engine Company for engines, Air-X-Changers and Alfa Laval (US) for coolers, and Ariel

Corporation, GE Oil & Gas Gemini products and Arrow Engine Company for compressor frames and cylinders. We also rely primarily on four vendors, A G Equipment Company, Alegacy Equipment, LLC, Standard Equipment Corp. and S&R Compression, LLC ("S&R"), to package and assemble our compression units. Although we rely primarily on these suppliers, we believe alternative sources for natural gas compression equipment are generally available if needed. However, relying on alternative sources may increase our costs and change the standardized nature of our fleet. We have not experienced any material supply problems to date. Although lead-times for new Caterpillar engines and new Ariel compressor frames have in the past been in excess of one year due to increased demand and supply allocations imposed on equipment packagers and end-users, currently lead-times for such engines and frames are approximately one year or shorter. Please read Part I, Item 1A ("Risk Factors—Risks Related to Our Business—We depend on a limited number of suppliers and are vulnerable to product shortages and price increases, which could have a negative impact on our results of operations").

Competition

The compression services business is highly competitive. Some of our competitors have a broader geographic scope, as well as greater financial and other resources than we do. On a regional basis, we experience competition from numerous smaller companies that may be able to more quickly adapt to changes within our industry and changes in economic conditions as a whole, more readily take advantage of available opportunities and adopt more aggressive pricing policies. Additionally, the historical availability of attractive financing terms from financial institutions and equipment manufacturers has made the purchase of individual compression units affordable to our customers. We believe that we compete effectively on the basis of price, equipment availability, customer service, flexibility in meeting customer needs, quality and reliability of our compressors and related services. Please read Part I, Item 1A ("Risk Factors—Risks Related to Our Business—We face significant competition that may cause us to lose market share and reduce our cash available for distribution").

Seasonality

Our results of operations have not historically reflected any material seasonality, and we do not currently have reason to believe seasonal fluctuations will have a material impact in the foreseeable future.

Insurance

We believe that our insurance coverage is customary for the industry and adequate for our business. As is customary in the energy services industry, we review our safety equipment and procedures and carry insurance against most, but not all, risks of our business. Losses and liabilities not covered by insurance would increase our costs. The compression business can be hazardous, involving unforeseen circumstances such as uncontrollable flows of gas or well fluids, fires and explosions or environmental damage. To address the hazards inherent in our business, we maintain insurance coverage that, subject to significant deductibles, includes physical damage coverage, third party general liability insurance, employer's liability, environmental and pollution and other coverage, although coverage for environmental and pollution related losses is subject to significant limitations. Under the terms of our standard compression services contract, we are responsible for maintaining insurance coverage on our compression equipment. Please read Part I, Item 1A ("Risk Factors—Risks Related to Our Business—We do not insure against all potential losses and could be seriously harmed by unexpected liabilities").

Environmental and Safety Regulations

We are subject to stringent and complex federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to protection of human health, safety and the environment. These regulations include compliance obligations for air emissions, water quality, wastewater discharges and solid and hazardous waste disposal, as well as regulations designed for the protection of human health and safety and threatened or endangered species. Compliance with these environmental laws and regulations may expose us to significant costs and liabilities and cause us to incur significant capital expenditures in our operations. We are often obligated to assist customers in obtaining permits or approvals in our operations from various federal, state and local authorities. Permits and approvals can be denied or delayed, which may cause us to lose potential and current customers, interrupt our operations and limit our growth and revenue. Moreover, failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of remedial obligations and the issuance of injunctions delaying or prohibiting operations. Private parties may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. While we believe that our operations are in substantial compliance with applicable environmental laws and regulations and that continued compliance with current requirements would not have a material adverse effect on us, there is no assurance that this trend of compliance will continue in the future. Thus, any changes in, or more stringent enforcement of, these laws and regulations that result in more stringent and costly pollution control equipment, waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our operations and financial position.

We do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on our business, financial position or results of operations or cash flows. We cannot assure you, however, that future events such as changes in existing laws or enforcement policies, the promulgation of new laws or regulations, or the development or discovery of new facts or conditions or unforeseen incidents will not cause us to incur significant costs. The following is a discussion of material environmental and safety laws that relate to our operations. We believe that we are in substantial compliance with all of these environmental laws and regulations. Please read Part I, Item 1A (“Risk Factors—Risks Related to Our Business—We are subject to substantial environmental regulation, and changes in these regulations could increase our costs or liabilities”).

Air emissions. The Clean Air Act (“CAA”) and comparable state laws regulate emissions of air pollutants from various industrial sources, including natural gas compressors, and impose certain monitoring and reporting requirements. Such emissions are regulated by air emissions permits, which are applied for and obtained through the various state or federal regulatory agencies. Our standard natural gas compression contract provides that the customer is responsible for obtaining air emissions permits and assuming the environmental risks related to site operations. In some instances, our customers may be required to aggregate emissions from a number of different sources on the theory that the different sources should be considered a single source. Any such determinations could have the effect of making projects more costly than our customers expected and could require the installation of more costly emission controls, which may lead some of our customers not to pursue certain projects.

Increased obligations of operators to reduce air emissions of nitrogen oxides and other pollutants from internal combustion engines in transmission service have been enacted by governmental authorities. For example, in 2010, the U.S. Environmental Protection Agency (“EPA”) published new regulations under the CAA to control emissions of hazardous air pollutants from existing stationary reciprocal internal combustion engines, also known as Quad Z regulations. The rule requires us to undertake certain expenditures and activities, including purchasing and installing emissions control equipment on certain compressor engines and generators.

In recent years, the EPA has lowered the National Ambient Air Quality Standard (“NAAQs”) for several air pollutants. For example, in 2015, the EPA finalized a rule strengthening the primary and secondary standards for ground level ozone, both of which are 9-hour concentration standards of 70 parts per billion (“ppb”). After the EPA revises a NAAQS standard, the states are expected to establish revised attainment/non-attainment regions. State implementation of the revised NAAQS could result in stricter permitting requirements, delay or prohibit our customers' ability to obtain such permits, and result in increased expenditures for pollution control equipment, which could impact our customers' operations, increase the cost of additions to property, plant, and equipment, and negatively impact our business.

In 2012, the EPA finalized rules that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, the EPA's rule package included New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds ("VOCs") and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The rules established specific new requirements regarding emissions from compressors and controllers at natural gas processing plants, dehydrators, storage tanks and other production equipment as well as the first federal air standards for natural gas wells that are hydraulically fractured. In June 2016, the EPA took steps to expand on these regulations when it published New Source Performance Standards, known as Subpart OOOOa, that require certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce these methane gas and VOC emissions. These Subpart

OOOOa standards will expand the 2012 New Source Performance Standards by using certain equipment-specific emissions control practices, requiring additional controls for pneumatic controllers and pumps as well as compressors, and imposing leak detection and repair requirements for natural gas compressor and booster stations. However, the EPA announced in April 2017 that it intends to reconsider certain aspects of the 2016 New Source Performance Standards, and in May 2017, the EPA issued an administrative stay of key provisions of the rule, but was promptly ordered by the D.C. Circuit to implement the rule. The EPA also proposed 60-day and two-year stays of certain provisions in June 2017 and published a Notice of Data Availability in November 2017 seeking comment and providing clarification regarding the agency's legal authority to stay the rule.

Subpart OOOOa and any additional regulation of air emissions from the oil and gas sector could result in increased expenditures for pollution control equipment, which could impact our customers' operations and negatively impact our business.

We are also subject to air regulation at the state level. For example, the Texas Commission on Environmental Quality ("TCEQ") has finalized revisions to certain air permit programs that significantly increase the air permitting requirements for new and certain existing oil and gas production and gathering sites for 15 counties in the Barnett Shale production area. The final rule establishes new emissions standards for engines, which could impact the operation of specific categories of engines by requiring the use of alternative engines, compressor packages or the installation of aftermarket emissions control equipment. The rule became effective for the Barnett Shale production area in April 2011, with the lower emissions standards becoming applicable between 2015 and 2030 depending on the type of engine and the permitting requirements. The cost to comply with the revised air permit programs is not expected to be material at this time. However, the TCEQ has stated it will consider expanding application of the new air permit program statewide. At this point, we cannot predict the cost to comply with such requirements if the geographic scope is expanded.

There can be no assurance that future requirements compelling the installation of more sophisticated emission control equipment would not have a material adverse impact on our business, financial condition, results of operations and cash available for distribution.

Climate change. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases. In recent years, the U.S. Congress has considered legislation to reduce emissions of greenhouse gases. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress in the near future, although energy legislation and other initiatives are expected to be proposed that may be relevant to greenhouse gas emissions issues. However, almost half of the states have begun to address greenhouse gas emissions, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Depending on the particular program, we could be required to control greenhouse gas emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from our operations.

Independent of Congress, the EPA undertook to adopt regulations controlling greenhouse gas emissions under its existing CAA authority. For example, in 2009, the EPA officially published its findings that emissions of carbon dioxide, methane and other greenhouse gases endanger human health and the environment, allowing the agency to proceed with the adoption of regulations that restrict emissions of greenhouse gases under existing provisions of the CAA. In 2009 and 2010, the EPA adopted rules regarding regulation of greenhouse gas emissions from motor vehicles and requiring the reporting of greenhouse gas emissions in the U.S. from specified large greenhouse gas emission sources, including petroleum and natural gas facilities such as natural gas transmission compression facilities that emit 25,000 metric tons or more of carbon dioxide equivalent per year.

In 2015, the EPA published standards of performance for greenhouse gas emissions from new power plants. The final rule establishes a performance standard for integrated gasification combined cycled units and utility boilers based on the use of the best system of emission reduction that EPA has determined has been adequately demonstrated for each type of unit. The rule also sets limits for stationary natural gas combustion turbines based on the use of natural gas combined cycle technology.

The EPA also promulgated the Clean Power Plan rule (“CCP”), which is intended to reduce carbon emissions from existing power plants by 32 percent from 2005 levels by 2030. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the CPP, which will remain in effect throughout the pendency of the appeals process including at the U.S. Court of Appeals of the D.C. Circuit and the Supreme Court through any certiorari petition that may be granted. It is not yet clear how the courts will rule on the legality of the CPP. Additionally, in October 2017 the EPA proposed to repeal the CPP, although the final outcome of this action and the pending litigation regarding the CPP is uncertain at this time. In connection with the proposed repeal, EPA issued an Advance Notice of Proposed Rulemaking ("ANPRM") in December 2017 regarding emission guidelines to limit emissions of greenhouse gases ("GHGs") from existing electricity utility generating units. The ANPRM seeks comment regarding what the EPA should include in a potential new, existing-source regulation under the Clean Air Act of GHG emissions from electric utility generating units that it may propose. If the effort to repeal the rules is unsuccessful and the rules are upheld at the conclusion of this appellate process and were implemented in their current form, or if the ANPRM results in a different proposal to control GHG emissions from electric utility generating units, demand for the oil and natural gas our customers produce may decrease. In addition, the costs of electricity for our operations may also increase, thereby adversely impacting our business.

In addition to the EPA, the Bureau of Land Management ("BLM") has also promulgated rules to regulate hydraulic fracturing. In 2015, the BLM promulgated new requirements relating to well construction, water management, and chemical disclosure for companies drilling on federal and tribal land. The agency subsequently finalized a rule in December 2017 rescinding the 2015 rule. On November 15, 2016, the BLM also finalized a rule to reduce the flaring, venting and leaking of methane from oil and gas operations on federal and Indian lands ("BLM Venting Rule"). The rule requires operators to use certain technologies and equipment to reduce flaring and to periodically inspect their operations for leaks. The rule also specifies when operators owe the government royalties for flared gas. In November 2016, state and industry groups challenged this BLM rule in the U.S. District Court for the District of Wyoming, asserting that the BLM lacks authority to prescribe air quality regulations. The court stayed the case in December 2017, however, when the BLM finalized a decision to delay implementation of key requirements in the rule for one year. If the BLM Venting Rule is not repealed and survives legal challenge, it could increase the costs of operations for our clients who operate on BLM land, and negatively impact our business.

At the international level, nearly 200 nations entered into an international climate agreement at the 2015 United Nations Framework Convention on Climate Change in Paris, under which participating countries did not assume any binding obligation to reduce future emissions of GHGs but instead pledged to voluntarily limit or reduce future emissions. Although the U.S. became a party to the Paris Agreement in April 2016, the Trump administration announced in June 2017 its intention to either withdraw from the Paris Agreement or renegotiate more favorable terms. However, the Paris Agreement stipulates that participating countries must wait four years before withdrawing from the agreement. Despite the planned withdrawal, certain U.S. city and state governments have announced their intention to satisfy their proportionate obligations under the Paris Agreement.

Although it is not currently possible to predict with specificity how any proposed or future greenhouse gas legislation, regulation, agreements or initiatives will impact our business, any legislation or regulation of greenhouse gas emissions that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions or reduced demand for our services, and could have a material adverse effect on our business, financial condition and results of operations.

Finally, it should be noted that some scientists have concluded that increasing concentrations of GHG in the earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any of those effects were to occur, they could have an adverse effect on our assets and operations.

Water discharge. The Clean Water Act (“CWA”) and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the U.S. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including jurisdictional wetlands, unless authorized by an appropriately issued permit. The CWA also requires the development and implementation of spill prevention, control and countermeasures, including the construction and maintenance of containment berms and similar structures, if required, to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon tank spill, rupture or leak at such facilities. In addition, the CWA and analogous state laws require individual permits or coverage under general permits for discharges of storm water runoff from certain types of facilities. Federal and state regulatory agencies can impose administrative, civil and criminal penalties as well as other enforcement mechanisms for non-compliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

Our compression operations do not generate process wastewaters that are discharged to waters of the U.S. In any event, our customers assume responsibility under the majority of our standard natural gas compression contracts for obtaining any permits that may be required under the CWA whether for discharges or developing the property by filling wetlands. Considerable legal uncertainty exists surrounding the standard for what constitutes jurisdictional waters and wetlands subject to the protections and requirements of the CWA. A 2015 rulemaking by the EPA to revise the standard was stayed nationwide by the U.S. Court of Appeals for the Sixth Circuit and stayed for certain primarily western states by a U.S. District Court in North Dakota. For now, the EPA and the Army Corps of Engineers (“Corps”) will continue to apply the existing standard for what constitutes a water of the U.S. as determined by the Supreme Court in the Rapanos case and post-Rapanos guidance. Should the 2015 rule take effect, or should a different rule expanding the definition of what constitutes a water of the U.S. be promulgated as a result of the EPA and the Corps’ rulemaking process, our customers could face increased costs and delays due to additional permitting and regulatory requirements and possible challenges to permitting decisions.

Safe Drinking Water Act. A significant portion of our customers’ natural gas production is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. Legislation to amend the Safe Drinking Water Act (“SDWA”) to repeal the exemption for hydraulic fracturing from the definition of “underground injection” and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, have been proposed and the U.S. Congress continues to consider legislation to amend the SDWA. Scrutiny of hydraulic fracturing activities continues in other ways, with the EPA having commenced a multi-year study of the potential environmental impacts of hydraulic fracturing. In December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources. The final report concluded that “water cycle” activities associated with hydraulic fracturing may impact drinking water resources “under some circumstances,” noting that the following hydraulic fracturing water cycle activities and local- or regional-scale factors are more likely than others to result in more frequent or more severe impacts: water withdrawals for fracturing in times or areas of low water availability; surface spills during the management of fracturing fluids, chemicals or produced water; injection of fracturing fluids into wells with inadequate mechanical integrity; injection of fracturing fluids directly into groundwater resources; discharge of inadequately treated fracturing wastewater to surface waters; and disposal or storage of fracturing wastewater in unlined pits. The EPA also has announced that it believes hydraulic fracturing using fluids containing diesel fuel can be regulated under the SDWA notwithstanding the SDWA’s general exemption for hydraulic fracturing. Several states have also proposed or adopted legislative or regulatory restrictions on hydraulic fracturing, including prohibitions on the practice. We cannot predict the future of such legislation and what additional, if any, provisions would be included. If additional levels of regulation, restrictions and permits were required through the adoption of new laws and regulations at the federal or state level or the development of new interpretations of those requirements by the agencies that issue the permits, that could lead to delays, increased operating costs and process prohibitions that could reduce demand for our compression services, which would materially adversely affect our revenue and results of operations.

Solid waste. The Resource Conservation and Recovery Act (“RCRA”) and comparable state laws control the management and disposal of hazardous and non-hazardous waste. These laws and regulations govern the generation, storage, treatment, transfer and disposal of wastes that we generate including, but not limited to, used oil, antifreeze, filters, sludges, paint, solvents and sandblast materials. The EPA and various state agencies have limited the approved methods of disposal for these types of wastes.

Site remediation. The Comprehensive Environmental Response Compensation and Liability Act (“CERCLA”) and comparable state laws impose strict, joint and several liability without regard to fault or the legality of the original conduct on certain classes of persons that contributed to the release of a hazardous substance into the environment. These persons include the owner and operator of a disposal site where a hazardous substance release occurred and any company

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that transported, disposed of or arranged for the transport or disposal of hazardous substances released at the site. Under CERCLA, such persons may be liable for the costs of remediating the hazardous substances that have been released into the environment, for damages to natural resources, and for the costs of certain health studies. In addition, where contamination may be present, it is not uncommon for the neighboring landowners and other third parties to file claims for personal injury, property damage and recovery of response costs. While we generate materials in the course of our operations that may be regulated as hazardous substances, we have not received notification that we may be potentially responsible for cleanup costs under CERCLA at any site.

While we do not currently own or lease any material facilities or properties for storage or maintenance of our inactive compression units, we may use third party properties for such storage and possible maintenance and repair activities. In addition, our active compression units typically are installed on properties owned or leased by third party customers and operated by us pursuant to terms set forth in the natural gas compression services contracts executed by those customers. Under most of our natural gas compression services contracts, our customers must contractually indemnify us for certain damages we may suffer as a result of the release into the environment of hazardous and toxic substances. We are not currently responsible for any remedial activities at any properties we use; however, there is always the possibility that our future use of those properties may result in spills or releases of petroleum hydrocarbons, wastes or other regulated substances into the environment that may cause us to become subject to remediation costs and liabilities under CERCLA, RCRA or other environmental laws. We cannot provide any assurance that the costs and liabilities associated with the future imposition of such remedial obligations upon us would not have a material adverse effect on our operations or financial position.

Safety and health. The Occupational Safety and Health Act (“OSHA”) and comparable state laws strictly govern the protection of the health and safety of employees. The OSHA hazard communication standard, the EPA community right-to-know regulations under the Title III of CERCLA and similar state statutes require that we organize and, as necessary, disclose information about hazardous materials used or produced in our operations to various federal, state and local agencies, as well as employees.

Employees

USAC Management, a wholly owned subsidiary of our general partner, performs certain management and other administrative services for us, such as accounting, corporate development, finance and legal. All of our employees, including our executive officers, are employees of USAC Management. As of December 31, 2017, USAC Management had 426 full time employees. None of our employees are subject to collective bargaining agreements. We consider our employee relations to be good.

Available Information

Our website address is usacompression.com. We make available, free of charge at the "Investor Relations" portion of our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). The information contained on our website does not constitute part of this report.

The SEC maintains a website that contains these reports at sec.gov. Any materials we file with the SEC also may be read or copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. Information concerning the operation of the Public Reference Room may be obtained by calling the SEC at (800) 732-0330.

ITEM 1A.Risk Factors

As described in Part I ("Disclosure Regarding Forward-Looking Statements"), this report contains forward-looking statements regarding us, our business and our industry. The risk factors described below, among others, could cause our actual results to differ materially from the expectations reflected in the forward-looking statements. If any of the following risks were to occur, our business, financial condition or results of operations could be materially and adversely affected. In that case, we might not be able to continue to pay our current quarterly distribution on our common units or grow such distributions and the trading price of our common units could decline.

Risks Related to Our Business

We may not have sufficient cash from operations following the establishment of cash reserves and payment of fees and expenses, including cost reimbursements to our general partner, to enable us to make cash distributions at our current distribution rate to our unitholders.

In order to make cash distributions at our current distribution rate of $0.525 per unit per quarter, or $2.10 per unit per year, we will require available cash of $33.1 million per quarter, or $132.2 million per year, based on the number of common units and the 1.2% general partner interest outstanding as of February 8, 2018. Under our cash distribution policy, the amount of cash we can distribute to our unitholders principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the level of production of, demand for, and price of natural gas and crude oil, particularly the level of production in the locations where we provide compression services;
- the fees we charge, and the margins we realize, from our compression services;
- the cost of achieving organic growth in current and new markets;
- the ability to effectively integrate any assets or businesses we acquire, including the CDM Acquisition;
- the level of competition from other companies; and
- prevailing global and regional economic and regulatory conditions, and their impact on us and our customers.

In addition, the actual amount of cash we will have available for distribution will depend on other factors, including:

- the levels of our maintenance capital expenditures and expansion capital expenditures;
- the level of our operating costs and expenses;
- our debt service requirements and other liabilities;
- fluctuations in our working capital needs;
- restrictions contained in our revolving credit facility;
- the cost of acquisitions;
- fluctuations in interest rates;
- the financial condition of our customers;
- our ability to borrow funds and access the capital markets; and

- the amount of cash reserves established by our general partner.

A long-term reduction in the demand for, or production of, natural gas or crude oil could adversely affect the demand for our services or the prices we charge for our services, which could result in a decrease in our revenues and cash available for distribution to unitholders.

The demand for our compression services depends upon the continued demand for, and production of, natural gas and crude oil. Demand may be affected by, among other factors, natural gas prices, crude oil prices, weather, availability of alternative energy sources, governmental regulation and general demand for energy. Any prolonged, substantial reduction in the demand for natural gas or crude oil would likely depress the level of production activity and result in a decline in the demand for our compression services, which could result in a reduction in our revenues and our cash available for distribution.

In particular, lower natural gas or crude oil prices over the long term could result in a decline in the production of natural gas or crude oil, respectively, resulting in reduced demand for our compression services. For example, the North American rig count, as measured by Baker Hughes, hit a 2014 peak of 1,931 rigs on September 12, 2014, and at that time, Henry Hub natural gas spot prices were $3.82 per MMBtu and West Texas Intermediate (“WTI”) crude oil spot prices were $92.18 per barrel. By contrast, the North American rig count hit a modern low of 404 rigs on May 20, 2016, and at that time, Henry Hub natural gas spot prices were $1.92 per MMBtu and WTI crude oil spot prices were $47.67 per barrel. This slowdown in new drilling activity caused some pressure on service rates for new and existing services and contributed to a decline in our utilization during 2015 and into 2016. By the end of December 2017, the North American rig count was 929 rigs, as WTI crude oil spot prices hovered near their highest level since the summer of 2015 at $60.46 per barrel and Henry Hub natural gas spot prices were $2.81 per MMBtu. Although commodity prices and our utilization increased during 2016 and 2017, the increased activity resulting from such increased commodity prices may not continue or the trend of increasing commodity prices may reverse. In addition, a small portion of our fleet is used in connection with crude oil production using horizontal drilling techniques. During the period of low crude oil prices, we experienced pressure on service rates from our customers in gas lift applications; if commodity prices decline from current levels, we may experience pressure on service rates.

Additionally, an increasing percentage of natural gas and crude oil production comes from unconventional sources, such as shales, tight sands and coalbeds. Such sources can be less economically feasible to produce in low commodity price environments, in part due to costs related to compression requirements, and a reduction in demand for natural gas or gas lift for crude oil may cause such sources of natural gas or crude oil to be uneconomic to drill and produce, which could in turn negatively impact the demand for our services. Further, if demand for our services decreases, we may be asked to renegotiate our service contracts at lower rates. In addition, governmental regulation and tax policy may impact the demand for natural gas or crude oil or impact the economic feasibility of development of new fields or production of existing fields, which are important components of our ability to expand.

We have several key customers. The loss of any of these customers would result in a decrease in our revenues and cash available for distribution.

We provide compression services under contracts with several key customers. The loss of one of these key customers may have a greater effect on our financial results than for a company with a more diverse customer base. Our ten largest customers accounted for approximately 43% of our revenue for each of the years ended December 31, 2017 and 2016. The loss of all or even a portion of the compression services we provide to our key customers, as a result of competition or otherwise, could have a material adverse effect on our business, results of operations, financial condition and cash available for distribution.

The deterioration of the financial condition of our customers could adversely affect our business.

During times when the natural gas or crude oil markets weaken, our customers are more likely to experience financial difficulties, including being unable to access debt or equity financing, which could result in a reduction in our customers' spending for our services. For example, our customers could seek to preserve capital by using lower cost providers, not renewing month-to-month contracts or determining not to enter into any new compression service contracts. A significant decline in commodity prices may cause certain of our customers to reconsider near-term capital budgets, which may impact large-scale natural gas infrastructure and crude oil production activities. Reduced demand for our services could adversely affect our business, results of operations, financial condition and cash flows. In addition, in the course of our business we hold accounts receivable from our customers. In the event that any such customer was to enter into bankruptcy, we could lose all or a portion of such outstanding accounts receivable associated with that customer. Further, if a customer was to enter into bankruptcy, it could also result in the cancellation of all or a portion of our service contracts with such customer at significant expense to us.

We face significant competition that may cause us to lose market share and reduce our cash available for distribution.

The compression business is highly competitive. Some of our competitors have a broader geographic scope, as well as greater financial and other resources than we do. Our ability to renew or replace existing contracts with our customers at rates sufficient to maintain current revenue and cash flows could be adversely affected by the activities of our competitors and our customers. If our competitors substantially increase the resources they devote to the development and marketing of competitive services or substantially decrease the prices at which they offer their services, we may be unable to compete effectively. Some of these competitors may expand or construct newer, more powerful or more flexible compression fleets that would create additional competition for us. All of these competitive pressures could have a material adverse effect on our business, results of operations, financial condition and reduce our cash available for distribution.

Our customers may choose to vertically integrate their operations by purchasing and operating their own compression fleet, expanding the amount of compression units they currently own or using alternative technologies for enhancing crude oil production.

Our customers that are significant producers, processors, gatherers and transporters of natural gas and crude oil may choose to vertically integrate their operations by purchasing and operating their own compression fleets in lieu of using our compression services. The historical availability of attractive financing terms from financial institutions and equipment manufacturers facilitates this possibility by making the purchase of individual compression units increasingly affordable to our customers. In addition, there are many technologies available for the artificial enhancement of crude oil production, and our customers may elect to use these alternative technologies instead of the gas lift compression services we provide. Such vertical integration, increases in vertical integration or use of alternative technologies could result in decreased demand for our compression services, which may have a material adverse effect on our business, results of operations, financial condition and reduce our cash available for distribution.

A significant portion of our services are provided to customers on a month-to-month basis, and we cannot be sure that such customers will continue to utilize our services.

Our contracts typically have an initial term of between six months and five years, depending on the application and location of the compression unit. After the expiration of the applicable term, the contract continues on a month-to-month or longer basis until terminated by us or our customers upon notice as provided for in the applicable contract. As of December 31, 2017, approximately 51% of our compression services on a revenue basis were provided on a month-to-month basis to customers who continue to utilize our services following expiration of the primary term of their contracts with us. These customers can generally terminate their month-to-month compression services contracts on 30-days' written notice. If a significant number of these customers were to terminate their month-to-month services, or attempt to renegotiate their month-to-month contracts at substantially lower rates, it could have a material adverse effect on our business, results of operations, financial condition and cash available for distribution.

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We may be unable to grow our cash flows if we are unable to expand our business, which could limit our ability to maintain or increase distributions to our unitholders.

A principal focus of our strategy is to continue to grow the per unit distribution on our units by expanding our business over time. Our future growth will depend upon a number of factors, some of which we cannot control. These factors include our ability to:

- develop new business and enter into service contracts with new customers;
- retain our existing customers and maintain or expand the services we provide them;
- maintain or increase the fees we charge, and the margins we realize, from our compression services;
- recruit and train qualified personnel and retain valued employees;
- expand our geographic presence;
- effectively manage our costs and expenses, including costs and expenses related to growth;
- consummate accretive acquisitions;
- obtain required debt or equity financing on favorable terms for our existing and new operations; and
- meet customer specific contract requirements or pre-qualifications.

If we do not achieve our expected growth, we may not be able to maintain or increase distributions to our unitholders, in which event the market price of our units will likely decline materially.

We may be unable to grow successfully through acquisitions, and we may not be able to integrate effectively the businesses we may acquire, which may impact our operations and limit our ability to increase distributions to our unitholders.

From time to time, we may choose to make business acquisitions, such as the CDM Acquisition, to pursue market opportunities, increase our existing capabilities and expand into new areas of operations. While we have reviewed acquisition opportunities in the past and will continue to do so in the future, we may not be able to identify attractive acquisition opportunities or successfully acquire identified targets. In addition, we may not be successful in integrating any future acquisitions, including the CDM Acquisition, into our existing operations, which may result in unforeseen operational difficulties or diminished financial performance or require a disproportionate amount of our management's attention. Even if we are successful in integrating future acquisitions into our existing operations, we may not derive the benefits, such as operational or administrative synergies, that we expected from such acquisitions, which may result in the commitment of our capital resources without the expected returns on such capital. Furthermore, competition for acquisition opportunities may escalate, increasing our cost of making acquisitions or causing us to refrain from making acquisitions. Our inability to make acquisitions, or to integrate acquisitions successfully into our existing operations, may adversely impact our operations and limit our ability to increase distributions to our unitholders.

Our ability to grow in the future is dependent on our ability to access external expansion capital.

Our partnership agreement requires us to distribute to our unitholders all of our available cash, which excludes prudent operating reserves. We expect that we will rely primarily upon cash generated by operating activities and, where necessary, borrowings under our revolving credit facility and the issuance of debt and equity securities, to fund expansion capital expenditures. However, we may not be able to obtain equity or debt financing on terms favorable to us, or at all. To the extent we are unable to efficiently finance growth externally, our ability to increase distributions to our unitholders could be significantly impaired. In addition, because we distribute all of our available cash, which excludes prudent operating reserves, we may not grow as quickly as businesses that reinvest their available cash to expand ongoing operations. To the extent we issue additional units including the Preferred Units described in Item 1 ("Business—Recent Developments"), the payment of distributions on those additional units may increase the risk that we will be unable to maintain or increase our per unit distribution level. There are no limitations in our partnership agreement on our ability to issue additional units, including units ranking senior to the common units, subject to certain restrictions in our partnership agreement that will take effect when the Preferred Units are issued. Similarly, the incurrence of borrowings or other debt by us to finance our growth strategy would result in interest expense, which in turn would affect our cash available for distribution.

Our debt levels may limit our flexibility in obtaining additional financing, pursuing other business opportunities and paying distributions.

We have a $1.1 billion revolving credit facility that matures in January 2020. In addition, we have the option to increase the amount of total commitments under the revolving credit facility by $200 million, subject to receipt of lender commitments and satisfaction of other conditions. As of December 31, 2017, we had outstanding borrowings of $782.9 million with a leverage ratio of 4.65x, borrowing base availability (based on our borrowing base) of $272.1 million and, subject to compliance with the applicable financial covenants, available borrowing capacity under the revolving credit facility of $101.6 million. Financial covenants permit a maximum leverage ratio of (A) 5.25 to 1.0 as of the end of the fiscal quarter ending December 31, 2017 and (B) 5.00 to 1.0 thereafter. As of February 8, 2018, we had outstanding borrowings of $815.0 million.

Our ability to incur additional debt is subject to limitations in our revolving credit facility, including certain financial covenants. Our level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may not be available or such financing may not be available on favorable terms;

- we will need a portion of our cash flow to make payments on our indebtedness, reducing the funds that would otherwise be available for operating activities, future business opportunities and distributions; and

- our debt level will make us more vulnerable, than our competitors with less debt, to competitive pressures or a downturn in our business or the economy generally.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. In addition, our ability to service our debt under the revolving credit facility could be impacted by market interest rates, as all of our outstanding borrowings are subject to interest rates that fluctuate with movements in interest rate markets. A substantial increase in the interest rates applicable to our outstanding borrowings could have a material impact on our cash available for distribution. If our operating results are not sufficient to service our current or future indebtedness, we could be forced to take actions such as reducing distributions, reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may be unable to effect any of these actions on terms satisfactory to us, or at all.

Restrictions in our revolving credit facility may limit our ability to make distributions to our unitholders and may limit our ability to capitalize on acquisition and other business opportunities.

The operating and financial restrictions and covenants in our revolving credit facility and any future financing agreements could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. Our revolving credit facility restricts or limits our ability (subject to exceptions) to:

- grant liens;

- make certain loans or investments;

- incur additional indebtedness or guarantee other indebtedness;

- enter into transactions with affiliates;

- merge or consolidate;
- sell our assets; or
- make certain acquisitions.

Furthermore, our revolving credit facility contains certain operating and financial covenants. Our ability to comply with these covenants and restrictions may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we violate any of the restrictions, covenants, ratios or other tests in our revolving credit facility, a significant portion of our indebtedness may become immediately due and payable, our lenders' commitment to make further loans to us may terminate, and we may be prohibited from making distributions to our unitholders. We might not have, or be able to obtain, sufficient funds to make these accelerated payments. We may not be able to replace such revolving credit facility, or if we are, any subsequent replacement of our revolving credit facility or any new indebtedness could have similar or greater restrictions. Please read Part II, Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Description of Revolving Credit Facility").

Restrictions in our partnership agreement related to the Preferred Units may limit our ability to make distributions to our unitholders and may limit our ability to capitalize on acquisition and other business opportunities.

The operating and financial restrictions and covenants in our partnership agreement related to the Preferred Units could restrict our ability to finance future operations or capital needs or to expand or pursue our business activities. If the Preferred Units are issued, our partnership agreement will restrict or limit our ability (subject to exceptions) to:

- pay distributions on any junior securities, including the common units, prior to paying the quarterly distribution payable to the holders of the Preferred Units, including any previously accrued and unpaid distributions;
- issue any securities that rank senior to or pari passu with the Preferred Units; however, we will be able to issue an unlimited number of securities ranking junior to the Preferred Units, including junior preferred units and common units; and
- incur Indebtedness (as defined in our revolving credit facility) if, after giving pro forma effect to such incurrence, the Leverage Ratio (as defined in our revolving credit facility) determined as of the last day of the most recently ended fiscal quarter would exceed 6.5x, subject to certain exceptions.

An impairment of goodwill or other intangible assets could reduce our earnings.

We have recorded $35.9 million of goodwill and $71.7 million of other intangible assets as of December 31, 2017. Goodwill is recorded when the purchase price of a business exceeds the fair market value of the tangible and separately measurable intangible net assets. Generally accepted accounting principles of the United States ("GAAP") requires us to test goodwill for impairment on an annual basis or when events or circumstances occur indicating that goodwill might be impaired. Any event that causes a reduction in demand for our services could result in a reduction of our estimates of future cash flows and growth rates in our business. These events could cause us to record impairments of goodwill or other intangible assets. If we determine that any of our goodwill or other intangible assets are impaired, we will be required to take an immediate charge to earnings with a corresponding reduction of partners' capital resulting in an increase in balance sheet leverage as measured by debt to total capitalization. There was no impairment recorded for goodwill or other intangible assets for the years ended December 31, 2017 and 2016. For the year ended December 31, 2015, we recognized a $172.2 million impairment of goodwill due primarily to the decline in our unit price, the sustained decline in global commodity prices, expected reduction in the capital budgets of certain of our customers and the impact these factors have on our expected future cash flows (see Note 2 of our consolidated financial statements). There was no impairment recorded for other intangible assets for the year ended December 31, 2015.

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Impairment in the carrying value of long-lived assets could reduce our earnings.

We have a significant amount of long-lived assets on our consolidated balance sheet. Under GAAP, long-lived assets are required to be reviewed for impairment when events or circumstances indicate that its carrying value may not be recoverable or will no longer be utilized in the operating fleet. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If business conditions or other factors cause the expected undiscounted cash flows to decline, we may be required to record non-cash impairment charges. Events and conditions that could result in impairment in the value of our long-lived assets include changes in the industry in which we operate, competition, advances in technology, adverse changes in the regulatory environment, or other factors leading to reduction in expected long-term profitability. For example, during the fiscal years ended December 31, 2017 and 2016, we evaluated the future deployment of our idle fleet under then-current market conditions and determined to retire and either sell or re-utilize the key components of 40 and 29 compressor units, or approximately 11,000 and 15,000 horsepower, that were previously used to provide services in our business. As a result, we recognized impairments of $5.0 million and $5.8 million during the years ended December 31, 2017 and 2016, respectively.

Our ability to manage and grow our business effectively may be adversely affected if we lose management or operational personnel.

We depend on the continuing efforts of our executive officers. The departure of any of our executive officers could have a significant negative effect on our business, operating results, financial condition and on our ability to compete effectively in the marketplace.

Additionally, our ability to hire, train and retain qualified personnel will continue to be important and could become more challenging as we grow and to the extent energy industry market conditions are competitive. When general industry conditions are good, the competition for experienced operational and field technicians increases as other energy and manufacturing companies’ needs for the same personnel increases. Our ability to grow or even to continue our current level of service to our current customers could be adversely impacted if we are unable to successfully hire, train and retain these important personnel.

We depend on a limited number of suppliers and are vulnerable to product shortages and price increases, which could have a negative impact on our results of operations.

The substantial majority of the components for our natural gas compression equipment are supplied by Caterpillar Inc., Cummins Inc. and Arrow Engine Company for engines, Air-X-Changers and Alfa Laval (US) for coolers, and Ariel Corporation, GE Oil & Gas Gemini products and Arrow Engine Company for compressor frames and cylinders. Our reliance on these suppliers involves several risks, including price increases and a potential inability to obtain an adequate supply of required components in a timely manner. We also rely primarily on four vendors, A G Equipment Company, Alegacy Equipment, LLC, Standard Equipment Corp. and S&R, to package and assemble our compression units. We do not have long-term contracts with these suppliers or packagers, and a partial or complete loss of any of these sources could have a negative impact on our results of operations and could damage our customer relationships. Some of these suppliers manufacture the components we purchase in a single facility and any damage to that facility could lead to significant delays in delivery of completed units.

We are subject to substantial environmental regulation, and changes in these regulations could increase our costs or liabilities.

We are subject to stringent and complex federal, state and local laws and regulations, including laws and regulations regarding the discharge of materials into the environment, emission controls and other environmental protection and occupational health and safety concerns, as discussed in detail in Item 1 ("Business Environmental and Safety Regulations"). Environmental laws and regulations may, in certain circumstances, impose strict liability for environmental contamination, which may render us liable for remediation costs, natural resource damages and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners or operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighboring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact our financial condition or results of operations. Moreover, failure to comply with these environmental laws and regulations may result in the imposition of administrative, civil and criminal penalties and the issuance of injunctions delaying or prohibiting operations.

We conduct operations in a wide variety of locations across the continental U.S. These operations require U.S. federal, state or local environmental permits or other authorizations. Our operations may require new or amended facility permits or licenses from time to time with respect to storm water discharges, waste handling or air emissions relating to equipment operations, which subject us to new or revised permitting conditions that may be onerous or costly to comply with. Additionally, the operation of compression units may require individual air permits or general authorizations to operate under various air regulatory programs established by rule or regulation. These permits and authorizations frequently contain numerous compliance requirements, including monitoring and reporting obligations and operational restrictions, such as emission limits. Given the wide variety of locations in which we operate, and the numerous environmental permits and other authorizations that are applicable to our operations, we may occasionally identify or be notified of technical violations of certain requirements existing in various permits or other authorizations. We could be subject to penalties for any noncompliance in the future.

In our business, we routinely deal with natural gas, oil and other petroleum products at our worksites. Hydrocarbons or other hazardous substances or wastes may have been disposed or released on, under or from properties used by us to provide compression services or inactive compression unit storage or on or under other locations where such substances or wastes have been taken for disposal. These properties may be subject to investigatory, remediation and monitoring requirements under federal, state and local environmental laws and regulations.

The modification or interpretation of existing environmental laws or regulations, the more vigorous enforcement of existing environmental laws or regulations, or the adoption of new environmental laws or regulations may also negatively impact oil and natural gas exploration and production, gathering and pipeline companies, including our customers, which in turn could have a negative impact on us.

New regulations, proposed regulations and proposed modifications to existing regulations under the Clean Air Act, if implemented, could result in increased compliance costs.

New regulations or proposed modifications to existing regulations under the Clean Air Act, as discussed in detail in Item 1 (“Business Environmental and Safety Regulations”), may lead to adverse impacts on our business, financial condition, results of operations, and cash available for distribution. For example, in 2015, the EPA finalized a rule strengthening the primary and secondary National Ambient Air Quality Standards (“NAAQS”) for ground level ozone, both of which are 8-hour concentration standards of 70 parts per billion (“ppb”). After the EPA revises a NAAQS standard, the states are expected to establish revised attainment/non-attainment regions. State implementation of the revised NAAQS could result in stricter permitting requirements, delay or prohibit our customers’ ability to obtain such permits, and result in increased expenditures for pollution control equipment, which could impact our customers' operations, increase the cost of additions to property, plant, and equipment, and negatively impact our business.

In 2012, the EPA finalized rules that establish new air emission controls for oil and natural gas production and natural gas processing operations. Specifically, the EPA's rule package included New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds ("VOCs") and a separate set of emission standards to address hazardous air pollutants frequently associated with oil and natural gas production and processing activities. The rules established specific new requirements regarding emissions from compressors and controllers at natural gas processing plants, dehydrators, storage tanks and other production equipment as well as the first federal air standards for natural gas wells that are hydraulically fractured. In June 2016, the EPA took steps to expand on these regulations when it published New Source Performance Standards, known as Subpart OOOOa, that require certain new, modified or reconstructed facilities in the oil and natural gas sector to reduce these methane gas and volatile organic compound emissions. These Subpart OOOOa standards will expand the 2012 New Source Performance Standards by using certain equipment-specific emissions control practices, requiring additional controls for pneumatic controllers and pumps as well as compressors, and imposing leak detection and repair requirements for natural gas compressor and booster stations. However, the EPA announced in April 2017 that it intends to reconsider certain aspects of the 2016 New Source Performance Standards, and in May 2017, the EPA issued an administrative stay of key provisions of the rule, but was promptly ordered by the D.C. Circuit to implement the rule. The EPA also proposed 60-day and two-year stays of certain provisions in June 2017 and published a Notice of Data Availability in November 2017 seeking comment and providing clarification regarding the agency's legal authority to stay the rule.

If implemented, Subpart OOOOa and any additional regulation of air emissions from the oil and gas sector could result in increased expenditures for pollution control equipment, which could impact our customers' operations and negatively impact our business.

Climate change legislation and regulatory initiatives could result in increased compliance costs.

Climate change continues to attract considerable public and scientific attention. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases. In recent years, the U.S. Congress has considered legislation to reduce emissions of greenhouse gases. It presently appears unlikely that comprehensive climate legislation will be passed by either house of Congress in the near future, although energy legislation and other initiatives are expected to be proposed that may be relevant to greenhouse gas emissions issues. However, almost half of the states have begun to address greenhouse gas emissions, primarily through the planned development of emission inventories or regional greenhouse gas cap and trade programs. Depending on the particular program, we could be required to control greenhouse gas emissions or to purchase and surrender allowances for greenhouse gas emissions resulting from our operations.

Independent of Congress, and as discussed in detail in Item 1 ("Business Environmental and Safety Regulations"), the EPA undertook to adopt regulations controlling greenhouse gas emissions under its existing CAA authority. For example, in 2015, the EPA published standards of performance for greenhouse gas emissions from new power plants. The final rule establishes a performance standard for integrated gasification combined cycled units and utility boilers based on the use of the best system of emission reduction that EPA has determined has been adequately demonstrated for each type of unit. The rule also sets limits for stationary natural gas combustion turbines based on the use of natural gas combined cycle technology. The EPA also promulgated the Clean Power Plan rule, which is intended to reduce carbon emissions from existing power plants by 32 percent from 2005 levels by 2030. In February 2016, the U.S. Supreme Court granted a stay of the implementation of the Clean Power Plan, which will remain in effect throughout the pendency of the appeals process including at the United States Court of Appeals of the D.C. Circuit and the Supreme Court through any certiorari petition that may be granted. The stay suspends the rule, including the requirement that states must start submitting implementation plans. Additionally, in October 2017 EPA proposed to repeal the CPP, although the final outcome of this action and the pending litigation regarding the CPP is uncertain at this time. In connection with the proposed repeal, EPA issued an Advance Notice of Proposed Rulemaking ("ANPRM") in December 2017 regarding emission guidelines to limit GHG emissions from existing electricity utility generating units. The ANPRM seeks comment regarding what the EPA should include in a potential new, existing-source regulation under the Clean Air Act of GHG emissions from electric utility generating units that it may propose. If the effort to repeal the rules is unsuccessful and the rules are upheld at the conclusion of this appellate process and enforced in their current form, or if the ANPRM results in a different proposal to control GHG emissions from electric utility generating units, demand for the oil and natural gas our customers produce may decrease.

Although it is not currently possible to predict with specificity how any proposed or future greenhouse gas legislation, regulation, agreements or initiatives will impact our business, any legislation or regulation of greenhouse gas emissions that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions or reduced demand for our services, and could have a material adverse effect on our business, financial condition and results of operations.

Finally, it should be noted that some scientists have concluded that increasing concentrations of GHG in the earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any of those effects were to occur, they could have an adverse effect on our assets and operations.

Increased regulation of hydraulic fracturing could result in reductions or delays in natural gas production by our customers, which could adversely impact our revenue.

A significant portion of our customers' natural gas production is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. Legislation to amend the Safe Drinking Water Act ("SDWA") to repeal the exemption for hydraulic fracturing from the definition of "underground injection" and require federal permitting and regulatory control of hydraulic fracturing, as well as legislative proposals to require disclosure of the chemical constituents of the fluids used in the fracturing process, have been proposed and the U.S. Congress continues to consider legislation to amend the SDWA. Scrutiny of hydraulic fracturing activities continues in other ways, with the EPA having commenced a multi-year study of the potential environmental impacts of hydraulic fracturing. In December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources. The final report concluded that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources "under some circumstances," noting that the following hydraulic fracturing water cycle activities and local- or regional-scale factors are more likely than others to result in more frequent or more severe impacts: water withdrawals for fracturing in times or areas of low water availability; surface spills during the management of fracturing fluids, chemicals or produced water; injection of fracturing fluids into wells with inadequate mechanical integrity; injection of fracturing fluids directly into groundwater resources; discharge of inadequately treated fracturing wastewater to surface waters; and disposal or storage of fracturing wastewater in unlined pits.

State and federal regulatory agencies have also recently focused on a possible connection between the operation of injection wells used for oil and gas waste disposal and seismic activity. Similar concerns have been raised that hydraulic fracturing may also contribute to seismic activity. When caused by human activity, such events are called induced seismicity. Developing research suggests that the link between seismic activity and wastewater disposal may vary by region, and that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or have been, the likely cause of induced seismicity. In March 2016, the United States Geological Survey identified six states with the most significant hazards from induced seismicity, including Oklahoma, Kansas, Texas, Colorado, New Mexico, and Arkansas. In light of these concerns, some state regulatory agencies have modified their regulations or issued orders to address induced seismicity. Increased regulation and attention given to induced seismicity could lead to greater opposition to, and litigation concerning, oil and gas activities utilizing hydraulic fracturing or injection wells for waste disposal, which could indirectly impact our business, financial condition and results of operations. In addition, these concerns may give rise to private tort suits against our customers from individuals who claim they are adversely impacted by seismic activity they allege was induced. Such claims or actions could result in liability to our customers for property damage, exposure to waste and other hazardous materials, nuisance or personal injuries, and require our customers to expend additional resources or incur substantial costs or losses. This could in turn adversely affect the demand for our services.

We cannot predict the future of any such legislation or tort liability. If additional levels of regulation, restrictions and permits were required through the adoption of new laws and regulations at the federal or state level or the development of new interpretations of those requirements by the agencies that issue the permits, that could lead to delays, increased operating costs and process prohibitions that could reduce demand for our compression services, which would materially adversely affect our revenue and results of operations.

We do not insure against all potential losses and could be seriously harmed by unexpected liabilities.

Our operations are subject to inherent risks such as equipment defects, malfunction and failures, and natural disasters that can result in uncontrollable flows of gas or well fluids, fires and explosions. These risks could expose us to substantial liability for personal injury, death, property damage, pollution and other environmental damages. Our insurance may be inadequate to cover our liabilities. Further, insurance covering the risks we face or in the amounts we desire may not be available in the future or, if available, the premiums may not be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition could be adversely affected.

Terrorist attacks, the threat of terrorist attacks or other sustained military campaigns may adversely impact our results of operations.

The long-term impact of terrorist attacks and the magnitude of the threat of future terrorist attacks on the energy industry in general and on us in particular are not known at this time. Uncertainty surrounding sustained military campaigns may affect our operations in unpredictable ways, including disruptions of crude oil and natural gas supplies and markets for crude oil, natural gas and natural gas liquids and the possibility that infrastructure facilities could be direct targets of, or indirect casualties of, an act of terror. Changes in the insurance markets attributable to terrorist attacks may make certain types of insurance more difficult for us to obtain, if we choose to do so. Moreover, the insurance that may be available to us may be significantly more expensive than our existing insurance coverage. Instability in the financial markets as a result of terrorism or war could also affect our ability to raise capital.

If we fail to develop or maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud, which would likely have a negative impact on the market price of our units.

In connection with the closing of our initial public offering, we became subject to the public reporting requirements of the Exchange Act. Effective internal controls are necessary for us to provide reliable financial reports, prevent fraud and to operate successfully as a publicly traded partnership. We continue to evaluate the effectiveness of and improve upon our internal controls. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain effective controls over our financial processes and reporting in the future or to comply with our obligations under Section 404 of the Sarbanes Oxley Act of 2002 (“Section 404”). For example, Section 404 requires us, among other things, to review and report annually on the effectiveness of our internal control over financial reporting. We were required to comply with Section 404(a) beginning with our fiscal year ended December 31, 2013. In addition, our independent registered public accountants will be required to assess the effectiveness of internal control over financial reporting at the end of the fiscal year after we are no longer an “emerging growth company” under the Jumpstart Our Business Startups Act, which will occur at the end of 2018. Any failure to develop, implement or maintain effective internal controls or to improve our internal controls could harm our operating results or cause us to fail to meet our reporting obligations. Given the difficulties inherent in the design and operation of internal controls over financial reporting, we can provide no assurance as to our independent registered public accounting firm’s conclusions about the effectiveness of our internal controls, and we may incur significant costs in our efforts to comply with Section 404. Ineffective internal controls will subject us to regulatory scrutiny and a loss of confidence in our reported financial information, which could have an adverse effect on our business and would likely have a negative effect on the trading price of our units.

Risks Inherent in an Investment in Us

Holders of our common units have limited voting rights and are not entitled to elect our general partner or its directors.

Unlike the holders of common stock in a corporation, our unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management's decisions regarding our business. Unitholders have no right to elect our general partner or its board of directors. USA Compression Holdings is the sole member of our general partner and has the right to appoint our general partner's entire board of directors, including its independent directors. If the unitholders are dissatisfied with the performance of our general partner, they have little ability to remove our general partner. As a result of these limitations, the price of our common units may be diminished because of the absence or reduction of a takeover premium in the trading price. Furthermore, our partnership agreement also contains provisions limiting the ability of unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting the unitholders' ability to influence the manner or direction of management. If the GP Purchase is completed, all of the risks relative to USA Compression Holdings in this paragraph will subsequently apply to the Energy Transfer Parties.

The owner of our general partner has sole responsibility for conducting our business and managing our operations. Our general partner and its affiliates, including the owner thereof, have conflicts of interest with us and limited fiduciary duties and they may favor their own interests to the detriment of us and our unitholders.

USA Compression Holdings, which is principally owned and controlled by Riverstone, owns and controls our general partner and appointed all of the officers and directors of our general partner, some of whom are also officers and directors of USA Compression Holdings. Although our general partner has a fiduciary duty to manage us in a manner that is beneficial to us and our unitholders, the directors and officers of our general partner have a fiduciary duty to manage our general partner in a manner that is beneficial to its owner. Conflicts of interest will arise between our general partner and its owner, on the one hand, and us and our unitholders, on the other hand. In resolving these conflicts of interest, our general partner may favor its own interests and the interests of its owner over our interests and the interests of our unitholders. These conflicts include the following situations, among others:

- neither our partnership agreement nor any other agreement requires the owner of our general partner to pursue a business strategy that favors us;

- our general partner is allowed to take into account the interests of parties other than us, such as its owner, in resolving conflicts of interest;

- our partnership agreement limits the liability of and reduces the fiduciary duties owed by our general partner, and also restricts the remedies available to our unitholders for actions that, without such limitations, might constitute breaches of fiduciary duty;

- except in limited circumstances, our general partner has the power and authority to conduct our business without unitholder approval;

- our general partner determines the amount and timing of asset purchases and sales, borrowings, issuance of additional partnership interests and the creation, reduction or increase of reserves, each of which can affect the amount of cash that is distributed to our unitholders;

- our general partner determines the amount and timing of any capital expenditures and whether a capital expenditure is classified as a maintenance capital expenditure, which reduces operating surplus, or an expansion capital expenditure, which does not reduce operating surplus. This determination can affect the amount of cash that is distributed to our unitholders and to our general partner;

- our general partner determines which costs incurred by it are reimbursable by us;

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our general partner may cause us to borrow funds in order to permit the payment of cash distributions, even if the purpose or effect of the borrowing is to make incentive distributions;

- our partnership agreement permits us to classify up to $36.6 million as operating surplus, even if it is generated from asset sales, non-working capital borrowings or other sources that would otherwise constitute capital surplus. This cash may be used to fund distributions as operating surplus from non-operating sources to our general partner in respect of its General Partner Interest (as defined under Part II, Item 5 ("Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities") or the incentive distribution rights (or "IDRs");

- our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered to us or entering into additional contractual arrangements with any of these entities on our behalf;

- our general partner intends to limit its liability regarding our contractual and other obligations;

- our general partner may exercise its right to call and purchase all of the common units not owned by it and its affiliates if they own more than 80% of the common units;

- our general partner controls the enforcement of the obligations that it and its affiliates owe to us;

- our general partner decides whether to retain separate counsel, accountants or others to perform services for us; and

- our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to the IDRs without the approval of the conflicts committee of the board of directors of our general partner or our unitholders. This election may result in lower distributions to our common unitholders in certain situations.

Our general partner's liability regarding our obligations is limited.

Our general partner has included, and will continue to include, provisions in its and our contractual arrangements that limit its liability under such contractual arrangements so that the counterparties to such arrangements have recourse only against our assets, and not against our general partner or its assets. Our general partner may therefore cause us to incur indebtedness or other obligations that are nonrecourse to our general partner. Our partnership agreement provides that any action taken by our general partner to limit its liability is not a breach of our general partner's fiduciary duties, even if we could have obtained more favorable terms without the limitation on liability. In addition, we are obligated to reimburse or indemnify our general partner to the extent that it incurs obligations on our behalf. Any such reimbursement or indemnification payments would reduce the amount of cash otherwise available for distribution.

Our partnership agreement limits our general partner's fiduciary duties to our unitholders.

Our partnership agreement contains provisions that modify and reduce the fiduciary standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement permits our general partner to make a number of decisions in its individual capacity, as opposed to its capacity as our general partner, or otherwise free of fiduciary duties to us and our unitholders. This entitles our general partner to consider only the interests and factors that it desires and relieves it of any duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or our limited partners. Examples of decisions that our general partner may make in its individual capacity include:

- how to allocate business opportunities among us and its affiliates;

- whether to exercise its limited call right;

- how to exercise its voting rights with respect to the units it owns;

- whether to elect to reset target distribution levels; and

- whether or not to consent to any merger or consolidation of the Partnership or amendment to the partnership agreement.

By purchasing a unit, a unitholder agrees to become bound by the provisions in the partnership agreement, including the provisions discussed above.

Even if holders of our common units are dissatisfied, they currently cannot remove our general partner without USA Compression Holdings' consent.

The unitholders are currently unable to remove our general partner because our general partner and its affiliates own sufficient units to be able to prevent its removal. The vote of the holders of at least 662/3% of all outstanding common units is required to remove our general partner. USA Compression Holdings currently owns over 331/3% of our outstanding common units and, after giving effect to the CDM Acquisition and the other transactions described in Item 1 (“Business—Recent Developments”), the Energy Transfer Parties will own over 331/3% of our outstanding common units.

Our partnership agreement restricts the remedies available to holders of our common units for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty.

Our partnership agreement contains provisions that restrict the remedies available to unitholders for actions taken by our general partner that might otherwise constitute breaches of fiduciary duty under state fiduciary duty law. For example, our partnership agreement:

- provides that whenever our general partner makes a determination or takes, or declines to take, any other action in its capacity as our general partner, our general partner is required to make such determination, or take or decline to take such other action, in good faith, and will not be subject to any higher standard imposed by our partnership agreement, Delaware law, or any other law, rule or regulation, or at equity;

- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as such decisions are made in good faith, meaning that it believed that the decisions were in the best interest of our partnership;

- provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or their assignees resulting from any act or omission unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that our general partner or its officers and directors, as the case may be, acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that the conduct was criminal; and

- provides that our general partner will not be in breach of its obligations under the partnership agreement or its fiduciary duties to us or our unitholders if a transaction with an affiliate or the resolution of a conflict of interest is:

(a) approved by the conflicts committee of the board of directors of our general partner, although our general partner is not obligated to seek such approval;

(b) approved by the vote of a majority of the outstanding common units, excluding any common units owned by our general partner and its affiliates;

(c) on terms no less favorable to us than those generally being provided to or available from unrelated third parties; or

(d) fair and reasonable to us, taking into account the totality of the relationships among the parties involved, including other transactions that may be particularly favorable or advantageous to us.

In connection with a situation involving a transaction with an affiliate or a conflict of interest, any determination by our general partner must be made in good faith. If an affiliate transaction or the resolution of a conflict of interest is not approved by our common unitholders or the conflicts committee and the board of directors of our general partner determines that the resolution or course of action taken with respect to the affiliate transaction or conflict of interest satisfies either of the standards set forth in subclauses (c) and (d) above, then it will conclusively be deemed that, in making its decision, the board of directors of our general partner acted in good faith.

Our general partner may elect to cause us to issue common units to it in connection with a resetting of the target distribution levels related to its IDRs, without the approval of the conflicts committee of its board of directors of our general partner or the holders of our common units. This could result in lower distributions to holders of our common units.

Our general partner has the right, at any time when it has received incentive distributions at the highest level to which it is entitled (48.0%) for each of the prior four consecutive fiscal quarters, to reset the initial target distribution levels at higher levels based on our distributions at the time of the exercise of the reset election. Following a reset election by our general partner, the minimum quarterly distribution will be adjusted to equal the reset minimum quarterly distribution, and the target distribution levels will be reset to correspondingly higher levels based on percentage increases above the reset minimum quarterly distribution.

If our general partner elects to reset the target distribution levels, it will be entitled to receive a number of common units and to maintain its general partner interest. The number of common units to be issued to our general partner will equal the number of common units which would have entitled the holder to an average aggregate quarterly cash distribution in the prior two quarters equal to the average of the distributions to our general partner on the IDRs in the prior two quarters. Our general partner's general partner interest in us (currently 1.2%) will be maintained at the percentage that existed immediately prior to the reset election. Our general partner could exercise this reset election at a time when it is experiencing, or expects to experience, declines in the cash distributions it receives related to its IDRs and may, therefore, desire to be issued common units rather than retain the right to receive incentive distributions based on the initial target distribution levels. As a result, a reset election may cause our common unitholders to experience a reduction in the amount of cash distributions that our common unitholders would have otherwise received had we not issued new common units to our general partner in connection with resetting the target distribution levels. On January 15, 2018, our general partner entered into an agreement pursuant to which it agreed to, among other things, convert the General Partner Interest into a non-economic general partner interest and cancel the IDRs. The transactions are expected to close in the first half of 2018. See Item 1 ("Business—Recent Developments") for more information.

Our partnership agreement restricts the voting rights of unitholders owning 20% or more of our common units.

Unitholders' voting rights are further restricted by a provision of our partnership agreement providing that any units held by a person or group that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their direct transferees and their indirect transferees approved by our general partner (which approval may be granted in its sole discretion) and persons who acquired such units with the prior approval of our general partner, cannot vote on any matter.

Our general partner interest or the control of our general partner may be transferred to a third party without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of the unitholders. Furthermore, our partnership agreement does not restrict the ability of USA Compression Holdings to transfer all or a portion of its ownership interest in our general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of our general partner with its own designees and thereby exert significant control over the decisions made by the board of directors and officers of our general partner. On January 15, 2018, USA Compression Holdings entered into an agreement pursuant to which it agreed to, among other things, sell 100% of its ownership interests in our general partner to ETE. The transactions are expected to close in the first half of 2018. See Item 1 ("Business—Recent Developments") for more information.

An increase in interest rates may cause the market price of our common units to decline.

Like all equity investments, an investment in our common units is subject to certain risks. In exchange for accepting these risks, investors may expect to receive a higher rate of return than would otherwise be obtainable from lower-risk investments. Accordingly, as interest rates rise, the ability of investors to obtain higher risk-adjusted rates of return by purchasing government-backed debt securities may cause a corresponding decline in demand for riskier investments generally, including yield based equity investments such as publicly traded partnership interests. Reduced demand for our common units resulting from investors seeking other more favorable investment opportunities may cause the trading price of our common units to decline.

We may issue additional units without the approval of the common unitholders, which would dilute your existing ownership interests.

Our partnership agreement does not limit the number or timing of additional limited partner interests that we may issue without the approval of our common unitholders. The issuance by us of additional common units, including pursuant to our Distribution Reinvestment Plan ("DRIP"), or other equity securities of equal or senior rank, will have the following effects:

- our existing unitholders' proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each unit may decrease;
- the ratio of taxable income to distributions may increase;
- the relative voting strength of each previously outstanding unit may be diminished;
- the market price of the common units may decline;
- assuming the distribution per unit remains unchanged or increases, the cash distributions to the holder of the IDRs will increase; and
- On January 15, 2018, we entered into an agreement pursuant to which we agreed, among other things, to issue Preferred Units to certain investors. The transactions are expected to close in the first half of 2018. See Item 1 ("Business—Recent Developments") for more information.

USA Compression Holdings, Argonaut and the Energy Transfer Parties may sell units in the public or private markets, and such sales could have an adverse impact on the trading price of the common units.

As of December 31, 2017, USA Compression Holdings holds an aggregate of 25,092,196 common units. Argonaut Private Equity, L.L.C. (“Argonaut”) holds an aggregate of 7,715,948 common units. In addition, USA Compression Holdings and Argonaut may acquire additional common units in connection with our DRIP. After giving effect to the CDM Acquisition and the other transactions described in Item 1 (“Business—Recent Developments”), the Energy Transfer Parties will own an aggregate of 46,056,228 common units (after giving effect to the conversion of 6,397,965 Class B Units representing limited partner interests in the Partnership), and USA Compression Holdings will own an aggregate of 12,625,284 common units. We have agreed to provide USA Compression Holdings and the Energy Transfer Parties with certain registration rights for any common units they own. The sale of these common units in the public or private markets could have an adverse impact on the price of the common units or on any trading market that may develop.

Our general partner has a call right that may require you to sell your common units at an undesirable time or price.

If at any time our general partner and its affiliates own more than 80% of the common units, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the common units held by unaffiliated persons at a price that is not less than their then-current market price, as calculated pursuant to the terms of our partnership agreement. As a result, you may be required to sell your common units at an undesirable time or price. You may also incur a tax liability upon a sale of your units. USA Compression Holdings owns an aggregate of approximately 40% of our outstanding common units and, after giving effect to the CDM Acquisition and the other transactions described in Item 1 (“Business—Recent Developments”), the Energy Transfer Parties would own an aggregate of approximately 49% of our outstanding common units.

Your liability may not be limited if a court finds that unitholder action constitutes control of our business.

A general partner of a partnership generally has unlimited liability for the obligations of the partnership, except for those contractual obligations of the partnership that are expressly made without recourse to our general partner. Our partnership is organized under Delaware law, and we conduct business in a number of other states. The limitations on the liability of holders of limited partner interests for the obligations of a limited partnership have not been clearly established in some of the other states in which we do business. You could be liable for any and all of our obligations as if you were a general partner if a court or government agency were to determine that:

- we were conducting business in a state but had not complied with that particular state's partnership statute; or

- your right to act with other unitholders to remove or replace our general partner, to approve some amendments to our partnership agreement or to take other actions under our partnership agreement constitute "control" of our business.

Unitholders may have liability to repay distributions that were wrongfully distributed to them.

Under certain circumstances, unitholders may have to repay amounts wrongfully returned or distributed to them. Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act (the "Delaware Act"), we may not make a distribution to you if the distribution would cause our liabilities to exceed the fair value of our assets. Delaware law provides that for a period of three years from the date of an impermissible distribution, limited partners who received the distribution and who knew at the time of the distribution that it violated Delaware law will be liable to the limited partnership for the distribution amount. Neither liabilities to partners on account of their partnership interest nor liabilities that are non-recourse to the partnership are counted for purposes of determining whether a distribution is permitted.

The NYSE does not require a publicly traded partnership like us to comply with certain of its corporate governance requirements.

Our common units are listed on the NYSE. Because we are a publicly traded partnership, the NYSE does not require us to have a majority of independent directors on our general partner's board of directors or to establish a compensation committee or a nominating and corporate governance committee. Accordingly, unitholders do not have the same protections afforded to investors in certain corporations that are subject to all of the NYSE corporate governance requirements. Please read Part III, Item 10 ("Directors, Executive Officers and Corporate Governance").

Pursuant to certain federal securities laws, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes Oxley Act of 2002 for so long as we are an emerging growth company.

We are required to disclose changes made in our internal control over financial reporting on a quarterly basis, and we are required to assess the effectiveness of our controls annually. However, for as long as we are an "emerging growth company" under federal securities laws, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. We will be an emerging growth company until the end of the fiscal year ending December 31, 2018. Even if we conclude that our internal control over financial reporting is effective, our independent registered public accounting firm may still decline to attest to our assessment or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

Tax Risks to Common Unitholders

Our tax treatment depends on our status as a partnership for federal income tax purposes. If the IRS were to treat us as a corporation for federal income tax purposes, then our cash available for distribution would be substantially reduced.

The anticipated after-tax economic benefit of an investment in the common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested a ruling from the IRS on this or any other tax matter affecting us.

Despite the fact that we are a limited partnership under Delaware law, it is possible in certain circumstances for a partnership such as ours to be treated as a corporation for federal income tax purposes. Although we do not believe based upon our current operations that we are or will be so treated, a change in our business or a change in current law could cause us to be treated as a corporation for federal income tax purposes or otherwise subject us to taxation as an entity.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, and would likely pay state and local income tax at varying rates. Distributions would generally be taxed again as corporate dividends (to the extent of our current and accumulated earnings and profits), and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution would be substantially reduced. Therefore, if we were treated as a corporation for federal income tax purposes, there would be a material reduction in the anticipated cash flow and after-tax return to our unitholders, likely causing a substantial reduction in the value of our common units.

Our partnership agreement provides that, if a law is enacted or existing law is modified or interpreted in a manner that subjects us to taxation as a corporation or otherwise subjects us to entity level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts may be adjusted to reflect the impact of that law on us.

If we were subjected to a material amount of additional entity level taxation by individual states, it would reduce our cash available for distribution.

Changes in current state law may subject us to additional entity level taxation by individual states. Because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise and other forms of taxation. For example, we are required to pay the Revised Texas Franchise Tax each year at a maximum effective rate of 0.75% of our “margin”, as defined in the law, apportioned to Texas in the prior year. Imposition of any similar taxes by any other state may substantially reduce the cash available for distribution and, therefore, negatively impact the value of an investment in our common units.

The tax treatment of publicly traded partnerships or an investment in our common units could be subject to potential legislative, judicial or administrative changes or differing interpretations, possibly applied on a retroactive basis.

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our common units may be modified by administrative, legislative or judicial changes or differing interpretation at any time. From time to time, members of the U.S. Congress propose and consider such substantive changes to the existing federal income tax laws that affect publicly traded partnerships. Although there is no current legislative proposal, a prior legislative proposal would have eliminated the qualifying income exception to the treatment of all publicly traded partnerships as corporations upon which we rely for our treatment as a partnership for U.S. federal income tax purposes.

In addition, on January 24, 2017, final regulations regarding which activities give rise to qualifying income within the meaning of Section 7704 of the Code (the “Final Regulations”) were published in the Federal Register. The Final Regulations are effective as of January 19, 2017, and apply to taxable years beginning on or after January 19, 2017. We do not believe the Final Regulations affect our ability to be treated as a partnership for U.S. federal income tax purposes.

However, any modification to the federal income tax laws may be applied retroactively and could make it more difficult or impossible for us to meet the exception for certain publicly traded partnerships to be treated as partnerships for federal income tax purposes. We are unable to predict whether any of these changes or other proposals will ultimately be enacted. Any similar or future legislative changes could negatively impact the value of an investment in our common units. You are urged to consult with your own tax advisor with respect to the status of regulatory or administrative developments and proposals and their potential effect on your investment in our common units.

Our unitholders' share of our income will be taxable to them for federal income tax purposes even if they do not receive any cash distributions from us.

Because a unitholder will be treated as a partner to whom we will allocate taxable income that could be different in amount than the cash we distribute, a unitholder's allocable share of our taxable income will be taxable to it, which may require the payment of federal income taxes and, in some cases, state and local income taxes, on its share of our taxable income even if it receives no cash distributions from us. Our unitholders may not receive cash distributions from us equal to their share of our taxable income or even equal to the actual tax liability that results from that income.

We may engage in transactions to de-lever the Partnership and manage our liquidity that may result in income and gain to our unitholders. For example, if we sell assets and use the proceeds to repay existing debt or fund capital expenditures, you may be allocated taxable income and gain resulting from the sale. Further, taking advantage of opportunities to reduce our existing debt, such as debt exchanges, debt repurchases, or modifications of our existing debt could result in "cancellation of indebtedness income" (also referred to as "COD income") being allocated to our unitholders as taxable income. Unitholders may be allocated COD income, and income tax liabilities arising therefrom may exceed cash distributions. The ultimate effect of any such allocations will depend on the unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences of potential COD income or other transactions that may result in income and gain to unitholders.

If the IRS contests the federal income tax positions we take, the market for our common units may be adversely impacted and the cost of any IRS contest will reduce our cash available for distribution.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter affecting us. The IRS may adopt positions that differ from the positions we take, and the IRS's positions may ultimately be sustained.

It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we take. A court may not agree with some or all of the positions we take. Any contest with the IRS, and the outcome of any IRS contest, may have a materially adverse impact on the market for our common units and the price at which they trade.

In addition, our costs of any contest with the IRS will be borne indirectly by our unitholders and our general partner because the costs will reduce our cash available for distribution.

If the IRS makes audit adjustments to our income tax returns for tax years beginning after December 31, 2017, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us, in which case our cash available for distribution to our unitholders might be substantially reduced.

Pursuant to the Bipartisan Budget Act of 2015, for tax years beginning after December 31, 2017, if the IRS makes audit adjustments to our income tax returns, it (and some states) may assess and collect any taxes (including any applicable penalties and interest) resulting from such audit adjustments directly from us. To the extent possible under the new rules, our general partner may elect to either pay the taxes (including any applicable penalties and interest) directly to the IRS or, if we are eligible, issue a revised information statement to each unitholder and former unitholder with respect to an audited and adjusted return. Although our general partner may elect to have our unitholders and former unitholders take such audit adjustment into account and pay any resulting taxes (including applicable penalties or interest) in accordance with their interests in us during the tax year under audit, there can be no assurance that such election will be practical, permissible or effective in all circumstances. As a result, our current unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such unitholders did not own units in us during the tax year under audit. If, as a result of any such audit adjustment, we are required to make payments of taxes, penalties and interest, our cash available for distribution to our unitholders might be reduced. These rules are not applicable for tax years beginning on or prior to December 31, 2017.

Tax gain or loss on the disposition of our common units could be more or less than expected.

If our unitholders sell common units, they will recognize a gain or loss for federal income tax purposes equal to the difference between the amount realized and their tax basis in those common units. Because distributions in excess of their allocable share of our net taxable income decrease their tax basis in their common units, the amount, if any, of such prior excess distributions with respect to the common units a unitholder sells will, in effect, become taxable income to the unitholder if it sells such common units at a price greater than its tax basis in those common units, even if the price received is less than its original cost. In addition, because the amount realized includes a unitholder's share of our nonrecourse liabilities, a unitholder that sells common units may incur a tax liability in excess of the amount of cash received from the sale.

A substantial portion of the amount realized from a unitholder's sale of our units, whether or not representing gain, may be taxed as ordinary income to such unitholder due to potential recapture items, including depreciation recapture. Thus, a unitholder may recognize both ordinary income and capital loss from the sale of units if the amount realized on a sale of such units is less than such unitholder's adjusted basis in the units. Net capital loss may only offset capital gains and, in the case of individuals, up to $3,000 of ordinary income per year. In the taxable period in which a unitholder sells its units, such unitholder may recognize ordinary income from our allocations of income and gain to such unitholder prior to the sale and from recapture items that generally cannot be offset by any capital loss recognized upon the sale of units.

Unitholders may be subject to a limitation on their ability to deduct interest expense incurred by us.

In general, we are entitled to a deduction for interest paid or accrued on indebtedness properly allocable to our trade or business during our taxable year. However, under the Tax Cuts and Jobs Act, for taxable years beginning after December 31, 2017, our deduction for "business interest" is limited to the sum of our business interest income and 30% of our "adjusted taxable income." For the purposes of this limitation, our adjusted taxable income is computed without regard to any business interest expense or business interest income, and in the case of taxable years beginning before January 1, 2022, any deduction allowable for depreciation, amortization, or depletion.

Tax-exempt entities face unique tax issues from owning our common units that may result in adverse tax consequences to them.

Investment in our common units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs) raises issues unique to them. For example, virtually all of our income allocated to organizations that are exempt from U.S. federal income tax, including IRAs and other retirement plans, will be unrelated business taxable income and will be taxable to them. Further, with respect to taxable years beginning after December 31, 2017, a tax-exempt entity with more than one unrelated trade or business (including by attribution from investment in a partnership such as ours that is engaged in one or more unrelated trade or business) is required to compute the unrelated business taxable income of such tax-exempt entity separately with respect to each such trade or business (including for purposes of determining any net operating loss deduction). As a result, for years beginning after December 31, 2017, it may not be possible for tax-exempt entities to utilize losses from an investment in our partnership to offset unrelated business taxable income from another unrelated trade or business and vice versa. Tax-exempt entities should consult a tax advisor before investing in our common units.

Non-U.S. Unitholders will be subject to U.S. taxes and withholding with respect to their income and gain from owning our units.

Non-U.S. unitholders are generally taxed and subject to income tax filing requirements by the U.S. on income effectively connected with a U.S. trade or business (“effectively connected income”). Income allocated to our unitholders and any gain from the sale of our units will generally be considered to be “effectively connected” with a U.S. trade or business. As a result, distributions to a Non-U.S. unitholder will be subject to withholding at the highest applicable effective tax rate and a Non-U.S. unitholder who sells or otherwise disposes of a unit will also be subject to U.S. federal income tax on the gain realized from the sale or disposition of that unit.

The Tax Cuts and Jobs Act imposes a withholding obligation of 10% of the amount realized upon a Non-U.S. unitholder’s sale or exchange of an interest in a partnership that is engaged in a U.S. trade or business. However, due to challenges of administering a withholding obligation applicable to open market trading and other complications, the IRS has temporarily suspended the application of this withholding rule to open market transfers of interests in publicly traded partnerships pending promulgation of regulations or other guidance that resolves the challenges. It is not clear if or when such regulations or other guidance will be issued. Non-U.S. unitholders should consult a tax advisor before investing in our common units.

We will treat each purchaser of common units as having the same tax benefits without regard to the actual common units purchased. The IRS may challenge this treatment, which could adversely affect the value of the common units.

Because we cannot match transferors and transferees of common units, we have adopted certain methods for allocating depreciation and amortization deductions that may not conform to all aspects of existing Treasury Regulations. A successful IRS challenge to the use of these methods could adversely affect the amount of tax benefits available to you. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audit adjustments to your tax returns.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month, instead of on the basis of the date a particular unit is transferred. The IRS may challenge this treatment, which could change the allocation of items of income, gain, loss and deduction among our unitholders.

We prorate our items of income, gain, loss and deduction for federal income tax purposes between transferors and transferees of our units each month based upon the ownership of our units on the first day of each month (the “Allocation Date”), instead of on the basis of the date a particular unit is transferred. Similarly, we generally allocate certain deductions for depreciation of capital additions, gain or loss realized on a sale or other disposition of our assets and, in the discretion of the general partner, any other extraordinary item of income, gain, loss or deduction based upon ownership on the Allocation Date. Treasury Regulations allow a similar monthly simplifying convention, but such regulations do not specifically authorize all aspects of our proration method. If the IRS were to challenge our proration method, we may be required to change the allocation of items of income, gain, loss and deduction among our unitholders.

A unitholder whose common units are the subject of a securities loan (e.g., a loan to a “short seller” to cover a short sale of common units) may be considered as having disposed of those common units. If so, he would no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan and may recognize gain or loss from the disposition.

Because there are no specific rules governing the federal income tax consequences of loaning a partnership interest, a unitholder whose common units are the subject of a securities loan may be considered as having disposed of the loaned common units, he may no longer be treated for federal income tax purposes as a partner with respect to those common units during the period of the loan to the short seller and the unitholder may recognize gain or loss from such disposition. Moreover, during the period of the loan, any of our income, gain, loss or deduction with respect to those common units may not be reportable by the unitholder and any cash distributions received by the unitholder as to those common units could be fully taxable as ordinary income. Unitholders desiring to assure their status as partners and avoid the risk of gain recognition from a securities loan are urged to consult a tax advisor to discuss whether it is advisable to modify any applicable brokerage account agreements to prohibit their brokers from borrowing their common units.

We have adopted certain valuation methodologies in determining unitholder's allocations of income, gain, loss and deduction. The IRS may challenge these methods or the resulting allocations, and such a challenge could adversely affect the value of our common units.

In determining the items of income, gain, loss and deduction allocable to our unitholders, we must routinely determine the fair market value of our assets. Although we may from time to time consult with professional appraisers regarding valuation matters, we make many fair market value estimates using a methodology based on the market value of our common units as a means to measure the fair market value of our assets. The IRS may challenge these valuation methods and the resulting allocations of income, gain, loss and deduction.

A successful IRS challenge to these methods or allocations could adversely affect the timing or amount of taxable income or loss being allocated to our unitholders. It also could affect the amount of gain recognized from our unitholders' sale of common units, have a negative impact on the value of the common units, or result in audit adjustments to our unitholders' tax returns without the benefit of additional deductions.

As a result of investing in our common units, you will likely become subject to state and local taxes and income tax return filing requirements in jurisdictions where we operate or own or acquire properties.

In addition to federal income taxes, our unitholders will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we conduct business or control property now or in the future, even if they do not live in any of those jurisdictions. Our unitholders will likely be required to file state and local income tax returns and pay state and local income taxes in some or all of these various jurisdictions. Further, our unitholders may be subject to penalties for failure to comply with state and local filing requirements.

We currently conduct business in several states, many of which currently impose a personal income tax on individuals. Many of these states also impose an income tax on corporations and other entities. As we make acquisitions or expand our business, we may control assets or conduct business in additional states or foreign jurisdictions that impose a personal income tax. It is your responsibility to file all foreign, federal, state and local tax returns.

Risks Related to the CDM Acquisition

Our pending acquisition of CDM may not be consummated.

Our pending acquisition of CDM is expected to close in the first half of 2018 and is subject to closing conditions. If these conditions are not satisfied or waived, the acquisition will not be consummated. If the closing of the acquisition is substantially delayed or does not occur at all, we may not realize the anticipated benefits of the acquisition fully or at all. Certain of the conditions remaining to be satisfied include:

- the continued accuracy of the representations and warranties contained in the Contribution Agreement;

- the performance by each party of its obligations under the Contribution Agreement; and

- the absence of any order from any governmental authority that enjoins or otherwise prohibits, or of any law being enacted which would enjoin or prohibit, the consummation of the transactions contemplated in the Contribution Agreement.

In addition, the Contribution Agreement may be terminated by mutual written consent of the parties or by either us or ETP (i) if the acquisition has not closed on or before June 30, 2018 (subject to a 90 day extension by either party if the regulatory approvals have not then been obtained or certain other conditions have not been satisfied) (the “Outside Date”), (ii) if the other has breached its obligations under the Contribution Agreement, which breaches have not been cured within 30 days, (iii) if any order from any governmental authority permanently prohibiting the consummation of the transactions contemplated thereby has become final and non-appealable or (iv) if the GP Purchase Agreement is terminated in accordance with its terms.

The closing of the CDM Acquisition is not subject to a financing condition and the Bridge Loans do not backstop the equity portion of the purchase price.

The closing of the CDM Acquisition is not subject to a financing condition; however, the Series A Purchase Agreement contains a condition to closing that we will have increased the aggregate commitments under our revolving credit facility to (or entered into a similar revolving facility with minimum aggregate commitments of) at least $1.3 billion. The Series A Purchase Agreement, the proceeds of which are to fund a portion of the purchase price of the CDM Acquisition, and the Bridge Loans, which is available to backstop a portion of the CDM Acquisition purchase price that we expect to fund with the net proceeds of other debt financing, is each subject to certain closing conditions. Furthermore, the Bridge Commitment does not backstop the equity portion of the purchase price. The Bridge Commitment will expire upon the earliest to occur of (1) the Outside Date as defined in the Contribution Agreement (as the same may be extended thereunder), (2) the consummation of the CDM Acquisition without use of the Bridge Loans, (3) the termination of the Contribution Agreement in accordance with its terms or (4) September 30, 2018. Although obtaining the equity or debt financing is not a condition to the completion of the CDM Acquisition, our failure to have sufficient funds available to pay the purchase price is likely to result in the failure of the CDM Acquisition to be completed or could require us to sell assets in order to satisfy our obligations to close.

The representations, warranties, and indemnifications by ETP are limited in the Contribution Agreement and our diligence of CDM may not identify all material matters related to CDM; as a result, the assumptions on which our estimates of future results of CDM’s business have been based may prove to be incorrect in a number of material ways, resulting in us not realizing the expected benefits of the CDM Acquisition.

The representations and warranties by ETP are limited in the Contribution Agreement and our diligence into CDM’s business may not identify all material matters related to CDM. In addition, the Contribution Agreement does not provide any indemnities other than those described therein. As a result, the assumptions on which our estimates of future results of CDM’s business have been based may prove to be incorrect in a number of material ways, resulting in us not realizing our expected benefits of the CDM Acquisition, including anticipated increased cash flow.

Financing the CDM Acquisition will substantially increase our indebtedness. We may not be able to obtain debt financing for the acquisition on expected or acceptable terms, which would make the acquisition less accretive.

We intend to finance the CDM Acquisition and related fees and expenses with the proceeds of the issuance of debt and equity, including the private placement of Preferred Units, and, to the extent necessary or desirable, with borrowing under our revolving credit facility, other debt financing, borrowings under the Bridge Loans, and/or cash on hand. After completion of the CDM Acquisition, we expect our total outstanding indebtedness will increase from approximately $782.9 million as of December 31, 2017 to approximately $1.6 billion. The increase in our indebtedness may reduce our flexibility to respond to changing business and economic conditions or to fund capital expenditures or working capital needs.

We intend to raise long term debt in advance of closing of the CDM Acquisition. The assumptions underlying our estimate that the CDM Acquisition will be accretive to our distributable cash flow includes assumptions about the interest rate we will be able to obtain in connection with such long term debt. We may not be able to obtain debt financing for the acquisition on expected or acceptable terms, which would make the acquisition less accretive than anticipated.

The CDM Acquisition could expose us to additional unknown and contingent liabilities.

The acquisition of CDM could expose us to additional unknown and contingent liabilities. We have performed a certain level of due diligence in connection with the CDM Acquisition and have attempted to verify the representations made by ETP, but there may be unknown and contingent liabilities related to CDM of which we are unaware. ETP has not agreed to indemnify us for losses or claims relating to the operation of the business or otherwise except to the limited extent described in the Contribution Agreement. There is a risk that we could ultimately be liable for unknown obligations relating to CDM for which indemnification is not available, which could materially adversely affect our business, results of operations and cash flow.

We may have difficulty attracting, motivating and retaining executives and other employees in light of the CDM Acquisition.

Uncertainty about the effect of the CDM Acquisition on employees of us or CDM may have an adverse effect on us. This uncertainty may impair our ability to attract, retain and motivate personnel until the CDM Acquisition is completed. Employee retention may be particularly challenging during the pendency of the CDM Acquisition, as employees may feel uncertain about their future roles with the combined organization. In addition, we or CDM may have to provide additional compensation in order to retain employees. If employees of us or CDM depart because of issues relating to the uncertainty and difficulty of integration or a desire not to become employees of the combined organization, our ability to realize the anticipated benefits of the CDM Acquisition could be adversely affected.

We are subject to business uncertainties and contractual restrictions while the proposed CDM Acquisition is pending, which could adversely affect our business and operations.

In connection with the pending CDM Acquisition, it is possible that some customers, suppliers and other persons with whom we or CDM have business relationships may delay or defer certain business decisions, or might decide to seek to terminate, change or renegotiate their relationship with us or CDM as a result of the CDM Acquisition, which could negatively affect our revenue, earnings and cash available for distribution, as well as the market price of our common units, regardless of whether the CDM Acquisition is completed.

Under the terms of the Contribution Agreement, we and CDM are each subject to certain restrictions on the conduct of our businesses prior to completing the CDM Acquisition, which may adversely affect our ability to execute certain of our business strategies. Such limitations could negatively affect each party's business and operations prior to the completion of the CDM Acquisition. Furthermore, the process of planning to integrate the acquired entity for the post-acquisition period can divert management attention and resources and could ultimately have an adverse effect on each party.

We will incur substantial transaction-related costs in connection with the CDM Acquisition.

We expect to incur a number of non-recurring transaction-related costs associated with completing the CDM Acquisition and achieving desired synergies. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, lender and other financing fees, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of CDM's business. There can be no assurance that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the acquired entity, will offset the incremental transaction-related costs over time. Thus, any net benefit may not be achieved in the near term, the long term or at all.

ITEM 1B.Unresolved Staff Comments

None.

ITEM 2.Properties

We do not currently own or lease any material facilities or properties for storage or maintenance of our compression units. As of December 31, 2017, our headquarters consisted of 12,342 square feet of leased space located at 100 Congress Avenue, Austin, Texas 78701.

ITEM 3.Legal Proceedings

Please refer to Note 13 of our consolidated financial statements included in this report for a description of our Legal Proceedings.

ITEM 4.Mine Safety Disclosures

None.

PART II

ITEM 5.Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our Partnership Interests

As of February 8, 2018, we had outstanding 62,194,405 common units, a 1.2% general partner interest (“General Partner Interest”) and the IDRs. USA Compression Holdings owns a 100% membership interest in our general partner. As of February 8, 2018, USA Compression Holdings owned approximately 40% of our outstanding common units. Our general partner currently owns the General Partner Interest in us and all of the IDRs. As discussed below under “Selected Information from Our Partnership Agreement—General Partner Interest and IDRs,” the IDRs represent the right to receive increasing percentages, up to a maximum of 48%, of the cash we distribute from operating surplus (as defined below) in excess of $0.4888 per unit per quarter. Our common units, which represent limited partner interests in us, are listed on the New York Stock Exchange (“NYSE”) under the symbol “USAC.”

The following table sets forth high and low sales prices per common unit and cash distributions per common unit to common unitholders for the periods indicated. The last reported sales price for our common units on February 8, 2018, was $17.47.

	Price Range		Cash Distribution Declared Per Common Unit	
Period	High	Low		Date Paid
First Quarter 2016	$ 11.89	$ 7.03	$ 0.525	May 13, 2016
Second Quarter 2016	$ 16.42	$ 10.50	$ 0.525	August 12, 2016
Third Quarter 2016	$ 18.90	$ 14.02	$ 0.525	November 14, 2016
Fourth Quarter 2016	$ 19.33	$ 15.41	$ 0.525	February 14, 2017
First Quarter 2017	$ 19.78	$ 16.13	$ 0.525	May 12, 2017

Second Quarter 2017	$ 17.85	$ 14.30	$ 0.525	August 11, 2017
Third Quarter 2017	$ 17.84	$ 14.55	$ 0.525	November 10, 2017
Fourth Quarter 2017	$ 17.64	$ 15.48	$ 0.525	February 14, 2018

Holders

At the close of business on February 8, 2018, based on information received from the transfer agent of the common units, we had 54 holders of record of our common units. The number of record holders does not include holders of common units in “street names” or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depositories.

Selected Information from our Partnership Agreement

Set forth below is a summary of the significant provisions of our partnership agreement that relate to available cash and the General Partner Interest and the IDRs.

Available Cash

Our partnership agreement requires that, within 45 days after the end of each quarter, we distribute all of our available cash to unitholders of record on the applicable record date. Our partnership agreement generally defines available cash, for each quarter, as cash on hand at the end of a quarter plus cash on hand resulting from working capital borrowings made after the end of the quarter less the amount of reserves established by our general partner to provide for the proper conduct of our business, comply with applicable law, our revolving credit facility or other agreements; and provide funds for distributions to our unitholders for any one or more of the next four quarters. Working capital borrowings are borrowings made under a credit facility, commercial paper facility or other similar financing arrangement, and in all cases are used solely for working capital purposes or to pay distributions to partners and with the intent of the borrower to repay such borrowings within twelve months from sources other than working capital borrowings.

General Partner Interest and IDRs

Our partnership agreement provides that our general partner is entitled to its General Partner Interest of all distributions that we make. Our general partner has the right, but not the obligation, to contribute a proportionate amount of capital to us to maintain its General Partner Interest if we issue additional units. Our general partner's General Partner Interest, and the percentage of our cash distributions to which it is entitled, will be proportionately reduced if we issue additional units in the future (other than the issuance of common units upon a reset of the IDRs) and our general partner does not contribute a proportionate amount of capital to us in order to maintain its General Partner Interest. Our partnership agreement does not require that our general partner fund its capital contribution with cash and our general partner may fund its capital contribution by the contribution to us of common units or other property.

The IDRs represent the right to receive increasing percentages (13.0%, 23.0% and 48.0%) of quarterly distributions of available cash from operating surplus after the target distribution levels have been achieved. Our general partner currently holds the IDRs, but may transfer these rights separately from its General Partner Interest without the consent of our limited partners.

On January 15, 2018, our general partner entered into an agreement pursuant to which it agreed to, among other things, convert the General Partner Interest into a non-economic general partner interest and cancel the IDRs. The transactions are expected to close in the first half of 2018. See Item 1 ("Business—Recent Developments") for more information.

Issuer Purchases of Equity Securities

None.

Sales of Unregistered Securities; Use of Proceeds from Sale of Securities

None.

Equity Compensation Plan

For disclosures regarding securities authorized for issuance under equity compensation plans, see Part III, Item 12 (“Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters”).

ITEM 6.Selected Financial Data

SELECTED HISTORICAL FINANCIAL DATA

In the table below we have presented certain selected financial data for USA Compression Partners, LP for each of the years in the five-year period ended December 31, 2017, which has been derived from our audited consolidated financial statements. The following information should be read together with Management’s Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements contained in Part II, Item 7.

Our operating results incorporate a number of significant estimates and uncertainties. Such matters could cause the data included herein not to be indicative of our future financial condition or results of operations. A discussion of our critical accounting estimates and how these estimates could impact our future financial condition and results of operations is included in “Management's Discussion and Analysis of Financial Condition and Results of

Operations" contained in Part II, Item 7 of this report. In addition, a discussion of the risk factors that could affect our business and future financial condition and results of operations is included under Part I, Item 1A ("Risk Factors") of this report. Additionally, Note 2 – Summary of Significant Accounting Policies and Note 13 – Commitments and Contingencies under Part II, Item 8 ("Financial Statements and Supplementary Data") of this report provide descriptions of areas where estimates and judgments and contingent liabilities could result in different amounts being recognized in our accompanying consolidated financial statements.

We believe that investors benefit from having access to the same financial measures utilized by management. The following table includes the non-GAAP financial measure of gross operating margin, Adjusted EBITDA and Distributable Cash Flow (or "DCF"). For definitions of gross operating margin, Adjusted EBITDA and DCF, and reconciliations of such measures to their most directly comparable financial measures calculated and presented in accordance with GAAP, please read “Non-GAAP Financial Measures” below.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per unit amounts)				
Revenues:					
Contract operations	$ 264,315	$ 246,950	$ 263,816	$ 217,361	$ 150,360
Parts and service	15,907	18,971	6,729	4,148	2,558
Total revenues	280,222	265,921	270,545	221,509	152,918
Costs of operations, exclusive of depreciation and amortization:					
Cost of operations	92,591	88,161	81,539	74,035	48,097
Gross operating margin (1)	187,631	177,760	189,006	147,474	104,821
Other operating and administrative costs and expenses:					
Selling, general and administrative	47,483	44,483	40,950	38,718	27,587
Depreciation and amortization	98,603	92,337	85,238	71,156	52,917
Loss (gain) on disposition of assets	(507)	772	(1,040)	(2,233)	284
Impairment of compression equipment	4,972	5,760	27,274	2,266	203
Impairment of goodwill	—	—	172,189	—	—
Total other operating and administrative costs and expenses	150,551	143,352	324,611	109,907	80,991
Operating income (loss)	37,080	34,408	(135,605)	37,567	23,830
Other income (expense):					
Interest expense, net	(25,129)	(21,087)	(17,605)	(12,529)	(12,488)
Other	27	35	22	11	9
Total other expense	(25,102)	(21,052)	(17,583)	(12,518)	(12,479)
Income (loss) before income tax expense	11,978	13,356	(153,188)	25,049	11,351
Income tax expense	538	421	1,085	103	280
Net income (loss)	11,440	12,935	(154,273)	24,946	11,071
Adjusted EBITDA (1)	$ 155,703	$ 146,648	$ 153,572	$ 114,409	$ 81,130
DCF (1)	$ 118,330	$ 118,329	$ 120,850	$ 85,927	$ 56,210
Basic and diluted net income (loss) per common unit:	$ 0.16	$ 0.27	$ (3.15)	$ 0.60	$ 0.32
Cash distributions declared per common unit	$ 2.10	$ 2.10	$ 2.09	$ 2.01	$ 1.73
Other Financial Data:					
Capital expenditures	$ 129,490	$ 48,665	$ 265,798	$ 404,429	$ 175,393
Cash flows provided by (used in):					
Operating activities	$ 124,644	$ 103,697	$ 117,401	$ 101,891	$ 68,190
Investing activities	$ (105,231)	$ (50,831)	$ (278,158)	$ (380,523)	$ (153,946)

Financing activities	$ (19,431)	$ (52,808)	$ 160,758	$ 278,631	$ 85,756
Balance Sheet Data (at period end):					
Working capital (2)	$ 3,118	$ 16,558	$ (8,455)	$ (44,064)	$ (24,177)
Total assets	$ 1,492,087	$ 1,472,412	$ 1,509,771	$ 1,516,482	$ 1,185,884
Long-term debt	$ 782,902	$ 685,371	$ 729,187	$ 594,864	$ 420,933
Partners' equity	$ 633,853	$ 729,517	$ 718,288	$ 839,520	$ 707,727

(1) Please refer to “—Non-GAAP Financial Measures” section below.

(2) Working capital is defined as current assets minus current liabilities.

Non-GAAP Financial Measures

Gross Operating Margin

The table above includes gross operating margin, which is a non-GAAP financial measure, and a reconciliation to operating income (loss), its most directly comparable GAAP financial measure. We define gross operating margin as revenue less cost of operations, exclusive of depreciation and amortization expense. We believe that gross operating margin is useful as a supplemental measure of our operating profitability. Gross operating margin is impacted primarily by the pricing trends for service operations and cost of operations, including labor rates for service technicians, volume and per unit costs for lubricant oils, quantity and pricing of routine preventative maintenance on compression units and property tax rates on compression units. Gross operating margin should not be considered an alternative to, or more meaningful than, operating income (loss) or any other measure of financial performance presented in accordance with GAAP. Moreover, gross operating margin as presented may not be comparable to similarly titled measures of other companies. Because we capitalize assets, depreciation and amortization of equipment is a necessary element of our costs. To compensate for the limitations of gross operating margin as a measure of our performance, we believe that it is important to consider operating income (loss) determined under GAAP, as well as gross operating margin, to evaluate our operating profitability.

Adjusted EBITDA

We define EBITDA as net income (loss) before net interest expense, depreciation and amortization expense, and income tax expense. We define Adjusted EBITDA as EBITDA plus impairment of compression equipment, impairment of goodwill, interest income on capital lease, unit-based compensation expense, management fees, severance charges, certain transaction fees, loss (gain) on disposition of assets and other. We view Adjusted EBITDA as one of our primary management tools, and we track this item on a monthly basis both as an absolute amount and as a percentage of revenue compared to the prior month, year-to-date, prior year and to budget. Adjusted EBITDA is used as a supplemental financial measure by our management and external users of our financial statements, such as investors and commercial banks, to assess:

- the financial performance of our assets without regard to the impact of financing methods, capital structure or historical cost basis of our assets;
- the viability of capital expenditure projects and the overall rates of return on alternative investment opportunities;
- the ability of our assets to generate cash sufficient to make debt payments and to make distributions; and

- our operating performance as compared to those of other companies in our industry without regard to the impact of financing methods and capital structure.

We believe that Adjusted EBITDA provides useful information to investors because, when viewed with our GAAP results and the accompanying reconciliations, it provides a more complete understanding of our performance than GAAP results alone. We also believe that external users of our financial statements benefit from having access to the same financial measures that management uses in evaluating the results of our business.

Adjusted EBITDA should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP as measures of operating performance and liquidity. Moreover, our Adjusted EBITDA as presented may not be comparable to similarly titled measures of other companies.

Because we use capital assets, depreciation, impairment of compression equipment and the interest cost of acquiring compression equipment are also necessary elements of our costs. Expense related to unit-based compensation expense associated with equity awards to employees is also a necessary component of our business. Therefore, measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is important to consider both net income (loss) and net cash provided by operating activities determined under GAAP, as well as

Adjusted EBITDA, to evaluate our financial performance and our liquidity. Our Adjusted EBITDA excludes some, but not all, items that affect net income (loss) and net cash provided by operating activities, and these measures may vary among companies. Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this knowledge into management's decision making processes.

The following table reconciles Adjusted EBITDA to net income (loss) and net cash provided by operating activities, its most directly comparable GAAP financial measures, for each of the periods presented (in thousands):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net income (loss)	$ 11,440	$ 12,935	$ (154,273)	$ 24,946	$ 11,071
Interest expense, net	25,129	21,087	17,605	12,529	12,488
Depreciation and amortization	98,603	92,337	85,238	71,156	52,917
Income tax expense	538	421	1,085	103	280
EBITDA	$ 135,710	$ 126,780	$ (50,345)	$ 108,734	$ 76,756
Impairment of compression equipment (1)	4,972	5,760	27,274	2,266	203
Impairment of goodwill (2)	—	—	172,189	—	—
Interest income on capital lease	1,610	1,492	1,631	1,274	—
Unit-based compensation expense (3)	11,708	10,373	3,863	3,034	1,343
Riverstone management fee (4)	—	—	—	—	49
Transaction expenses for acquisitions (5)	1,406	894	—	1,299	2,142
Severance charges	314	577	—	—	—
Other	490	—	—	—	—
Loss (gain) on disposition of assets and other	(507)	772	(1,040)	(2,198)	637
Adjusted EBITDA	$ 155,703	$ 146,648	$ 153,572	$ 114,409	$ 81,130
Interest expense, net	(25,129)	(21,087)	(17,605)	(12,529)	(12,488)
Income tax expense	(538)	(421)	(1,085)	(103)	(280)
Interest income on capital lease	(1,610)	(1,492)	(1,631)	(1,274)	—
Non-cash interest expense and other	2,186	2,108	1,702	1,189	1,839
Riverstone management fee	—	—	—	—	(49)
Transaction expenses for acquisitions	(1,406)	(894)	—	(1,299)	(2,142)
Severance charges	(314)	(577)	—	—	—
Other	(490)	—	—	—	—
Changes in operating assets and liabilities	(3,758)	(20,588)	(17,552)	1,498	180
Net cash provided by operating activities	$ 124,644	$ 103,697	$ 117,401	$ 101,891	$ 68,190

(1) Represents non-cash charges incurred to write down long-lived assets with recorded values that are not expected to be recovered through future cash flows.

(2) For further discussion of the goodwill impairment we recognized for the year ended December 31, 2015, please refer to Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Goodwill Impairment Assessments").

(3) For the years ended December 31, 2017, 2016, 2015, 2014 and 2013, unit-based compensation expense included $2.5 million, $2.8 million, $0.9 million, $0.5 million and $0, respectively, of cash payments related to quarterly payments of distribution equivalent rights on outstanding phantom unit awards and $0.4 million, $0.1 million, $0.2 million, $0.3 million and $0, respectively, related to the cash portion of any settlement of phantom unit awards upon vesting. The remainder of the unit-based compensation expense for 2017, 2016, 2015 and 2014 is related to non-cash adjustments to the unit-based compensation liability, and for 2013 is related to the non-cash amortization of unit-based compensation in equity.

(4) Represents management fees paid to Riverstone for services performed during 2013. We are no longer responsible for these fees following the closing of our initial public offering in January 2013. As such, we believe it is useful to investors to view our results excluding these fees.

(5) Represents certain transaction expenses related to potential acquisitions and other items. We believe it is useful to investors to exclude these fees.

Distributable Cash Flow

We define DCF as net income (loss) plus non-cash interest expense, non-cash income tax expense, depreciation and amortization expense, unit-based compensation expense, impairment of compression equipment, impairment of goodwill, certain transaction fees, severance charges, loss (gain) on disposition of assets, proceeds from insurance recovery and other, less maintenance capital expenditures.

We believe DCF is an important measure of operating performance because it allows management, investors and others to compare basic cash flows we generate (prior to any retained cash reserves established by our general partner and the effect of the DRIP) to the cash distributions we expect to pay our unitholders. Using DCF, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions.

DCF should not be considered an alternative to, or more meaningful than, net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance presented in accordance with GAAP as measures of operating performance and liquidity. Moreover, our DCF as presented may not be comparable to similarly titled measures of other companies.

Because we use capital assets, depreciation and impairment of compression equipment, (gain) loss on disposition of assets, and maintenance capital expenditures are necessary elements of our costs. Expense related to unit-based compensation expense associated with equity awards to employees is also a necessary component of our business. Therefore, measures that exclude these elements have material limitations. To compensate for these limitations, we believe that it is important to consider both net income (loss) and net cash provided by operating activities determined under GAAP, as well as DCF, to evaluate our financial performance and our liquidity. Our DCF excludes some, but not all, items that affect net income (loss) and net cash provided by operating activities, and these measures may vary among companies. Management compensates for the limitations of DCF as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating this knowledge into management’s decision making processes.

The following table reconciles DCF to net income (loss) and net cash provided by operating activities, its most directly comparable GAAP financial measures, for each of the periods presented (in thousands):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Net income (loss)	$ 11,440	$ 12,935	$ (154,273)	$ 24,946	$ 11,071
Plus: Non-cash interest expense	2,186	2,108	1,702	1,224	2,201
Plus: Non-cash income tax expense	278	239	874	—	—
Plus: Depreciation and amortization	98,603	92,337	85,238	71,156	52,917
Plus: Unit-based compensation expense (1)	11,708	10,373	3,863	3,034	1,343
Plus: Impairment of compression equipment	4,972	5,760	27,274	2,266	203
Plus: Impairment of goodwill	—	—	172,189	—	—
Plus: Transaction expenses for acquisitions (2)	1,406	894	—	1,299	2,142
Plus: Severance charges	314	577	—	—	—
Plus: Other	490	—	—	—	—
Plus: Loss (gain) on disposition of assets and other	(507)	772	(1,040)	(2,198)	637
Plus: Proceeds from insurance recovery	—	73	1,157	—	—
Less: Maintenance capital expenditures (3)	(12,560)	(7,739)	(16,134)	(15,800)	(14,304)
DCF	$ 118,330	$ 118,329	$ 120,850	$ 85,927	$ 56,210
Plus: Maintenance capital expenditures	12,560	7,739	16,134	15,800	14,304
Plus: Change in working capital	(3,758)	(20,588)	(17,552)	1,498	180
Less: Transaction expenses for acquisitions	(1,406)	(894)	—	(1,299)	(2,142)
Less: Other	(1,082)	(889)	(2,031)	(35)	(362)
Net cash provided by operating activities	$ 124,644	$ 103,697	$ 117,401	$ 101,891	$ 68,190

(1) For the years ended December 31, 2017, 2016, 2015, 2014 and 2013, unit-based compensation expense includes $2.5 million, $2.8 million, $0.9 million, $0.5 million and $0, respectively, of cash payments related to quarterly payments of distribution equivalent rights on phantom unit awards and $0.4 million, $0.1 million, $0.2 million, $0.3 million and $0, respectively, related to the cash portion of any settlement of phantom units upon vesting. The remainder of the unit-based compensation expense for 2017, 2016, 2015 and 2014 is related to non-cash adjustments to the unit-based compensation liability, and for 2013 is related to the non-cash amortization of unit-based compensation in equity.

(2) Represents certain transaction expenses related to potential acquisitions and other items. We believe it is useful to investors to exclude these fees.

(3) Reflects maintenance capital expenditures for the period presented. Maintenance capital expenditures are capital expenditures made to maintain the operating capacity of our assets and extend their useful lives, to replace partially or fully depreciated assets, or other capital expenditures that are incurred in maintaining our existing

business and related operating income.

Coverage Ratios

DCF Coverage Ratio is defined as DCF less cash distributions to be paid to our general partner and IDRs in respect of such period, divided by distributions declared to limited partner unitholders in respect of such period. Cash Coverage Ratio is defined as DCF less cash distributions to be paid to our general partner and IDRs in respect of such period, divided by cash distributions expected to be paid to limited partner unitholders in respect of such period, after taking into account the non-cash impact of the DRIP. We believe DCF Coverage Ratio and Cash Coverage Ratio are important measures of operating performance because they allow management, investors and others to gauge our ability to pay cash distributions to limited partner unitholders using the cash flows that we generate. Our DCF Coverage Ratio and Cash Coverage Ratio as presented may not be comparable to similarly titled measures of other companies.

The following table summarizes our coverage ratios for the periods presented (dollars in thousands):

	Year Ended December 31,				
	2017	2016	2015	2014	2013
DCF	$ 118,330	$ 118,329	$ 120,850	$ 85,927	$ 56,210
General partner interest in DCF	3,007	2,866	2,658	1,947	1,188
Pre-IPO DCF	—	—	—	—	2,323
DCF attributable to limited partner interest	$ 115,323	$ 115,463	$ 118,192	$ 83,980	$ 52,699
Distributions for DCF coverage ratio (1)	$ 129,657	$ 115,881	$ 101,266	$ 85,098	$ 55,961
Distributions reinvested in the DRIP (2)	16,592	24,441	55,489	52,556	36,694
Distributions for Cash Coverage Ratio (3)	$ 113,065	$ 91,440	$ 45,777	$ 32,542	$ 19,267
DCF Coverage Ratio (4)	0.89	1.00	1.17	0.99	0.94
Cash Coverage Ratio (5)	1.02	1.26	2.58	2.58	2.74

(1) Represents distributions to the holders of our limited partnership units, after giving effect to the weighted average common units outstanding, due to our December 2016, September 2015 and May 2014 equity offerings and an acquisition we completed in August 2013 for the years ended December 31, 2016, 2015, 2014 and 2013, as applicable. Without giving effect to the weighted average common units outstanding due to our December 2016, September 2015 and May 2014 equity offerings and an acquisition we completed in August 2013 for the years ended December 31, 2016, 2015, 2014 and 2013, actual distributions to holders of our limited partnership units were $118.1 million, $103.1 million, $86.5 million and $58.2 million, respectively.

(2) Represents distributions to holders enrolled in the DRIP as of the record date for each period.

(3) Represents cash distributions declared for our limited partnership units not participating in the DRIP, after giving effect to the weighted average of limited partnership units outstanding for each period due to our December 2016, September 2015 and May 2014 equity offerings and an acquisition we completed in August 2013 for the years ended December 31, 2016, 2015, 2014 and 2013, as applicable.

(4) For the years ended December 31, 2016, 2015, 2014 and 2013, the DCF Coverage Ratio based on actual limited partnership units outstanding as of the respective record dates was 0.98x, 1.15x, 0.97x and 0.91x, respectively.

(5) For the years ended December 31, 2016, 2015, 2014 and 2013, the Cash Coverage Ratio based on actual limited partnership units outstanding as of the respective record dates was 1.23x, 2.48x, 2.46x and 2.74x, respectively.

ITEM 7.Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, the notes thereto, and the other financial information appearing elsewhere in this report. The following discussion includes forward-looking statements that involve certain risks and uncertainties. See Part I (“Disclosure Regarding Forward-Looking Statements”) and Part I, Item 1A (“Risk Factors”).

Overview

We provide compression services in a number of shale plays throughout the U.S., including the Utica, Marcellus, Permian Basin, Delaware Basin, Eagle Ford, Mississippi Lime, Granite Wash, Woodford, Barnett, Haynesville, Niobrara and Fayetteville shales. The demand for our services is driven by the domestic production of natural gas and crude oil; as such, we have focused our activities in areas of attractive natural gas and crude oil production growth, which are generally found in these shale and unconventional resource plays. According to studies promulgated by the Energy Information Agency (“EIA”), the production and transportation volumes in these shale plays are expected to increase over the long term due to the comparatively attractive economic returns versus returns achieved in many conventional basins. Furthermore, the changes in production volumes and pressures of shale plays over time require a wider range of compression services than in conventional basins. We believe the flexibility of our compression units positions us well to meet these changing operating conditions. While our business focuses largely on compression services serving infrastructure applications, including centralized natural gas gathering systems and processing facilities, which utilize large horsepower compression units, typically in shale plays, we also provide compression services in more mature conventional basins, including gas lift applications on crude oil wells targeted by horizontal drilling techniques. Gas lift, a process by which natural gas is injected into the production tubing of an existing producing well, thus reducing the hydrostatic pressure and allowing the oil to flow at a higher rate, and other artificial lift technologies are critical to the enhancement of oil production from horizontal wells operating in tight shale plays.

General Trends and Outlook

While our business does not have direct exposure to commodity prices, the general activity levels of our customers can be affected by commodity prices. A significant amount of our assets are utilized in natural gas infrastructure applications, primarily in centralized natural gas gathering systems and processing facilities. Given the project nature of these applications and long-term investment horizon of our customers, we have generally experienced stability in rates and higher sustained utilization rates relative to other businesses more tied to drilling activity and wellhead economics. In addition to assets utilized in infrastructure applications, a small portion of our fleet is used in connection with crude oil production using horizontal drilling techniques.

The relative increase in, and stabilization of, commodity prices during the second-half of 2016 and throughout 2017 has allowed our customers to increase their capital budgets in regards to crude oil exploration and production activities and the build-out of large-scale natural gas infrastructure projects, particularly in areas with favorable economics. These projects increased demand for our compression services throughout 2017 as we saw our horsepower utilization increase from 87.1% at December 31, 2016 to 94.8% at December 31, 2017, while also increasing the horsepower in our fleet from 1,720,547 at December 31, 2016 to 1,799,781 at December 31, 2017.

The U.S. Energy Information Administration January 2018 Short-Term Energy Outlook ("EIA Outlook") expects dry natural gas production to rise by 6.9 billion cubic feet per day ("Bcf/day") in 2018 and by 2.6 Bcf/day in 2019. If achieved, the forecasted 6.9 Bcf/day increase in 2018 would be the highest on record for any single year. The EIA Outlook expects growth to be concentrated in Appalachia's Marcellus and Utica regions, along with the Permian Basin region, all regions in which we provide compression services. Much of the expected increase in natural gas production is the result of increasing pipeline takeaway capacity out of the Marcellus and Utica producing regions to end-use markets. Additionally, EIA Outlook projects liquefied natural gas ("LNG") gross exports will average 3.0 Bcf/day in 2018, up from 1.9 Bcf/day in 2017. The EIA Outlook expects U.S. liquefaction capacity will continue to expand as several new projects are expected to enter service during 2018 and 2019. Also from the EIA Outlook, natural gas pipeline exports to Mexico through October increased by 0.4 Bcf/day in 2017 compared to the same period in 2016. A relatively low natural gas export price, rising demand from Mexico's power sector, and increased pipeline capacity in both the U.S. and Mexico have led to increased exports.

We believe this increasing demand for natural gas will also create increasing demand for compression services, for both existing natural gas fields as they age and for the development of new natural gas fields. As such, we expect demand for our compression services to continue to increase throughout 2018 although we cannot predict any possible changes in such demand with reasonable certainty.

We intend to prudently deploy capital for new compressor units in 2018. We have already entered into commitments to purchase most of our large horsepower compressor units in 2018, as the lead time to build these units is approximately one year or shorter. Most of our 2018 purchases of large horsepower compressor units are already committed to customers or under contract with customers due to the high demand and limited supply of these units.

The EIA Outlook forecasts total U.S. crude oil production to average 10.3 million barrels per day in 2018, up 1.0 million barrels per day from 2017. If achieved, forecasted 2018 production would be the highest annual average on record, surpassing the previous record of 9.6 million barrels per day set in 1970. According to the EIA Outlook, in 2019, crude oil production is forecast to rise to an average of 10.8 million barrels per day and the Permian region is expected to produce 3.6 million barrels per day of crude oil by the end of 2019 which would represent about 32% of U.S. crude oil production that year. With the large geographic area of the Permian region and stacked plays, the EIA Outlook estimates that operators can continue to develop multiple tight oil layers and increase production, even with sustained crude oil prices lower than $50 per barrel. As of February 8, 2018, the WTI crude oil spot price was $61.15 per barrel. WTI crude oil spot prices are forecast within the EIA Outlook to average $56 per barrel in 2018 and $57 per barrel in 2019. Daily and monthly average crude oil prices could vary significantly from annual average forecasts due to global economic developments and geopolitical events in the coming months that could have the potential to push oil prices higher or lower than forecast. Uncertainty remains regarding the duration of, and adherence to, the current Organization of the Petroleum Exporting Countries ("OPEC") production cuts, which could influence prices in either direction.

We believe the relative increase in, and stabilization of, crude oil prices in the second half of 2016 and throughout 2017 has led to an increase in drilling activity, and combined with the continued development of horizontal drilling technology, operators are able to produce new volumes of crude oil from tight, high pressure reservoirs. Due in part to these higher initial pressures, the increase in demand for gas lift compression in these new areas of drilling could be delayed until reservoir pressures decline to a point where compression is beneficial to the economics of a particular well or basin. However, we have experienced an increase in the demand for our smaller horsepower units engaged in gas lift applications and expect that to continue.

Operating Highlights

The following table summarizes certain horsepower and horsepower utilization percentages for the periods presented.

	Year Ended December 31,			Percent Change	
Operating Data:	2017	2016	2015	2017	2016
Fleet horsepower (at period end) (1)	1,799,781	1,720,547	1,712,196	4.6 %	0.5 %
Total available horsepower (at period end) (2)	1,950,301	1,730,547	1,712,196	12.7 %	1.1 %
Revenue generating horsepower (at period end) (3)	1,624,377	1,387,073	1,424,537	17.1 %	(2.6) %
Average revenue generating horsepower (4)	1,505,657	1,377,966	1,408,689	9.3 %	(2.2) %
Average revenue per revenue generating horsepower per month (5)	$ 15.07	$ 15.41	$ 15.90	(2.2) %	(3.1) %
Revenue generating compression units (at period end)	2,830	2,552	2,737	10.9 %	(6.8) %
Average horsepower per revenue generating compression unit (6)	554	534	517	3.7 %	3.3 %
Horsepower utilization (7):					
At period end	94.8 %	87.1 %	89.2 %	8.8 %	(2.4) %
Average for the period (8)	92.0 %	87.4 %	90.5 %	5.3 %	(3.4) %

(1) Fleet horsepower is horsepower for compression units that have been delivered to us (and excludes units on order). As of December 31, 2017, we had 147,500 and 5,520 horsepower on order for delivery during 2018 and 2019, respectively.

(2) Total available horsepower is revenue generating horsepower under contract for which we are billing a customer, horsepower in our fleet that is under contract but is not yet generating revenue, horsepower not yet in our fleet that is under contract but not yet generating revenue and that is subject to a purchase order, and idle horsepower. Total available horsepower excludes new horsepower on order for which we do not have a compression services contract.

(3) Revenue generating horsepower is horsepower under contract for which we are billing a customer.

(4) Calculated as the average of the month-end revenue generating horsepower for each of the months in the period.

(5) Calculated as the average of the result of dividing the contractual monthly rate for all units at the end of each month in the period by the sum of the revenue generating horsepower at the end of each month in the period.

(6) Calculated as the average of the month-end revenue generating horsepower per revenue generating compression unit for each of the months in the period.

(7) Horsepower utilization is calculated as (i) the sum of (a) revenue generating horsepower, (b) horsepower in our fleet that is under contract but is not yet generating revenue, and (c) horsepower not yet in our fleet that is under contract, not yet generating revenue and that is subject to a purchase order, divided by (ii) total available horsepower less idle horsepower that is under repair. Horsepower utilization based on revenue generating horsepower and fleet horsepower was 90.3%, 80.6% and 83.2% at December 31, 2017, 2016 and 2015, respectively.

(8) Calculated as the average utilization for the months in the period based on utilization at the end of each month in the period. Average horsepower utilization based on revenue generating horsepower and fleet horsepower was 85.9%, 80.3% and 85.1% for the years ended December 31, 2017, 2016 and 2015, respectively.

The 4.6% increase in fleet horsepower as of December 31, 2017 over the fleet horsepower as of December 31, 2016 was attributable to new compression units added to our fleet to meet then expected demand by new and current customers for compression services. The 17.1% increase in revenue generating horsepower as of December 31, 2017 over December 31, 2016 was primarily due to organic growth in our active fleet and redeployment of previously idle equipment. The 3.7% increase in average horsepower per revenue generating compression unit as of December 31, 2017 over December 31, 2016 was primarily due to the addition of large horsepower compression units in the operating fleet. The 2.2% decrease in average revenue per revenue generating horsepower per month for the year ended December 31, 2017 over December 31, 2016 was primarily due to (1) reduced pricing in the small horsepower portion of our fleet in the current period and (2) an increase in the average horsepower per revenue generating compression unit in the current period, resulting from an increase in the number of large horsepower compression units which typically generate lower average revenue per revenue generating horsepower than do small horsepower compression units.

The 0.5% increase in fleet horsepower as of December 31, 2016 over the fleet horsepower as of December 31, 2015 was attributable to new compression units added to our fleet to meet then expected demand by new and current customers for compression services. The 2.6% decrease in revenue generating horsepower as of December 31, 2016 over December 31, 2015 was primarily due to an increase in the amount of time required to contract services for new compression units and an increase in the amount of compression units returned to us. The 3.3% increase in average horsepower per revenue generating compression unit as of December 31, 2016 over December 31, 2015 was primarily due to the addition of large horsepower compression units in the operating fleet and the decline in utilization of small horsepower units over the year ended December 31, 2016. The 3.1% decrease in average revenue per revenue generating horsepower per month for the year ended December 31, 2016 over December 31, 2015 was primarily due to (1) reduced pricing in the small horsepower portion of our fleet in the current period and (2) an increase in the average horsepower per revenue generating compression unit in the current period, resulting from an increase in the number of large horsepower compression units which typically generate lower average revenue per revenue generating horsepower than do small horsepower compression units.

Average horsepower utilization increased to 92.0% during the year ended December 31, 2017 compared to 87.4% during the year ended December 31, 2016. The 4.6% increase in average horsepower utilization was primarily attributable to the following changes as a percentage of total available horsepower: (1) a 6.9% increase in horsepower that is under contract but not yet generating revenue and (2) a 1.9% decrease in our average fleet of compression units returned to us not yet under contract, offset by (3) a 4.0% decrease in idle horsepower under repair, which is excluded from the average horsepower utilization calculation until such repair is complete. We believe the increase in average horsepower utilization is the result of increased demand for our services commensurate with increased operating activity in the oil and gas industry. The above noted fluctuation in utilization components also describes the changes in period end horsepower utilization as of December 31, 2017 compared to December 31, 2016.

Average horsepower utilization decreased to 87.4% during the year ended December 31, 2016 compared to 90.5% during the year ended December 31, 2015. The 3.1% decrease in average horsepower utilization was primarily attributable to the following changes as a percentage of total available horsepower: (1) a 3.7% increase in our average fleet of compression units returned to us not yet under contract and (2) a 1.0% decrease in horsepower that was on-contract or pending-contract but not yet active. The decrease in average horsepower utilization was offset by a 2.6% increase in idle horsepower under repair, which is excluded from the average horsepower utilization calculation until such repair is complete. We believe the decrease in average horsepower utilization was the result of a delay in planned projects of certain of our customers, continued optimization of existing compression service requirements by our customers and our selective pursuit of what we deemed to be the most attractive opportunities. The above noted fluctuation in utilization components also describes the changes in period end horsepower utilization, except that we experienced a 1.2% increase in horsepower that was on-contract or pending-contract but not yet active as of December 31, 2016 compared to December 31, 2015.

Average horsepower utilization based on revenue generating horsepower and fleet horsepower increased to 85.9% during the year ended December 31, 2017 compared to 80.3% during the year ended December 31, 2016. The 5.6% increase was primarily attributable to the following changes as a percentage of total fleet horsepower: (1) a 4.0% decrease in idle horsepower under repair and (2) a 2.0% decrease in our average idle fleet composed of new compression units offset by (3) a 0.4% increase in our average idle fleet from compression units returned to us. The overall decrease in idle horsepower is the result of increased demand for our services commensurate with increased operating activity in the oil and gas industry. These factors also describe the variances in period end horsepower utilization based on revenue generating horsepower and fleet horsepower between the year ended December 31, 2017 and the year ended December 31, 2016.

Average horsepower utilization based on revenue generating horsepower and fleet horsepower decreased to 80.3% during the year ended December 31, 2016 compared to 85.1% during the year ended December 31, 2015. The 4.8% decrease was primarily attributable to the following changes as a percentage of total fleet horsepower: (1) a 4.7% increase in our average idle fleet from compression units returned to us and (2) a 2.6% increase in idle horsepower under repair offset by (3) a 2.4% decrease in our average idle fleet composed of new compression units. The increase in units returned to us is believed to be a result of our customers' optimization of their compression service requirements. These factors also describe the variances in period end horsepower utilization based on revenue generating horsepower and fleet horsepower between the year ended December 31, 2016 and the year ended December 31, 2015.

Financial Results of Operations

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table summarizes our results of operations for the periods presented (dollars in thousands):

	Year Ended December 31,		Percent
	2017	2016	Change
Revenues:			
Contract operations	$ 264,315	$ 246,950	7.0 %
Parts and service	15,907	18,971	(16.2) %
Total revenues	280,222	265,921	5.4 %
Costs and expenses:			
Cost of operations, exclusive of depreciation and amortization	92,591	88,161	5.0 %
Gross operating margin	187,631	177,760	5.6 %
Other operating and administrative costs and expenses:			
Selling, general and administrative	47,483	44,483	6.7 %
Depreciation and amortization	98,603	92,337	6.8 %
Loss (gain) on disposition of assets	(507)	772	165.7 %
Impairment of compression equipment	4,972	5,760	(13.7) %
Total other operating and administrative costs and expenses	150,551	143,352	5.0 %
Operating income	37,080	34,408	7.8 %
Other income (expense):			
Interest expense, net	(25,129)	(21,087)	19.2 %
Other	27	35	(22.9) %
Total other expense	(25,102)	(21,052)	19.2 %
Income before income tax expense	11,978	13,356	(10.3) %
Income tax expense	538	421	27.8 %
Net income	$ 11,440	$ 12,935	(11.6) %

Contract operations revenue. During 2017, we experienced a year-to-year increase in demand for our compression services driven by increased operating activity in natural gas and crude oil production, resulting in a $17.4 million increase in our contract operations revenue. Average revenue generating horsepower increased 9.3% during the year ended December 31, 2017 over December 31, 2016 while average revenue per revenue generating horsepower per month decreased from $15.41 for the year ended December 31, 2016 to $15.07 for the year ended December 31, 2017, a decrease of 2.2%, attributable, in part, to reduced pricing in the current period in the small horsepower portion of our fleet. The decrease in average revenue per revenue generating horsepower per month was also attributable to the 3.7% increase in the average horsepower per revenue generating compression unit in the current period, as large horsepower compression units typically generate lower average monthly revenue per revenue generating horsepower than do small horsepower compression units. Average revenue per revenue generating horsepower per month associated with our compression services provided on a month-to-month basis did not significantly differ from the average revenue per revenue generating horsepower per month associated with our compression services provided under contracts in the primary term. Our contract operations revenue was not materially impacted by any renegotiations of our contracts during the period with our customers.

Parts and service revenue. Parts and service revenue was earned primarily on the installation of equipment ancillary to compression operations. The $3.1 million decrease in parts and service revenue was primarily attributable to (1) an $8.3 million decrease in revenue associated with installation services offset by (2) a $4.1 million increase in maintenance work on units at our customers' locations that are outside the scope of our core maintenance activities and (3) a $1.4 million increase in freight and crane charges that are directly reimbursable by our customers. We offer these services as a courtesy to our customers and the demand fluctuates from period to period based on the varying needs of our customers.

Cost of operations, exclusive of depreciation and amortization. The $4.4 million increase in cost of operations was primarily attributable to (1) a $7.4 million increase in direct expenses, such as parts and fluids expenses and (2) a $2.4 million increase in direct labor expenses offset by (3) a $3.5 million decrease in retail parts and service expenses, which have a corresponding decrease in parts and service revenue, and (4) a $2.7 million decrease in property and other taxes. The increase in direct parts, fluids and labor are primarily driven by the increase in average revenue generating horsepower during the current period.

Gross operating margin. The $9.9 million increase in gross operating margin was primarily due to an increase in revenues, partially offset by an increase in operating expenses during the year ended December 31, 2017.

Selling, general and administrative expense. The $3.0 million increase in selling, general and administrative expense for the year ended December 31, 2017 was primarily attributable to (1) a $1.3 million increase in unit-based compensation expense, (2) a $0.8 million increase in bad debt expense, due to a $1.1 million recovery of bad debt expense during the year ended December 31, 2016 compared to a $0.3 million recovery during the year ended December 31, 2017 and (3) $0.5 million increase in transaction expenses related to potential acquisitions. Unit-based compensation expense increased primarily due to a greater fair value assigned to the 2016 “Performance Units” that are subject to market criteria and which were measured using the Monte Carlo simulation model as of December 31, 2017.

Depreciation and amortization expense. The $6.3 million increase in depreciation expense was primarily related to an increase in gross property and equipment balances during the year ended December 31, 2017 compared to gross balances during the year ended December 31, 2016.

Loss (gain) on disposition of assets. During the year ended December 31, 2017, the $0.5 million gain was primarily attributable to the sale of select compression equipment. During the year ended December 31, 2016, we abandoned certain assets and incurred a $1.0 million loss.

Impairment of compression equipment. The $5.0 million and $5.8 million impairment charge during the years ended December 31, 2017 and 2016, respectively, were primarily a result of our evaluation of the future deployment of our current idle fleet under the current market conditions. Our evaluation determined that due to certain performance characteristics of the impaired equipment, such as excessive maintenance costs and the inability of the equipment to meet then-current emission standards without retrofitting, this equipment was unlikely to be accepted by customers under then-current market conditions. As a result of our evaluation during the years ended December 31, 2017 and 2016, we determined to retire and either sell or re-utilize the key components of 40 and 29 compression units, with a total of approximately 11,000 and 15,000 horsepower, respectively, that had been previously used to provide compression services in our business.

Interest expense, net. The $4.0 million increase in interest expense, net was primarily attributable to the impact of an increase in our weighted average interest rate. Our revolving credit facility bore an interest rate of 3.46% and 2.94% at December 31, 2017 and 2016, respectively, and a weighted-average interest rate of 3.14% and 2.55% during the years ended December 31, 2017 and 2016, respectively. The impact of the increase in interest rate was partially offset by the impact of an $8.9 million decrease in average outstanding borrowings under our revolving credit facility. Average borrowings under the facility were $734.6 million for the year ended December 31, 2017 compared to $743.5 million for the year ended December 31, 2016.

Income tax expense. This line item represents the Revised Texas Franchise Tax (“Texas Margin Tax”) and change in deferred tax liability, which is materially consistent between both periods.

Year ended December 31, 2016 compared to the year ended December 31, 2015

The following table summarizes our results of operations for the periods presented (dollars in thousands):

	Year Ended December 31,		Percent
	2016	2015	Change
Revenues:			
Contract operations	$ 246,950	$ 263,816	(6.4) %
Parts and service	18,971	6,729	181.9 %
Total revenues	265,921	270,545	(1.7) %
Costs and expenses:			
Cost of operations, exclusive of depreciation and amortization	88,161	81,539	8.1 %
Gross operating margin	177,760	189,006	(6.0) %
Other operating and administrative costs and expenses:			
Selling, general and administrative	44,483	40,950	8.6 %
Depreciation and amortization	92,337	85,238	8.3 %
Loss (gain) on disposition of assets	772	(1,040)	174.2 %
Impairment of compression equipment	5,760	27,274	(78.9) %
Impairment of goodwill	—	172,189	* %
Total other operating and administrative costs and expenses	143,352	324,611	(55.8) %
Operating income (loss)	34,408	(135,605)	125.4 %
Other income (expense):			
Interest expense	(21,087)	(17,605)	19.8 %
Other	35	22	59.1 %
Total other expense	(21,052)	(17,583)	19.7 %
Income (loss) before income tax expense	13,356	(153,188)	108.7 %
Income tax expense	421	1,085	(61.2) %
Net income (loss)	$ 12,935	$ (154,273)	108.4 %

* Not meaningful.

Contract operations revenue. During 2016, we experienced a year-to-year decrease in demand for our compression services driven by decreased operating activity in natural gas and crude oil production and continued optimization of existing compression service requirements, resulting in a 2.2% decrease in average revenue generating horsepower and a $16.9 million decrease in our contract operations revenue. Average revenue per revenue generating horsepower per month decreased from $15.90 for the year ended December 31, 2015 to $15.41 for the year ended December 31, 2016, a decrease of 3.1%, attributable, in part, to reduced pricing in the current period in the small horsepower portion of our fleet. The decrease in average revenue per revenue generating horsepower per month was also attributable to the 3.3% increase in the average horsepower per revenue generating compression unit in the current period, as large horsepower compression units generally generate lower average monthly revenue per revenue generating horsepower than do small horsepower compression units. Average revenue per revenue generating horsepower per month associated with our compression services provided on a month-to-month basis was somewhat higher than the average revenue per revenue generating horsepower per month associated with our compression services provided under contracts in the primary term due to pressure on service rates attributable to the small horsepower portion of our fleet. Because the demand for our services is driven primarily by production of natural gas, we focus our activities in areas of attractive growth, which are generally found in certain shale and unconventional resource plays, as discussed above under the heading “Overview.” Our contract operations revenue was not materially impacted by any renegotiations of our contracts during the period with our customers.

Parts and service revenue. Parts and service revenue was earned primarily on the installation of equipment ancillary to compression operations. During 2016, we recognized $15.7 million of revenue associated with installation services, which accounts for the $12.2 million year-over-year increase in parts and service revenue. The remaining component of our parts and service revenue, which was earned primarily on (1) freight and crane charges that are directly reimbursed by our customers, for which we earn little to no margin, and (2) maintenance work on units at our customers’ locations that are outside the scope of our core maintenance activities, for which we earn lower margins than our contract operations, decreased $3.5 million during the current period.

Cost of operations, exclusive of depreciation and amortization. The $6.6 million increase in cost of operations was primarily attributable to an $8.3 million increase in retail parts and service expenses, which includes $11.9 million of additional costs associated with our installation services. Excluding these costs, retail parts and services expense decreased $3.6 million reflecting a corresponding decrease in this component of parts and services revenue. Additionally during the period, we experienced (1) a $2.1 million decrease in direct expenses, such as parts and fluids expenses, (2) a $0.6 million decrease in direct labor expenses and (3) a $0.5 million decrease in expenses related to our vehicle fleet, offset by (4) a $1.7 million increase in property and other taxes. The decrease in direct parts, fluids, labor and vehicle expenses are primarily driven by the decrease in average revenue generating horsepower during the current period.

Gross operating margin. The $11.2 million decrease in gross operating margin was primarily due to a decrease in revenues, partially offset by a decrease in operating expenses and the $3.8 million of gross operating margin we earned from our installation services during the year ended December 31, 2016.

Selling, general and administrative expense. The $3.5 million increase in selling, general and administrative expense for the year ended December 31, 2016 was primarily attributable to a $6.5 million increase in unit-based compensation expense, partially offset by a $2.9 million decrease in bad debt expense. Unit-based compensation expense increased primarily due to (1) the increase in our unit price as of December 31, 2016 compared to December 31, 2015, (2) a greater number of outstanding phantom units as of December 31, 2016 compared to December 31, 2015 which resulted from a higher number of phantom unit grants during 2016 as compared to 2015 (reflecting our sharply lower unit price at the time the grants were made in 2016 versus our unit price at the time the grants were made in 2015), and (3) a greater number of phantom units outstanding on which distribution equivalent rights were paid as of each record date during the comparable periods. The decrease in bad debt expense was due primarily to a $1.1 million decrease in allowance for doubtful accounts during the year ended December 31, 2016 due in part to collections on accounts that had previously been reserved during the year ended December 31, 2015 as compared to a $1.8 million increase in the allowance for doubtful accounts during the year ended December 31, 2015.

Depreciation and amortization expense. The $7.1 million increase in depreciation expense was related to an increase in gross property and equipment balances during the year ended December 31, 2016 compared to gross balances during the year ended December 31, 2015. There is no variance in amortization expense between the periods, as intangible assets are amortized on a straight-line basis and there has been no change in gross identifiable intangible assets between the periods.

Loss (gain) on disposition of assets. During the year ended December 31, 2016, we abandoned certain assets and incurred a $1.0 million loss. The $1.0 million gain on sale of assets during the year ended December 31, 2015 was primarily attributable to $1.2 million cash insurance recoveries on previously impaired compression equipment received during the year and $1.1 million gain on sale of 18 units, or 7,200 horsepower, offset by $1.3 million of losses incurred in the disposal of various unit and non-unit assets.

Impairment of compression equipment. The $5.8 million and $27.3 million impairment charge during the years ended December 31, 2016 and 2015, respectively, were primarily a result of our evaluation of the future deployment of our current idle fleet under the current market conditions. Our evaluation determined that due to certain performance characteristics of the impaired equipment, such as excessive maintenance costs and the inability of the equipment to meet current emission standards without retrofitting, this equipment was unlikely to be accepted by customers under current market conditions. As a result of our evaluation during the years ended December 31, 2016 and 2015, we determined to retire and either sell or re-utilize the key components of 29 and 166 compression units, with a total of approximately 15,000 and 58,000 horsepower, respectively, that had been previously used to provide compression services in our business.

Goodwill impairment. There was no impairment of goodwill for the year ended December 31, 2016. During the year ended December 31, 2015, we recorded a $172.2 million impairment of goodwill due primarily to the decline in our unit price, the sustained decline in global commodity prices, expected reduction in the capital budgets of certain of our customers and the impact these factors have on our expected future cash flows.

Interest expense, net. The $3.5 million increase in interest expense, net was primarily attributable to the impact of an approximately $20.2 million increase in average outstanding borrowings under our revolving credit facility, in which average borrowings were $743.5 million for the year ended December 31, 2016 compared to $723.3 million for the year ended December 31, 2015. Our revolving credit facility had an interest rate of 2.94% and 2.26% at December 31, 2016 and 2015, respectively, and a weighted-average interest rate of 2.55% and 2.24% during the years ended December 31, 2016 and 2015, respectively.

Income tax expense. This line item represents the Texas Margin Tax. The decrease in income tax expense for the year ended December 31, 2016 compared to December 31, 2015 was primarily associated with the establishment of a deferred tax liability reflecting the book/tax basis difference in our property and equipment during the year ended December 31, 2015.

Other Financial Data

The following table summarizes other financial data for the periods presented (dollars in thousands):

	Year Ended December 31,
Other Financial Data: (1)	2017
Gross operating margin	$ 187,631
Gross operating margin percentage (2)	67.0

Adjusted EBITDA

$ 3.20. Undisclosed Liabilities. Except (a) as set forth in Schedule 3.20 of the Pamrapo Disclosure Schedules, (b) for those liabilities tha reserved against on the consolidated balance sheet of Pamrapo included in the Pamrapo Financial Statements; and (c) for liabilities inc of business consistent with past practice since December 31, 2008 that, either alone or when combined with all similar liabilities, have reasonably be expected to have, a Material Adverse Effect on Pamrapo, neither Pamrapo nor any of its Subsidiaries has incurred any l whatsoever (whether absolute, accrued, contingent or otherwise and whether due or to become due).

3.21. State Takeover Laws. There are no antitakeover provisions in the Pamrapo Certificate of Incorporation or the NJBCA that will a adversely affect this Agreement or the transactions contemplated herein. Pamrapo has taken all actions required to exempt BCB and th provisions of an antitakeover nature in its Certificate of Incorporation, Bylaws and the provisions of any federal or state antitakeover control share acquisition or similar laws or regulations. Pamrapo does not have in place any poison pill or other type of stockhol arrangement.

3.22. Administration of Fiduciary Accounts. Pamrapo and each of its Subsidiaries has properly administered in all material respects al as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardiar advisor, in accordance with the terms of the governing documents and applicable state and federal law and regulation and common lav of its Subsidiaries nor any of their respective directors, officers or employees has committed any breach of trust with respect to any su has had or could reasonably be expected to have a Material Adverse Effect on Pamrapo, and the accountings for each such fiduciary a in all material respects and accurately reflect the assets of such fiduciary account.

3.23. Environmental Matters.

(a) Each of Pamrapo, its current or prior Subsidiaries, the Participation Facilities and the Loan Properties (each as hereinafter defined) material compliance with all applicable federal, state and local laws, regulations and ordinances and with all applicable permits, decre obligations relating to pollution, the discharge of, or exposure to materials in the environment or workplace (Environmental Laws)

(b) There is no suit, claim, action or proceeding pending or, to Pamrapo s knowledge, threatened, before any court, Governmental En arbitration) in which Pamrapo, any of its Subsidiaries, any Participation Facility or any Loan Property, has been or, with respect to thr be, named as a defendant (x) for alleged noncompliance (including by any predecessor), with any Environmental Laws, or (y) relating release or exposure to any material whether or not occurring at or on a site owned, leased or operated by Pamrapo or any of its current Participation Facility or any Loan Property;

(c) During the period of (x) Pamrapo s or any of its Subsidiaries ownership or operation of any of their respective current properties Subsidiaries participation in the management of any Participation Facility, or (z) Pamrapo s or any of its Subsidiaries holding of a Property, there has been no release of materials in, on, under or affecting any such property except in compliance with required gover Pamrapo s knowledge, prior to the period of (x) Pamrapo s or any of its Subsidiaries ownership or operation of any of their respect (y) Pamrapo s or any of its Subsidiaries participation in the management of any Participation Facility, or (z) Pamrapo s or any of it security interest in a Loan Property, there was no release or threatened release of materials in, on, under or affecting any such property Loan Property, except in compliance with required permits;

(d) All Phase I or Phase II environmental surveys on any properties owned or leased by Pamrapo or its Subsidiaries, including but not owned (OREO) properties have been provided in full to BCB and its representatives prior to execution of this Agreement, and thos provided within ten days of execution of this Agreement; and

(e) The following definitions apply for purposes of this Section 3.23 hereof: (x) Loan Property means any property in which Pamra holds a security interest or otherwise owns, including OREO; (y) Participation Facility means any facility in which Pamrapo or any in the management thereof, other than Loan Properties; (z) materials includes, but is not limited to, hazardous substances and petro 101(14) of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. § 9601(14) and secti Act, 33 U.S.C. § 1321 and their implementing regulations.

3.24. Derivative Transactions. Except as set forth in Schedule 3.24 of the Pamrapo Disclosure Schedules, neither Pamrapo nor any of or has agreed to enter into an exchange traded or over-the-counter equity, interest rate, foreign exchange or other swap, forward, futur or any other contract that is not included on its balance sheet and is a derivatives contract (including various combinations thereof) (ea nor does Pamrapo or any of its Subsidiaries own securities that (i) are referred to generically as structured notes, high risk mortga rate notes or capped floating rate mortgage derivatives or (ii) are likely to have changes in value as a result of interest or exchang exceed normal changes in value attributable to interest or exchange rate changes.

3.25. Opinion. Pamrapo has received a written opinion, dated the date hereof, from Endicott to the effect that, subject to the terms, co set forth therein, as of the date thereof the Exchange Ratio is fair to Pamrapo stockholders from a financial point of view.

3.26. Assistance Agreements. Neither Pamrapo nor any of its Subsidiaries is a party to any agreement or arrangement entered into in c consummation of a federally assisted acquisition of a depository institution pursuant to which Pamrapo or any of its Subsidiaries is en assistance or indemnification from any governmental agency.

3.27. Approvals. As of the date of this Agreement, Pamrapo knows of no reason why all regulatory approvals required for the consum contemplated hereby (including, without limitation, the Merger) should not be obtained.

3.28. Loan Portfolio.

(a) In Pamrapo s reasonable judgment, the allowance for loan losses reflected in Pamrapo s audited statement of financial condition the allowance for loan losses shown on the balance sheets in Pamrapo s Reports for periods ending after December 31, 2008 will be, respects, as of the dates thereof, under GAAP, and no Regulatory Agencies have required or requested Pamrapo Bank to increase the such periods.

(b) As of December 31, 2008, except as set forth in Schedule 3.28(b) of the Pamrapo Disclosure Schedules, neither Pamrapo nor any to any written or oral (i) loan agreement, note or borrowing arrangement (including, without limitation,

leases, credit enhancements, commitments, guarantees and interest-bearing assets) (individually, a Loan and collectively, Loans
obligor is, as of the date of this Agreement, over 90 days delinquent in payment of principal or interest or in default of any other mate
with any director, executive officer or ten percent stockholder of Pamrapo or any of its Subsidiaries, or to the knowledge of Pamrapo,
enterprise controlling, controlled by or under common control with any of the foregoing. Schedule 3.28(b) of the Pamrapo Disclosure
of the Loans of Pamrapo or any of its Subsidiaries that as of the date of this Agreement are classified as Special Mention, Substar
List, together with the principal amount of and accrued and unpaid interest on each such Loan and the identity of the Loan by numbe
Loan (i.e., commercial, consumer, etc.), all of the other Loans of Pamrapo or any of its Subsidiaries that as of the date of this Agreeme
together with the aggregate principal amount of and accrued and unpaid interest on such Loans by category. From the date hereof thro
Pamrapo shall inform BCB in writing, on a monthly basis and within 30 days of the prior month end, of any Loan that becomes classi
in the previous sentence, or any Loan the classification of which is changed.

(c) Each Loan reflected as an asset in the Pamrapo Reports (i) is evidenced by notes, agreements or other evidences of indebtedness w
correct in all material respects, (ii) to the extent secured, has been secured by valid liens and security interests which have been perfec
valid and binding obligation of the obligor named therein, enforceable in accordance with its terms, subject to bankruptcy, insolvency
other laws of general applicability relating to or affecting creditors rights and to general equity principles.

3.29. Mortgage Banking Business.

(a) Warehouse Lines of Credit. Pamrapo and its Subsidiaries do not maintain any warehouse lines of credit.

(b) Compliance. Except as set forth in Schedule 3.29(b) of the Pamrapo Disclosure Schedules, neither Pamrapo nor any of its Subsidia
do, or caused to be done or failed to be done, any act, the effect of which would operate to invalidate or materially impair (i) any priva
commitment of any private mortgage insurer to insure, (ii) any title insurance policy, (iii) any hazard insurance policy, (iv) any flood i
fidelity bond, direct surety bond, errors and omissions or other insurance policy required by any Regulatory Agency, investor or insur
guaranty agreement or (vii) the rights of Pamrapo or any of its Subsidiaries under any loan servicing agreement or loan purchase com
Agency, investor in Loans or insurer has (i) notified Pamrapo or its Subsidiaries, or to Pamrapo s knowledge, claimed, that Pamrapo
violated or has not complied on a recurring basis with the applicable underwriting standards with respect to Loans sold by Pamrapo o
investor or (ii) imposed restrictions on the activities (including commitment authority) of Pamrapo or any of its Subsidiaries. Pamrapo
does not originate any FHA or VA Loans.

(c) Loan Files. The loan documents relating to each Loan maintained in the loan files of Pamrapo Bank were in compliance with all ap regulations at the time of the origination, assumption or modification of such Loan, as the case may be, except where the failure to so or in the aggregate, would not have a Material Adverse Effect on Pamrapo. The loan files maintained by Pamrapo Bank contain origin complete copies of the documents relating to each Loan and the information contained in such loan files with respect to each such Loa accurate in all material respects and in compliance with all applicable laws and regulations, except where the failure to so comply, eith aggregate, would not have a Material Adverse Effect on Pamrapo. Except as set forth in the loan documents relating to a Loan mainta Pamrapo Bank, the terms of the note, bond, deed of trust and mortgage for each such Loan have not been impaired, waived, altered or from the date of their origination except by a written instrument which written instrument has been recorded, or submitted for recorda recordation is necessary to protect the interests of the owner thereof, except where the failure to do any of the foregoing, either indivic would not have a Material Adverse Effect on Pamrapo. Except as set forth in the loan documents maintained in the loan files by Pamr knowledge, no mortgagor has been released from such mortgagor s obligations with respect to the applicable Loan.

(d) No Recourse. Except as set forth in Schedule 3.29(d) of the Pamrapo Disclosure Schedules, Pamrapo Bank is not subject to recour Loans sold by it for (i) losses on liquidation of a loan, (ii) borrower defaults or (iii) repurchase obligations upon the occurrence of non

(e) Escrow Account. All escrow accounts have been maintained by Pamrapo Bank and, to Pamrapo s knowledge, all prior servicers, i the related loan documents, all applicable laws, rules, regulations, and requirements of governmental authorities. Pamrapo Bank has c borrowers all interest required to be paid on any escrow account in accordance with applicable law and the terms of such agreements a escrow, custodial, and suspense accounts related to the Loans are held in Pamrapo Bank s name or the investor s name by Pamrapo B

(f) ARM Adjustments. With respect to each Loan for which the interest rate is not fixed for the entire term of the Loan, Pamrapo Bank originated such Loan: (i) properly and accurately entered into its system all data required to service the loan in accordance with the rel regulations, (ii) properly and accurately adjusted the monthly payment on each payment adjustment date, (iii) properly and accurately of principal and interest on each payment adjustment date, in each case in compliance with all applicable laws, rules and regulations a documents, and (iv) executed and delivered any and all necessary notices required under, and in a form that complies with, all applica regulations and the terms of the related loan documents regarding the interest rate and payment adjustments, except where the failure either individually or in the aggregate, would not have a Material Adverse Effect on Pamrapo.

(g) Pools. Each Loan included in a pool of Loans originated or acquired by Pamrapo Bank (a Pool) meets all eligibility requiremen limitation, all applicable requirements for obtaining mortgage insurance certificates and loan guaranty certificates) for inclusion in suc have been finally certified or, if required, recertified in accordance with all applicable laws, rules and regulations, except where the tir recertification has not expired. To Pamrapo s knowledge, no Pools have been improperly certified. The loan file for each Loan incluc all documents and instruments necessary for the final certification or recertification of such Pool. Neither the execution, delivery or pe Agreement by Pamrapo nor the consummation by Pamrapo or Pamrapo Bank of the transactions contemplated hereby will require any

(h) Mortgage Insurance. For each Loan which is insured by private mortgage insurance, Pamrapo Bank has complied with or been gra applicable provisions of the insurance or guarantee contract and applicable laws and regulations, except where such failure to comply individually or in the aggregate, would not have a Material Adverse Effect on Pamrapo, the insurance or guarantee is in full force and such Loan, and to Pamrapo s knowledge, there does not exist any event or condition which, but for the passage of time or the giving a revocation of any such insurance or guarantee or constitute adequate grounds for the applicable Insurer to refuse to provide insuranc thereunder.

3.30. Properties. All real property and material personal property owned by Pamrapo and its Subsidiaries or presently used by them in specifically excluding real estate acquired through foreclosure or deed in lieu thereof) is in an adequate condition (ordinary wear and t sufficient to carry on business in the ordinary course of business consistent with its past practices. Pamrapo and its Subsidiaries have free and clear of all Liens to all of the material properties and assets, real and personal, reflected on the balance sheet of Pamrapo as o included in Pamrapo s Reports or acquired after such date, other than properties sold by Pamrapo in the ordinary course of business, taxes and assessments not yet due or payable (ii) pledges to secure deposits and other Liens incurred in the ordinary course of its bank imperfections of title, easements and encumbrances, if any, as are not material in character, amount or extent. All real and personal pr Pamrapo or any of its Subsidiaries businesses and leased or licensed by Pamrapo or its Subsidiaries is held pursuant to leases or licer enforceable in accordance with their respective terms and such leases will not terminate or lapse prior to the Effective Time.

3.31. Labor and Employment Matters. Except as set forth in Schedule 3.31 of the Pamrapo Disclosure Schedules, neither Pamrapo nor ever been a party to, or is or has ever been bound by, any collective bargaining agreement, contract, or other agreement or understandi labor organization with respect to its employees, nor is Pamrapo or its Subsidiaries the subject of any proceeding asserting that it has practice or seeking to compel it or any such Subsidiary to bargain with any labor organization as to wages and conditions of employm of Pamrapo or any of its Subsidiaries aware of any strike, other labor dispute, organizational effort or other activity taken with a view involving Pamrapo or its Subsidiaries

pending or threatened. Except as set forth in Schedule 3.31 of the Pamrapo Disclosure Schedules, Pamrapo and its Subsidiaries are no
years have been in material compliance with all applicable laws, executive orders, rules and regulations regarding employees and inde
including without limitation all applicable laws, executive orders, rules and regulations relating to employment, compensation, workin
as employees, employment practices, leave, safety, affirmative action, applicant tracking, discrimination, harassment, retaliation, whis
lay offs, notice regarding lay offs, labor relations, payroll practices, wages, and hours of work. Except as set forth in Schedule 3.31 of
Schedules, Pamrapo and its Subsidiaries are now and for the previous five years have been in material compliance with all applicable

3.32. Termination Benefits. Schedule 3.32 of the Pamrapo Disclosure Schedules contains a complete and accurate Schedule, showing
Agreement the monetary amounts payable (or a formula for any such monetary payment if the amount cannot be calculated as of the c
entering into this Agreement or otherwise completing the transactions contemplated hereby, subject to a determination of the market v
in-kind benefits due under the Specified Compensation and Benefit Programs (as defined herein) for each Named Individual (as defin
formula is provided by Pamrapo on Schedule 3.32 of the Pamrapo Disclosure Schedules on the date hereof, then the actual amounts p
as a result of entering into this Agreement or otherwise completing the transactions contemplated hereby shall be updated by Pamrapo
provided on the Closing Date. For purposes hereof, Specified Compensation and Benefit Programs shall include all employment ag
agreements, severance or special termination agreements, severance plans, pension, retirement or deferred compensation plans for non
supplemental executive retirement programs, tax indemnification agreements, outplacement programs, cash bonus programs, stock ap
stock or stock unit plan, and health, life, disability and other insurance or welfare plans, but shall not include any tax-qualified pension
stock ownership plan, amounts payable for unused vacation time or COBRA. For purposes hereof, Named Individual shall include
Pamrapo or, if applicable, its Subsidiaries and any officer of Pamrapo or, if applicable, its Subsidiaries.

3.33. Deposits. None of the deposits of Pamrapo Bank is a brokered deposit.

3.34. Required Vote. The affirmative vote of (i) the holders of a majority of the issued and outstanding shares of Pamrapo is necessary
and the Merger on behalf of Pamrapo and (ii) Pamrapo, as the sole stockholder of Pamrapo Bank, is required to approve the Bank Me
behalf of Pamrapo Bank. No other vote of the stockholders of Pamrapo or any Subsidiary is required.

3.35. Transactions With Affiliates.

(a) All covered transactions between Pamrapo and its Subsidiaries and an affiliate within the meaning of Sections 23A and 23B
the regulations thereunder have been in compliance with such provisions.

(b) Except as set forth in Pamrapo Disclosure Schedule 3.35, neither Pamrapo nor any Pamrapo Subsidiary is a party to any transactio
other credit accommodation) with any Affiliate of Pamrapo or any Pamrapo Affiliate. All such transactions set forth in Pamrapo Discl
(a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collatera
time for comparable transactions with other Persons, and (c) did not involve more than the normal risk of collectability or present othe
loan or credit accommodation to any Affiliate of Pamrapo or any Pamrapo Subsidiary is presently in default or, during the three-year
this Agreement, has been in default or has been restructured, modified or extended. Neither Pamrapo nor any Pamrapo Subsidiary has
and interest with respect to any such loan or other credit accommodation will not be paid when due or that the loan grade classificatio
credit accommodation by Pamrapo is inappropriate.

3.36. Insurance. Except as set forth in Schedule 3.36 of the Pamrapo Disclosure Schedules, Pamrapo and its Subsidiaries are presently
December 31, 2005, have been insured, for reasonable amounts with financially sound and reputable insurance companies, against suc
engaged in a similar business would, in accordance with good business practice, customarily be insured. All of the insurance policies
Pamrapo and its Subsidiaries are in full force and effect, Pamrapo and its Subsidiaries are not in default thereunder and all material cl
filed in due and timely fashion.

3.37. Indemnification. Except as set forth in Schedule 3.37 of the Pamrapo Disclosure Schedules, and except as provided in Pamrapo
the Certificate of Incorporation or Bylaws of Pamrapo, neither Pamrapo nor its Subsidiaries is a party to any indemnification agreeme
officers, employees, agents or other persons who serve or served in any other capacity with any other enterprise at the request of Pam
Subsidiaries (a Covered Person), and, except as set forth in Schedule 3.37 of the Pamrapo Disclosure Schedules, there are no pendi
Covered Person would be entitled to indemnification under the Certificate of Incorporation, Bylaws or applicable law, regulation or a
agreement.

3.38. Voting Agreements. The Pamrapo directors and officers, as set forth in Schedule 3.38 of the Pamrapo Disclosure Schedules, hav
agreement (Voting Agreement), the form of which is attached as Annex B, hereto. Pamrapo shall use its reasonable efforts to recei
stockholders beneficially owning in excess of 10% of Pamrapo Common Stock.

3.39. CRA Rating. Pamrapo Bank was rated Satisfactory following its most recent Community Reinvestment Act examination by t
responsible for its supervision. Neither Pamrapo nor its Subsidiaries have received notice of and has knowledge of any planned or thr
community group to the transactions contemplated hereby.

3.40. Disclosure. The representations and warranties contained in this Article III hereof do not contain any untrue statement of a mate
material fact necessary

in order to make the statements and information contained in this Article III hereof not misleading. There is no fact known to Pamrapo
herein or in any other agreement, document or written statement furnished by Pamrapo to BCB or its counsel, accountants or other ser
connection with the transactions contemplated hereby, which has or is reasonably likely to have a Material Adverse Effect on Pamrap

3.41. Internal Controls.

(a) Except as set forth in Schedule 3.41(a) of the Pamrapo Disclosure Schedule, Pamrapo has devised and maintained a system of inte
sufficient to provide reasonable assurance that: (A) all material transactions are executed in accordance with general or specific autho
Directors and the duly authorized executive officers of Pamrapo; (B) all material transactions are recorded as necessary to permit the
statements in conformity with GAAP consistently applied; and (C) access to the material properties and assets of Pamrapo is permitte
general or specific authorization of the Board of Directors and the duly authorized executive officers of Pamrapo.

(b) Except as set forth in Schedule 3.41(b) of the Pamrapo Disclosure Schedule, Pamrapo (A) has implemented and maintains disclos
(as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to Pamrapo, including its Subsidiaries,
executive officer and the chief financial officer of Pamrapo by others within those entities, and (B) has disclosed, based on its most re
date hereof, to Pamrapo s outside auditors and the audit committee of Pamrapo s Board of Directors (1) any significant deficiencies
design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which are reasonab
Pamrapo s ability to record, process, summarize and report financial information, and (2) any fraud, whether or not material, that inv
employees who have a significant role in Pamrapo s internal controls over financial reporting. Any such disclosures were made in wr
Pamrapo s auditors and audit committee. As of the date hereof, there is no reason to believe that Pamrapo s chief executive officer a
not be able to give the certifications required under SEC regulations when next due.

3.42 Regulatory Capital. Neither Pamrapo nor Pamrapo Bank is subject to any capital requirements other than those required by appli
or under applicable federal regulations. Pamrapo Bank meets or exceeds all applicable regulatory capital requirements, and Pamrapo
capitalized under such regulatory requirements.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BCB

No representation or warranty of BCB contained in this Article IV shall be deemed untrue or incorrect, and BCB shall not be deemed
representation or warranty, as a consequence of the existence of any fact, circumstance or event unless such fact,

circumstance or event, individually or taken together with all other facts, circumstances or events inconsistent with any paragraph of A reasonably expected to have a Material Adverse Effect, disregarding for these purposes (x) any qualification or exception for, or refere such representation or warranty and (y) any use of the terms material , materially , in all material respects , Material Adverse any such representation or warranty. The foregoing standard shall not apply to representations and warranties contained in Section 4.1 4.3 and 4.11(other than the last sentence of Section 4.1(a)), which shall be deemed untrue, incorrect and breached if they are not true a respects based on the qualifications and standards therein contained.

Subject to the foregoing paragraph of Article IV and the first paragraph under Article III, BCB hereby represents and warrants to Pam

4.1 Corporate Organization.

(a) BCB is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. BCB has the authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed o each jurisdiction in which the nature of the business conducted by it or the character or the location of the properties and assets owned licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect o registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Certificate of Incorporation an of which have previously been delivered to Pamrapo, are true, complete and correct copies of such documents as in effect as of the da

(b) The Bank is in good standing as a bank duly organized and validly existing under the laws of the State of New Jersey and the rules NJDBI. The Bank has in effect all federal, state, local and foreign governmental authorizations necessary for it to own or lease its prop carry on its business as now conducted. The deposit accounts of the Bank are insured by the FDIC to the fullest extent permitted by la assessments required to be paid in connection therewith have been paid by the Bank. Each of BCB s other Subsidiaries is duly organi good standing under the laws of the jurisdiction of its incorporation. Each Subsidiary of BCB has the corporate power and authority to properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licens necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on BCB. The governing do of BCB, copies of which have previously been delivered to Pamrapo, are true, complete and correct copies of such documents as in ef Agreement.

(c) The minute books of BCB and each of its Subsidiaries contain true, complete and accurate records in all material respects of all me actions

held or taken since December 31, 2003 of their respective stockholders and boards of directors (including committees of their respecti
BCB has made available to Pamrapo correct and complete copies of all minutes of the board of directors of Pamrapo and its Subsidiar
2003.

4.2 Capitalization.

(a) As of the date of this Agreement, the authorized capital stock of BCB consists of 10,000,000 shares of BCB Common Stock and n
As of the date of this Agreement, there were 4,648,125 shares of BCB Common Stock issued and outstanding, and 536,195 shares of
BCB s treasury. As of the date of this Agreement, no shares of BCB Common Stock were reserved for issuance upon the exercise of
otherwise except 294,750 shares of BCB Common Stock were reserved for issuance upon the exercise of stock options pursuant to BC
Stock Option Plan and the BCB 2003 Stock Option Plan (the BCB Stock Plans). All of the issued and outstanding shares of BCB C
authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to th
as set forth in Schedule 4.2(a) of the BCB Disclosure Schedules and BCB does not have and is not bound by any outstanding subscrip
calls, commitments or agreements of any character calling for the purchase or issuance of any shares of BCB Common Stock or BCB
equity securities of BCB. The shares of BCB Common Stock to be issued pursuant to the Merger will be duly authorized and validly i
Time, all such shares will be fully paid, nonassessable and free of preemptive rights.

(b) Schedule 4.2(b) of the BCB Disclosure Schedules sets forth a true and correct list of all of BCB Subsidiaries as of the date of this
directly or indirectly, all of the issued and outstanding shares of capital stock of each of the Subsidiaries of BCB, free and clear of all
encumbrances and security interests whatsoever, and all of such shares are duly authorized and validly issued and are fully paid, nona
preemptive rights. No Subsidiary of BCB has or is bound by any outstanding subscriptions, options, warrants, calls, commitments or
with any party that is not a direct or indirect Subsidiary of BCB calling for the purchase or issuance of any shares of capital stock or a
such Subsidiary.

4.3 Authority. No Violation.

(a) BCB has full corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consumm
contemplated hereby. This Agreement and the transactions contemplated hereby have been duly and validly approved by the Board of
Board of Directors of BCB has directed that this Agreement be submitted to BCB s stockholders for adoption at a meeting of such st
adoption of this Agreement by the requisite vote of BCB s stockholders, the approval of an amendment to the BCB Certificate of Inc
authorized shares of BCB Common Stock, the board appointment of the Pamrapo Designees and action to be taken to complete the Su
corporate proceedings (except for regulatory approvals) on the part of BCB are necessary to approve the Agreement

and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by BCB authorization, execution and delivery by Pamrapo) constitutes a valid and binding obligation of BCB, enforceable against BCB in acc except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by ban reorganization, moratorium, fraudulent transfer and similar laws affecting creditors rights and remedies generally.

(b) The Bank has full corporate power and authority to execute, deliver and perform its obligations under the Bank Merger Agreemen Subsidiary Merger and the transactions contemplated thereby. The execution and delivery of the Bank Merger Agreement and the con transactions contemplated thereby will be duly and validly approved by the board of directors of the Bank and approved by the sole st other corporate proceedings on the part of the Bank will be necessary to consummate the transactions contemplated by the Bank Merg Merger Agreement (assuming due authorization, execution and delivery by Pamrapo Bank) will constitute a valid and binding obligat against the Bank in accordance with its terms, except as enforcement may be limited by general principles of equity whether applied i equity and by bankruptcy, insolvency, reorganization, receivership, conservatorship, moratorium, fraudulent transfer and similar laws and remedies generally.

(c) Neither the execution and delivery of this Agreement by BCB or the Bank Merger Agreement by the Bank, nor the consummation case may be, of the transactions contemplated hereby or thereby, nor compliance by BCB or the Bank, as the case may be, with any o hereof or thereof, will (i) violate any provision of the their respective governing documents or (ii) assuming that the consents and appr Section 4.4 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injuncti of its Subsidiaries or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provision of or t constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default) under, result in the terminatio or cancellation under, accelerate the performance required by, result in the obligation to sell or result in the creation of any lien, pledg other encumbrance upon any of the respective properties or assets of BCB or any of its Subsidiaries under, any of the terms, condition bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which BCB or any of its Subsic which they or any of their respective properties or assets may be bound or affected, except for any violation, conflict, breach, default, modification or cancellation which, individually or in the aggregate, would not have a Material Adverse Effect on BCB or materially conditions or transactions contemplated hereby.

4.4 Consents and Approvals. Except for (a) the filing of applications with the FRB and approval of such applications by the FRB; (b) with the FDIC and approval or non-objection of such applications by the FDIC and any other Governmental Entity, (c) the filing with Statement and the S-4; (d) the filing of applications with the NJDBI and approval of such applications by the NJDBI; (e) the adoption of this Agreement by the requisite vote of the stockholde adoption of the Bank Merger Agreement by the requisite vote of stockholders of Pamrapo Bank; (f) the filing of the Certificate of Me Secretary of State; (g) the approval by the NASDAQ Stock Market of the listing of the additional shares of BCB Common Stock on t to be issued pursuant to Article II hereof; (h) the adoption of this Agreement by the requisite vote of the stockholders of BCB and (i) s or approvals as may be set forth in Schedule 4.4 of the BCB Disclosure Schedules with a Governmental Entity to satisfy the applicabl of states in which BCB is qualified or licensed to do business or state securities or blue sky laws, no consents or approvals of or fil Governmental Entity or with any third party are necessary in connection with (1) the execution and delivery by BCB of this Agreeme by BCB of the Merger and the other transactions contemplated hereby.

4.5 Reports. BCB and each of its Subsidiaries have timely filed all material reports, registrations and statements, together with any am made with respect thereto, that they were required to file since December 31, 2005 with any Regulatory Agency, and all other materia required to be filed by them since December 31, 2005, including, without limitation, any report or statement required to be filed pursu regulations of the United States, the NJDBI, the FRB, the FDIC, any State Regulator and any SRO, and have paid all fees and assessm connection therewith. Except for normal examinations conducted by a Regulatory Agency in the regular course of the business of BC except as set forth in Schedule 4.5 of the BCB Disclosure Schedules, no Regulatory Agency has initiated any proceeding or, to BCB into the business or operations of BCB or any of its Subsidiaries since December 31, 2005. There is no unresolved material violation, any Regulatory Agency with respect to any report or statement relating to any examinations of BCB or any of its Subsidiaries, which BCB or any of its Subsidiaries.

4.6 Financial Statements. BCB has previously delivered to Pamrapo copies of the consolidated balance sheets of BCB and its Subsidia the fiscal years 2008 and 2007, and the related consolidated statements of income, changes in stockholders equity and cash flows fo 2008, inclusive, as reported in BCB s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed with the SEC Act of 1934, as amended (the Exchange Act), in each case accompanied by the audit report of Beard Miller Company LLP, indepe accountants with respect to BCB, filed with the SEC under the Exchange Act (collectively the BCB Financial Statements). The De balance sheet of BCB (including the related notes, where applicable) fairly presents the consolidated financial position of BCB and its thereof, and the other financial statements referred to in this Section 3.6 (including the related notes, where applicable) fairly present, referred to in Section 6.7 hereof will fairly present (subject, in the case of the unaudited statements, to recurring audit adjustments nor and the absence of footnotes), the results of the consolidated operations and consolidated financial position of BCB and its Subsidiari periods or as of the respective dates therein set forth; each of such statements (including the related notes, where applicable) comply, referred to in Section 6.7 hereof will comply, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto; and each of suc related notes, where applicable) has been, and the financial statements referred to in Section 6.7 hereof will be, prepared in accordanc applied during the periods involved, except as indicated in the notes thereto or, in the case of unaudited statements, as permitted by Fo records of BCB and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP and any o accounting requirements and reflect only actual transactions.

4.7 Broker s Fees. Neither BCB nor any Subsidiary of BCB, nor any of their respective officers or directors, has employed any broke liability for any broker s fees, commissions or finder s fees in connection with any of the transactions contemplated by this Agreeme engaged, and will pay a fee or commission to, FinPro, Inc. (FinPro) in accordance with the terms of a letter agreement between Fin agreement contemplates the issuance of an opinion subject to the terms, conditions, assumptions or qualifications thereto regarding th Ratio, from a financial point of view.

4.8 Absence of Certain Changes or Events.

(a) Except as may be set forth in Schedule 4.8(a) of the BCB Disclosure Schedules or as provided for in the BCB Financial Statement (i) neither BCB nor any of its Subsidiaries has incurred any material liability, except in the ordinary course of their business consisten and (ii) no event has occurred which has caused, or is reasonably likely to cause, individually or in the aggregate, a Material Adverse

(b) Except as set forth in Schedule 4.8(b) of the BCB Disclosure Schedules, since December 31, 2008, BCB and its Subsidiaries each ordinary course of business consistent with past practice and (ii) has not made any changes in its respective capital or corporate struct change in its methods of business operations.

(c) Except as set forth in Schedule 4.8(c) of the BCB Disclosure Schedules, since December 31, 2008, neither BCB nor any of its Sub the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, employee, or direc in effect as of December 31, 2008 (which amounts have been previously disclosed to Pamrapo), granted any severance or termination contract to make or grant any severance or termination pay, granted any BCB Options or other derivative security or paid any bonus o work stoppage, slow-down, or other labor disturbance.

(d) Since December 31, 2008, neither BCB nor any of its Subsidiaries has had any layoffs, work force reductions or otherwise termina employees, other than (i) in the ordinary course of business, consistent with past practice or (ii) for cause.

4.9 Legal Proceedings.

(a) Except as set forth in Schedule 4.9(a) of the BCB Disclosure Schedules, neither BCB nor any of its Subsidiaries is a party to any a BCB s knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions, suits or governmental or regulator nature against BCB or any of its Subsidiaries or (ii) challenging the validity or propriety of the transactions contemplated by this Agre Agreement.

(b) There is no injunction, order, judgment, decree, or regulatory restriction imposed upon BCB, any of its Subsidiaries or the assets o Subsidiaries that has had, or could reasonably be expected to have, a Material Adverse Effect on BCB.

(c) Except as set forth in Schedule 4.9(c) of the BCB Disclosure Schedules, there are no actions, suits, claims, proceedings, investigat kind pending, or to the best of BCB s knowledge, threatened against any of the directors or officers of BCB or its Subsidiaries in thei director or officer of BCB or its Subsidiaries currently is being indemnified or seeking to be indemnified by BCB or its Subsidiaries p their governing documents.

4.10 Taxes.

(a)(i) All Tax Returns for which the statute of limitations for assessment has not expired that are required to be filed on or before the C account any extensions of time within which to file which have not expired) by or with respect to BCB and its Subsidiaries have been before the Closing Date; (ii) all such Tax Returns are or will be true and complete in all material respects; (iii) all Taxes shown to be d referred to in clause (i) have been or will be timely paid in full or adequate provision for such payment has been or will be made; (iv) in clause (i) for which the statute of limitations for assessment has not expired have not been examined by the IRS or the appropriate t deficiencies asserted or assessments made as a result of examinations conducted by any taxing authority have been paid in full; (vi) no raised by the relevant taxing authority in connection with the examination of any of the Tax Returns referred to in clause (i) are curren (vii) neither BCB nor any Subsidiary has extended any statutes of limitation with respect to the assessment of any Taxes of BCB or an than extensions that have expired.

(b) BCB has made available to Pamrapo (i) true and correct copies of the United States federal, state, local and foreign income Tax Re Subsidiaries for each of the three most recent fiscal years for which such returns have been filed and (ii) any audit report issued within to Taxes due from or with respect to BCB and its Subsidiaries. Since January 1, 2002, no claim has been made by a taxing authority in and its Subsidiaries do not file Tax Returns that BCB or any of its Subsidiaries is or may be subject to taxation by that jurisdiction.

(c) Neither BCB nor any of its Subsidiaries has liability with respect to income, franchise or similar Taxes that accrued on or before th period covered by the BCB Financial Statements in excess of the amounts accrued or subject to a reserve with respect thereto that are reflecte Statements.

(d) Schedule 4.10(d) of the BCB Disclosure Schedules list all combined, consolidated or unitary federal, state, local, or foreign returns BCB and any of its Subsidiaries after January 1, 2006.

(e) Except as set forth in Schedule 4.10(e) of the BCB Disclosure Schedules, neither BCB nor any of its Subsidiaries is a party to any agreement.

(f) Since January 1, 2003, no closing agreements, private letter rulings, technical advice memoranda or similar agreements or rulings l issued by any taxing authority with respect to BCB or any of its Subsidiaries.

(g) Except as provided in Schedule 4.10(g) of the BCB Disclosure Schedule, neither BCB nor any of its Subsidiaries maintains any co or arrangements the payments under which would not reasonably be expected to be deductible as a result of the limitations under Sect of the Code and the Treasury Regulations issued thereunder.

(h) Neither BCB nor any of its Subsidiaries has ever been an S corporation within the meaning of Section 1361 of the Code.

(i) Neither BCB nor any of its Subsidiaries has been a United States real property holding corporation within the meaning of Section 8 the applicable period specified in Section 897(c)(1)(A)(ii) of the Code.

(j) Neither BCB nor any of its Subsidiaries (A) has been a member of an affiliated group filing a consolidated federal income tax retur common parent of which was BCB) or (B) has any liability for the taxes of any person (other than BCB or any of its Subsidiaries) und Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(k) Except as set forth on Schedule 4.10(k) of the BCB Disclosure Schedules, since January 1, 2006, neither BCB nor any of its Subsi required to, make any adjustments pursuant to Section 481(a) of the Code or any similar provision of law by reason of a change in acc BCB or any of its Subsidiaries or proposed by any taxing authority, and no application is pending with any taxing authority requesting in accounting methods that related to business or operations of BCB or any of its Subsidiaries.

(l) Neither BCB nor any of its Subsidiaries is required to make any disclosure to any taxing authority with respect to a listed transact Section 1.6011-4(b)(2) of the Treasury Regulations.

(m) As of the date hereof, BCB has no reason to believe that any conditions exist that might prevent or impede the Merger from quali within the meaning of Section 368(a) of the Code.

(n) Each of BCB and its Subsidiaries has complied in all material respects with all applicable laws, rules and regulations relating to th has duly and timely withheld from employee salaries, wages and other compensation paid to independent contractors, creditors, stock and has paid over to the appropriate taxing authorities all material amounts required to be so withheld and paid over for all periods un

(o) There are no liens or other encumbrances on any of the assets of BCB or its Subsidiaries that arose in connection with any failure Tax (other than Taxes not yet due and payable).

(p) Except as set forth in Schedule 4.10(p) of the BCB Disclosure Schedules, which Schedule lists the amount and the expiration date operating losses, net capital losses, net unrealized built-in losses, foreign tax credits, minimum tax credits, investment tax credits and of the BCB Group allocable to BCB and each of its Subsidiaries, BCB Group does not have any net operating losses or other tax attri subject to limitation under Section 382, 383 or 384 of the Code.

(q) No liability will be created for BCB or its successors after the Closing Date as a result of the triggering into income or gain of def transactions or excess loss accounts as a result of the application of Treasury Regulations sections 1.1502-13 and 1.1502-19 or related arising with respect to any interest in a Subsidiary which is not a member of the BCB Group.

(r) Neither BCB nor any of its Subsidiaries has investment tax credits or overall foreign losses allocable to it subject to recapture.

(s) Except as set forth in Schedule 4.10(s) of the BCB Disclosure Schedules, each of BCB and its Subsidiaries has made estimated Ta state income and franchise Taxes on the applicable estimated Tax payment dates at levels sufficient not to cause BCB or its Subsidiar penalties attributable to underpayment of estimated Taxes, and BCB and its Subsidiaries will continue to make timely estimated Tax to not cause BCB or any successor to BCB to be liable for any such penalties.

For purposes of this Agreement, BCB Group shall mean any affiliated group (as defined in Section 1504(a) of the Code without in Section 1504(b) of the Code that includes BCB and its Subsidiaries or any predecessor of or any successor to BCB (or to another s successor).

4.11 Employee Benefit Plan Matters.

(a) Schedule 4.11(a) of the BCB Disclosure Schedules sets forth a true and complete list of each employee benefit plan, as the term is ERISA, and any other employee benefit arrangement or agreement that is sponsored, maintained or contributed to, or required to be c of this Agreement (collectively referred to as the Plans) by BCB or any of its Subsidiaries or by an ERISA Affiliate, for the benefi employee of BCB, any Subsidiary or any ERISA Affiliate.

(b) BCB has heretofore delivered to Pamrapo true and complete copies of each of the Plans and related trust instruments and all amen recent summary plan description and summaries of material modifications thereto, underlying insurance contracts and (i) the actuarial applicable) for each of the last three (3) years, (ii) the most recent determination letter from the IRS (if applicable) for any Plan, (iii) th annual reports (Form 5500), together with all Schedules, as required, filed with the IRS or DOL for any Plan, (iv) any financial statem by Section 103(e)(3) of ERISA with respect to each Plan, and (v) for any Plan which for ERISA purposes is a top-hat plan, a copy DOL.

(c) Except as set forth in Schedule 4.11(c) of the BCB Disclosure Schedules, (i) each of the Plans has been operated and administered accordance with its terms and applicable law, including but not limited to ERISA and the Code, (ii) each of the Plans intended to be of Section 401(a) of the Code (1) has received a favorable determination letter from the IRS, (2) is or will be the subject of an applicat determination letter, or (3) is set forth on a prototype document which is subject to a current opinion letter which has not expired and circumstances that could reasonably be expected to result in the revocation or denial of any such favorable determination letter, (iii) w which is subject to Title IV of ERISA, the present value of accrued benefits under such Plan, based upon the actuarial assumptions use the most recent actuarial report prepared by such Plan s actuary with respect to such Plan, did not, as of its latest valuation date, exce the assets of such Plan allocable to such accrued benefits, (iv) no Plan provides benefits, including without limitation death or medical insured), with respect to current or former employees of BCB, its Subsidiaries or any ERISA Affiliate beyond their retirement or othe other than (w) coverage mandated by applicable law, (x) death benefits or retirement benefits under any employee pension plan, as Section 3(2) of ERISA, (y) deferred compensation benefits accrued as liabilities on the books of BCB, its Subsidiaries or the ERISA full cost of which is borne by the current or former employee (or his beneficiary), (v) no liability under Title IV of ERISA has been in Subsidiaries or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a material risk to BCB, its ERISA Affiliate of incurring a material liability thereunder, (vi) no Plan is a multiemployer pension plan, as such term is defined in (vii) each Plan that is a nonqualified deferred compensation plan (as defined in Section 409A(d)(1) of the Code) and which has not operated since January 1, 2006 in good faith compliance with Section 409A of the Code and the regulations issued under Section 409 Plan set forth on Schedule 4.11(a) can be terminated without payment of an additional contribution or amount, other than contribution the terms of the Plan without regard to the Plan s termination, and without vesting or acceleration of any benefits provided under such required by the Code as a result of a qualified Plan s termination, (ix) all contributions or other amounts payable by BCB, its Subsidia as of the Effective Time with respect to each Plan which is subject to Title IV of ERISA in respect of current or prior plan years have accordance with GAAP and Section 412 of the Code, (x) neither BCB, its Subsidiaries nor any ERISA Affiliate has engaged in a merg BCB, its Subsidiaries or any ERISA Affiliate could be subject to either a civil penalty assessed pursuant to Section 409 or

502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code, (x) there are no pending, or, to BCB s knowledge, t investigations or claims (other than routine claims for benefits) by, on behalf of or against any of the Plans or any trusts related thereto of the transactions contemplated by this Agreement will not (1) entitle any current or former employee or officer of BCB or any ERIS pay, termination pay or any other payment, except as expressly provided in this Agreement or (2) accelerate the time of payment or ve of compensation due any such employee or officer.

4.12 SEC Reports. Since December 31, 2006, no (a) final registration statement, prospectus, report (including Forms 10-K, 10-Q and definitive proxy statement filed by BCB with the SEC pursuant to the Securities Act or the Exchange Act (the BCB Reports) or (b) BCB to its stockholders contained any untrue statement of a material fact or omitted to state any material fact required to be stated the make the statements therein, in light of the circumstances in which they were made, not misleading, except that information as of a lat modify information as of an earlier date. BCB has timely filed all BCB Reports and other documents required to be filed by it under t Exchange Act, and, as of their respective dates, all BCB Reports complied in all material respects with the published rules and regulat thereto.

4.13 BCB Information. The information relating to BCB and its Subsidiaries to be contained in, or incorporated by reference in, the P any other document filed with any Regulatory Agency in connection herewith (except for such portions thereof that relate only to Pam Section 3.13 hereof), or in any other document filed with any other regulatory agency in connection herewith, will (i) not contain any material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are n (ii) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act and the rules and regulat

4.14 Ownership of Pamrapo Common Stock: Affiliates and Associates. None of BCB or any of its Subsidiaries, (i) beneficially owns, (ii) is a party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each ca stock of Pamrapo, provided, however, that the foregoing shall not include, and shall not speak to, any shares of capital stock of Pamra or portion of any index or mutual fund.

4.15 Compliance with Applicable Law. BCB and each of its Subsidiaries: (i) is in material compliance with all applicable federal, stat laws, regulations, policies, ordinances, rules, judgments, orders or decrees applicable thereto or to the employees conducting such bus limitation, the Equal Credit Opportunity Act of 1974 and the regulations promulgated thereunder, the Truth in Lending Act and Regul thereunder, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Debt Collection Practices Act, the Bank Secrecy Act, the USA PATRIOT Act and all other applicable fair lending laws and other law business practices, except for such noncompliance that would not individually or in the aggregate, have or be reasonably likely to have, a Material Adverse Effe material licenses, franchises, permits and authorizations necessary for the lawful conduct of their respective businesses under and purs material compliance with and are not, to its knowledge, in default in any respect under any such licenses, franchises, permits and auth applicable law, statute, order, rule, regulation, policy and/or guideline of any Governmental Entity relating to BCB or any of its Subsi failure to hold such license, franchise, permit or authorization or such noncompliance or default would not, individually or in the aggr reasonably likely to have, a Material Adverse Effect on BCB.

4.16 Certain Contracts.

(a) Except as set forth in Schedule 4.16(a) of the BCB Disclosure Schedules, neither BCB nor any of its Subsidiaries is a party to or b arrangement, commitment or understanding (whether written or oral) (i) with respect to the employment of any directors, officers, em entitle any present or former director, officer, employee or agent of BCB or any of its Subsidiaries to indemnification from BCB or an (iii) which, upon the consummation of the transactions contemplated by this Agreement or the Bank Merger Agreement will (either al of any additional acts or events) result in any payment (whether of severance pay or otherwise) becoming due from Pamrapo, BCB, B of their respective Subsidiaries or successors to any officer or employee thereof; (iv) which involves the annual payment of $25,000 o consulting agreement (including data processing, software programming and licensing contracts) not terminable on 60 days or less no of more than $25,000 per annum, in the case of any such agreement with an individual, or $50,000 per annum, in the case of any other materially restricts the conduct of any line of business by BCB or any of its Subsidiaries; (vii) with or to a labor union or guild (includ bargaining agreement); (viii) relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets assets (other than this Agreement and the Bank Merger Agreement); (ix) that grants any right of first refusal or right of first offer or si purports to limit the ability of BCB or any of its Subsidiaries to own, operate, sell, transfer, pledge or otherwise dispose of any materi business; (x) with respect to any material joint venture, partnership agreement or similar agreement; (xi) with respect to any agreemen property other than shrink wrap licenses related to software; (xii) relating to the indebtedness by BCB or its Subsidiaries for borrov indebtedness for borrowed money in excess of $5,000,000; or (xiii) excluding the plans set forth on Schedule 4.11, where any employ stock option plan, stock appreciation rights plan, restricted stock plan or stock purchase plan) will be increased, or the vesting of the b accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the Bank Merger Agreement, or the value which will be calculated on the basis of any of the transactions contemplated by this Agreement or the Bank Merger Agreement. Each commitment or understanding of the type described in Sections 4.16(a) and 4.16(c) hereof, whether or not set forth in Schedule 4.16(a BCB Disclosure Schedules, is referred to herein as a BCB Contract. BCB has previously delivered to Pamrapo true and correct cop

(b) Except as set forth in Schedule 4.16(b) of the BCB Disclosure Schedules, (i) each BCB Contract is valid and binding and in full fo each of its Subsidiaries has in all material respects performed all obligations required to be performed by it to date under each BCB C noncompliance, individually or in the aggregate, would not have or be reasonably likely to have a Material Adverse Effect on BCB, (i exists which constitutes or, after notice or lapse of time or both, would constitute, a material default on the part of BCB or any of its S BCB Contract, except where such default, individually or in the aggregate, would not have or be reasonably likely to have a Material (iv) no other party to such BCB Contract is, to BCB s knowledge, in default in any respect thereunder.

(c) Schedule 4.16(c) of the BCB Disclosure Schedules sets forth all agreements of BCB providing for the lease of real property, copie been delivered or made available to BCB including term of the lease, any option to extend such lease and any consent or notice requir Merger and the transactions contemplated hereby.

4.17 Agreements with Regulatory Agencies. Except as set forth in Schedule 4.17 of the BCB Disclosure Schedules, neither BCB nor a subject to any cease-and-desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or is a recipient of any supervisory any board resolutions at the request of (each, whether or not set forth in Schedule 4.17 of BCB Disclosure Schedules, a BCB Regula Regulatory Agency or other Governmental Entity that restricts the conduct of its business or that in any manner relates to its capital ac its management or its business, nor has BCB or any of its Subsidiaries been advised by any Regulatory Agency or other Governmenta issuing or requesting any Regulatory Agreement.

4.18 Investment Securities. Schedule 4.18 of the BCB Disclosure Schedules sets forth the book and market value as of December 31, securities, mortgage-backed securities and securities held for investment, sale or trading of BCB and its Subsidiaries. Schedule 4.18 o Schedules sets forth an investment securities report that includes, security descriptions, CUSIP numbers, pool face values, book value market values. The totals presented in the securities report agree to the amounts carried in BCB s and its Subsidiaries general ledge Except for matters of general application to the banking industry (including but not limited to, changes in laws or regulations or GAA the business environment in general, including market fluctuations and changes in interest rates, BCB has no knowledge of any event result in any material adverse change in the quality or performance of its investment portfolio.

4.19 Intellectual Property. BCB and each of its Subsidiaries owns (without lien or encumbrance of any kind) or possesses valid and bi rights to use without payment all material patents, copyrights, trade secrets, trade names, servicemarks, trademarks and computer soft and neither BCB nor any of its Subsidiaries has received any notice of conflict with respect thereto that asserts the right of others. BC

of its Subsidiaries have in all material respects performed all the obligations required to be performed by them and are not in default i
any contract, agreement, arrangement or commitment relating to any of the foregoing, except where such non-performance or default
the aggregate, have or be reasonably likely to have a Material Adverse Effect on BCB. Schedule 4.19 of the BCB Disclosure Schedul
registered copyrights, trade names, servicemarks and trademarks of BCB and its Subsidiaries that are owned by BCB and its Subsidia
patents, registered copyrights, trade names, servicemarks and trademarks of BCB and its Subsidiaries that are licensed by BCB and it

4.20 Undisclosed Liabilities. Except (a) as set forth in Schedule 4.20 of the BCB Disclosure Schedule, (b) for those liabilities that are
against on the consolidated balance sheet of BCB included in BCB Financial Statements and (c) for liabilities incurred in the ordinary
consistent with past practice since December 31, 2008 that, either alone or when combined with all similar liabilities, have not had, a
expected to have, a Material Adverse Effect on BCB, neither BCB nor any of its Subsidiaries has incurred any liability of any nature
absolute, accrued, contingent or otherwise and whether due or to become due).

4.21 State Takeover Laws. There are no antitakeover provisions in the BCB Certificate of Incorporation or the NJBCA that will apply
affect this Agreement or the transactions contemplated herein. BCB has taken all actions required to exempt BCB and the Agreement
antitakeover nature in its Certificate of Incorporation, Bylaws and the provisions of any federal or state antitakeover, fair price,
acquisition or similar laws or regulations. BCB does not have in place any poison pill or other type of stockholder rights plans, a

4.22 Administration of Fiduciary Accounts. BCB and each of its Subsidiaries has properly administered in all material respects all ac
fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, co
advisor, in accordance with the terms of the governing documents and applicable state and federal law and regulation and common la
its Subsidiaries nor any of their respective directors, officers or employees has committed any breach of trust with respect to any such
had or could reasonably be expected to have a Material Adverse Effect on BCB, and the accountings for each such fiduciary account
material respects and accurately reflect the assets of such fiduciary account.

4.23 Environmental Matters.

(a) Each of BCB, its current or prior Subsidiaries, the Participation Facilities and the Loan Properties (each as hereinafter defined) are
compliance with all Environmental Laws;

(b) There is no suit, claim, action or proceeding pending or, to BCB s knowledge, threatened, before any court, Governmental Entity
arbitration) in which BCB, any of its Subsidiaries, any Participation Facility or any Loan

Property, has been or, with respect to threatened proceedings, may be, named as a defendant (x) for alleged noncompliance (including
any Environmental Laws, or (y) relating to the release, threatened release or exposure to any material whether or not occurring at or o
operated by BCB or any of its current or prior Subsidiaries, any Participation Facility or any Loan Property;

(c) During the period of (x) BCB s or any of its Subsidiaries ownership or operation of any of their respective current properties, (y
Subsidiaries participation in the management of any Participation Facility, or (z) BCB s or any of its Subsidiaries holding of a sec
there has been no release of materials in, on, under or affecting any such property except in compliance with required governmental p
knowledge, prior to the period of (x) BCB s or any of its Subsidiaries ownership or operation of any of their respective current prop
Subsidiaries participation in the management of any Participation Facility, or (z) BCB s or any of its Subsidiaries holding of a sec
there was no release or threatened release of materials in, on, under or affecting any such property, Participation Facility or Loan Prop
with required permits;

(d) All Phase I or Phase II environmental surveys on any properties owned or leased by BCB or its Subsidiaries, including but not lim
have been provided in full to BCB and its representatives prior to execution of this Agreement, and those listed in the Schedule will b
of execution of this Agreement; and

(e) The following definitions apply for purposes of this Section 4.23 hereof: (x) Loan Property means any property in which BCB
a security interest or otherwise owns, including OREO; (y) Participation Facility means any facility in which BCB or any of its Su
management thereof, other than Loan Properties; (z) materials includes, but is not limited to, hazardous substances and petroleum
the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. § 9601(14) and section 311 of t
U.S.C. § 1321 and their implementing regulations.

4.24 Derivative Transactions. Except as set forth in Schedule 4.24 of the BCB Disclosure Schedules, neither BCB nor any of its Subsi
agreed to enter into any Derivatives Contracts nor does BCB or any of its Subsidiaries own securities that (i) are referred to genericall
risk mortgage derivatives, capped floating rate notes or capped floating rate mortgage derivatives or (ii) are likely to have cha
or exchange rate changes that significantly exceed normal changes in value attributable to interest or exchange rate changes.

4.25 Opinion. BCB has received a written opinion, dated the date hereof, from FinPro to the effect that, subject to the terms, conditio
therein, as of the date thereof the Exchange Ratio is fair to BCB s stockholders from a financial point of view.

4.26 Assistance Agreements. Neither BCB nor any of its Subsidiaries is a party to any agreement or arrangement entered into in conn
consummation of a federally

assisted acquisition of a depository institution pursuant to which BCB or any of its Subsidiaries is entitled to receive financial assistan any governmental agency.

4.27 Approvals. As of the date of this Agreement, BCB knows of no reason why all regulatory approvals required for the consummati contemplated hereby (including, without limitation, the Merger) should not be obtained.

4.28 Loan Portfolio.

(a) In BCB s reasonable judgment, the allowance for loan losses reflected in BCB s audited statement of financial condition at Dece allowance for loan losses shown on the balance sheets in BCB s Reports for periods ending after December 31, 2008 have been and material respects, as of the dates thereof, under GAAP, and no Regulatory Agencies have required or requested BCB to increase the a such periods.

(b) As of December 31, 2008, except as set forth in Schedule 4.28(b) of the BCB Disclosure Schedules, neither BCB nor any of its Su written or oral (i) Loan, under the terms of which the obligor is, as of the date of this Agreement, over 90 days delinquent in payment default of any other material provision, or (ii) Loans with any director, executive officer or ten percent stockholder of BCB or any of i knowledge of BCB, any person, corporation or enterprise controlling, controlled by or under common control with any of the foregoir BCB Disclosure Schedules sets forth (i) all of the Loans of BCB or any of its Subsidiaries that as of the date of this Agreement are cla Substandard, Doubtful, Loss or Watch List, together with the principal amount of and accrued and unpaid interest on each by number; and (ii) by category of Loan (i.e., commercial, consumer, etc.), all of the other Loans of BCB or any of its Subsidiaries tha Agreement are classified as such, together with the aggregate principal amount of and accrued and unpaid interest on such Loans by c hereof through the Closing Date, BCB shall inform Pamrapo in writing, on a monthly basis and within 30 days of the prior month end classified in the manner described in the previous sentence, or any Loan the classification of which is changed.

4.29 Mortgage Banking Business.

(a) Warehouse Lines of Credit. BCB and its Subsidiaries do not maintain any warehouse lines of credit.

(b) Compliance. Except as set forth in Schedule 4.29(b) of the BCB Disclosure Schedules, neither BCB nor any of its Subsidiaries has caused to be done or failed to be done, any act, the effect of which would operate to invalidate or materially impair (i) any private mor commitment of any private mortgage insurer to insure, (ii) any title insurance policy, (iii) any hazard insurance policy, (iv) any flood i fidelity bond, direct surety bond, errors and omissions or other insurance policy required by any Regulatory Agency, investor or insur guaranty agreement or (vii) the rights of BCB or any of its Subsidiaries under any loan servicing agreement or loan purchase commitment. No Regulatory Agency, investor in Loans or insurer has (i) notified BCB or its Su knowledge, claimed, that BCB or any of its Subsidiaries has violated or has not complied on a recurring basis with the applicable und respect to Loans sold by BCB or any of its Subsidiaries to an investor or (ii) imposed restrictions on the activities (including commitm any of its Subsidiaries. BCB Bank has not and currently does not originate any FHA or VA Loans.

(c) Loan Files. The loan documents relating to each Loan maintained in the loan files of BCB Bank were in compliance with all appli the time of the origination, assumption or modification of such Loan, as the case may be, except where the failure to so comply, eithe aggregate, would not have a Material Adverse Effect on BCB. The loan files maintained by BCB Bank contain originals or true, corre the documents relating to each Loan and the information contained in such loan files with respect to each such Loan is true, complete respects and in compliance with all applicable laws and regulations, except where the failure to so comply, either individually or in th a Material Adverse Effect on BCB. Except as set forth in the loan documents relating to a Loan maintained in the loan files of BCB B bond, deed of trust and mortgage for each such Loan have not been impaired, waived, altered or modified in any respect from the date by a written instrument which written instrument has been recorded, or submitted for recordation in due course, if recordation is nece of the owner thereof, except where the failure to do any of the foregoing, either individually or in the aggregate, would not have a Ma BCB. Except as set forth in the loan documents maintained in the loan files by BCB Bank, to BCB s knowledge, no mortgagor has b mortgagor s obligations with respect to the applicable Loan.

(d) No Recourse. Except as set forth in Schedule 4.29(d) of the BCB Disclosure Schedules, BCB Bank is not subject to recourse in co sold by it for (i) losses on liquidation of a loan, (ii) borrower defaults or (iii) repurchase obligations upon the occurrence of non-paym

(e) Escrow Account. All escrow accounts have been maintained by BCB Bank and, to BCB s knowledge, all prior servicers, in mate related loan documents, all applicable laws, rules, regulations, and requirements of governmental authorities. BCB Bank has credited all interest required to be paid on any escrow account in accordance with applicable law and the terms of such agreements and loan d custodial, and suspense accounts related to the Loans are held in BCB Bank s name or the investor s name by BCB Bank.

(f) ARM Adjustments. With respect to each Loan for which the interest rate is not fixed for the entire term of the Loan, BCB Bank ha such Loan: (i) properly and accurately entered into its system all data required to service the loan in accordance with the related loan regulations, (ii) properly and accurately adjusted the monthly payment on each payment adjustment date, (iii) properly and accurately of principal and interest on each payment adjustment date, in each case in compliance with all applicable laws, rules and regulations a

documents, and (iv) executed and delivered any and all necessary notices required under, and in a form that complies with, all applica
regulations and the terms of the related loan documents regarding the interest rate and payment adjustments, except where the failure
either individually or in the aggregate, would not have a Material Adverse Effect on BCB.

(g) Pools. Each Loan included in a pool of Loans originated or acquired by BCB Bank (a Pool) meets all eligibility requirements (i
applicable requirements for obtaining mortgage insurance certificates and loan guaranty certificates) for inclusion in such Pool. All of
finally certified or, if required, recertified in accordance with all applicable laws, rules and regulations, except where the time for certi
has not expired. To BCB s knowledge, no Pools have been improperly certified. The loan file for each Loan included in a certified Po
and instruments necessary for the final certification or recertification of such Pool. Neither the execution, delivery or performance of t
the consummation by BCB or the Bank of the transactions contemplated hereby will require any Pool to be recertified.

(h) Mortgage Insurance. For each Loan which is insured by private mortgage insurance, BCB Bank has complied with or been grante
provisions of the insurance or guarantee contract and applicable laws and regulations, except where such failure to comply or to recei
individually or in the aggregate, would not have a Material Adverse Effect on BCB, the insurance or guarantee is in full force and eff
Loan, and to BCB s knowledge, there does not exist any event or condition which, but for the passage of time or the giving of notice
revocation of any such insurance or guarantee or constitute adequate grounds for the applicable Insurer to refuse to provide insurance
thereunder.

4.30 Properties. All real property and material personal property owned by BCB and its Subsidiaries or presently used by them in thei
excluding real estate acquired through foreclosure or deed in lieu thereof) is in an adequate condition (ordinary wear and tear excepte
on business in the ordinary course of business consistent with its past practices. BCB and its Subsidiaries have good and marketable t
Liens to all of the material properties and assets, real and personal, reflected on the balance sheet of BCB as of December 31, 2008, i
acquired after such date, other than properties sold by BCB in the ordinary course of business, except (i) Liens for current taxes and a
payable (ii) pledges to secure deposits and other Liens incurred in the ordinary course of its banking business, and (iii) such imperfect
encumbrances, if any, as are not material in character, amount or extent. All real and personal property which is material to BCB or a
businesses and leased or licensed by BCB or its Subsidiaries is held pursuant to leases or licenses which are valid and enforceable in a
respective terms and such leases will not terminate or lapse prior to the Effective Time.

4.31 Labor and Employment Matters. Except as set forth in Schedule 4.31 of the BCB Disclosure Schedules, neither BCB nor its Sub
a party to, or is or has ever been bound by, any collective bargaining agreement, contract, or other agreement or

understanding with a labor union or labor organization with respect to its employees, nor is BCB or its Subsidiaries the subject of any has committed an unfair labor practice or seeking to compel it or any such Subsidiary to bargain with any labor organization as to wag employment, nor is the management of BCB or any of its Subsidiaries aware of any strike, other labor dispute, organizational effort o view toward unionization involving BCB or its Subsidiaries pending or threatened. Except as set forth in Schedule 4.31 of the BCB D and its Subsidiaries are now and for the previous five years have been in material compliance with all applicable laws, executive orde regarding employees and independent contractors, including without limitation all applicable laws, executive orders, rules and regulat compensation, working conditions, classification as employees, employment practices, leave, safety, affirmative action, applicant trac harassment, retaliation, whistleblowing, immigration, lay offs, notice regarding lay offs, labor relations, payroll practices, wages, and forth in Schedule 4.31 of the BCB Disclosure Schedules, BCB and its Subsidiaries are now and for the previous five years have been all applicable employment tax laws.

4.32 Termination Benefits. Schedule 4.32 of the BCB Disclosure Schedules contains a complete and accurate Schedule, showing as o the monetary amounts payable (or a formula for any such monetary payment if the amount cannot be calculated as of the date hereof) this Agreement or otherwise completing the transactions contemplated hereby, subject to a determination of the market value, and ide due under the Specified Compensation and Benefit Programs (as defined herein) for each Named Individual (as defined herein) indivi provided by BCB on Schedule 4.32 of the BCB Disclosure Schedules on the date hereof, then the actual amounts payable to Named I entering into this Agreement or otherwise completing the transactions contemplated hereby shall be updated by BCB and provided on purposes hereof, Specified Compensation and Benefit Programs shall include all employment agreements, change in control agree termination agreements, severance plans, pension, retirement or deferred compensation plans for non-employee directors, supplement programs, tax indemnification agreements, outplacement programs, cash bonus programs, stock appreciation right, phantom stock or life, disability and other insurance or welfare plans, but shall not include any tax-qualified pension, profit-sharing or employee stock o payable for unused vacation time or COBRA. For purposes hereof, Named Individual shall include each non-employee director of Subsidiaries and any officer of BCB or, if applicable, its Subsidiaries.

4.33 Deposits. Except as set forth in Schedule 4.33 of the BCB Disclosure Schedules, none of the deposits of the Bank is a brokered

4.34 Required Vote. The affirmative vote of (i) the holders of a majority of the votes cast of shares of BCB is necessary to approve thi Merger on behalf of the BCB and a majority of the votes cast of shares of BCB shares is required to amend the BCB Certificate of Inc the sole stockholder of the Bank, is required to approve the Bank Merger Agreement as such, on behalf of the Bank. No other vote of any Subsidiary is required.

4.35 Transactions With Affiliates. All covered transactions between BCB and its Subsidiaries and an affiliate within the meanin
Federal Reserve Act and the regulations thereunder have been in compliance with such provisions.

4.36 Insurance. BCB and its Subsidiaries are presently insured, and since December 31, 2005, have been insured, for reasonable amou
and reputable insurance companies, against such risks as companies engaged in a similar business would, in accordance with good bu
be insured. All of the insurance policies and bonds maintained by BCB and its Subsidiaries are in full force and effect, BCB and its Su
thereunder and all material claims thereunder have been filed in due and timely fashion.

4.37 Indemnification. Except as set forth in Schedule 4.37 of the BCB Disclosure Schedules, and except as provided in BCB s emplo
Certificate of Incorporation or Bylaws of BCB neither BCB nor its Subsidiaries is a party to any indemnification agreement with any
employees, agents or other persons who serve or served in any other capacity with any other enterprise at the request of BCB or any o
Person), and, except as set forth in Schedule 4.37 of the BCB Disclosure Schedules, there are no pending claims for which any Cove
to indemnification under the Certificate of Incorporation, Bylaws or applicable law, regulation or any indemnification agreement.

4.38 Voting Agreements. The BCB directors and officers, as set forth in Schedule 4.38 of the BCB Disclosure Schedules, have entere
(Voting Agreement), the form of which is attached as Annex C, hereto.

4.39 CRA Rating. The Bank was rated Satisfactory following its most recent Community Reinvestment Act examination by the reg
its supervision. Neither BCB nor its Subsidiaries have received notice of and has knowledge of any planned or threatened objection by
the transactions contemplated hereby.

4.40 Disclosure. The representations and warranties contained in this Article IV do not contain any untrue statement of a material fact
fact necessary in order to make the statements and information contained in this Article IV not misleading. There is no fact known to
disclosed herein or in any other agreement, document or written statement furnished by BCB to Pamrapo or its counsel, accountants o
in connection with the transactions contemplated hereby, which has or is reasonably likely to have a Material Adverse Effect on BCB

4.41 Internal Controls.

(a) BCB has devised and maintained a system of internal accounting controls sufficient to provide reasonable assurance that: (A) all m
executed in accordance with general or specific authorization of the Board of Directors and the duly authorized executive officers of B
transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP consistently applied

and (C) access to the material properties and assets of BCB is permitted only in accordance with general or specific authorization of th
the duly authorized executive officers of BCB.

(b) BCB (A) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to
information relating to BCB is made known to the chief executive officer and the chief financial officer of BCB by others within those
disclosed, based on its most recent evaluation prior to the date hereof, to BCB s outside auditors and the audit committee of BCB s B
significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in R
Exchange Act) which are reasonably likely to adversely affect BCB s ability to record, process, summarize and report financial inform
whether or not material, that involves management or other employees who have a significant role in BCB s internal controls over fin
disclosures were made in writing by management to BCB s auditors and audit committee. As of the date hereof, there is no reason to
executive officer and chief financial officer will not be able to give the certifications required under SEC regulations when next due.

4.42 Regulatory Capital. Neither BCB nor the Bank is subject to any capital requirements other than those required by applicable Reg
applicable federal regulations. The Bank meets or exceeds all applicable regulatory capital requirements, and the Bank is deemed we
regulatory requirements.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

5.1 Covenants. During the period from the date of this Agreement and continuing until the Effective Time, except as expressly conten
Agreement, the Bank Merger Agreement, or with the prior written consent of the other party, which shall not be unreasonably withhel
BCB, and their respective Subsidiaries, shall carry on their respective businesses in the ordinary course consistent with past practice a
banking practice. Each of Pamrapo and BCB will use its best efforts to (x) preserve its business organization and that of its Subsidiari
to itself and the other party hereto the present services of its employees and (z) preserve for itself and the other parties hereto its good
others with whom business relationships exist. Without limiting the generality of the foregoing, and except as set forth in Schedule 5.
Schedule, Schedule 5.1 of the BCB Disclosure Schedule or as otherwise contemplated by this Agreement or consented to in writing b
which consent shall not be unreasonably withheld, each of Pamrapo and BCB shall not, and shall not permit any of its Subsidiaries to:

(a) solely in the case of Pamrapo or BCB, as the case may be, declare or pay any dividends on, or make other distributions in respect o
other than normal quarterly dividends in an amount of no more than $0.15 per share with respect to shares

of Pamrapo Common Stock and no more than $0.15 per share with respect to shares of BCB Common Stock in each case paid in a tin
with past practice;

(b) split, combine or reclassify any shares of its capital stock or issue or authorize or propose the issuance of any other securities in res
substitution for shares of its capital stock except upon the exercise or fulfillment of rights or options issued or existing pursuant to em
programs or arrangements, all to the extent outstanding and in existence on the date of this Agreement and in accordance with their pr

(c) issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock or any securities conve
for, or any rights, warrants or options to acquire, any such shares, or enter into any agreement with respect to any of the foregoing, oth
Pamrapo Common Stock or BCB Common Stock pursuant to stock options or similar rights to acquire Pamrapo Common Stock or BC
pursuant to Pamrapo Stock Plan or BCB Stock Plans and outstanding prior to the date of this Agreement with their present terms;

(d) amend its Certificate of Incorporation, Bylaws or other similar governing documents, except in the case of BCB it may amend its C
to increase its authorized shares of common stock;

(e) authorize or permit any of its officers, directors, employees or agents to directly or indirectly solicit, initiate or encourage any inqu
making of any proposal which constitutes, a takeover proposal (as defined below), or, except to the extent legally required for the d
of its Board of Directors, recommend or endorse any takeover proposal, or participate in any discussions or negotiations, or provide th
nonpublic information, relating to any such inquiry or proposal or otherwise facilitate any effort or attempt to make or implement a ta
Pamrapo and BCB will immediately cease and cause to be terminated any existing activities, discussions or negotiations previously co
parties with respect to any of the foregoing. Each party will, consistent with the Board s fiduciary duties, notify the other immediatel
takeover proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be in
party, and that party will promptly inform the other in writing of all of the relevant details with respect to the foregoing. As used in thi
proposal shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Pam
Subsidiary of Pamrapo or BCB or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portio
or BCB or any Subsidiary of Pamrapo or BCB other than the transactions contemplated or permitted by this Agreement, the Bank Me

(f) make any capital expenditures other than the expenses which are set forth in Section 5.1(f) of the Pamrapo or BCB Disclosure Sch
are made in the ordinary course of business or are necessary to maintain existing assets in good repair and which expenses are no mor
and $100,000 in the aggregate;

(g) enter into any new line of business;

(h) except as disclosed in Schedule 5.1(h) of the Pamrapo or the BCB Disclosure Schedules, acquire or agree to acquire, by merging c purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corpora association or other business organization or division thereof or otherwise acquire any assets, which would be material, individually o party, other than in connection with foreclosures, settlements in lieu of foreclosure or troubled loan or debt restructurings in the ordina consistent with prudent banking practices;

(i) take any action that is intended or may reasonably be expected to result in any of its representations and warranties set forth in this becoming untrue in any material respect, or in any of the conditions to the Merger set forth in Article VII not being satisfied, or in a v this Agreement or the Bank Merger Agreement, except, in every case, as may be required by applicable law;

(j) change its methods of accounting in effect at December 31, 2008, except as required by changes in GAAP or regulatory accounting by its independent auditors;

(k) (i) except as set forth in Schedule 5.1(k) of the Pamrapo or BCB Disclosure Schedule, as required by applicable law, or to maintai the Code, adopt, amend, renew or terminate any Plan or any agreement, arrangement, plan or policy between Pamrapo or BCB or any BCB and one or more of their current or former directors, officers or employees or (ii) except for normal increases in the ordinary cou with past practice, or except as required by applicable law, increase in any manner the compensation or fringe benefits of any director any benefit not required by any plan or agreement as in effect as of the date hereof or (iii) from the date of execution until the Closing options, stock appreciation rights, restricted stock, restricted stock units, performance units or performance shares;

(l) take or cause to be taken any action which would disqualify the Merger as a tax free reorganization under Section 368 of the Code;

(m) except as set forth in Schedule 5.1(m) of Pamrapo or BCB Disclosure Schedule, other than activities in the ordinary course of bus practice, sell, lease, encumber, assign or otherwise dispose of, or agree to sell, lease, encumber, assign or otherwise dispose of, any of properties or other rights or agreements;

(n) other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money, assume, gu otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity;

(o) except as set forth in Schedule 5.1(o) of the Pamrapo or BCB Disclosure Schedule, file any application to relocate or terminate the office of it or any of its Subsidiaries;

(p) commit any act or omission which constitutes a material breach or default by Pamrapo or BCB or any of their Subsidiaries under a or under any material contract or material license to which Pamrapo or BCB or any of its Subsidiaries is a party or by which any of th properties is bound;

(q) except as set forth in Schedule 3.28(a) of the Pamrapo Disclosure Schedule or Section 4.28 of the BCB Disclosure Schedule, comp restructure any real estate loan, construction loan or commercial loan with an unpaid principal balance except in the ordinary course o past practices;

(r) except as set forth in Schedule 5.1(r) of the Pamrapo or BCB Disclosure Schedule, make or commit to any commercial business lo limitation, lines of credit and letters of credit) or any commercial real estate or construction loan (including, without limitation, lines c other than loans originated in the ordinary course of business consistent with past practices;

(s) purchase or commit to purchase any bulk loan portfolio;

(t) engage in or enter into any structured transactions, derivative securities, arbitrage or hedging activity, except such activities undert of business consistent with past practice;

(u) except as set forth in Schedule 5.1(u) of the Pamrapo and BCB Disclosure Schedule make any equity investment or commitment t in real estate or in any real estate development project, other than in connection with foreclosures, settlements in lieu of foreclosure or restructurings in the ordinary course of business consistent with prudent banking practices, or for goods, services or other items neces of business relating to foreclosures, settlements in lieu of foreclosure or troubled loan or debt restructurings;

(v) create, renew, amend or terminate or give notice of a proposed renewal, amendment or termination of, any material contract, agree services or office space to which Pamrapo or BCB or any of its Subsidiaries is a party or by which Pamrapo or BCB or any of its Subs properties is bound;

(w) take any action which would cause the termination or cancellation by the FDIC of insurance in respect of Pamrapo Bank s depos

(x) settle any claim, action or proceeding involving any liability of it or its Subsidiaries for money damages in excess of $100,000, or Disclosure Schedule 5.1(x);

(y) elect to the Board of Directors of itself or its Subsidiaries or to any office any person who is not a member of the Board of Directo or BCB or their Subsidiaries as of the date of this Agreement, except to replace a director or officer who has terminated service with F their Subsidiaries; or

(z) agree to do any of the foregoing.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.1 Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each of Pamrapo and BCB agrees to use its reaso faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable unc permit consummation of the Merger and the Bank Merger Agreement as promptly as practicable and otherwise to enable consummati Bank Merger Agreement, including the satisfaction of the conditions set forth in Article VII hereof, and shall cooperate fully with the end. BCB agrees to inform Pamrapo promptly of the receipt of any Requisite Regulatory Approvals.

6.2 Stockholder Approval.

(a) Pamrapo agrees to take, in accordance with applicable law and its Certificate of Incorporation and Bylaws, all action necessary to reasonably practicable a special meeting of its stockholders to consider and vote upon the approval of this Agreement and any other m approved by Pamrapo s stockholders for consummation of the Merger (including any adjournment or postponement, the Pamrapo S shall hold the Pamrapo Stockholder Meeting by the later to occur of (i) 60 days after the date of this Agreement or (ii) 60 days after th Pamrapo agrees to cause its Subsidiaries to take, in accordance with applicable law and their governing documents, all action necessa Merger Agreement and any other matters contemplated thereby and by this Agreement. Except with the prior approval of BCB, no oth submitted for the approval of Pamrapo stockholders at the Pamrapo Stockholder Meeting. The Pamrapo board of directors shall at all such meeting recommend such approval and shall take all reasonable lawful action to solicit such approval by its stockholders; provid Agreement shall prevent the Pamrapo board of directors from withholding, withdrawing, amending or modifying its recommendation directors determines, after consultation with its outside counsel and financial advisors, that such action is legally required in order for their fiduciary duties to the Pamrapo stockholders under applicable law.

(b) BCB agrees to take, in accordance with applicable law and its Certificate of Incorporation and Bylaws, all action necessary to con practicable a special meeting of its stockholders to consider and vote upon the approval of this Agreement and any other matters requi stockholders for consummation of the Merger (including any amendment to the BCB Certificate of Incorporation or adjournment or p Stockholder Meeting). BCB shall hold the BCB Stockholder Meeting by the later to occur of (i) 60 days after the date of this Agreer S-4 is declared effective. BCB agrees to cause its Subsidiaries to take, in accordance with applicable law and their governing docume approve the Bank Merger Agreement and any other matters contemplated thereby and by this Agreement. Except with the prior appro matters shall be submitted for the approval of BCB stockholders at the BCB Stockholder Meeting. The BCB board of directors shall a during such meeting recommend such approval and shall take all reasonable lawful action to solicit such approval by its stockholders; provided that nothing in this Agreement shall prevent the BCB board of directors from withh amending or modifying its recommendation if the BCB board of directors determines, after consultation with its outside counsel and f action is legally required in order for the directors to comply with their fiduciary duties to the BCB stockholders under applicable law

(c) Voting Agreements. Each of Pamrapo s and BCB s directors and certain officers, as set forth in Schedule 6.2(c) of the Pamrapo a have entered into a Voting Agreement, forms of which are attached as Exhibit 6.2(c) hereto.

6.3 Registration Statement and Proxy Statements.

(a) Pamrapo and BCB shall promptly prepare and file with the SEC the Proxy Statement and BCB shall promptly prepare and file wit the Proxy Statement will be included as a Prospectus. Pamrapo shall promptly prepare and furnish to BCB no later than 45 days after such information relating to it and its directors, officers and stockholders, any description of the business or any financial information applicable SEC rules and regulations in connection with the above referenced documents based on its knowledge of and access to the said documents, and Pamrapo, and its legal, financial and accounting advisors, shall have the right to review and approve (which appr unreasonably withheld or delayed) the S-4 prior to its filing. Pamrapo agrees to cooperate with BCB and BCB s counsel and account obtaining appropriate opinions, consents and letters from its financial advisor and independent auditor in connection with the S-4 and Provided that Pamrapo has cooperated as described above, BCB agrees to file, or cause to be filed, the S-4 with the SEC as promptly a and shall use its best efforts to file the S-4 within 31 days after receipt of the Pamrapo information. Each of Pamrapo and BCB agrees efforts to cause the S-4 to be declared effective under the Securities Act as promptly as reasonably practicable after the filing thereof. all necessary state securities law or Blue Sky permits and approvals required to carry out the transactions contemplated by this Agr declared effective under the Securities Act, BCB and Pamrapo shall promptly mail at their own expense the Proxy Statement to each c

(b) Each of Pamrapo and BCB agrees that none of the information supplied or to be supplied by it for inclusion or incorporation by re at the time the S-4 and each amendment or supplement thereto, if any, becomes effective under the Securities Act, contain any untrue or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (ii) the P amendment or supplement thereto shall, at the date(s) of mailing to stockholders and at the time of the Pamrapo Stockholder Meeting Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to not misleading. Each of Pamrapo and BCB further agrees that if such party shall become aware prior to the Pamrapo and BCB special information furnished by such Party that would cause any of the statements in the S-4 or the Proxy Statement to be false or misleadin material fact, or to omit to state any material fact necessary to make the statements therein not false or misleading, to promptly inform the other Parties thereof and to take the necessary steps to correct the S-4 or the Proxy Statem

(c) BCB agrees to advise Pamrapo, promptly after BCB receives notice thereof, of the time when the S-4 has become effective or any is required to be filed, of the issuance of any stop order or the suspension of the qualification of BCB Common Stock for offering or s initiation or, to the extent BCB is aware thereof, threat of any proceeding for any such purpose, or of any request by the SEC for the a the S-4 or for additional information.

6.4 Regulatory Filings.

(a) Each of BCB and Pamrapo shall cooperate and cause their respective Subsidiaries to cooperate and use their respective reasonable documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties and Governmer consummate the Merger and Subsidiary Merger and the other transactions contemplated hereby; and any initial filings with Governme by BCB as soon as reasonably practicable after the execution hereof and shall use its best efforts to make the initial filings with gover days after receipt of Pamrapo information to be included in such applications. Each of BCB and Pamrapo shall have the right to revie approval shall not be unreasonably withheld or delayed), and to the extent practicable each shall consult with the other, in each case s relating to the exchange of information, with respect to all written information submitted to any third party or any Governmental Enti Merger and Subsidiary Merger. In exercising the foregoing right, each of such Party agrees to act reasonably and as promptly as pract agrees that it shall consult with the other Party hereto with respect to the obtaining of all permits, consents, approvals, waivers and au parties and Governmental Entities necessary or advisable to consummate the Merger and Subsidiary Merger, and each Party shall kee the status of material matters relating to completion of the Merger.

(b) Each Party agrees, upon request, to furnish the other Party with all information concerning itself, its Subsidiaries (if applicable), d stockholders and such other matters as may be reasonably necessary or advisable in connection with any filing, notice or application r other Party or any of their Subsidiaries (if applicable) to any third party or Governmental Entity.

6.5 Press Releases. Pamrapo and BCB shall consult with each other before issuing any press release with respect to the Merger, this A action. BCB and Pamrapo will issue a joint press release with respect to the Merger or this Agreement as soon as practicable after this executed. Neither Party shall issue any press release with respect to the Merger or this Agreement or make any such public statements the other Party, which consent shall not be unreasonably withheld; provided, however, that either Party may, without the prior consen consultation with the other Party, to the extent practicable under the circumstances), issue such press release or make such public state advice of outside counsel, be required by law or regulation. Pamrapo and BCB shall cooperate to develop all public announcement m make appropriate management available at presentations related to the Merger as reasonably requested by the other Party.

6.6 Acquisition Proposals. (a) From and after the date hereof until the termination of this Agreement, Pamrapo agrees that it shall not that it shall direct and use its best efforts to cause its directors, officers, employees, agents and representatives not to, directly or indire encourage or otherwise facilitate any inquiries or the making of any proposal or offer with respect to a merger, reorganization, share e similar transaction involving Pamrapo, or any purchase of all or a substantial portion of all of the assets of Pamrapo other than the pu securities in the ordinary course of business consistent with past practice or more than 25% of the outstanding equity securities of Pan offer being hereinafter referred to as Pamrapo Acquisition Proposal). Pamrapo further agrees that it shall not, and that it shall direc cause its directors, officers, employees, agents and representatives not to, directly or indirectly, engage in any negotiations concerning information or data to, or have any discussions with, any person relating to a Pamrapo Acquisition Proposal, or otherwise facilitate an or implement a Pamrapo Acquisition Proposal; provided, however, that nothing contained in this Agreement shall prevent Pamrapo o directors from (A) complying with its disclosure obligations under federal or state law; (B) providing information in response to a req who has made an unsolicited bona fide written Pamrapo Acquisition Proposal if the Pamrapo board of directors receives from the pers information an executed confidentiality agreement; (C) engaging in any negotiations or discussions with any person who has made an written Pamrapo Acquisition Proposal or (D) voting to recommend such a Pamrapo Acquisition Proposal to the stockholders of Pamra that, in each such case referred to in clause (B), (C) or (D) above, (i) the Pamrapo board of directors determines in good faith (after co legal counsel) that such action would be required in order for its directors to comply with their respective fiduciary duties under applic Pamrapo board of directors determines in good faith (after consultation with its outside legal counsel and receipt of a written opinion such a Pamrapo Acquisition Proposal, if accepted, is reasonably likely to be consummated, taking into account all legal, financial and proposal and the person making the proposal and would, if consummated, result in a transaction more favorable to Pamrapo s stockh of view than the Merger. A Pamrapo Acquisition Proposal which is received and considered by the Pamrapo board of directors in com Section 6.6(a) hereof and which meets the requirements set forth in subclauses (i) and (ii) of the preceding sentence is herein referred Pamrapo agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any with respect to any Pamrapo Acquisition Proposals. Pamrapo agrees that it will promptly notify (which notification shall not be more earlier of knowledge or receipt of such inquiry, proposal, offer or request) BCB if any such inquiries, proposals or offers are received requested from, or any such discussions or negotiations are sought to be initiated or continued with, Pamrapo or any of its representat

(b) From and after the date hereof until the termination of this Agreement, BCB agrees that it shall not, and that it shall direct and use directors, officers, employees, agents and representatives not to, directly or indirectly, initiate, solicit, encourage or otherwise facilitate any inqu proposal or offer with respect to a merger, reorganization, share exchange, consolidation or similar transaction involving BCB, or any substantial portion of all of the assets of BCB other than the purchase of sales of loans or securities in the ordinary course of business or more than 25% of the outstanding equity securities of BCB (any such proposal or offer being hereinafter referred to as BCB Acqu further agrees that it shall not, and that it shall direct and use its best efforts to cause its directors, officers, employees, agents and repr indirectly, engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement a BCB Acquisition Proposal; provided, howe in this Agreement shall prevent BCB or the BCB board of directors from (A) complying with its disclosure obligations under federal c information in response to a request therefore by a person who has made an unsolicited bona fide written a BCB Acquisition Proposal directors receives from the person so requesting such information an executed confidentiality agreement; (C) engaging in any negotiat person who has made an unsolicited bona fide written BCB Acquisition Proposal or (D) voting to recommend such a BCB Acquisitio stockholders of BCB, if and only to the extent that, in each such case referred to in clause (B), (C) or (D) above, (i) the BCB board of faith (after consultation with its outside legal counsel) that such action would be required in order for its directors to comply with thei under applicable law and (ii) the BCB board of directors determines in good faith (after consultation with its outside legal counsel and of its financial advisor) that such BCB Acquisition Proposal, if accepted, is reasonably likely to be consummated, taking into account regulatory aspects of the proposal and the person making the proposal and would, if consummated, result in a transaction more favora from a financial point of view than the Merger. A BCB Acquisition Proposal which is received and considered by the BCB board of d this Section 6.6(b) hereof and which meets the requirements set forth in subclauses (i) and (ii) of the preceding sentence is herein refe Proposal. BCB agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations w heretofore with respect to any BCB Acquisition Proposals. BCB agrees that it will promptly notify (which notification shall not be mo earlier of knowledge or receipt of such inquiry, proposal, offer or request) Pamrapo if any such inquiries, proposals or offers are recei information is requested from, or any such discussions or negotiations are sought to be initiated or continued with, BCB or any of its r

6.7 Subsequent Interim and Annual Financial Statements. BCB has delivered or made available to Pamrapo, and Pamrapo has deliver BCB, their respective audited financial statements and annual reports (or equivalent documentation) for the year ending December 31 reasonably available, but in no event more than 45 days after the end of each fiscal quarter ending after the date of this Agreement, BC and Pamrapo will deliver to BCB their respective consolidated quarterly financial information as required to be filed with the SEC.

6.8 NASDAQ Listing. Prior to the Effective Time, BCB agrees to file all applications necessary to list on the NASDAQ Global Mark
Common Stock to be issued in connection with the Merger. Further, BCB agrees to promptly file all applications necessary to list on t
the shares of BCB Common Stock to be issued upon the exercise of Pamrapo Options.

6.9 Indemnification.

(a) From and after the Effective Time through the third anniversary of the Effective Time, BCB and its Subsidiaries (the Indemnifyi
hold harmless each present and former director, officer and employee of Pamrapo (the Indemnified Parties) against any costs or ex
attorneys fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceedin
civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Effective Time (a Claim
prior to, at or after the Effective Time, arising in whole or in part out of or pertaining to the fact that he or she was a director, officer,
of Pamrapo or its Subsidiaries or is or was serving at the request of Pamrapo or its Subsidiaries as a director, officer, employee, fiduci
corporation, partnership, joint venture, trust or other enterprise, including without limitation matters related to the negotiation, executi
Agreement or consummation of the Merger, to the fullest extent which such Indemnified Parties would be entitled under the Pamrapo
the Pamrapo Bylaws, and/or any agreement, arrangement or understanding which is set forth and described on Schedule 6.9(a) of the
Schedules, in each case as in effect on the date hereof, provided, however, that BCB and its Subsidiaries shall not be required to inde
breaches of the representations of this agreement to either or both of BCB and its Subsidiaries.

(b) Any Indemnified Party wishing to claim indemnification under this Section 6.9 hereof, upon learning of any such claim, action, su
investigation, shall promptly notify the Indemnifying Party, but the failure to so notify shall not relieve the Indemnifying Party of any
Indemnified Party if such failure does not actually prejudice the Indemnifying Party. In the event of any such claim, action, suit, proce
(whether arising before or after the Effective Time), (i) the Indemnifying Party shall have the right to assume the defense thereof and
not be liable to such Indemnified Parties for any legal expenses of other counsel or any other expenses subsequently incurred by such
connection with the defense thereof, except that if the Indemnifying Party elects not to assume such defense or counsel for the Indemn
there are issues which raise conflicts of interest between the Indemnifying Party and the Indemnified Parties, the Indemnified Parties
reasonably satisfactory to the Indemnifying Party, and the Indemnifying Party shall pay, promptly to the extent permitted by applicab
regulation as statements therefore are received, the reasonable fees and expenses of such counsel for the Indemnified Parties (which m
except to the extent otherwise required due to conflicts) provided that the party seeking indemnification provides to the indemnifying
to repay such fees and expenses if the indemnified party is adjudicated to be not entitled to indemnification; (ii) the Indemnified Parti
defense of any such

matter, (iii) the Indemnifying Party shall not be liable for any settlement effected without its prior written consent and (iv) the Indemn
obligation hereunder to the extent that a federal or state banking agency or a court of competent jurisdiction shall determine that inder
Indemnified Party in the manner contemplated hereby is prohibited by applicable laws and regulations.

(c) Prior to Effective Time, BCB shall use its best efforts to cause the persons serving as directors and officers of Pamrapo and its Sub
to the Effective Time to be covered by the directors and officers liability insurance policy maintained by Pamrapo for a period of th
Time (provided that BCB may substitute therefore policies of at least the same coverage and amounts containing terms and conditions
less advantageous than such policy or single premium tail coverage with policy limits equal to Pamrapo s existing coverage limits) w
omissions occurring prior to the Effective Time which were committed by such directors and officers in their capacities as such, provi
BCB be required to expend an amount in excess of 150% of the aggregate premiums paid by Pamrapo in 2008 (the Insurance Amou
if BCB is unable to maintain or obtain the insurance called for by this Section 6.9 hereof as a result of the preceding provision, BCB s
efforts to obtain the most advantageous coverage as is available for the Insurance Amount.

(d) If BCB or any of its successors or assigns shall consolidate with or merge into any other entity and shall not be the continuing or s
consolidation or merger or shall transfer all or substantially all of its assets to any other entity, then and in each case, proper provision
successors and assigns of BCB or the surviving company shall assume the obligations set forth in this Section 6.9 hereof prior to or si
consummation of such transaction.

6.10 Access to Information.

(a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, Pamrapo shall, and shall cause each
afford to the officers, employees, accountants, counsel and other representatives of BCB, access, during normal business hours during
Effective Time, to all its properties, books, contracts, commitments, records, officers, employees, accountants, counsel and other repre
period, Pamrapo shall, and shall cause its Subsidiaries to, make available to BCB (i) a copy of each report, Schedule, registration state
filed or received by it during such period pursuant to the requirements of Federal securities laws or Federal or state banking laws (oth
which Pamrapo is not permitted to disclose under applicable law) and (ii) all other information concerning its business, properties and
reasonably request. Neither Pamrapo nor any of its Subsidiaries shall be required to provide access to or to disclose information where
would violate or prejudice the rights of Pamrapo s customers, jeopardize any attorney-client privilege or contravene any law, rule, reg
decree, fiduciary duty or binding agreement entered into prior to the date of this Agreement. The parties hereto will make appropriate
arrangements under circumstances in which the restrictions of the preceding sentence apply. BCB will hold all such information in co
required by, and in accordance with, the provisions of the confidentiality

agreement, dated March 18, 2009, between BCB and Pamrapo (the BCB Confidentiality Agreement).

(b) Upon reasonable notice and subject to applicable laws relating to the exchange of information, BCB shall, and shall cause its Subs officers, employees, accountants, counsel and other representatives of Pamrapo, access, during normal business hours during the perio Time, to all its properties, books, contracts, commitments, records, officers, employees, accountants, counsel and other representative BCB shall make available to Pamrapo (i) a copy of each report, Schedule, registration statement and other document filed or received pursuant to the requirements of Federal securities laws or Federal or state banking laws (other than reports or documents which BCB under applicable law) and (ii) all other information concerning its business, properties and personnel as Pamrapo may reasonably requ its Subsidiaries shall be required to provide access to or to disclose information where such access or disclosure would violate or preju customers, jeopardize any attorney-client privilege or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or into prior to the date of this Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstan of the preceding sentence apply. Pamrapo will hold all such information in confidence to the extent required by, and in accordance wi confidentiality agreement, dated March 18, 2009, between Pamrapo and BCB (the Pamrapo Confidentiality Agreement).

(c) All information furnished by BCB to Pamrapo or its representatives pursuant hereto shall be treated as the sole property of BCB ar occur, Pamrapo and its representatives shall return to BCB all of such written information and all documents, notes, summaries or oth reflecting or referring to, or derived from, such information. Pamrapo shall, and shall use its best efforts to cause its representatives to information, and shall not directly or indirectly use such information for any competitive or other commercial purpose. The obligation confidential shall continue for two years from the date the proposed Merger is abandoned and shall not apply to (i) any information w Pamrapo s possession prior to the disclosure thereof by BCB; (y) was then generally known to the public; or (z) was disclosed to Pan bound by an obligation of confidentiality or (ii) disclosures made as required by law. It is further agreed that, if in the absence of a pro of a waiver hereunder Pamrapo is nonetheless, in the opinion of its counsel, compelled to disclose information concerning BCB to any body or agency or else stand liable for contempt or suffer other censure or penalty, Pamrapo may disclose such information to such tri or agency without liability hereunder.

(d) All information furnished by Pamrapo to BCB or its representatives pursuant hereto shall be treated as the sole property of Pamrap not occur, BCB and its representatives shall return to Pamrapo all of such written information and all documents, notes, summaries or reflecting or referring to, or derived from, such information. BCB shall, and shall use its best efforts to cause its representatives to, kee information, and shall not directly or indirectly use such information for any competitive or other commercial purpose. The obligation

confidential shall continue for two years from the date the proposed Merger is abandoned and shall not apply to (i) any information w
BCB s possession prior to the disclosure thereof by Pamrapo; (y) was then generally known to the public; or (z) was disclosed to BC
by an obligation of confidentiality or (ii) disclosures made as required by law. It is further agreed that, if in the absence of a protective
waiver hereunder BCB is nonetheless, in the opinion of its counsel, compelled to disclose information concerning Pamrapo to any trib
or agency or else stand liable for contempt or suffer other censure or penalty, BCB may disclose such information to such tribunal or g
agency without liability hereunder.

(e) No investigation by either of the parties or their respective representatives shall affect the representations, warranties, covenants or
forth herein.

(f) Each of Pamrapo and BCB shall give timely notice of and shall permit a representative of the other to attend meetings of its Board
Executive Committee thereof, except to the extent that such meeting, or portion thereof, relates to the Merger.

6.11 Benefit Plans; Existing Agreements.

(a) In the event of the termination of any Pamrapo health, disability or life insurance plan, or the consolidation of any Pamrapo health
plan with any BCB health, disability or life insurance plan, BCB shall as soon as practicable make available to all employees of Pamr
who continue employment with BCB (Continuing Employees) and their dependents employer-provided health, disability or life ins
basis as it provides such coverage to employees of BCB. Unless a Continuing Employee affirmatively terminates coverage under a Pa
life insurance plan prior to the time that such Continuing Employee becomes eligible to participate in the BCB health, disability or life
coverage of any of the Continuing Employees or their dependents shall terminate under any of the Pamrapo health, disability or life in
time such Continuing Employees and their dependents become eligible to participate in such plans, programs and benefits common to
their dependents. Terminated Pamrapo Employees and qualified beneficiaries will have the right to continue coverage under group he
accordance with Section 4980B(f) of the Code. Continuing Employees who become covered under a BCB health plan shall be require
limitations of the BCB health plan for the plan year in which the coverage commences, with offset for deductibles satisfied under the
event of any termination of any Pamrapo health plan, or consolidation of any Pamrapo health plan with any health plan of BCB or Su
Health Insurance Portability Accountability Act of 1996 (HIPAA) will govern any coverage limitations due to pre-existing conditi

(b) (i) Concurrent with the execution of this Agreement, BCB shall enter into a Settlement Agreement with James Collins (substantial
Exhibit 6.11(b)(i)) setting forth the manner in which Mr. Collins rights under his December 10, 2008 Change in Control Agreement
Executive Agreement, as set forth in Schedule 6.11(b)(i) of the BCB Disclosure Schedule, will be settled by BCB, provided that

notwithstanding anything contained therein or in this Agreement, no payment shall be made under the Settlement Agreement that wou parachute payment, as defined in Section 280G of the Code. The Settlement Agreement shall terminate Mr. Collins Change in Con Agreement, and in lieu of any rights and payments under such agreements, Mr. Collins shall be entitled to the rights and payments set Agreement.

(ii) Concurrent with the execution of this Agreement, BCB and Pamrapo shall enter into a Settlement Agreement with Margaret Russo set forth at Exhibit 6.11(b)(ii)) setting forth the manner in which Ms. Russo s rights under her October 23, 2007 Change in Control A Schedule 6.11(b)(ii) of the Pamrapo Disclosure Schedule, will be settled by BCB and Pamrapo, provided that notwithstanding anythin this Agreement, no payment shall be made under the Settlement Agreement that would constitute an excess parachute payment, as Code. The Settlement Agreement shall terminate Ms. Russo s Change in Control Agreement, and in lieu of any rights and payments u Ms. Russo shall be entitled to the rights and payments set forth in her Settlement Agreement.

(c) (i) Concurrent with the execution of this Agreement, Kenneth D. Walter shall enter into a Waiver and Termination Agreement sub forth at Exhibit 6.11(c)(i)(A), waiving his rights to any change in control benefits under his October 23, 2007 Change in Control Agre Time, or as soon as practicable thereafter, the Change in Control Agreement shall be terminated and BCB and Kenneth D. Walter sha Employment Agreement (substantially in the form set forth at Exhibit 6.11(c)(i)(B)) establishing Mr. Walter as the Chief Financial O provides in part for an annual base compensation of $180,000 plus up to 50% of his annual salary in a performance bonus each year. I Effective Time, or as soon as practicable thereafter, BCB and Mr. Walter shall enter into an Executive Agreement (substantially in the 6.11(c)(i)(C)). Mr. Walter shall be eligible for a retention bonus contemplated by Section 6.11(h).

(ii) Concurrent with the execution of this Agreement, Donald Mindiak shall enter into a Waiver Agreement substantially in the form s 6.11(c)(ii)(A), waiving his rights to any change in control benefits under his December 10, 2008 Change in Control Agreement and hi Executive Agreement in connection with the Merger. As of the Effective Time, or as soon as practicable thereafter, BCB and Donald three (3) year Employment Agreement (substantially in the form set forth at Exhibit 6.11(c)(ii)(B)) establishing Mr. Mindiak as the Pr Officer of BCB which provides in part for an annual base compensation of $217,500 plus up to $125,000 of his annual salary in a per first calendar year in which his Employment Agreement takes effect, and for each calendar year thereafter will be eligible to receive u salary in a performance bonus. Mr. Mindiak shall be eligible for a retention bonus contemplated by Section 6.11(h).

(iii) Concurrent with the execution of this Agreement, Thomas Coughlin shall enter into a Waiver Agreement substantially in the form 6.11(c)(iii)(A), waiving his rights to any change in control benefits under his December 10, 2008 Change in

Control Agreement and his December 10, 2008 Executive Agreement in connection with the Merger. As of the Effective Time, or as s
thereafter, BCB and Thomas Coughlin shall enter into a three (3) year Employment Agreement (substantially in the form set forth at E
establishing Mr. Coughlin as the Chief Operating Officer of BCB which provides in part for an annual base compensation of $195,00
annual salary in a performance bonus each year. Mr. Coughlin shall be eligible for a retention bonus contemplated by Section 6.11(h).

(d) The Employee Stock Ownership Plan of Pamrapo Savings Bank, S.L.A. (the ESOP) and the Pamrapo Savings Bank, S.L.A. 40
Plan) shall be terminated immediately prior to, and effective as of, the Effective Time. Prior to the Effective Time, Pamrapo, and fol
BCB, shall use their best efforts to obtain a favorable determination letter from the IRS with respect to such terminations. Pamrapo an
Time, BCB, shall adopt amendments to the ESOP and the Pamrapo 401(k) Plan as may be reasonably required by the IRS as a conditi
determination letter with respect to such terminations. Neither Pamrapo, nor following the Effective Time, BCB, shall make any distri
the Pamrapo 401(k) Plan, except as may be required by applicable law, until receipt of a favorable determination letter, with respect to
Continuing Employees shall be permitted to directly rollover their ESOP and Pamrapo 401(k) Plan account balances directly to the BC

Continuing Employees shall be eligible to participate in the BCB 401(k) Plan as of the Effective Time. Pamrapo Employees who parti
Plan shall receive credit for service with Pamrapo for purposes of eligibility and vesting determination. As of the Effective Time, or a
reasonably practicable, BCB shall amend the BCB 401(k) Plan to allow plan participants to invest their account balances in BCB Con

(e) As of the Effective Time, Pamrapo shall terminate the Pamrapo Savings Bank, S.L.A. Directors Consultation and Retirement Pla
shall pay $13,900 to Francis J. O Donnell in full satisfaction of its obligations under the Director Plan.

(f) Following the Effective Time, noncontract severed employees of BCB and Pamrapo or noncontract employees of BCB and Pamra
within six (6) months after the Effective Time shall receive 2 weeks severance for each year of service (based upon Form W-2 wages)
weeks and a maximum of 26 weeks.

(g) Pamrapo shall freeze the Retirement Plan of Pamrapo Savings Bank, S.L.A. (the Defined Benefit Plan) as of the Effective Time
shall cease to accrue benefits under the Defined Benefit Plan. BCB shall administer the Defined Benefit Plan to ensure that it continue
requirements of an ongoing retirement plan to retain its tax-qualified status. Participants in the Defined Benefit Plan shall receive serv
their service with BCB, in addition to the service credit earned prior to the Effective Time for service with Pamrapo and its Subsidiari

(h) On or before the Effective Time, BCB and Pamrapo shall each accrue and establish a Retention Bonus Pool of $250,000 to be awa
employees following the Effective Time as determined by the Board of Directors following the Merger.

(i) As of the Effective Time, BCB shall assume the Pamrapo Savings Bank, S.L.A. Supplemental Executive Retirement Plan, as amen
1998.

(j) BCB shall enter into Consulting Agreements substantially in the form set forth at Exhibit 6.11(j) with directors Brockman, Conagh
Pellegrini, effective at the Effective Time provided that BCB shall not be in violation of this Section 6.11(j) if any of the directors refe
not entered into a Consulting Agreement. The Consulting Agreement shall be for a term of a minimum of three years, and will provide
per annum.

(k) BCB shall enter into a one-year Consulting Agreement, substantially in the form set forth at Exhibit 6.11(k), with James Collins, e
Time, provided that BCB shall not be in violation of this Section 6.11(k) if Mr. Collins has not entered into the Consulting Agreement

(l) BCB shall enter into a two-year Non-Compete Agreement, substantially in the form set forth at Exhibit 6.11(l) with Margaret Russ
Time, provided that BCB shall not be in violation of this Section 6.11(l) if Ms. Russo has not entered into the Non-Compete Agreeme

6.12 Additional Agreements. In case at any time after the Effective Time any further action is necessary or desirable to carry out the p
or the Bank Merger Agreement, or to vest the Surviving Corporation or the Surviving Institution with full title to all properties, assets
immunities and franchises of any of the parties to the Merger or the Subsidiary Merger, the proper officers and directors of each party
respective Subsidiaries shall take all such necessary action as may be reasonably requested by BCB.

6.13 Advice of Changes. BCB and Pamrapo shall promptly advise the other party of any change or event having a Material Adverse E
believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or cover
time to time prior to the Effective Time (and on the date prior to the Closing Date), each party will promptly supplement or amend the
delivered in connection with the execution of this Agreement to reflect any matter which, if existing, occurring or known at the date o
have been required to be set forth or described in such Disclosure Schedules or which is necessary to correct any information in such
has been rendered inaccurate thereby. No supplement or amendment to such Disclosure Schedules shall have any effect for the purpos
satisfaction of the conditions set forth in Sections 7.2(a) or 7.3(a) hereof, as the case may be, or the compliance by Pamrapo or BCB, a
respective covenants and agreements of such parties contained herein.

6.14 Current Information. During the period from the date of this Agreement to the Effective Time, each Party will cause one or more
representatives to notify on a regular and frequent basis (not less than monthly) representatives of the other Party and to report (i) the
operations of Pamrapo or BCB, and its Subsidiaries; (ii) the status of, and the action proposed to be taken with respect to, those Loans

Subsidiary which, individually or in combination with one or more other Loans to the same borrower thereunder, have an original pri or more and are non-performing assets; (iii) the origination of all loans not made in the ordinary course of business consistent with pa material changes in its pricing of deposits. Each will promptly notify the other of any material change in the normal course of busines properties or the properties of any of its Subsidiaries and of any governmental complaints, investigations or hearings (or communicati may be contemplated), or the institution or the threat of significant litigation involving itself or any of its Subsidiaries, and will keep t informed of such events.

6.15 Execution and Authorization of Bank Merger Agreement. As soon as reasonably practicable after the date of this Agreement, (a) Board of Directors of the Bank to approve the Bank Merger Agreement, (ii) cause the Bank to execute and deliver the Bank Merger A the Bank Merger Agreement as the sole stockholder of the Bank, and (b) Pamrapo shall (i) cause the Board of Directors of Pamrapo B Merger Agreement, (ii) cause Pamrapo Bank to execute and deliver the Bank Merger Agreement, and (iii) approve the Bank Merger A stockholder of Pamrapo Bank. The Bank Merger Agreement shall contain terms that are normal and customary in light of the transact and such additional terms as are necessary to carry out the purposes of this Agreement.

6.16 Coordination of Dividends. Until the Effective Time, Pamrapo and BCB shall coordinate with the other the declaration of any di with respect to Pamrapo Common Stock and BCB Common Stock and the record dates and payment dates relating thereto, it being th holders of shares of Pamrapo Common Stock or BCB Common Stock shall not receive more than one dividend, or fail to receive one calendar quarter on their shares of Pamrapo Common Stock and BCB Common Stock (including any shares of Surviving Corporation the Merger), as the case may be.

6.17 Certain Policies. To the extent requested by BCB, Pamrapo will modify and change its loan, litigation, real estate valuation, liqui portfolio policies and practices (including loan classifications and level of reserves) immediately prior to the Effective Time so as to b GAAP and which does not violate applicable law.

ARTICLE VII

CONDITIONS PRECEDENT

7.1 Conditions to Each Party s Obligation To Effect the Merger. The respective obligation of each party to effect the Merger shall be or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. This Agreement shall have been adopted by the affirmative vote of the holders of at least a majority of the Pamrapo Common Stock entitled to vote thereon and by the affirmative vote of the holders of at least a majority of the shares present in person or by proxy of BCB Common Stock entitled to vote thereon.

(b) Nasdaq Stock Market Listing. The shares of BCB Common Stock which shall be issued to the stockholders of Pamrapo upon cons shall have been authorized for listing on the Nasdaq Stock Market, subject to official notice of issuance.

(c) Other Approvals. All regulatory approvals required to consummate the transactions contemplated hereby (including the Merger an shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired expiration of all such waiting periods being referred to herein as the Requisite Regulatory Approvals).

(d) S-4. The S-4 shall have become effective under the Securities Act and no stop order suspending the effectiveness of the S-4 shall h proceedings for that purpose shall have been initiated or threatened by the SEC.

(e) No Injunctions or Restraints; Illegality. No order, injunction or decree issued by any court or agency of competent jurisdiction or o prohibition (an Injunction) preventing the consummation of the Merger, the Subsidiary Merger or any of the other transactions con the Bank Merger Agreement shall be in effect. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered by any Governmental Entity which prohibits, restricts or makes illegal consummation of the Merger or the Subsidiary Merger.

(f) No Burdensome Condition. No Governmental Agency requires a commitment or undertaking affecting the operations of the Survi Surviving Institution and none of the Requisite Regulatory Approvals shall impose any term, condition or restriction upon BCB, Pam Surviving Corporation, the Surviving Institution or any of their respective Subsidiaries that BCB, or Pamrapo, in good faith, reasonab materially adversely affect the economic or business benefits of the transactions contemplated by this Agreement to BCB or Pamrapo the operations of the Surviving Corporation and banking subsidiary as to render inadvisable in the reasonable good faith judgment of consummation of the Merger (a Burdensome Condition), it being understood that a regulatory condition relating to the compositio Surviving Corporation or Surviving Institution shall be considered a Burdensome Condition.

7.2 Conditions to Obligations of BCB. The obligation of BCB to effect the Merger is also subject to the satisfaction or waiver by BCE Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of Pamrapo set forth in this Agreement shall be true and corre of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closin and as of the Closing Date. BCB shall have received a certificate signed on behalf of Pamrapo by the Chief Executive Officer and the Chief Financial Officer of Pamrapo to

(b) Performance of Obligations of Pamrapo. Pamrapo shall have performed in all material respects all obligations required to be perfo Agreement at or prior to the Closing Date, and BCB shall have received a certificate signed on behalf of Pamrapo by the Chief Execu Financial Officer of Pamrapo to such effect.

(c) Receipt of Voting Agreements. Pamrapo shall have delivered executed voting agreements from its executive officers and directors Disclosure Schedule 7.2(c) on the date of this Agreement.

(d) Consents Under Agreements. The consent, approval or waiver of each person (other than the Governmental Entities) whose conse required in order to permit the succession by the Surviving Corporation or the Surviving Institution pursuant to the Merger or the Sub may be, to any obligation, right or interest of Pamrapo or any Subsidiary of Pamrapo under any loan or credit agreement, note, mortga or other agreement or instrument shall have been obtained, except where the failure to obtain such consent, approval or waiver would affect the economic or business benefits of the transactions contemplated by this Agreement to BCB as to render inadvisable, in the re judgment of BCB, the consummation of the Merger.

(e) No Pending Governmental Actions. No proceeding initiated by any Governmental Entity seeking an Injunction shall be pending.

(f) Other Actions. Pamrapo shall have furnished BCB with such certificates of its officers or others and such other documents to evide conditions set forth in Section 7.1 and this Section 7.2 hereof as BCB may reasonably request.

(g) Defined Benefit Plan. That the defined benefit plan satisfies the minimum funding standards under Section 412 of the Code as det review of the plan to be completed prior to the Effective Time.

(h) Divesture of Pamrapo Service Corporation. Pamrapo Service Corporation shall remain inactive.

7.3 Conditions to Obligations of Pamrapo. The obligation of Pamrapo to effect the Merger is also subject to the satisfaction or waiver the Effective Time of the following conditions:

(a) Representations and Warranties. The representations and warranties of BCB set forth in this Agreement shall be true and correct i the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing as of the Closing Date. Pamrapo shall have received a certificate signed on behalf of BCB by the Chief Executive Officer and the Chi to the foregoing effect.

(b) Performance of Obligations of BCB. BCB shall have performed in all material respects all obligations required to be performed by or prior to the Closing Date, and Pamrapo shall have received a certificate signed on behalf of BCB by the Chief Executive Officer an Officer of BCB to such effect.

(c) Consents Under Agreements. The consent, approval or waiver of each person (other than the Governmental Entities) whose conse required in order to permit the succession by the Surviving Corporation or the Surviving Institution pursuant to the Merger or the Sub may be, to any obligation, right or interest of BCB or any Subsidiary of BCB under any loan or credit agreement, note, mortgage, ind agreement or instrument shall have been obtained, except those where the failure to obtain such consent, approval or waiver would no affect the economic or business benefits of the transactions contemplated by this Agreement to Pamrapo as to render inadvisable, in th judgment of Pamrapo, the consummation of the Merger.

(d) No Pending Governmental Actions. No proceeding initiated by any Governmental Entity seeking an injunction shall be pending.

(e) Deposit of Exchange Fund. BCB shall have deposited with the Exchange Agent the Exchange Fund to be paid to holders of Pamra to Article II hereof.

(f) Receipt of Voting Agreements. BCB shall have delivered executed voting agreements from its executive officers and directors on t

(g) Other Actions. Pamrapo shall have furnished BCB with such certificates of its officers or others and such other documents to evid conditions set forth in Section 7.1 and this Section 7.2 hereof as BCB may reasonably request.

ARTICLE VIII

TERMINATION AND AMENDMENT

8.1. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the r connection with the Merger by the stockholders of Pamrapo or BCB:

(a) Mutual Consent. By mutual consent of Pamrapo and BCB in a written instrument, if the board of directors of each so determines.

(b) No Regulatory Approval. By either BCB or Pamrapo upon written notice to the other Party (i) 60 days after the date on which any Requisite Regulatory Approval shall have been denied or withdrawn at the request or recommendation of the Governmental Entity wh Requisite Regulatory Approval, unless within the 60-day period following such denial or withdrawal a petition for rehearing or an am filed with the applicable Governmental Entity, provided, however, that no Party shall have the right to terminate this Agreement pursu hereof if

such denial or request or recommendation for withdrawal shall be due to the failure of the Party seeking to terminate this Agreement t
covenants and agreements of such Party set forth herein; (ii) if any Governmental Entity of competent jurisdiction shall have issued a
enjoining or otherwise prohibiting the consummation of any of the transactions contemplated by this Agreement; or (iii) there shall be
upon BCB, the Bank, Pamrapo or Pamrapo Bank.

(c) Delay. By either BCB or Pamrapo if the Merger shall not have been consummated on or before June 30, 2010, unless the failure o
such date shall be due to the failure of the Party seeking to terminate this Agreement to perform or observe the covenants and agreeme
herein;

(d) Stockholder Approval. By either BCB or Pamrapo (provided that (i) if Pamrapo is the Terminating Party it shall not be in material
obligations under Section 6.2(a) hereof and (ii) if BCB is the Terminating Party, it shall not be in material breach of any of its obligati
hereof) if any approval of the stockholders of Pamrapo or BCB required for the consummation of the Merger shall not have been obta
to obtain the required vote at a duly held meeting of such stockholders or at any adjournment or postponement thereof;

(e) Material Breach of Representations. By either BCB or Pamrapo (provided that the terminating Party is not then in material breach
warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the representations or wa
Agreement on the part of the other Party, which breach is not cured within 30 days following written notice to the Party committing s
by its nature, cannot be cured within 30 days after notice with the breaching Party failing to diligently pursue a cure to completion. Fo
Agreement, knowledge shall mean, with respect to a Party hereto, actual knowledge of any officer of that Party with the title, if an
vice president and that Party s in-house counsel, if any.

(f) Material Breach of Covenants. By either BCB or Pamrapo (provided that the terminating Party is not then in material breach of an
covenant or other agreement contained herein) if there shall have been a failure to perform or comply in any material respect with any
agreements set forth in this Agreement on the part of the other Party, which failure by its nature cannot be cured prior to the terminati
or shall not have been cured within 30 days following receipt by the breaching Party of written notice of such breach from the other P

(g) Failure to Recommend. By BCB, if (i) the board of directors of Pamrapo does not recommend in the Proxy Statement that its stoc
Agreement; (ii) after recommending in the Proxy Statement that stockholders adopt this Agreement, the board of directors of Pamrapo
modified or qualified such recommendation in any respect adverse in any respect to the interest of BCB or (iii) Pamrapo fails to call,
convene and hold the Pamrapo Stockholder Meeting. By Pamrapo, if (i) the board of directors of BCB does not recommend in the Pro
stockholders adopt this Agreement; (ii) after recommending in the Proxy Statement that stockholders adopt this

Agreement, the board of directors of BCB shall have withdrawn, modified or qualified such recommendation in any respect adverse i
of Pamrapo or (iii) BCB fails to call, give proper notice of, convene and hold the BCB Stockholder Meeting.

(h) Settlements. (i) *Failure to enter into Universal Consent*. By BCB, if Pamrapo shall fail to enter into a consent with all relevant ba
FinCen and the Department of Justice; or (ii) *Settlement of Claims*. By BCB, if Pamrapo makes a payment or enters into a settlement
of the amount(s) set forth in Pamrapo Disclosure Schedule 5.1(x).

(i) Superior Proposal.

(x) At any time prior to the BCB Stockholder Meeting, by BCB in order to concurrently enter into an acquisition agreement (a BCB
respect to a BCB Superior Proposal which has been received and considered by BCB and the BCB board of directors in full complian
requirements of Section 6.6 hereof, provided, however, that this Agreement may be terminated by BCB pursuant to this Section 8.1(i)
business day following BCB s provision of written notice to Pamrapo advising Pamrapo that the BCB board of directors is prepared
Proposal, the party making such BCB Superior Proposal and the material terms and conditions of the BCB Superior Proposal, and onl
five-business day period, Pamrapo does not, in its sole discretion, make an offer to BCB that the BCB board of directors determines i
consultation with its financial and legal advisors, is at least as favorable to BCB and its stockholders as the BCB Superior Proposal.

(y) At any time prior to the Pamrapo Stockholder Meeting, by Pamrapo in order to concurrently enter into an acquisition agreement (a
Agreement) with respect to a Pamrapo Superior Proposal which has been received and considered by Pamrapo and the Pamrapo boa
compliance with all of the requirements of Section 6.6 hereof, provided, however, that this Agreement may be terminated by Pamrap
Section 8.1(i)(y) hereof only after the fifth business day following Pamrapo s provision of written notice to BCB advising BCB that
is prepared to accept a Pamrapo Superior Proposal, the party making such Pamrapo Superior Proposal and the material terms and con
Superior Proposal, and only if, during such five-business day period, BCB does not, in its sole discretion, make an offer to Pamrapo t
directors determines in good faith, after consultation with its financial and legal advisors, is at least as favorable to Pamrapo and its st
Superior Proposal.

8.2. Effect of Termination.

(a) In the event of termination of this Agreement and the abandonment of the Merger pursuant to this Article VIII hereof, no Party to t any liability or further obligation to any other Party hereunder except as set forth in this Section 8.2, Section 6.10, Sections 9.3, 9.4, 9.

(b) In recognition of the efforts, expenses and other opportunities foregone by BCB while structuring and pursuing the Merger, the Pa Pamrapo shall pay to BCB a termination fee of $2.5 million (the Pamrapo Termination Fee), in the manner set forth in (i) and (ii) b

(i) this Agreement is terminated by BCB pursuant to Sections 8.1(g) or by Pamrapo pursuant to 8.1(i)(y) hereof or;

(ii) this Agreement is terminated by (A) BCB pursuant to Section 8.1(e) or Section 8.1(f) (except for a breach of Section 5.1(x) solely or settlement of the specified claims and amounts set forth at Pamrapo Disclosure Schedule 5.1(x)), hereof, (B) by BCB pursuant to S (provided such delay is caused solely by Pamrapo), or (C) by BCB pursuant to Section 8.1(d) hereof (other than by reason of any brea failed to obtain the required vote of its stockholders, and within six months of any termination pursuant to clause (A), (B) or (C), a bo Proposal (as defined in Section 6.6 hereof) shall have been publicly announced at any time after the date of this Agreement and prior t the stockholders of Pamrapo contemplated by this Agreement, at the Pamrapo Stockholder Meeting, in the case of clause (C), or the d Agreement, in the case of clauses (A) or (B) and within six months after such termination Pamrapo either enters into a Pamrapo Contr person or entity who made such Pamrapo Acquisition Proposal or consummates a Pamrapo Control Transaction with such person or e such Pamrapo Acquisition Proposal. For purposes of this Section 8.2(b)(ii) a person or entity who enters into a Pamrapo Control Tran listed on Pamrapo Disclosure Schedule 8.2. As used in this Section 8.02(b)(ii), a Pamrapo Control Transaction means the acquisitio consolidation, sale, transfer or otherwise, in one transaction or any related series of transactions of a majority of the voting power of th of Pamrapo or substantially all of the consolidated assets of Pamrapo.

(c) In recognition of the efforts, expenses and other opportunities foregone by Pamrapo while structuring and pursuing the Merger, the BCB shall pay to Pamrapo a termination fee of $2.5 million (the BCB Termination Fee) in the manner set forth in (i) and (ii) below

(i) this Agreement is terminated by (x) Pamrapo pursuant to Section 8.1(g) hereof or (y) by BCB pursuant to 8.1(i)(x) hereof; or

(ii) this Agreement is terminated by (A) Pamrapo pursuant to Section 8.1(e) or (f) hereof, (B) by Pamrapo pursuant to Section 8.1(c) h
is solely caused by BCB), or (C) by Pamrapo pursuant to Section 8.1(d) hereof (other than by reason of any breach by Pamrapo) if BC
required vote of its stockholders, and in the case of any termination pursuant to clause (A), (B) or (C) a bona fide BCB Acquisition Pr
Section 6.6 hereof) shall have been publicly announced at any time after the date of this Agreement and prior to the taking of the vote
contemplated by this Agreement, at the BCB Stockholder Meeting, in the case of clause (C), or the date of termination of this Agreem
(A) or (B) and within six months after such termination BCB either enters into a BCB Control Transaction with such person or entity
Acquisition Proposal or consummates a BCB Control Transaction with such person or entity who made such BCB Acquisition Propos
Section 8.2(c)(ii) a person or entity who enters into a BCB Control Transaction must be a party listed on BCB Disclosure Schedule 8.
Section 8.2(c)(ii), a BCB Control Transaction means the acquisition by purchase, merger, consolidation, sale, transfer or otherwise
related series of transactions of a majority of the voting power of the outstanding securities of BCB or substantially all of the consolid

In the event the Pamrapo Termination Fee shall become payable pursuant to Section 8.2(b) or the BCB Termination Fee shall become
Section 8.2(c), the Pamrapo Termination Fee or BCB Termination Fee, as the case may be shall be paid within two business days foll
termination of this Agreement or within two days of Pamrapo or BCB entering into an agreement pursuant to Section 8.2(b)(ii) or Sec
may be. Any amount that becomes payable pursuant to Section 8.2(b) or Section 8.2(c) hereof shall be paid by wire transfer of immed
account designated by the receiving party. The sums paid under Section 8.2(b) or 8.2(c) shall be the sole remedy available to Pamrapo
termination of this Agreement under Section 8.2(b), if against Pamrapo or Section 8.2(c), if against BCB, and each of their respective
respective directors and officers under Section 9.4 hereof.

(d) Notwithstanding Section 8.2(b)(i) or (ii) or 8.2(c)(i) or (ii) above, the parties shall pay the documented fees and expenses of the ot
to exceed $750,000, if a terminating party enters into an agreement to be acquired by purchase, consolidation, sale, transfer or otherwi
related series of transactions, a majority of the voting power of its outstanding securities or substantially all of its consolidated assets,
termination. Such payment shall become payable within two days after either Pamrapo or BCB (as the case may be) entering into an a
Section 8.2(b)(ii) in the case of Pamrapo or Section 8.2(c)(ii) in the case of BCB. In the event that such agreement is with a party liste
Schedule 8.2, this subsection shall not apply and Section 8.2(b)(ii) shall apply.

(e) Pamrapo and BCB agree that the agreements contained in Sections 8.2(b) and (c) hereof are an integral part of the transactions con
Agreement, that

without such agreements the parties would not have entered into this Agreement and that such amounts do not constitute a penalty or
event of a breach of this Agreement by either party. If Pamrapo fails to pay BCB the amount due under paragraph (b) above within th
this Section, then Pamrapo shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by BCB in conne
which BCB prevails, including the filing of any lawsuit, taken to collect payment of such amounts, together with interest on the amou
amounts at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, calculated on a daily basis fr
were required to be paid until the date of actual payment. If BCB fails to pay Pamrapo the amount due under paragraph (c) above with
in this Section, then BCB shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by Pamrapo in con
which Pamrapo prevails, including the filing of any lawsuit, taken to collect payment of such amounts, together with interest on the ar
amounts at the prime lending rate prevailing during such period as published in *The Wall Street Journal*, calculated on a daily basis fr
were required to be paid until the date of actual payment.

8.3. Extension; Waiver. At any time prior to the Effective Time, the Parties hereto, by action taken or authorized by their respective b
the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other Party hereto, (b)
the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any
conditions contained herein. Any agreement on the part of a Party hereto to any such extension or waiver shall be valid only if set fort
signed on behalf of such Party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agre
operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE IX

GENERAL PROVISIONS

9.1 Closing. Subject to the terms and conditions of this Agreement and the Bank Merger Agreement, the closing of the Merger (the
10:00 a.m. on a date to be specified by the parties, which shall be the first day which is (a) the last business day of a month and (b) at
the satisfaction or waiver (subject to applicable law) of the latest to occur of the conditions set forth in Article VII hereof (the Closin
BCB s counsel unless another time, date or place is agreed to in writing by the parties hereto.

9.2 Alternative Structure. Notwithstanding anything to the contrary contained in this Agreement subject to Pamrapo s consent, which
unreasonably withheld prior to the Effective Time, BCB shall be entitled to revise the structure of the Merger and/or the Subsidiary M
transactions provided that each of the transactions comprising such revised structure shall (i) fully qualify as, or fully be treated as par

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reorganizations within the meaning of Section 368(a) of the Code, and not subject any of the stockholders of Pamrapo to adverse tax c
amount of consideration to be received by such stockholders, (ii) be capable of consummation in as timely a manner as the structure c
(iii) not otherwise be prejudicial to the interests of the stockholders of Pamrapo. This Agreement and any related documents shall be a
order to reflect any such revised structure.

9.3 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements i
instrument delivered pursuant to this Agreement shall survive the Effective Time, except for those covenants and agreements containe
by their terms apply in whole or in part after the Effective Time.

9.4 Expenses. Except as costs and expenses may be payable pursuant to Section 8.2 of this Agreement, all costs and expenses incurred
Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense, provided, however, that the co
and mailing the Proxy Statement to the stockholders of Pamrapo and BCB shall be borne equally by BCB and Pamrapo, provided, ho
other fees paid to the SEC or any other Governmental Entity in connection with the Merger, the Subsidiary Merger and other transacti
shall be borne by BCB, provided, further, however, that nothing contained herein shall limit a non-breaching party s rights to recover
damages, costs and expenses including all reasonable attorney s fees sustained or incurred by the non-breaching party arising out of t
or fraud of any provision of this Agreement.

9.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, tel
confirmation), mailed by registered or certified mail (return receipt requested) or delivered by an express courier (with confirmation) t
following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to BCB, to:

BCB Bancorp, Inc.
104-110 Avenue C
Bayonne, NJ 07002
Attention: Donald Mindiak
President and Chief Executive Officer

with a copy to:

Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, NW, Suite 400
Washington, DC 20015
Attention: Alan Schick
Marc P. Levy

(b) if to Pamrapo, to:

Pamrapo Bancorp, Inc.
611 Avenue C
Bayonne, NJ 07002
Attention: Kenneth Walter
Interim President and Chief Executive Officer

with a copy to:

Patton Boggs LLP
2550 M Street, N.W.
Washington, D.C. 20037
Attention: Joseph G. Passaic, Jr.
Philip Feigen

9.6 Interpretation. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Sectior to this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and shall not meaning or interpretation of this Agreement. Whenever the words include , includes or including are used in this Agreement, by the words without limitation . The phrases the date of this Agreement, the date hereof and terms of similar import, unless t be deemed to refer to June 29, 2009.

9.7 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sig

9.8 Entire Agreement. This Agreement (including the documents and the instruments referred to herein) constitutes the entire agreeme agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, other than the Conf the Bank Merger Agreement.

9.9 Governing Law. This Agreement shall be governed and construed in accordance with the law of the State of New Jersey, without conflicts of law.

9.10 Enforcement of Agreement. The Parties hereto agree that irreparable damage would occur in the event that any of the provisions performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the Unite jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

9.11 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisd extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Ag validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreem unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

9.12 Publicity. Except as otherwise required by law or the rules of the Nasdaq Stock Market, so long as this Agreement is in effect, ne shall, or shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with r any public statement concerning, the transactions contemplated by this Agreement without the consent of the other party, which conse withheld.

9.13 Assignment; No Third Party Beneficiaries. Neither this Agreement nor any of the rights, interests or obligations hereunder shall b parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the precedin will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Except as ot herein, this Agreement (including the documents and instruments referred to herein) is not intended to confer upon any person other th rights or remedies hereunder.

9.14 Material Adverse Effect shall mean, with respect to BCB or Bank or Pamrapo or Pamrapo Bank, respectively, any effect that the financial condition, results of operations or business of BCB, Bank and their Subsidiaries taken as a whole, or Pamrapo Bancorp, Subsidiaries taken as a whole, respectively, or (ii) does or would materially impair the ability of either Pamrapo or Pamrapo Bank, on Bank, on the other hand, to perform their obligations under this Agreement or otherwise materially threaten or materially impede the transactions contemplated by this Agreement. The payment or settlement of specified claims within the amounts set forth in Pamrapo shall not be considered to result in a Material Adverse Effect. For purposes of this Agreement in determining whether a Material Ad there shall be excluded any effect resulting from or attributable to (a) changes in laws, rules or regulations, or published interpretation governmental authorities, affecting financial institutions and their holding companies generally, (b) changes in U.S. generally accepte (GAAP) or regulatory accounting principles generally applicable to financial institutions and their holding companies, (c) actions a (or any of its Subsidiaries) taken with the prior written consent of the other party, (d) this Agreement (including the announcement the contemplated hereby and the effects of compliance with this Agreement on the operating performance of the parties including the exp hereto in consummating the transactions contemplated by this Agreement, (e) changes in national or international political or social co engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occur terrorist attack upon or within the United States, or any of its

territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States
uniquely affects either or both parties or any of their subsidiaries, as the case may be, or (f) changes in general economic conditions or
events, conditions or trends affecting financial institutions and their holding companies generally, provided that such changes, events,
it uniquely affects either or both of the parties or any of their subsidiaries.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, BCB and Pamrapo have caused this Agreement to be executed by their respective officers thereunto dul first above written.

BCB BANCORP, INC.

By: /s/ MARK D. HOGAN
Name: Mark D. Hogan
Title: Chairman

Attest:

/s/ THOMAS COUGHLIN
Name: Thomas Coughlin

PAMRAPO BANCORP, INC.

By: /s/ DANIEL J. MASSARELLI
Name: Daniel J. Massarelli
Title: Chairman

Attest:

/s/ MARGARET RUSSO
Name: Margaret Russo

FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER BETWEEN

BCB BANCORP, INC. AND PAMRAPO BANCORP, INC.

THIS FIRST AMENDMENT TO AGREEMENT AND PLAN OF MERGER (this Amendment), dated as of November 5, 2009, is
between BCB, Bancorp, Inc., a New Jersey corporation (BCB), and Pamrapo Bancorp, Inc., a New Jersey corporation (Pamrapo

WHEREAS, BCB and Pamrapo entered into an Agreement and Plan of Merger, dated as of June 29, 2009 (the Agreement) (define
have the meaning given to them in the Agreement); and

WHEREAS, the parties to the Agreement are authorized to amend the Agreement to the extent legally allowed; and

WHEREAS, Section 3.34 of the Agreement currently provides that the affirmative vote of (i) the holders of a majority of the issued a
Pamrapo is necessary to approve this Agreement and the Merger on behalf of Pamrapo and (ii) Pamrapo, as the sole stockholder of Pa
approve the Bank Merger Agreement as such, on behalf of Pamrapo Bank. No other vote of the stockholders of Pamrapo or any Subsi

WHEREAS, Section 7.1(a) of the Agreement currently provides that the Agreement shall be adopted by the affirmative vote of the ho
of the outstanding shares of Pamrapo Common Stock entitled to vote thereon and by the affirmative vote of the holders of at least a m
in person or by proxy of BCB common stock entitled to vote thereon as a condition to each party s obligation to effect the Merger; a

WHEREAS, the New Jersey Business Corporation Act requires that the Agreement be adopted by the affirmative vote of a majority o
holders of shares of common stock of each of Pamrapo and BCB entitled to vote thereon; and

WHEREAS, the Boards of Directors of each of the parties to the Agreement have authorized the execution of this Amendment.

NOW THEREFORE, for valid consideration, the parties hereto agree as follows:

Amendments to the Agreement.

Effective as of the date of this Amendment, Section 3.34 of the Agreement shall be amended and read as follows:

Required Vote. The affirmative vote of (i) a majority of the votes cast by the holders of shares of Pamrapo Common Stock entitled to
to approve this Agreement and the Merger on behalf of Pamrapo and (ii) Pamrapo, as the sole stockholder of Pamrapo Bank, is requir
Merger Agreement as such, on behalf of Pamrapo Bank. No other vote of the stockholders of Pamrapo or any Subsidiary is required.

Effective as of the date of this Amendment, Section 7.1(a) of the Agreement shall be amended and read as follows:

(a) Stockholder Approval. This Agreement shall have been adopted by the affirmative vote a majority of the votes cast by the holder Common Stock entitled to vote thereon and by the affirmative vote of a majority of the votes cast by the holders of shares of BCB Co thereon.

[Signatures on next page.]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Amendment as of the date first written above.

BCB BANCORP, INC.

By: /s/ Mark D. Hogan
Name: Mark D. Hogan
Title: Chairman

Attest: /s/ Thomas Coughlin
Thomas Coughlin

PAMRAPO BANCORP, INC.

By: /s/ Daniel J. Massarelli
Name: Daniel J. Massarelli
Title: Chairman

Attest: /s/ Margaret Russo
Margaret Russo

[Signature page to Amendment to Agreement and Plan of Merger]

June 15, 2009

Board of Directors

Pamrapo Bancorp, Inc.

611 Avenue C

Bayonne, NJ 07002

Directors:

You have requested our opinion as to the fairness to the shareholders of Pamrapo Bancorp, Inc. (Pamrapo), from a financial point c Consideration (as defined herein) to be paid by BCB Bancorp, Inc, (BCB) to the shareholders of Pamrapo pursuant to the Agreeme of June 29, 2009 (the Merger Agreement), by and between BCB and Pamrapo.

Pursuant to the Merger Agreement, Pamrapo will merge with and into BCB with BCB continuing as the surviving entity (the Merge of common stock, par value $0.01 per share, of Pamrapo (the Pamrapo Shares) (subject to certain exceptions set forth in the Merge cancelled and extinguished and converted into the right to receive 1.00 share (the Merger Consideration) of common stock, no par BCB Shares).

The investment banking business of Endicott Financial Advisors, L.L.C. (Endicott) includes the valuation of financial institutions a connection with mergers and acquisitions and other corporate transactions.

In arriving at our opinion, we have reviewed and considered, among other things: (a) the Merger Agreement; (b) certain publicly avai and other historical financial information for each of Pamrapo and BCB; (c) financial analyses and forecasts for each of Pamrapo and respective management; (d) certain other publicly available business and financial information relating to each of Pamrapo and BCB; management of each of Pamrapo and BCB of their respective past and current business operations, results thereof, financial condition (f) certain reported price and trading activity for the Pamrapo Shares and BCB Shares, including a comparison of certain financial and with similar information for certain other companies, the securities of which are publicly traded, (g) the terms of certain business com industry; (h) the pro forma impact of the Merger on Pamrapo, including pro forma information which reflected results derived, in part expenses, purchase accounting adjustments, cost savings and other synergies discussed with the senior management of Pamrapo; (j) th environment generally and the banking environment in particular; and (j) such other information, financial studies, analyses and inves economic and market criteria as we considered relevant.

Pamrapo Bancorp, Inc.

June 15, 2009

Page 2

In performing our review, we have assumed and relied upon, without independent verification, the accuracy and completeness of all o analyses and other information reviewed by and discussed with us, and we have not assumed any responsibility to independently verif have not made any independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities of Pamrapo subsidiaries, or the collectibility of any such assets (relying, where relevant on the analyses and estimates of Pamrapo and BCB), nor l any such appraisals. With respect to the financial forecast and cost savings information (including the amount, timing and achievabilit Pamrapo and BCB management, we have assumed that they reflect the best currently available estimates and good faith judgments of Pamrapo and BCB as to the future performance of Pamrapo and BCB. We have also assumed that there has been no material change i financial condition, results of operations, business or prospects since March 31, 2009, the date of the last financial statements made av experts in the evaluation of allowances for loan losses, and we have neither made an independent evaluation of the adequacy of the all Pamrapo and BCB, nor have we reviewed any individual credit files of Pamrapo and BCB or been requested to conduct such a review assumed that the respective allowances for loan losses for Pamrapo and BCB are adequate to cover such losses and will be adequate o combined entity. For the purposes of rendering this opinion, we have assumed that the Merger will be consummated substantially in a forth in the Merger Agreement, including in all respects material to our analysis, that the representations and warranties of each party and in all related documents and instruments (collectively, the documents) that are referred to therein are true and correct, that each perform all of the covenants and agreements required to be performed by such party under such documents and that all conditions to t Merger will be satisfied without waiver thereof. We have also assumed that, in the course of obtaining the necessary regulatory or oth (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendments or modifications, wil material adverse effect on the future results of operations or financial condition of the combined entity or on the contemplated benefit have informed us, and we have assumed, that the Merger will be treated as a tax-free reorganization for federal income tax purposes.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the information made available to us a occurring after the date hereof could materially affect the assumptions used in preparing this opinion. We have not undertaken to reaff otherwise comment upon any events occurring after the date hereof. We are not expressing any opinion as to the actual value of the B Pamrapo s stockholders pursuant to the Merger or the prices at which the BCB Shares will trade subsequent to the Merger. This opin recommendation to any shareholder of Pamrapo or BCB as to how that shareholder should vote on the proposed Merger, or any other matter relating to th opinion does not address the underlying business decision of Pamrapo to engage in the Merger or the relative merits of the Merger as that may be available to Pamrapo. In rendering this opinion, we express no opinion with respect to the amount or nature of any compe directors, or employees of Pamrapo or BCB or any class of such persons relative to the holders of Pamrapo Shares or BCB Shares or of any such compensation.

We have acted as Pamrapo s financial advisor in connection with the Merger and will receive a fee for our services, a significant port upon consummation of the Merger. We will also receive a fee for rendering this opinion. We also act as an advisor for Pamrapo on an receive customary fees and expense reimbursement. Pamrapo also agreed to indemnify us against certain liabilities arising out of our course of our business, we and our affiliates may actively trade the debt and equity securities of Pamrapo and BCB for our and our aff the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

It is understood that this opinion is for the information of the Board of Directors of Pamrapo and, except for inclusion in its entirety in to be circulated to shareholders in connection with the Merger, may not be quoted, referred to, summarized or reproduced at any time Endicott s written consent.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration is fair from a financial shareholders of Pamrapo.

Very Truly Yours,

ENDICOTT FINANCIAL ADVISO

June 29, 2009

Board of Directors

BCB Bancorp, Inc.

BCB Community Bank

104-110 Avenue C

Bayonne, NJ 07002

Dear Board Members:

You have requested our written opinion, as an independent financial advisor to BCB Bancorp, Inc. (BCBP) as to the fairness, from BCBP and its stockholders, of the exchange ratio as proposed in the Agreement and Plan of Merger by and between BCBP and Pamra dated June 29, 2009 (the Agreement), pursuant to which BCBP and its wholly-owned subsidiary BCB Community Bank will acqui subsidiary Pamrapo Savings Bank, S.L.A.

Pursuant to the Agreement, PBCI stockholders shall receive 1.00 BCBP common share for each share of PBCI.

In general, FinPro, Inc. (FinPro) provides investment banking and consulting services to the bank and thrift industry, including app and thrift institutions and their securities in connection with mergers, acquisitions and other securities transactions. FinPro has knowle the New Jersey bank and thrift market and financial institutions operating in this market. BCBP Board chose FinPro because of its e familiarity with the bank and thrift industry.

BCBP retained FinPro to advise the Board of Directors of BCBP in connection with its merger and acquisition activities. Pursuant to i be paid a fee for rendering its fairness opinion relating to the merger. FinPro acted as financial advisor to BCBP in connection with th fees equal to 0.70% of the aggregate deal value, or approximately $320 thousand, the majority of which is contingent upon the consur Additionally, BCBP has agreed to reimburse FinPro for its out-of-pocket expenses and has agreed to indemnify FinPro and certain rel liabilities possibly incurred in connection with the services performed.

Prior to being retained as BCBP financial advisor for this transaction, FinPro provided professional services to BCBP and has been p fees paid to FinPro by BCBP, prior to being retained as BCBP s financial advisor, are not material relative to FinPro s annual gross r provided professional services to PBCI within the past five years.

Fairness Opinion as June 29, 2009

In connection with its opinion, FinPro reviewed and considered, among other things:

- the merger agreement and the exhibits thereto;
- historic changes in the market for bank and thrift stocks;
- the trading history and performance of BCBP and PBCI s common stock;
- trends and changes in the financial condition and results from operations of BCBP and PBCI beginning with the 2004 fis
- the most recent annual report to stockholders of BCBP and PBCI;
- the most recent 10-K of BCBP and PBCI;
- the quarterly reports on Form 10-Q of BCBP and PBCI;
- recent regulatory exam reports of PBCI; and
- the most recent audit letters to BCBP and PBCI.

We also had discussions with the management of BCBP and PBCI regarding their respective financial results and have analyzed the n available for BCBP and PBCI. In addition, we considered financial studies, analyses and investigations and economic and market info relevant. We also considered the potential pro forma financial impact of the acquisition, including assumed operating synergies. Furth financial contribution of each entity to the resulting pro forma entity and the relative ownership.

We considered certain financial data of PBCI and compared that data to other banks, thrifts and their holding companies that were rec Furthermore, we considered the financial terms of these business combinations involving these banks, thrifts and their holding compa

FinPro did not independently verify the financial data provided by or on behalf of BCBP and PBCI, but instead relied upon and assum completeness of the data provided.

In reaching our opinion, we took into consideration the financial benefits of the proposed transaction to BCBP stockholders. Based on and assuming the accuracy and completeness of the information and data provided by BCBP and PBCI, it is FinPro s opinion as of th consideration being offered by BCBP is fair, from a financial point of view, to BCBP and its stockholders.

Respectfully Submitted,

/s/ FinPro, Inc.
FinPro, Inc.
Liberty Corner, New Jersey

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCH
For the quarterly period ended June 30, 2009.

Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCH
For the transition period from ______ to ______

Commission File Number: 0-50275

BCB Bancorp, Inc.

(Exact name of registrant as specified in its charter)

New Jersey **(State or other jurisdiction of incorporation or organization)**	**26-0065262** **(IRS Employer I.D. No**
104-110 Avenue C Bayonne, New Jersey **(Address of principal executive offices)**	**07002** **(Zip Code)**

(201) 823-0700

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Excl
the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to su
the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interacti
submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such s
registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitio
larger accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	¨	Accelera
Non-Accelerated Filer	¨	Smaller

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interacti
submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the regis
and post such files). ¨ Yes No ¨

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date. As of Aug
Inc., had 4,659,475 shares of common stock, no par value, outstanding.

BCB BANCORP INC., AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Financial Condition at

June 30, 2009 and December 31, 2008

(Unaudited)

(in thousands except for share data)

	J
ASSETS	
Cash and amounts due from depository institutions	$
Interest-earning deposits	
Total cash and cash equivalents	
Securities available for sale	
Securities held to maturity, fair value $116,692 and $143,245 respectively	1
Loans held for sale	
Loans receivable, net of allowance for loan losses of $5,938 and $5,304 respectively	4
Premises and equipment	
Federal Home Loan Bank of New York stock	
Interest receivable	
Other real estate owned	
Deferred income taxes	
Other assets	
Total assets	$ 6
LIABILITIES AND STOCKHOLDERS EQUITY	
LIABILITIES	
Non-interest bearing deposits	$
Interest bearing deposits	4
Total deposits	4
Short-term Borrowings	
Long-term Debt	1
Other Liabilities	
Total Liabilities	5

STOCKHOLDERS EQUITY	
Common stock, stated value $0.064; 10,000,000 shares authorized; 5,195,664 and 5,183,731 shares respectively, issued	
Additional paid-in capital	
Treasury stock, at cost, 536,189 and 533,680 shares, respectively	
Retained Earnings	
Accumulated other comprehensive loss	
Total stockholders equity	
Total liabilities and stockholders equity	$ 6

See accompanying notes to consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

For the three and six months ended

June 30, 2009 and 2008

(Unaudited)

(in thousands except for per share data)

	Three Months E	
	June 30,	
	2009	20
Interest income:		
Loans	$ 6,827	$ 6
Securities	1,392	2
Other interest-earning assets	19	
Total interest income	8,238	9
Interest expense:		
Deposits:		
Demand	205	
Savings and club	279	
Certificates of deposit	2,176	2
	2,660	2
Borrowed money	1,242	1
Total interest expense	3,902	4
Net interest income	4,336	4
Provision for loan losses	300	
Net interest income after provision for loan losses	4,036	4
Non-interest income:		
Fees and service charges	144	
Gain on sales of loans originated for sale	86	
Gain on sale of real estate owned	5	
Other	7	
Total non-interest income	242	
Non-interest expense:		

Salaries and employee benefits	1,306	
Occupancy expense of premises	282	
Equipment	526	
Advertising	72	
Other	844	
Total non-interest expense	3,030	
Income before income tax provision	1,248	
Income tax provision	506	
Net Income	$ 742	$
Net Income per common share-basic and diluted		
basic	$ 0.16	$
diluted	$ 0.16	$
Weighted average number of common shares outstanding-		
basic	4,653	
diluted	4,676	

See accompanying notes to consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statement of Changes in Stockholders Equity

For the six months ended June 30, 2009

(Unaudited)

(in thousands except for share and per share data)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings
Balance, December 31, 2008	$ 331	$ 46,864	$ (8,680)	$ 11,325
Exercise of Stock Options (11,933 shares)	1	62		
Treasury Stock Purchases (2,509 shares)			(25)	
Cash dividends ($0.24 per share) declared				(1,117)
Comprehensive Income:				
Net income for the six months ended June 30, 2009				2,105
Unrealized gain on securities, available for sale, net of deferred income tax of $8				
Total Comprehensive income				
Balance, June 30, 2009	$ 332	$ 46,926	$ (8,705)	$ 12,313

See accompanying notes to consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended

June 30, 2009 and 2008

(Unaudited)

(in thousands)

Cash flows from operating activities :
Net Income
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation
Amortization and accretion, net
Provision for loan losses
Deferred income tax
Loans originated for sale
Proceeds from sale of loans originated for sale
Gain on sale of loans originated for sale
Gain on sale of real estate owned
Decrease in interest receivable
(Increase) in other assets
Decrease in accrued interest payable
Increase (Decrease) in other liabilities
Net cash provided by operating activities
Cash flows from investing activities:
Redemption (Purchase) of FHLB stock
Proceeds from calls of securities held to maturity
Purchases of securities held to maturity
Proceeds from repayments on securities held to maturity
Purchases of securities available for sale
Proceeds from sale of real estate owned
Net decrease (increase) in loans receivable
Improvements to other real estate owned
Additions to premises and equipment
Net cash provided by (used in) investing activities
Cash flows from financing activities:
Net increase in deposits
Repayment of short-term borrowings
Purchases of treasury stock
Cash dividends paid

Exercise of stock options
Net cash provided by financing activities
Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents-beginning
Cash and cash equivalents-ending
Supplemental disclosure of cash flow information:
Cash paid during the year for:
Income taxes
Interest
Transfer of loans to other real estate owned

See accompanying notes to consolidated financial statements.

BCB Bancorp Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of BCB Bancorp, Inc. (the Company) and the subsidiaries, BCB Community Bank (the Bank) and BCB Holding Company Investment Company. The Company s business is co Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q necessarily include all information that would be included in audited financial statements. The information furnished reflects all adjus opinion of management, necessary for a fair presentation of consolidated financial condition and results of operations. All such adjust recurring nature. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the result fiscal year ended December 31, 2009 or any other future interim period.

These unaudited consolidated financial statements should be read in conjunction with the Company s audited consolidated financial s for the year ended December 31, 2008, which are included in the Company s Annual Report on Form 10-K as filed with the Securitie

Effective April 1, 2009, BCB Bancorp, Inc., adopted Statement of Financial Accounting Standards (Statement) No. 165, Subsequ establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before financial sta Statement No. 165 sets forth the period after the balance sheet date

during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the f identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its disclosures that should be made about events or transactions that occur after the balance sheet date. In preparing these consolidated fir Bancorp, Inc., evaluated the events that occurred between June 30, 2009 through August 5, 2009, the date these consolidated financial

Note 2 - Earnings Per Share

Basic net income per common share is computed by dividing net income by the weighted average number of shares of common stock income per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include t stock options, if dilutive, using the treasury stock method.

Note 3 - Securities Available for Sale

		June 30
	Cost	Gross Unrealized Gains
		(In Thou
Equity securities	$ 1,097	$

The age of unrealized losses and fair value of related securities available for sale were as follows:

	Less than 12 Months		More than 12 Mo	
	Fair Value	Unrealized Losses	Fair Value	Unrea Los
			(In Thousand	
June 30, 2009				
Preferred Stock	$	$	$ 811	$

Management does not believe that any of the unrealized losses at June 30, 2009, represent an other-than-temporary impairment as they
market interest rates and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company has the
has the intent, to hold such securities for the time necessary to recover cost and does not have the intent to sell the securities, and it is
will not have to sell the securities before recovery of their cost.

Note 4 - Securities Held to Maturity

		June 30
	Amortized Cost	Gross Unrealized Gains
		(In Thou
U.S. Government Agencies:		
Due after one through five years	$ 3,315	$ 277
Due after ten years	73,914	56
	77,229	333
Mortgage-backed securities:		
Due within one year	$ 707	$ 4
Due after one year through five years	63	2
Due after five years through ten years	6,266	291
Due after ten years	31,154	1,037
	38,190	1,334
	$ 115,419	$ 1,667

The amortized cost and carrying values shown above are by contractual final maturity. Actual maturities will differ from contractual f scheduled monthly payments related to mortgage-backed securities and due to the borrowers having the right to prepay obligations wi penalties.

There were no sales of securities during the six months ended June 30, 2009.

The age of unrealized losses and fair value of related securities held to maturity were as follows:

	Less than 12 Months		More than 12 Month	
	Fair Value	Unrealized Losses	Fair Value	Unrealize Losses
			(In Thousands)	
December 31, 2008				
U.S. Government Agencies	$ 31,756	$ 359	$ 5,265	$ 3
	$ 31,756	$ 359	$ 5,265	$ 3

Management does not believe that any of the unrealized losses at June 30, 2009, (which are related to 21 U.S. Government Agency bo other-than-temporary impairment as they are primarily related to market interest rates and not related to the underlying credit quality o securities. Additionally, the Company has the ability, and management has the

intent, to hold such securities for the time necessary to recover cost and does not have the intent to sell the securities, and it is more lik
have to sell the securities before recovery of their cost.

Note 5 - Fair Values of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157, Fair Value Measurements, whic
a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. Statement No. 157 applie
pronouncements that require or permit fair value measurements.

In December 2007, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 . FSP FAS 157-2 delayed the effe
157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least a
beginning after November 15, 2008 and interim periods within those fiscal years. FSP FAS 157-2 was adopted for the Company s M
financial statements. The adoption of Statement FSP FAS 157-2 had no impact on the amounts reported in the consolidated financial s

Statement No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hi
priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority
(Level 3 measurements). The three levels of the fair value hierarchy under Statement No. 157 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or lia

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the ful
liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e
market activity).

An asset or liability s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value mea

The only assets or liabilities that the Company measured at fair value on a recurring basis were as follows (in thousands):

Description	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(L Sig Ob I
As of June 30, 2009:			
Securities available for sale	$ 908	$ 908	$
As of December 31, 2008:			
Securities available for sale	$ 888	$ 888	$

The only assets or liabilities that the Company measured at fair value on a nonrecurring basis were as follows (in thousands):

		(Level 1)	(L
		Quoted Prices in	Sig
		Active Markets	C
		for Identical	Obs
Description	Total	Assets	I
As of June 30, 2009:			
Impaired loans	$ 3,651	$	$
Real Estate Owned	$ 71	$	$
As of December 31, 2008:			
Impaired Loans	$ 2,847	$	$

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculatio
limited portion of the Company s assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity use
comparisons between the Company s disclosures and those of other companies may not be meaningful. The following methods and a
estimate the fair values of the Company s financial instruments at June 30, 2009 and December 31, 2008.

Cash and Cash Equivalents (Carried at Cost)

The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets fair values.

Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by o
prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used w
debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities r
benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations
illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence
management s best estimate is used. Management s best estimate consists of both internal and external support on certain Level 3 in
models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtai
(where available) were used to support fair values of certain Level 3 investments.

Loans Held for Sale (Carried at Lower of Cost or Fair Value)

The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted prices exis determined using quoted prices for a similar loan or loans, adjusted for specific attributes of that loan. Loans held for sale are carried a

Loans Receivable (Carried at Cost)

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments an Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying

Impaired Loans (Generally Carried at Fair Value)

Impaired loans are those that are accounted for under FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan measured impairment generally based on the fair value of the loan s collateral. Fair value is generally determined based upon indepen the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upo that is significant to the fair value measurements. The fair value consists of the loan balances of $4,322,000 and $3,728,000, net of a v $671,000 and $881,000 at June 30, 2009 and December 31, 2008, respectively.

Real Estate Owned (Generally Carried at Fair Value)

Real Estate Owned is generally carried at fair value, whose value is determined based upon independent third-party appraisals of the p expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair v

FHLB of New York Stock (Carried at Cost)

The carrying amount of restricted investment in bank stock approximates fair value, and considers the limited marketability of such se

Interest Receivable and Payable (Carried at Cost)

The carrying amount of interest receivable and interest payable approximates its fair value.

Deposits (Carried at Cost)

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings and money market accounts) the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expect time deposits.

Short-Term Borrowings (Carried at Cost)

The carrying amounts of short-term borrowings approximate their fair values.

Long-Term Debt (Carried at Cost)

Fair values of long-term debt are estimated using discounted cash flow analysis, based on quoted prices for new long-term debt with s characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed t if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments (Disclosed at Cost)

Fair values for the Bank s off-balance sheet financial instruments (lending commitments and unused lines of credit) are based on fees market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties credit star commitments was deemed immaterial and is not presented in the accompanying table.

The carrying values and estimated fair values of financial instruments were as follows at June 30, 2009:

	June 30, 20
	Carrying Value
	(In Thousan
Financial assets:	
Cash and cash equivalents	$ 71,271
Securities available for sale	908
Securities held to maturity	115,419
Loans held for sale	3,379
Loans receivable	405,268
FHLB of New York stock	5,715
Interest receivable	3,004
Financial liabilities:	
Deposits	450,575
Long-term debt	114,124
Interest payable	896

Note 6 - Acquisition

On June 30, 2009, BCB Bancorp, Inc., the holding company of BCB Community Bank and Pamrapo Bancorp, the holding company f execution of an agreement and plan of merger under which Pamrapo will merge with BCB Community Bank. The merger is expected of 2009, pending regulatory and shareholder approval.

New Accounting Pronouncements

In June 2008, the FASB issued Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Pay Participating Securities. This FSP clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfei undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class met diluted earnings per share must be applied. This FSP is effective for fiscal years beginning after December 15, 2008. The adoption of impact on our consolidated financial statements.

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. insurers of financial statements prepare International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the Inter Board (IASB). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFR will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that thi have on its consolidated financial statements, and it will continue to monitor the development of the potential implementation of IFRS

In April 2009, the FASB issued Statement No. 157, FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activi Have Significantly Decreased and Identifying Transactions That Are Not Orderly . Statement No. 157, Fair Value Measurements , that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed s participants at the measurement date under current market conditions. FSP FAS 157-4 provides additional guidance on determining w activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying circumstances when a tran considered orderly. FSP FAS 157-4 provides a list of factors that a reporting entity should evaluate to determine whether there has be the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the report has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from tha significant adjustments to the related prices may be necessary to estimate fair value in accordance with Statement No. 157. This FSP been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those evaluate the weight of the evidence to determine whether the transaction is orderly. The FSP provides a list of circumstances that may not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair val interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 200 FSP FAS 157-4 must also early adopt FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Imp Statement No. 157, FSP FAS 157-4 did not have an impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairmer
124-2 clarifies the interaction of the factors that should be considered when determining whether a debt security is other-than-tempora
securities, management must assess whether (a) it has the intent to sell the security and (b) it is more likely than not that it will be requ
prior to its anticipated recovery. These steps are done before assessing whether the entity will recover the cost basis of the investment
required management to assert it has both the intent and ability to hold a security for a period of time sufficient to allow for an anticip
avoid recognizing an other-than-temporary impairment. This change does not affect the need to forecast recovery of the value of the s
flows or market price. In instances when a determination is made that an other-than-temporary impairment exists but the investor doe
security and it is not more likely than not that it will be required to sell debt security prior to its anticipated recovery, FSP FAS 115-2
presentation and amount of other-than-temporary impairment recognized in the income statement. The other-than-temporary impairm
amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt securit
(b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary
credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognize
income. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for p
March 15, 2009. An entity early adopting FSP FAS 115-2 and FAS 124-2 must early adopt FSP FAS 157-4, Determining Fair Value
of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly . The adoptio
124-2 did not have an impact on our consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments . FS
amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments , to require disclosures about fair value of
interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion
Reporting , to require those disclosures in summarized financial information at interim reporting periods. This FSP is effective for in
periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity early adopting F
28-1 must early adopt FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability H
and Identifying Transactions That Are Not Orderly , and FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-T
The adoption of FSP FAS 107-1 and APB 28-1 did not have an impact on our consolidated financial statements.

In June 2009, the FASB issued Statement No. 166, Accounting for transfers of Financial Assets, an amendment of FASB Statement prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of position, financial performance and cash flows; and a transferor s continuing involvement in transferred financial assets. Specifically Statement No. 166 amends Statement No. 140, Accounting for transfers and Servicing of Financial Assets and Extinguishments of L concept of a qualifying special-purpose entity from Statement No. 140 and removes the exception from applying FIN 46(R) to variabl qualifying special-purpose entities. It also modifies the financial-components approach used in Statement No. 140. Statement No. 166 beginning after November 15, 2009. We have not determined the effect that the adoption of Statement No. 166 will have on our finan operations.

In June 2009, the FASB issued Statement No. No. 167, Amendments to FASB Interpretation No. 46(R) . This statement amends FA Consolidation of Variable Interest Entities (revised December 2003) - an interpretation of ARB No. 51, or FIN 46(R), to require an en whether it s variable interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of the enterprise that has both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s (2) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive could potentially be significant to the variable interest entity. Statement No. 167 also amends FIN 46(R) to require ongoing reassessm enterprise is the primary beneficiary of a variable interest entity. Statement No. 167 is effective for fiscal years beginning after Noven determined the effect that the adoption of Statement No. 167 will have on our financial position or results of operations.

In June 2009, the FASB issued Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally A Principles , a replacement of FASB Statement No. 162. Statement No. 168 replaces Statement No. 162, The Hierarchy of Generally Principles , to establish the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized nongovernmental entities in preparation of financial statements in conformity with generally accepted accounting principles in the Un No. 168 is effective for interim and annual periods ending after September 15, 2009. We do not expect the adoption of this standard to financial position or results of operations.

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

Total assets increased by $39.0 million or 6.7% to $617.6 million at June 30, 2009 from $578.6 million at December 31, 2008. The Ba
funded primarily through cash flow provided by retail deposit growth, and repayments and prepayments of loans and mortgage backe
half of 2009, the Company s balance in interest earning assets increased primarily as a result of an increase in cash and cash equivale
decrease in loans receivable and a decrease in investment securities categorized as held-to-maturity. Asset growth was moderate as m
on controlled balance sheet growth and maintaining adequate liquidity in the anticipation of funding loans in the loan pipeline as well
the secondary market that provide reasonable returns. During the first half of 2009, the composition of the Bank s assets has emphasi
reflecting management s desire to maintain higher than usual liquid investments during the current recessionary and low interest rate
the lower return available to the Bank in the current environment versus the risk of aggressive lending or investment activity during th
downturn. We intend to continue to grow at a measured pace consistent with our capital levels and as business opportunities permit.

Total cash and cash equivalents increased by $64.5 million or 948.5% to $71.3 million at June 30, 2009 from $6.8 million at Decemb
securities classified as held-to-maturity decreased by $25.9 million or 18.3% to $115.4 million at June 30, 2009 from $141.3 million
decrease was primarily attributable to call options exercised on $98.5 million of callable agency securities during the six months ende
million in repayments and prepayments in the mortgage backed security portfolio, partially offset by investment security purchases to
the six months ended June 30, 2009. The excess proceeds were allocated to cash and cash equivalents in an effort to accumulate liqui
future loan closings or investment security purchase opportunities.

Loans receivable decreased by $1.5 million or 0.4% to $405.3 million at June 30, 2009 from $406.8 million at December 31, 2008. T
primarily from a $7.8 million decrease in real estate mortgages comprising residential, commercial, construction and participation loa
institutions, net of amortization, and a $2.1 million decrease in consumer loans, net of amortization, partially offset by a $9.0 million
comprising business loans and commercial lines of credit, net of amortization and a $634,000 increase in the allowance for loan losse
pipeline as of June 30, 2009 stood at $21.5 million. At June 30, 2009, the allowance for loan losses was $5.9 million or 119.31% of n

Deposit liabilities increased by $40.1 million or 9.8% to $450.6 million at June 30, 2009 from $410.5 million at December 31, 2008. T
primarily from an increase of $20.1 million in time deposit accounts, a $16.3 million increase in transaction accounts, and a $3.7 milli
club accounts. During the six months ended June 30, 2009, the Federal Open Market Committee, (FOMC) has continued its philosoph
interest rates at historically low levels in an effort to lessen the recession in the American economy. This has resulted in a steepening o
in lower short term time deposit account yields which in turn has had the effect of decreasing interest expense.

The balance of borrowed money decreased by $2.0 million or 1.7% to $114.1 million at June 30, 2009 from $116.1 million at Decemb
resulted primarily from the repayment of an overnight line of credit at the Federal Home Loan Bank of New York during the six mont
utilizing the increase in retail deposits to facilitate the borrowing reduction. The purpose of the borrowings reflects the use of long ter
advances to augment deposits as the Bank's funding source for originating loans and investing in Government Sponsored Enterprise, (

Stockholders equity increased by $1.1 million or 2.2% to $50.8 million at June 30, 2009 from $49.7 million at December 31, 2008. T
equity is primarily attributable to net income of the Company for the six months ended June 30, 2009 of $2.1 million, a $63,000 incre
exercise of stock options totaling 11,933 shares and a $12,000 increase in the market value of our available-for-sale securities portfoli
by the payment of two quarterly cash dividends totaling $1.1 million representing two $0.12/share payments during the six months en
$25,000 paid to repurchase 2,509 shares of the Company s common stock. At June 30, 2009 the Bank's Tier 1, Tier 1 Risk-Based and
Ratios were 8.88%, 13.04% and 14.30% respectively.

Results of Operations

Three Months

Net income decreased by $534,000 or 41.8% to $742,000 for the three months ended June 30, 2009 from $1.28 million for the three m
The decrease in net income was due to a decrease in net interest income and an increase in total non-interest expense, partially offset b
non-interest income and a decrease in income taxes. Net interest income decreased by $534,000 or 11.0% to $4.34 million for the thre
2009 from $4.87 million for the three months ended June 30, 2008. This decrease in net interest income resulted primarily from a decr
interest earning assets to 5.50% for the three months ended June 30, 2009 from 6.41% for the three months ended June 30, 2008, parti
$36.9 million or 6.6% in the average balance of interest earning assets to $599.5 million for the three months ended June 30, 2009 fro
three months ended June 30, 2008. The average

balance of interest bearing liabilities increased by $37.3 million or 7.6% to $525.5 million for the three months ended June 30, 2009 f
three months ended June 30, 2008 and the average cost of interest bearing liabilities decreased by forty-two basis points to 2.97% for
June 30, 2009 from 3.39% for the three months ended June 30, 2008. As a consequence of the aforementioned, our net interest margi
three months ended June 30, 2009 from 3.46% for the three months ended June 30, 2008.

Interest income on loans receivable increased by $204,000 or 3.1% to $6.8 million for the three months ended June 30, 2009 from $6.
months ended June 30, 2008. The increase was primarily attributable to an increase in the average balance of loans receivable of $25.
million for the three months ended June 30, 2009 from $385.5 million for the three months ended June 30, 2008, partially offset by a
on loans receivable to 6.64% for the three months ended June 30, 2009 from 6.87% for the three months ended June 30, 2008. The in
reflects management s philosophy to deploy funds in higher yielding instruments, specifically commercial real estate loans, in an eff
The decrease in average yield reflects the competitive price environment prevalent in the Bank's primary market area on loan facilitie
downward of certain rates on loan facilities tied to variable indices, consistent with the decrease in the prime lending rate through the
by the FOMC s philosophy of easing market rates.

Interest income on securities decreased by $889,000 or 39.0% to $1.39 million for the three months ended June 30, 2009 from $2.28
ended June 30, 2008. This decrease was primarily due to a decrease in the average balance of securities held-to-maturity of $47.7 mil
million for the three months ended June 30, 2009 from $157.9 million for the three months ended June 30, 2008, and a decrease in th
held-to-maturity to 5.05% for the three months ended June 30, 2009 from 5.78% for the three months ended June 30, 2008. The decre
reflects the level of call options exercised by their issuing agency on certain investment securities previously discussed. The decrease
the lower long term interest rate environment during the three months ended June 30, 2009.

Interest income on other interest-earning assets decreased by $89,000 or 82.4% to $19,000 for the three months ended June 30, 2009
months ended June 30, 2008. This decrease was primarily due to a decrease in the average yield on other interest-earning assets to 0.1
ended June 30, 2009 from 2.24% for the three months ended June 30, 2008 partially offset by a $58.7 million or 304.1% increase in t
interest-earning assets to $78.0 million for the three months ended June 30, 2009 from $19.3 million for the three months ended June
the average yield reflects the lower short-term interest rate environment for overnight deposits during the three months ended June 30
three months ended June 30, 2008. The increase in the average

balance primarily reflects management s philosophy to accumulate liquidity in the anticipation of future loan closings or investment s opportunities.

Total interest expense decreased by $240,000 or 5.8% to $3.90 million for the three months ended June 30, 2009 from $4.14 million f June 30, 2008. The decrease resulted primarily from a decrease in the average cost of interest bearing liabilities to 2.97% for the three 2009 from 3.39% for the three months ended June 30, 2008, partially offset by an increase in the balance of average interest bearing li 7.6% to $525.5 million for the three months ended June 30, 2009 from $488.2 million for the three months ended June 30, 2008. The reflects the Company s reaction to the lower short term interest rate environment and our ability to reduce our pricing on a select num

The provision for loan losses totaled $300,000 for the three months ended June 30, 2009 as well as for the three months ended June 3(loan losses is established based upon management s review of the Bank s loans and consideration of a variety of factors including, b characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) significant level of existing level of reserves for loan losses that are probable and estimable. During the three months ended June 30, 2009, the Bank expe charge-offs, (consisting of $4,000 in charge-offs and no recoveries). During the three months ended June 30, 2008, the Bank experien (consisting of $7,000 in recoveries and $3,000 in charge-offs). The Bank had non-performing loans totaling $5.0 million or 1.20% of $2.7 million or 0.67% of gross loans at March 31, 2009 and $282,000 or 0.07% of gross loans at June 30, 2008. The allowance for loa 1.43% of gross loans at June 30, 2009, $5.6 million or 1.38% of gross loans at March 31, 2009 and $4.6 million or 1.15% of gross loa amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowa quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While managem information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteri regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may requir additional provisions based on their judgment of information available to them at the time of their examination. Management believes losses was adequate at June 30, 2009, March 31, 2009 and June 30, 2008.

Total non-interest income increased by $69,000 or 39.9% to $242,000 for the three months ended June 30, 2009 from $173,000 for th 30, 2008. The increase in non-interest income resulted primarily from a $66,000 increase in gain on sales of loans originated for sale t months ended June 30, 2009 from $20,000 for the three months ended June 30, 2008, and a $5,000 increase in gain on sale of real esta service charges and other income decreased slightly to $151,000 for the three months ended June 30, 2009 from $153,000 for the three months ended June 30, 2008. The increase in gain on sale of loans originatec increased level of re-finance activity in the one- to four-family residential real estate market during the three months ended June 30, 2 present lower long-term interest rate environment.

Total non-interest expense increased by $291,000 or 10.6% to $3.03 million for the three months ended June 30, 2009 from $2.74 mil ended June 30, 2008. Salaries and employee benefits expense decreased by $72,000 or 5.2% to $1.31 million for the three months end $1.38 million for the three months ended June 30, 2008. This decrease occurred primarily as the result of the departure of a highly cor three months ended June 30, 2009, partially offset by an increase in the number of full time equivalent employees to 89 for the three n from 84 for the three months ended June 30, 2008. Equipment expense increased by $22,000 or 4.4% to $526,000 for the three month $504,000 for the three months ended June 30, 2008. The primary component of this expense item is data service provider expense wh growth in the Bank s assets. Occupancy expense and advertising increased by an aggregate of $21,000 or 6.3% to $354,000 for the th 2009 from $333,000 for the three months ended June 30, 2008. Other non-interest expense increased by $320,000 or 61.1% to $844,0 ended June 30, 2009 from $524,000 for the three months ended June 30, 2008. The increase in non-interest expense resulted primarily recapitalization assessment levied by the Federal Deposit Insurance Corporation on all financial institutions. This assessment totaled $ which was required to be accrued for in the second quarter of 2009 and payable in the third quarter of 2009. Exclusive of the aforemen expense is comprised of directors' fees, stationary, forms and printing, professional fees, legal fees, check printing, correspondent ban communication, shareholder relations and other fees and expenses.

Income tax expense decreased by $222,000 or 30.5% to $506,000 for the three months ended June 30, 2009 from $728,000 for the thr 2008 reflecting decreased pre-tax income earned during the three month time period ended June 30, 2009. The consolidated effective months ended June 30, 2009 was 40.5% as compared to 36.3% for the three months ended June 30, 2008. The effective tax rate for th June 30, 2009 increased primarily as a result of an allowance that was recorded against a state tax benefit that was deemed uncollectib percentage of the Company's income being generated by the Bank and a lower percentage being generated by the Bank's investment s

Six Months of Operations

Net income decreased by $475,000 or 18.4% to $2.1 million for the six months ended June 30, 2009 from $2.6 million for the six mor The decrease in net income was due to a decrease in net interest income, an increase in the provision for loan losses and an increase ir partially offset by an increase in non-interest income and a decrease

in income taxes. Net interest income decreased by $290,000 or 3.0% to $9.26 million for the six months ended June 30, 2009 from $9
months ended June 30, 2008. This decrease in net interest income resulted primarily from a decrease in the average yield on interest e
the six months ended June 30, 2009 from 6.50% for the six months ended June 30, 2008, partially offset by an increase of $29.3 millio
balance of interest earning assets to $585.6 million for the six months ended June 30, 2009 from $556.3 million for the six months end
average balance of interest bearing liabilities increased by $30.9 million or 6.4% to $513.6 million for the six months ended June 30, 2
for the six months ended June 30, 2008, while the average cost of interest bearing liabilities decreased to 3.06% for the six months end
3.53% for the six months ended June 30, 2008. As a consequence of the decrease in the average yield earned on our interest earning a
decreased to 3.16% for the six months ended June 30, 2009 from 3.43% for the six months ended June 30, 2008.

Interest income on loans receivable increased by $448,000 or 3.4% to $13.72 million for the six months ended June 30, 2009 from $13
months ended June 30, 2008. The increase was primarily attributable to an increase in the balance of average loans receivable of $30.
million for the six months ended June 30, 2009 from $380.6 million for the six months ended June 30, 2008, partially offset by a decre
loans receivable to 6.68% for the six months ended June 30, 2009 from 6.97% for the six months ended June 30, 2008. The increase i
management s philosophy to deploy funds in higher yielding instruments, specifically commercial real estate loans, in an effort to ach

Interest income on securities decreased by $1.25 million or 27.1% to $3.37 million for the six months ended June 30, 2009 from $4.62
ended June 30, 2008. The decrease was primarily due to an decrease in the average balance of securities of $34.5 million or 21.5% to
months ended June 30, 2009 from $160.4 million for the six months ended June 30, 2008 and a decrease in the average yield on secur
months ended June 30, 2009 from 5.76% for the six months ended June 30, 2008. The decrease in the average balance reflects the leve

exercised by their issuing agency on certain investment securities previously discussed. The decrease in average yield reflects the low
environment during the six months ended June 30, 2009.

Interest income on other interest-earning assets decreased by $158,000 or 87.3% to $23,000 for the six months ended June 30, 2009 fr
months ended June 30, 2008. This decrease was primarily due to a decrease in the average yield on other interest-earning assets to 0.0
June 30, 2009 from 2.36% for the six months ended June 30, 2008, partially offset by an increase of $33.7 million or 220.3% in the av
interest-earning assets to $49.0 million for the six months ended June 30, 2009 from $15.3 million for the six months ended June 30, 2
average yield reflects the lower short-term interest rate environment for overnight deposits in 2009 as compared to 2008. The increase
primarily reflects management s philosophy to accumulate liquidity in the anticipation of future loan closings or investment security

Total interest expense decreased by $668,000 or 7.8% to $7.85 million for the six months ended June 30, 2009 from $8.52 million for
30, 2008. The decrease resulted primarily from a decrease in the average cost of interest bearing liabilities to 3.06% for the six months
3.53% for the six months ended June 30, 2008 partially offset by an increase in the balance of average interest bearing liabilities of $3
$513.6 million for the six months ended June 30, 2009 from $482.7 million for the six months ended June 30, 2008.

The provision for loan losses totaled $650,000 for the six months ended June 30, 2009 and $550,000 for the six months ended June 30
loan losses is established based upon management s review of the Bank s loans and consideration of a variety of factors including, b
characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) significant level of
existing level of reserves for loan losses that are probable and estimable. During the six months ended June 30, 2009, the Bank experie
charge-offs (consisting of $16,000 in charge-offs and no recoveries). During the six months ended June 30, 2008, the Bank experience
charge-offs (consisting of $93,000 in charge-offs and $40,000 in recoveries). The Bank had non-performing loans totaling $5.0 millio
June 30, 2009, $3.7 million or 0.90% of gross loans at December 31, 2008 and $282,000 or 0.07% of gross loans at June 30, 2008. Th
was $5.9 million or 1.43% of gross loans at June 30, 2009, $5.3 million or 1.28% of gross loans at December 31, 2008 and $4.6 millio
June 30, 2008. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Managemen
loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance.
available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementio
various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and ma
recognize additional provisions based on their judgment of information available to them at the time of their examination. Manageme
allowance for loan losses was adequate at June 30, 2009, December 31, 2008 and June 30, 2008.

Total non-interest income increased by $2,000 or 0.5% to $423,000 for the six months ended June 30, 2009 from $421,000 for the six
2008. The increase in non-interest income resulted primarily from an increase of $28,000 or 28.0% in gain on sales of loans originate
six months ended June 30, 2009 from $100,000 for the six months ended June 30, 2008 and a $5,000 increase in gain on sale of real e
by a decrease of $31,000 or 9.7% in general fees, service charges and other income to $290,000 for the six months ended June 30, 200
months ended June 30, 2008. The increase in gain on sale of loans

originated for sale reflects the increased level of re-finance activity in the one- to four-family residential real estate market during the
2009, due primarily to the present lower long-term interest rate environment.

Total non-interest expense increased by $250,000 or 4.7% to $5.62 million for the six months ended June 30, 2009 from $5.37 millior
June 30, 2008. Salaries and employee benefits expense decreased by $124,000 or 4.5% to $2.63 million for the six months ended June
million for the six months ended June 30, 2008. This decrease occurred primarily as a result of the departure of a highly compensated
months ended June 30, 2009, partially offset by an increase in the number of full time equivalent employees to 89 for the six months e
84 for the six months ended June 30, 2008. Equipment expense increased by $39,000 or 3.9% to $1.04 million for the six months endo
million for the six months ended June 30, 2008. The primary component of this expense item is data service provider expense which i
the Bank s assets. Occupancy expense increased by $21,000 or 4.0% to $546,000 for the six months ended June 30, 2009 from $525,
June 30, 2008. Advertising expense decreased by $3,000 to $119,000 for the six months ended June 30, 2009 from $122,000 for the s
2008. Other non-interest expense increased by $317,000 or 32.9% to $1.28 million for the six months ended June 30, 2009 from $964
ended June 30, 2008. The increase in non-interest expense resulted primarily from the one-time recapitalization assessment levied by
Insurance Corporation on all financial institutions. This assessment totaled $300,000 for the Company which was required to be accru
of 2009 and payable in the third quarter of 2009. Exclusive of the aforementioned, other non-interest expense is comprised of director
printing, professional fees, legal fees, check printing, correspondent bank fees, telephone and communication, shareholder relations ar

Income tax expense decreased $163,000 or 11.1% to $1.31 million for the six months ended June 30, 2009 from $1.47 million for the
2008 reflecting decreased pre-tax income earned during the six month time period ended June 30, 2009. The consolidated effective in
months ended June 30, 2009 was 38.3% as compared to 36.3% for the six months ended June 30, 2008. The effective tax rate for the s
2009 increased primarily as a result of an allowance that was recorded against a state tax benefit that was deemed uncollectible as wel
the Company s income being generated by the Bank and a lower percentage being generated by the Bank s investment subsidiary.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management of Market Risk

General. The majority of our assets and liabilities are monetary in nature. Consequently, one of our most significant forms of market r
assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposits. As a result,
business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market interest rates.
Directors has established an Asset/Liability Committee which is responsible for evaluating the interest rate risk inherent in our assets
determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance
managing this risk consistent with the guidelines approved by the Board of Directors. Senior management monitors the level of intere
and the Asset/Liability Committee, which consists of senior management and outside directors operating under a policy adopted by th
as needed to review our asset/liability policies and interest rate risk position.

The following table presents the Company s net portfolio value (NPV). These calculations were based upon assumptions believed
although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data tha
instruments as of March 31, 2009, the latest quarterly date for which information was available. The Company anticipates that the resu
June 30, 2009, will be substantially similar to that set forth below. Assumptions have been made by the Company relating to interest r
core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity d
loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based u
of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. V
scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table incl
loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months
non-interest bearing accounts were scheduled with an assumed term of 24 months. The NPV at PAR represents the difference betw
value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 100 to 300 basis poi
it would not be meaningful, in the interest rate environment as of March 31, 2009. The following sets forth the Company s NPV as o

Change in Calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NI
+300bp	$ 33,941	$ (16,496)	-32.71%	
+200bp	48,858	(1,579)	-3.13	
+100bp	54,236	3,799	7.53	
PAR	50,437			

bp - basis points

The table above indicates that at March 31, 2009, in the event of a 100 basis point increase in interest rates, we would experience a 7.

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in NPV rec assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In thi presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains con measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration assets and liabilities. Accordingly, although the NPV table provides an indication of our interest rate risk exposure at a particular poin measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net inte from actual results.

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ITEM 4T.
Controls and Procedures

Under the supervision and with the participation of the Company s management, including the Chief Executive Officer, Chief Financ Accounting Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluat Officer, Chief Financial Officer and Principal Accounting Officer concluded that, as of the end of the period covered by this quarterly disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company fil Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities rules and forms.

There has been no change in the Company s internal control over financial reporting during the most recent fiscal quarter that has ma reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Provident Bank filed a Complaint on February 20, 2009, in the Superior Court of New Jersey, Law Division, Hudson County, Do against BCB Community Bank seeking recovery of damages in the amount of $672,500. Provident s claim is broken down as follows breached its obligations under the Uniform Commercial Code, as codified in New Jersey, by failing to return at least seven checks dra $384,500, before the expiration of its midnight deadline, as allegedly required by the Uniform Commercial Code; and, (2) BCB failed cashier s checks that it issued in the aggregate amount of $288,000.

BCB has filed an Answer to Provident s Complaint denying the allegations. BCB has also filed and served an Amended Third-Party DeMaio, Bayonne Community Group, LLC, Mel-Eri Associates, Inc., Direct Leasing, Inc. and Szklarski Development Corporation, s contribution, identification and damages from those third-party defendants for any potential damages Provident obtains against BCB. defendants were served with an Amended Third -Party Complaint. As they have failed to timely answer the third party complaint, BC has been entered against each third-party defendant.

BCB has put its liability insurance carrier on notice of this claim. The carrier has acknowledged the claim, and authorized BCB to pro defend Provident s Complaint.

Terms of settlement are presently under consideration by the parties that, if accepted, would settle all of Provident s claims for signif would also provide a means for BCB to recoup any funds paid to Provident in such a settlement.

ITEM 1.A. RISK FACTORS

In addition to the risk factors set forth in our 2008 Annual Report on Form 10-K, set forth below are additional factors for our investo

If Economic Conditions Deteriorate in our Primary Market, Our Results of Operations and Financial Condition could be Adversely In Ability to Repay Loans Declines and the Value of the Collateral Securing Loans Decreases.

Our financial results may be adversely affected by changes in prevailing economic conditions, including decreases in real estate value which may cause a decrease in interest rate spreads, adverse employment conditions, the monetary and fiscal policies of the federal go significant external events. Decreases in real estate

values could potentially adversely affect the value of property used as collateral for our mortgage loans. In the event that we are requi
property securing a mortgage loan, there can be no assurance that we will recover funds in an amount equal to any remaining loan bal
general economic conditions, real estate values and other factors associated with the ownership of real property. As a result, the mark
underlying the loans may not, at any given time, be sufficient to satisfy the outstanding principal amount of the loans. Consequently,
and potentially incur a higher provision for loan loss expense. Adverse changes in the economy may also have a negative effect of the
make timely repayments of their loans, which could have an adverse impact on earnings.

Our Securities Portfolio may be Negatively Impacted by Fluctuations in Market Value.

Our securities portfolio may be impacted by fluctuations in market value, potentially reducing accumulated other comprehensive inco
Fluctuations in market value may be caused by decreases in interest rates, lower market prices for securities and lower investor dema
evaluated for other-than-temporary impairment on at least a quarterly basis. If this evaluation shows an impairment to cash flow conn
securities, a potential loss to earnings may occur.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
Securities sold within the past three years without registering the securities under the Securities Act of 1933

During 2005, the Company announced a stock repurchase plan which provides for the purchase of up to 187,096 shares, adjusted for t
on October 27, 2005. On April 26, 2007, the Company announced a second stock repurchase plan which provides for the repurchase o
the outstanding shares of the Company s common stock. On November 20, 2007, the Company announced a third stock repurchase p
234,002 shares of the Company s common stock. This plan commenced upon the completion of the prior plan. The Company s stock
months ended June 30, 2009 are as follows:

Period	Shares Purchased	Average Price	Total Number of Shares Purchased
4/1-4/30		$	
5/1-5/31		$	
6/1-6/30		$	
Total		$	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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

The Company s Annual Meeting of Shareholders occurred on April 23, 2009. At this meeting there were two items put to a vote of se
Directors and ratification of the Independent Auditors. The number of shares outstanding was 5,184,320, the number of shares entitled
the number of shares present at the meeting or by proxy was 4,122,807.

1. The vote with respect to the election of four directors was as follows:

NAME	FOR	WIT
Thomas M. Coughlin	3,860,259	
Joseph Lyga	3,863,490	
Alexander Pasiechnik	4,044,014	
Joseph Tagliareni	3,865,760	

Those continuing serving directors are as follows: Robert Ballance, Judith Q. Bielan, Joseph Brogan, James E. Collins, Mark D. Hoga
August Pellegrini, Jr.

2. The vote with respect to the ratification of Beard Miller Company LLP, as Independent Auditors for the Company for the
2009 was:

FOR	AGAINST	ABSTAIN
4,070,935	48,149	3,723

ITEM 5. OTHER INFORMATION

On June 30, 2009 BCB Bancorp, Inc., and Pamrapo Bancorp, Inc., jointly announced the signing of a definitive merger agreement. Ur agreement Pamrapo will merge with BCB Community Bank. Pamrapo shareholders will receive 1.00 shares of BCB Community Ban The Board of Directors of BCB Bancorp, Inc. will be expanded by five seats for representation from Pamrapo. Mr. Daniel Massarelli the combined entity, Mr. Mark D. Hogan will serve as Vice-Chairman. Mr. Donald Mindiak will be the President & CEO of the comb Coughlin will serve as

Chief Operating Officer and Mr. Kenneth Walter will serve as Chief Financial Officer. Both Boards of Directors have unanimously ap resulting company will be a bank holding company with one banking subsidiary, a state-chartered commercial bank.

Both parties have completed due diligence paying particular attention to credit, regulatory and legal matters. The merger is subject to the approval of the shareholders of both BCB Bancorp, Inc., and Pamrapo Bancorp, Inc., as well as the receipt of regulatory approvals be completed by the end of 2009.

ITEM 6. EXHIBITS

Exhibit 31.1 and 31.2 Officers Certification filed pursuant to section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Officers Certification filed pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

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

I, Donald Mindiak, certify that: 1. I have reviewed this Quarterly Report on Form 10-Q of BCB Bancorp, Inc.; 2. Based on my knowl
does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in ligh
which such statements were made, not misleading with respect to the period covered by this quarterly report; 3. Based on my knowle
and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results o
of the registrant as of, and for, the periods presented in this quarterly report; 4. The registrant s other certifying officer and I are respo
maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over
defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have: a) designed such disclosure controls and procedu
controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including i
is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared; b)
control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provi
regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with gen
principles; c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this quarterly report c
effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such eval
this quarterly report any change in the registrant s internal control over financial reporting that occurred during the registrant s most
registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affec
control over financial reporting; 5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation
financial reporting, to the registrant s auditors and the audit committee of registrant s board of directors (or persons performing the e
significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reaso
affect the registrant s ability to record, process, summarize and report financial information; and b) any fraud, whether or not materia
or other employees who have a significant role in the registrant s internal control over financial reporting.

August 5, 2009

/s/ Donald Mindiak
Donald Mindiak
President, Chief Executive Officer and Chief Finan

Certification of Principal Accounting Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas M. Coughlin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BCB Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a materia
make the statements made, in light of the circumstances under which such statements were made, not misleading with respect t
by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly prese
financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly re

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedur
Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) a
registrant and have:

   a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed unde
   that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others
   particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be desi
   to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements
   accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this quarterly report o
   effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based

   d) disclosed in this quarterly report any change in the registrant s internal control over financial reporting that occurred du
   fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reas
   affect, the registrant s internal control over financial reporting;

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over finan
registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting
   to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the regis financial reporting.

August 5, 2009

/s/ Thomas M. Coughlin
Thomas M. Coughlin
Principal Accounting Officer and Chief Operating

Certification pursuant to

18 U.S.C. Section 1350,

as adopted pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Donald Mindiak, President, Chief Executive Officer and Chief Financial Officer and Thomas M. Coughlin, Principal Accounting Offi Officer of BCB Bancorp, Inc. (the Company) each certify in his capacity as an officer of the Company that he has reviewed the qua on Form 10-Q for the quarter ended June 30, 2009 and that to the best of his knowledge:

(1) the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of opera The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by S Sarbanes-Oxley Act of 2002.

August 5, 2009	/s/ Donald Mindiak President, Chief Executive Officer and Chief Finan
August 5, 2009	/s/ Thomas M. Coughlin Principal Accounting Officer and Chief Operating

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act of 1934**
For the fiscal ended December 31, 2008.

or

¨ **Transition Report Pursuant To Section 13 Or 15(D) Of The Securities Exchange Act of 1934**
For the transition period from ______ to ______.

Commission file number: 000-50275

BCB BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey	**26-0065262**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
104-110 Avenue C, Bayonne, New Jersey	**07002**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (201) 823-0700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which**
Common Stock, $0.01 par value	The NASDAQ Stock Mark

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ¨ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ¨ N

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Ex
the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to su
the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interact
submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such s
registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is n
not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Par
amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller repo
definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Ch

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by referen
June 30, 2008, as reported by the Nasdaq Capital Market, was approximately $48.2 million.

As of March 9, 2009, there were issued and outstanding 5,183,731 shares of the Registrant s Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for the 2009 Annual Meeting of Stockholders of the Registrant (Part III).

(2) Annual Report to Stockholder (Part II and IV).

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This report on Form 10-K contains forward-looking statements that are based on assumptions and may describe future plans, strategie
Bancorp, Inc. and subsidiaries. This document may include forward-looking statements within the meaning of Section 27A of the Sec
Section 21E of the Securities Exchange Act of 1934. These forward-looking statements, which are based on certain assumptions and c
strategies, and expectations of the Company, are generally identified by use of the words anticipate, believe, estimate, expec
try, or future or conditional verbs such as will, would, should, could, may, or similar expressions. Although we belie
as reflected in these forward-looking statements are reasonable, we can give no assurance that these plans, intentions or expectations v
By identifying these statements for you in this manner, we are alerting you to the possibility that our actual results and financial condi
materially, from the anticipated results and financial condition indicated in these forward-looking statements. Important factors that co
and financial condition to differ from those indicated in the forward-looking statements include, among others, those discussed below
Part I, Item 1A of this Annual Report on Form 10-K. You should not place undue reliance on these forward-looking statements, whicl
only as of the date of this report. We do not assume any obligation to revise forward-looking statements except as may be required by

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PART I

ITEM 1. BUSINESS BCB Bancorp, Inc.

BCB Bancorp, Inc. (the Company) is a New Jersey corporation, which on May 1, 2003 became the holding company parent of BC The Company has not engaged in any significant business activity other than owning all of the outstanding common stock of BCB Co executive office is located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our telephone number is (201) 823-0700. At Decembe million in consolidated assets, $410.5 million in deposits and $49.7 million in consolidated stockholders equity. The Company is sub by the Board of Governors of the Federal Reserve System.

BCB Community Bank

BCB Community Bank, formerly known as Bayonne Community Bank, was chartered as a New Jersey bank on October 27, 2000, an November 1, 2000. We changed our name from Bayonne Community Bank to BCB Community Bank in April of 2007. We operate th Bayonne and Hoboken, New Jersey and through our executive office located at 104-110 Avenue C, Bayonne, New Jersey 07002. Our insured by the Federal Deposit Insurance Corporation and we are a member of the Federal Home Loan Bank System.

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

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

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

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

Business Strategy

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

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

Focusing on profitability. On an operational basis, we achieved profitability in our tenth month of operation. For the year ended Dece average equity was 7.00% and our return on average assets was 0.60%. Our earnings per diluted share decreased from $0.93 for the y 2004 to $0.74 for the year ended December 31, 2008. Although earnings per share results have come under pressure recently, primari economic downturn in both the national and local economy as well as several one-time events, management is committed to maintai diversifying the products, pricing and services we offer.

Continuing our growth. We have consistently increased our assets. From December 31, 2004 to December 31, 2008, our assets have i million to $578.6 million. Over the same time period, our loan balances have increased from $246.4 million to $406.8 million, while $337.2 million to $410.5 million. In addition, we have maintained our asset quality ratios while growing the loan portfolio. At Decem non-performing assets to total assets ratio was 0.89%.

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

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

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

Attracting highly experienced and qualified personnel. An important part of our strategy is to hire bankers who have prior experience market as well as pre-existing business relationships. Our management team has an average of 30 years of banking experience, while personnel have significant prior experience at community banks and regional banks in Hudson County. Management believes that its County market has been a critical element in the success of BCB Community Bank.

Management s extensive knowledge of the local communities has allowed us to develop and implement a highly focused and discipli
has enabled the Bank to attract a high percentage of low cost deposits.

Recent Market Developments

In response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks a
institutions, on October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. Under the E
the Treasury was given the authority to, among other things, purchase up to $700 billion of securities and certain other financial instru
institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets.

On October 14, 2008, the Treasury Department announced a Capital Purchase Program under which it would acquire equity investme
in banks and thrifts and their holding companies. In conjunction with the purchase of preferred stock, the Treasury Department also re
common stock from participating financial institutions. Participating financial institutions also were required to adopt the Treasury De
executive compensation and corporate governance for the period during which the department holds equity issued under the Capital P
determined that we would not participate in the Capital Purchase Program.

On November 21, 2008, the FDIC adopted a final rule relating to a Temporary Liquidity Guarantee Program, which the FDIC had pre
initiative to counter the system-wide crisis in the nation s financial sector. Under the Temporary Liquidity Guarantee Program the FD
the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions on or after Oct
June 30, 2009 and (ii) provide full FDIC deposit insurance coverage for non-interest bearing transaction deposit accounts, Negotiable
(NOW) accounts paying less than 0.5% interest per annum and certain other accounts held at participating FDIC-insured institution
Coverage under the Temporary Liquidity Guarantee Program was available for the first 30 days without charge. The fee assessment f
unsecured debt ranges from 50 basis points to 100 basis points per annum, depending on the initial maturity of the debt. The fee asses
coverage is 10 basis points per quarter on amounts in covered accounts exceeding $250,000. We have elected to participate in the dep

The American Recovery and Reinvestment Act of 2009 (ARRA), more commonly known as the economic stimulus or economic r
into law on February 17, 2009, by President Obama. ARRA includes a wide variety of programs intended to stimulate the economy a
infrastructure, energy, health, and education needs. In addition, ARRA imposes certain new executive compensation and corporate ex
current and future TARP recipients until the recipient has repaid the Treasury, which is now permitted under ARRA without penalty a
new capital, subject to the Treasury s consultation with the recipient s appropriate regulatory agency.

For further information regarding regulatory and legislative developments affecting our business see Supervision and Regulation .

Our Market Area

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

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

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

Competition

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

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

In the financial services industry in recent years, intense market demands, technological and regulatory changes and economic pressu classifications that were once clearly defined. Banks have diversified their services, increased rates paid on deposits and become more competition with one another and with new types of financial service companies, including non-banking competitors. Some of the res dynamics in the financial services industry have been a number of new bank and non-bank competitors, increased merger activity, and awareness of product and service differences among competitors.

Lending Activities

Analysis of Loan Portfolio. Set forth below is selected data relating to the composition of our loan portfolio by type of loan as a perce
portfolio.

					At December 31,			
	2008		2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Perce
					(Dollars in Thousands)			
Type of loans:								
Real estate loans:								
One- to four-family	$ 74,039	17.94%	$ 55,248	14.96%	$ 43,993	13.64%	$ 34,901	12.
Construction	62,483	15.14	49,984	13.53	38,882	12.06	28,743	9.
Home equity	38,065	9.22	35,397	9.58	32,321	10.02	24,297	8.
Commercial and multi-family	223,179	54.07	208,108	56.35	192,141	59.60	185,170	64.
Commercial business	14,098	3.42	19,873	5.38	14,705	4.56	14,578	5.
Consumer	920	0.21	739	0.20	396	0.12	456	0.
Total	412,784	100.00%	369,349	100.00%	322,438	100.00%	288,145	100.
Less:								
Deferred loan fees, net	654		630		575		604	
Allowance for loan losses	5,304		4,065		3,733		3,090	
Total loans, net	$ 406,826		$ 364,654		$ 318,130		$ 284,451	

Loan Maturities. The following table sets forth the contractual maturity of our loan portfolio at December 31, 2008. The amount show
principal balances. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported a
less. Variable-rate loans are shown as due at the time of repricing. The table does not include prepayments or scheduled principal repa

	Due within 1 Year	Due after 1 through 5 Years	Due after 5 Years
		(In Thousands)	
One- to four-family	$ 5,845	$ 7,999	$ 60,195
Construction	51,048	8,750	2,685
Home equity	75	5,314	32,676
Commercial and multi-family	28,821	38,293	156,065
Commercial business	1,890	8,010	4,198
Consumer	487	433	
Total amount due	$ 88,166	$ 68,799	$ 255,819

Loans with Predetermined or Floating or Adjustable Rates of Interest. The following table sets forth the dollar amount of all loans at I
due after December 31, 2008, and have predetermined interest rates and that have floating or adjustable interest rates.

	Fixed Rates	Floating or Adjustable Rates
		(In Thousands)
One- to four-family	$ 33,421	$ 34,773
Construction	1,835	9,600
Home equity	31,128	6,862
Commercial and multi-family	44,312	150,046
Commercial business	4,058	8,150
Consumer	433	
Total amount due	$ 115,187	$ 209,431

The Bank has strengthened certain loan underwriting criteria in an effort to more prudently make loan facility determinations and miti
loss provisions prospectively.

Commercial and Multi-family Real Estate Loans. Our commercial and multi-family real estate loans are secured by commercial real e
centers, medical buildings, retail offices) and multi-family residential units, consisting of five or more units. Permanent loans on comm
properties are generally originated in amounts up to 75% of the appraised value of the property. Our commercial real estate loans are s
property such as office buildings, retail stores, warehouses, church buildings and other non-residential buildings. Commercial and mu
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 loan
which generally mature in three to five years with principal amortization for a period of up to 30 years. Our largest commercial loan h
$2.4 million at December 31, 2008, and was secured by a mixed use property comprised of retail and office facilities. Our largest mul
principal balance of $4.4 million at December 31, 2008. Both loans were performing in accordance with their terms on that date.

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

One- to Four-Family Lending. Our one- to four-family residential mortgage loans are secured by property located in the State of New originate one- to four-family residential mortgage loans in amounts up to 80% of the lesser of the appraised value or selling price of th without requiring mortgage insurance. We will originate loans with loan to value ratios up to 90% provided the borrowers obtain priva 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 originate for retention in our portfolio have terms no greater than 15 years. We offer adjustable rate loans with fixed rate periods of up and interest calculated using a maximum 30-year amortization period. We offer these loans with a fixed rate for the first five years wi 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 third party lender one- to four-family residential loans, which are primarily fixed rate loans with terms of 30 years. Our loan brokerage customers longer-term fixed rate loans we would not otherwise originate while providing a source of fee income. During 2008, we bro to four-family loans and recognized gains of $137,000 from the sale of such loans.

All of our one- to four-family mortgages include due on sale clauses, which are provisions giving us the right to declare a loan imm 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 app Board of Directors. Appraisals are performed in accordance with applicable regulations and policies. At our discretion, we obtain eith attorneys certificates of title on all first mortgage real estate loans originated. We also require fire and casualty insurance on all prop four-family loans. We also require the borrower to obtain flood insurance where appropriate. In some instances, we charge a fee equal amount commonly referred to as points.

Construction Loans. We offer loans to finance the construction of various types of commercial and residential property. We originated during the year ended December 31, 2008. Construction loans to builders generally are offered with terms of up to eighteen months ar the prime rate plus a margin. These loans generally are offered as adjustable rate loans. We will originate residential construction loans for individual borrowers and builders, p and permits are in order. Construction loan funds are disbursed as the project progresses. At December 31, 2008, our largest construct which $3.0 million was disbursed. This construction loan has been made for the construction of residential properties. At December 3 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, occup on a construction loan is dependent largely upon the accuracy of the initial estimate of the property s value at completion of construct estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost c construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit co 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 proj 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 borrowe 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 c 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 orig interest rates tied to the prime rate. Home equity loans and lines of credit are underwritten under the same criteria that we use to under loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 80% when combined with the principal 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 unde December 31, 2008, the outstanding balances of home equity loans and lines of credit totaled $38.1 million, or 9.22% of our loan port

Commercial Business Loans. Our commercial business loans are underwritten on the basis of the borrower s ability to service such d underwriting standards for commercial business loans include a review of the applicant s tax returns, financial statements, credit histo applicant s ability to meet existing obligations and payments on the proposed loan based on cash flow generated by the applicant s b loans are generally made to small and mid-sized companies located within the State of New Jersey. In most cases, we require collatera receivable, inventory, chattel or other assets before making a commercial business loan. Our largest commercial business loan at Dece principal balance of $2.7 million and was secured by marketable equity securities. We have also received personal guarantees from th borrower and a director of BCB Bancorp, Inc. As of December 31, 2008, this loan was performing according to its terms. The Bank c value of the underlying collateral of this loan on a regular basis.

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

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Consumer Loans. We make various types of secured and unsecured consumer loans and loans that are collateralized by new and used
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
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	
	2008	2007	20
			(In Tho
Beginning of period	$ 369,349	$ 322,438	$ 28
Originations by Type:			
Real estate mortgage:			
One- to four-family residential	9,683	6,454	9
Construction	15,591	48,415	34
Home equity	9,699	14,512	1
Commercial and multi-family	63,601	55,892	5
Commercial business	11,624	16,987	7
Consumer	492	215	
Total loans originated	110,690	142,475	119
Purchases:			
Real estate mortgage:			
One- to four-family residential			
Construction	113	3,726	4
Home equity			
Commercial and multi-family		5,267	
Commercial business		600	
Consumer			
Total loans purchased	113	9,593	7
Sales:			
Real estate mortgage:			
One- to four-family residential			
Construction	2,523	5,040	1
Home equity			
Commercial and multi-family		1,275	1
Commercial business			
Consumer			
Total loans sold	2,523	6,315	1
Principal repayments	63,651	97,396	86
Transfer of loans to real estate owned	1,194	1,446	
Total reductions	64,845	98,842	92
Net increase	43,435	46,911	34

Ending balance	$ 412,784	$ 369,349	$ 32

Loan Approval Authority and Underwriting. We establish various lending limits for executive management and also maintain a loan c 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 t real estate loans up to $500,000, other secured loans up to $500,000 and unsecured loans up to $25,000. The loan committee consider 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 inform necessary, additional financial information may be requested. An appraisal is required for the underwriting of all one- to four-family l 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. A 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 hor 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 m 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 days from the date of issuance. At December 31, 2008, our outstanding loan origination commitments totaled $5.7 million, outstandin progress totaled $25.7 million and undisbursed lines of credit totaled $14.8 million.

Loan Delinquencies. We send a notice of nonpayment to borrowers when their loan becomes 15 days past due. If such payment is not additional notice of nonpayment is sent to the borrower. After 60 days, if payment is still delinquent, a notice of right to cure default i 30 additional days to bring the loan current before foreclosure is commenced. If the loan continues in a delinquent status for 90 days p plan is in effect, foreclosure proceedings will be initiated. In an effort to more closely monitor the performance of our loan portfolio a has created various concentration of credit reports, specifically as it relates to our construction and commercial real estate portfolios. T declining values in the aforementioned portfolios up to and including a 25% value deprecation to the original appraised value to ascer

Loans are reviewed and are placed on a non-accrual status and the accrual of interest is discontinued when the loan becomes more tha when, in our opinion, the collection of additional interest is doubtful. Subsequent interest payments, if any, are either applied to the ou or recorded as interest income, depending on the assessment of the ultimate collectability of the loan. At December 31, 2008, we had loans. Our largest exposure of non-performing loans at that date consisted of three loans, with one specific borrower with a total princ collateralized by several parcels of real estate whose total appraised value was approximately $3.2 million as of that date. Another loa three loans with one specific borrower and a total balance of $1.1 million is also in non-accrual status. This borrower is in foreclosure and there is the prospect, upon conveyance and disposition of the properties, that the Bank may incur a loss as the value o collateral for these loans have depreciated in value.

A loan is considered impaired when it is probable the borrower will not repay the loan according to the original contractual terms of th determined that first mortgage loans on one- to four-family properties and all consumer loans represent large groups of smaller-balanc are collectively evaluated for impairment. Additionally, we have determined that an insignificant delay (less than 90 days) will not cau impaired and a loan is not impaired during a period of delay in payment, if we expect to collect all amounts due including interest acc interest rate for the period of delay. We independently evaluate all loans identified as impaired. We estimate credit losses on impaired value of expected cash flows or the fair value of the underlying collateral if the loan repayment is derived from the sale or operation o loans, or portions of such loans, are charged off when we determine that a realized loss has occurred. Until such time, an allowance fo for estimated losses. Cash receipts on impaired loans are applied first to accrued interest receivable unless otherwise required by the lo impaired loan is also a nonaccrual loan, in which case the portion of the receipts related to interest is recognized as income. At Decem loans totaling $3.7 million which are classified as impaired and on which loan loss allowances totaling $881,000 have been establishe income of $138,000 was recognized on impaired loans.

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

	At December 31, 2008				At Decem	
	60-89 Days		90 Days or More		60-89 Days	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
				(Dollars in Thousands)		
Real estate mortgage:						
One- to four-family residential	3	$ 1,507	4	$ 1,213		$
Construction	1	360				
Home equity						
Commercial and multi-family	2	265	5	2,515	2	1,770
Total	6	2,132	9	3,728	2	1,770
Commercial business						
Consumer						
Total delinquent loans	6	$ 2,132	9	$ 3,728	2	$ 1,770
Delinquent loans to total loans		0.51%		0.90%		0.48

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

	At Decembe	
	60-89 Days	
	Number of Loans	Principal Balance of Loans
		(Dollars in T
Real estate mortgage:		
One- to four-family residential		$
Construction		
Home equity	1	29
Commercial and multi-family		
Total	1	29
Commercial business	1	123
Consumer		
Total delinquent loans	2	$ 152
Delinquent loans to total loans		0.06%

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

			At December 3
	2008	2007	2006
			(Dollars in Thous
Non-accruing loans:			
One- to four-family residential	$ 1,213	$ 319	$
Construction		1,247	
Home equity		149	
Commercial and multi-family	2,515	2,039	307
Commercial business			
Consumer			16
Total	3,728	3,754	323
Accruing loans delinquent more than 90 days:			
One- to four-family residential			
Construction			
Home equity			
Commercial and multi-family		519	
Commercial business			
Consumer			
Total		519	
Total non-performing loans	3,728	4,273	323
Foreclosed assets	1,435	287	
Total non-performing assets	$ 5,163	$ 4,560	$ 323
Total non-performing assets as a percentage of total assets	0.89%	0.81%	0.06%
Total non-performing loans as a percentage of total loans	0.90%	1.16%	0.10%

For the year ended December 31, 2008, gross interest income which would have been recorded had our non-accruing loans been curre original terms amounted to $289,000. We received and recorded $138,000 in interest income for such loans for the year ended Decem

Classified Assets. Our policies provide for a classification system for problem assets. Under this classification system, problem assets substandard, doubtful, loss or special mention. An asset is considered substandard if it is inadequately protected by its cur the borrower or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that son deficiencies are not corrected. Assets classified as doubtful have all the weaknesses inherent in those classified substandard with the a weakness present makes collection or liquidation in full on the basis of currently existing facts, conditions, and values, highly que Assets classified as loss are those considered uncollectible and of such little value that their continuance as assets without the estab reserve is not warranted, and the loan is charged-off. Assets may be designated special mention because of potential weaknesses that c 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. represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unl have not been allocated to particular problem assets. A portion of general loss allowances established to cover possible losses related t substandard or doubtful may be included in determining our regulatory capital. Specific valuation allowances for loan losses generally capital. At December 31, 2008, we had $12,000 in assets classified as doubtful, $3.4 million in assets classified as substandard, all of impaired and $3.0 million in assets classified as special mention, of which $341,000 was classified as impaired. The loans classified a primarily commercial loans secured either by residential real estate, commercial real estate or heavy equipment.

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

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

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

		Years Ended Decemb	
	2008	2007	2006
			(Dollars in Thousa
Balance at beginning of period	$ 4,065	$ 3,733	$ 3,090
Charge-offs:			
One- to four-family residential			
Construction	90	270	
Home equity			
Commercial and multi-family			
Commercial business	3		66
Consumer	8	15	1
Total charge-offs	101	285	67
Recoveries	40	17	85
Net charge-offs (recoveries)	61	268	(18)
Provisions charged to operations	1,300	600	625
Ending balance	$ 5,304	$ 4,065	$ 3,733
Ratio of non-performing assets to total assets at the end of period	0.89%	0.81%	0.06%
Allowance for loan losses as a percent of total loans outstanding	1.28%	1.10%	1.16%
Ratio of net charge-offs (recoveries) during the period to average loans outstanding during the period	0.02%	0.09%	(0.01)%
Ratio of net charge-offs (recoveries) during the period to non-performing loans	1.64%	6.27%	(5.57)%

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

	At December 31,							
	2008		2007		2006		2005	
	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans	Amount	Percent of Loans in each Category in Total Loans
	(Dollars in Thousands)							
Type of loan:								
One- to four-family	$ 688	17.94%	$ 221	14.96%	$ 69	13.64%	$ 76	12.11
Construction	941	15.14	885	13.53	1,068	12.06	329	9.98
Home equity	167	9.22	172	9.58	126	10.02	91	8.43
Commercial and multi-family	3,175	54.07	2,476	56.35	2,285	59.60	2,180	64.26
Commercial business	216	3.42	262	5.38	168	4.56	401	5.06
Consumer	117	0.21	49	0.20	17	0.12	13	0.16
Total	$ 5,304	100.00%	$ 4,065	100.00%	$ 3,733	100.00%	$ 3,090	100.00

Investment Activities

Investment Securities. We are required under federal regulations to maintain a minimum amount of liquid assets that may be invested securities and certain other investments. The level of liquid assets varies depending upon several factors, including: (i) the yields on in (ii) our judgment as to the attractiveness of the yields then available in relation to other opportunities, (iii) expectation of future yield l projections as to the short-term demand for funds to be used in loan origination and other activities. Investment securities, including m are classified at the time of purchase, based upon management s intentions and abilities, as securities held-to-maturity or securities av securities acquired with the intent and ability to hold to maturity are classified as held-to-maturity and are stated at cost and adjusted f and accretion of discount, which are computed using the level yield method and recognized as adjustments of interest income. All oth are classified as available for sale to serve principally as a source of liquidity. During 2008, the Bank recorded an other than temporar of $2.9 million on a $3.0 million investment in Federal National Mortgage Association (FNMA) preferred stock. This OTTI charge re decline in the market value of these securities following the announcement by the Federal Housing Finance Agency (FHFA) that FNM conservatorship. Additionally, the FHFA eliminated the payment of dividends on common and preferred stock and assumed the powe management of FNMA. Based on these factors, the Company evaluated the impairment as other than temporary.

Current regulatory and accounting guidelines regarding investment securities require us to categorize securities as held-to-maturity, av As of December 31, 2008, we had $141.3 million of securities classified as held-to-maturity, $888,000 in securities classified as avail securities classified as trading. Securities classified as available for sale are reported for financial reporting purposes at the fair value v value from period to period included as a separate component of stockholders equity, net of income taxes. At December 31, 2008, ou held-to-maturity had a fair value of $141.1 million. Changes in the fair value of securities classified as held-to-maturity do not affect o has the intent and we have the ability to hold securities classified as held-to-maturity. During the year ended December 31, 2008, we h

At December 31, 2008, our investment policy allowed investments in instruments such as: (i) U.S. Treasury obligations; (ii) U.S. fede sponsored agency obligations; (iii) mortgage-backed securities; and (iv) certificates of deposit. The Board of Directors may authorize December 31, 2008, our U.S. Government agency securities totaled $98.6 million, all of which were classified as held-to-maturity and of callable securities issued by government sponsored enterprises.

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

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

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

		At December
	2008	2007
		(In Thousan
Securities available for sale:		
Equity securities	$ 888	$ 2,056
Securities held to maturity:		
U.S. Government and Agency securities	98,607	130,156
Mortgage-backed securities	42,673	34,861
Total securities held to maturity	141,280	165,017
Money market funds		3,500
FHLB stock	5,736	5,560
Total investment securities	$ 147,904	$ 176,133

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

		Years Ended Dec
	2008	2007
		(In Thousan
Purchases:		
Fixed-rate	$ 60,606	$ 37,33
Total purchases	$ 60,606	$ 37,33
Sales:		
Fixed-rate	$	$
Total sales	$	$
Principal Repayments:		
Repayment of principal	$ 84,400	$ 21,01
Increase in other items, net	(58)	1
Net increases	$ (23,850)	$ 16,34

Maturities of Securities Portfolio. The following table sets forth information regarding the scheduled maturities, carrying values, estin weighted average yields for the Bank s debt securities at December 31, 2008 by contractual maturity. The following table does not ta effects of scheduled repayments or the effects of possible prepayments.

	As of December 31, 2008								
	Within one year		More than One to five years		More than five to ten years		More than ten years		T
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Fair Valu
						(Dollars in Thousands)			
U.S. government agency securities	$	%	$ 6,315	4.68%	$ 6,000	5.31%	$ 86,292	6.01%	$ 99,1
Mortgage-backed securities			88	6.00	2,336	5.25	40,249	5.26	41,3
Total debt investment securities	$	%	$ 6,403	4.70%	$ 8,336	5.29%	$ 126,541	5.77%	$ 140,5

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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
prepayment of loans, maturities of investment securities and mortgage-backed securities and borrowings. Scheduled loan principal rep
stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates

Deposits. Consumer and commercial deposits are attracted principally from within our primary market area through the offering of a s
instruments including demand, NOW, savings and club accounts, money market accounts, and term certificate accounts. Deposit acco
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 l
interest rates paid by our competitors, our growth goals, and applicable regulatory restrictions and requirements. At December 31, 200
deposits.

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

			December 31,	
	2008		2007	
	Weighted Average Rate(1)	Amount	Weighted Average Rate(1)	Amount
			(Dollars in Thousands)	
Demand	%	$ 30,561	%	$ 35,89
NOW	1.25	25,843	1.40	20,26
Money market	2.79	19,539	4.14	27,69
Savings and club accounts	1.36	99,586	1.71	100,44
Certificates of deposit	4.13	234,974	4.82	214,52
Total	2.84%	$ 410,503	3.30%	$ 398,81

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

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

		Years Ended December 3
	2008	2007
		(Dollars in Thousands)
Beginning of period	$ 398,819	$ 382,747
Net deposits	107	3,135
Interest credited on deposit accounts	11,577	12,937
Total increase in deposit accounts	11,684	16,072
Ending balance	$ 410,503	$ 398,819
Percent increase	2.93%	4.20%

Jumbo Certificates of Deposit. As of December 31, 2008, the aggregate amount of outstanding certificates of deposit in amounts great
was approximately $118.4 million. The following table indicates the amount of our certificates of deposit of $100,000 or more by tim

	At December 2008 (In Thousand
Maturity Period	
Within three months	$ 40,9
Three through twelve months	50,5
Over twelve months	26,9
Total	$ 118,3

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

	At December 31,			
	2008		2007	
	Amount	Percent	Amount	Percent
			(Dollars in Thousands)	
Certificate of deposit rates:				
1.00% - 1.99%	$ 245	0.10%	$ 929	0.43
2.00% - 2.99%	42,847	18.23	698	0.33
3.00% - 3.99%	107,017	45.54	41,048	19.14
4.00% - 4.99%	74,084	31.53	64,688	30.15
5.00% - 5.99%	10,781	4.60	107,161	49.95
Total	$ 234,974	100.00%	$ 214,524	100.00

The following table presents, by rate category, the remaining period to maturity of certificate of deposit accounts outstanding as of De

	Maturit		
	1 Year or Less	Over 1 to 2 Years	Ove to 3 Y
			(In Thou
Interest rate:			
1.00% - 1.99%	$ 245	$	$
2.00% - 2.99%	42,555	242	
3.00% - 3.99%	93,747	1,766	3
4.00% - 4.99%	42,650	27,394	3
5.00% - 5.99%	8,915	1,779	
Total	$ 188,112	$ 31,181	$ 7

Borrowings. Our advances from the FHLB of New York are secured by a pledge of our stock in the FHLB of New York and investme
credit program has its own interest rate, which may be fixed or adjustable, and range of maturities. If the need arises, we may also acc
Bank discount window to supplement our supply of funds that we can loan and to meet deposit withdrawal requirements. During the y
2008 we utilized short term borrowings in the form of an overnight line of credit with the FHLB of New York and during the year en
had no short-term borrowings. Our maximum short-term borrowings outstanding during 2008 was $24.0 million. At December 31, 20
borrow approximately $113.1 million under our credit facilities with the FHLB of New York.

The following table sets forth information concerning balances and interest rates on our short-term borrowings at the dates and for the

	At or For the Years Ended	
	2008	2007
	(Dollars in Thous	
Balance at end of period	$ 2,000	$
Average balance during period	$ 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	1.23%	

Employees

At December 31, 2008, we had 66 full-time and 27 part-time employees. None of our employees is represented by a collective bargai our relationship with our employees is good.

Subsidiaries

We have one non-bank subsidiary. BCB Holding Company Investment Corp. was established in 2004 for the purpose of holding and i securities authorized to be purchased by BCB Community Bank are held by BCB Holding Company Investment Corp. At December 3 $130.3 million in securities.

Supervision and Regulation

Bank holding companies and banks are extensively regulated under both federal and state law. These laws and regulations are intende shareholders. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by statutory and regulatory provisions. Any change in the applicable law or regulation may have a material effect on the business and pro the Bank.

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

The Bank Holding Company Act requires, among other things, the prior approval of the Federal Reserve in any case where a bank ho (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% o stock of any bank (unless it owns a majority of such company s voting shares) or (iii) merge or consolidate with any other bank holdi Reserve will not approve any acquisition, merger, or consolidation that would have a substantially anti-competitive effect, unless the a the proposed transaction is clearly outweighed by a greater public interest in meeting the convenience and needs of the community to Reserve also considers capital adequacy and other financial and managerial resources and future prospects of the companies and the b 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 re ownership or control of more than 5% of the outstanding voting stock of any company which is not a bank or bank holding company, indirectly in activities other than those of banking, managing or controlling banks, or performing services for its subsidiaries, unless su determined by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be properly incident ther

The Bank Holding Company Act has been amended to permit bank holding companies and banks, which meet certain capital, manage Reinvestment Act standards, to engage in a broader range of non-banking activities. In addition, bank holding companies which elect companies may engage in certain banking and non-banking activities without prior Federal Reserve approval. At this time, the Compa 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 that are designed to minimize potential loss to the depositors of such depository institutions and the FDIC insurance funds in the even in danger of default. Under a policy of the Federal Reserve with respect to bank holding company operations, a bank holding compan source of financial strength to its subsidiary depository institutions and to commit resources to support such institutions in circumstan absent such policy. The Federal Reserve also has the authority under the Bank Holding Company Act to require a bank holding comp or to relinquish control of a non-bank subsidiary upon the Federal Reserve s determination that such activity or control constitutes a s soundness and stability of any bank subsidiary of the bank holding company.

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

The Company is subject to regulatory capital requirements and guidelines imposed by the Federal Reserve, which are substantially sir the FDIC on depository institutions within their jurisdictions. At December 31, 2008, BCB Bancorp, Inc., was considered to be a well Company.

The Federal Reserve may set higher capital requirements for holding companies whose circumstances warrant it. For example, holdin internal growth or making acquisitions are expected to maintain strong capital positions substantially above the minimum supervisory reliance on intangible assets.

From time to time, the Federal Reserve Board and the other federal bank regulatory agencies propose changes to, and issue interpretat guidelines and related reporting instructions. Such changes or interpretations could, if implemented in the future, affect the Company risk-adjusted assets.

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

Insurance of Deposit Accounts. Our deposit accounts are insured by the Federal Deposit Insurance Corporation, generally up to a max separately insured depositor, pursuant to the Federal Deposit Insurance Corporation s recently announced increase in deposit insuran remain effective until December 31, 2009. Congress has recently proposed legislation to make this increased deposit insurance limit p subject to Federal Deposit Insurance Corporation deposit insurance assessments. The Federal Deposit Insurance Corporation has adop determining deposit insurance assessments.

On December 22, 2008, the FDIC published a final rule that raises the current deposit insurance assessment rates uniformly for all ins (to a range from 12 to 50 basis points) effective for the first quarter of 2009. On February 27, 2009, the FDIC also issued a final rule t FDIC calculates federal deposit insurance assessment rates beginning in the second quarter of 2009. Under the new rule, the FDIC wi institution s initial base assessment rate. This initial base assessment rate will range, depending on the risk category of the institution The FDIC will then adjust the initial base assessment (higher or lower) to obtain the total base assessment rate. The adjustments to the will be based upon an institution s levels of unsecured debt, secured liabilities, and brokered deposits. The total base assessment rate basis points of the institution s deposits. Additionally, the FDIC issued an interim rule that would impose a special 20 basis points as which would be collected on September 30, 2009. However, the FDIC has indicated a willingness to decrease the special assessment concerning the overall financial health of the insurance fund. Special assessments of 10 and 20 basis points would result in additional $450,000 to $900,000, respectively. The interim rule also allows for additional special assessments.

Insurance of deposits may be terminated by the FDIC upon finding that an institution has engaged in unsafe or unsound practices, is i continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of violation that might lead to termination of deposit insurance.

In addition to the Federal Deposit Insurance Corporation assessments, the Financing Corporation (FICO) is authorized to impose a the Federal Deposit Insurance Corporation, assessments for anticipated payments, issuance costs and custodial fees on bonds issued b recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the FICO are due to mature in 2017 thr ended September 30, 2008, the annualized FICO assessment was equal to 1.12 basis points for each $100 in domestic deposits mainta

On October 14, 2008, the FDIC announced a new program - the Temporary Liquidity Guarantee Program (TLGP). This program h guarantees newly issued senior unsecured debt of the participating organizations, up to certain limits established for each institution, i 2008 and June 30, 2009. The FDIC will pay the unpaid principal and interest on an FDIC-guaranteed debt instrument upon the uncure entity to make a timely payment of principal or interest in accordance with the terms of the instrument. The guarantee will remain in e On February 27, 2009, the FDIC issued an interim rule allowing participants to apply to have the FDIC guarantee newly issued senior mandatorily converts into common shares on a specified date that is on or before June 30, 2012. In return for the FDIC s guarantee, p pay the FDIC a fee based on the amount and maturity of the debt. The Company has opted not to participate in this component of the of the program provides full FDIC insurance coverage for non-interest bearing transaction deposit accounts, regardless of dollar amou 2009. An annualized 10 basis point assessment on balances in noninterest-bearing transaction accounts that exceed the existing depos $250,000 will be assessed on a quarterly basis to insured depository institutions participating in this component of the TLGP. The Co participate in this component of the TLGP. The additional expense related to this coverage is not expected to be significant for the Ba

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

In addition to the risk-based capital rules, the FDIC has adopted a minimum Tier 1 capital (leverage) ratio. This measurement is subst Federal Reserve leverage capital measurement discussed above. At December 31, 2008, the Bank s ratio of total capital to risk-weigh Tier 1 capital to risk-weighted assets was 13.38%, and our Tier 1 capital to average assets was 9.22%.

Dividends. The Bank may pay dividends as declared from time to time by the Board of Directors out of funds legally available, subjec
Under the New Jersey Banking Act of 1948, as amended, the Bank may not pay a cash dividend unless, following the payment, the Ba
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
addition, the Bank cannot pay dividends in amounts that would reduce the Bank s capital below regulatory imposed minimums.

The USA PATRIOT Act

In response to the terrorist events of September 11, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Rec
Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, was signed into law on October 26, 2001. The USA PATRIOT Act gave
powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased informatio
anti-money laundering requirements. For years, financial institutions such as the Bank have been subject to federal anti-money launde
the Bank does not believe the USA PATRIOT Act will have a material impact on its operations.

Sarbanes-Oxley Act of 2002

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

Under Sarbanes-Oxley, longer prison terms will apply to corporate executives who violate federal securities laws; the period during w
can be brought against a company or its officers is extended; and bonuses issued to top executives prior to restatement of a company
subject to disgorgement if such restatement was due to corporate misconduct. Executives are also prohibited from trading the compan
retirement plan blackout periods, and loans to company executives (other than loans by financial institutions permitted by federal r
restricted. In addition, a provision directs that civil penalties levied by the Securities and Exchange Commission as a result of any judi
under Sarbanes-Oxley

be deposited to a fund for the benefit of harmed investors. The Federal Accounts for Investor Restitution provision also requires the S
Commission to develop methods of improving collection rates. The legislation accelerates the time frame for disclosures by public co
immediately disclose any material changes in their financial condition or operations. Directors and executive officers must also provic
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 ar
company s registered public accounting firm. Audit Committee members must be independent and are absolutely barred from acc
other compensatory fees from the issuer. In addition, companies must disclose whether at least one member of the committee is a fin
defined by the Securities and Exchange Commission) and if not, why not. Under Sarbanes-Oxley, a company s registered public acco
from performing statutorily mandated audit services for a company if such company s chief executive officer, chief financial officer,
officer or any person serving in equivalent positions had been employed by such firm and participated in the audit of such company d
preceding the audit initiation date. Sarbanes-Oxley also prohibits any officer or director of a company or any other person acting unde
any action to fraudulently influence, coerce, manipulate or mislead any independent accountant engaged in the audit of the company
purpose of rendering the financial statements materially misleading. Sarbanes-Oxley also requires the Securities and Exchange Comm
requiring inclusion of any internal control report and assessment by management in the annual report to shareholders. Sarbanes-Oxley
registered public accounting firm that issues the audit report to attest to and report on management s assessment of the company s in

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to conduct a comprehensive review and assessment of the ade
financial systems and controls. For the year ending December 31, 2009, we expect that our auditors will have to audit our internal con

AVAILABILITY OF ANNUAL REPORT

Our Annual Report is available on our website, www.bcbbancorp.com. We will also provide our Annual Report on Form 10-K free of
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 a
by one- to four-family properties.

At December 31, 2008, $223.2 million, or 54.1% of our loan portfolio consisted of commercial and multi-family real estate loans. We
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 success
stream of the borrower s business. Such loans typically involve larger loan balances to single borrowers or groups of related borrowe
four-family residential mortgage loans. Consequently, an adverse development with respect to one loan or one credit relationship can
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, 2004, our assets have grown at a compound annual growth rate of 11.2%, our loan balances have grown at a com
13.4% and our deposits have grown at a compound annual growth rate of 5.0%. Our ability to continue to grow depends, in part, upon
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 inve
personnel to manage higher asset levels and loans balances, which may adversely impact our efficiency ratio, earnings and shareholde

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 loa
assure repayment. We may experience significant credit losses, which could have a material adverse effect on our operating results. W
and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real e
serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review ou
delinquency experience, and we evaluate economic conditions. If our assumptions prove to be incorrect, our allowance for loan losses
loan portfolio at the date of the financial statements. Material additions to our allowance would materially decrease our net income. A
allowance for loan losses totaled $5.3 million, representing 1.28% of total loans.

While we have only been operating for seven years, we have experienced significant growth in our loan portfolio, particularly our loa
real estate. Although we believe we have underwriting standards to manage normal lending risks, and although we had $5.2 million, c
consisting of non-performing assets at December 31, 2008, it is difficult to assess the future performance of our loan portfolio due to t
origination of many of these loans. We can give you no assurance that our non-performing loans will not increase or that our non-perf
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 allowanc recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory 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 ut banks, such as fees from sales of insurance, securities or investment advisory products or services. For the years ended December 31, interest income was $20.0 million and $17.2 million, respectively. The amount of our net interest income is influenced by the overall competition, and the amount of interest-earning assets relative to the amount of interest-bearing liabilities. In the event that one or mo 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 intere

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

We own common stock of the Federal Home Loan Bank of New York (FHLB-NY). We hold the FHLB-NY common stock to qualify Federal Home Loan Bank System and to be eligible to borrow funds under the FHLB-NY s advance program. The aggregate cost an common stock as of December 31, 2008 was $5.7 million based on its par value. There is no market for our FHLB-NY common stock

Recent published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting ru that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capitalization of a Federal the FHLB-NY, could be substantially diminished or reduced to zero. Consequently, we believe that there is a risk that our investment could be deemed other-than-temporarily impaired at some time in the future, and if this occurs, it would cause our earnings and stock 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 de interest rates on our assets and liabilities respond differently to changes in market interest rates, which means our interest-bearing liab to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates change, this interest-earning assets and interest-bearing liabilities that reprice in response to these interest rate changes may work against us, and o negatively affected.

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

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

The value of our investment portfolio and the composition of our deposit base are influenced by prevailing market conditions and inte management strategy, which is designed to mitigate the risk to us from changes in market interest rates, may not prevent changes in in market downturns from reducing deposit outflow or from having a material adverse effect on our results of operations, our financial co 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 geographic risks. The occurrence of an economic downturn in New Jersey, or adverse changes in laws or regulations in New Jersey co 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 comm do not grow or if prevailing economic conditions locally or nationally are unfavorable, our business may be negatively affected. In ad communities in which we operate are substantially dependent on the growth of the economy in the State of New Jersey. To the extent New Jersey are unfavorable or do not continue to grow as projected, the economy in our market area would be adversely affected. Mo 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 mark As of December 31, 2008, approximately 96.4% of our total loans were secured by real estate. Adverse developments affecting comm the local economies in our primary market areas could increase the credit risk associated with our loan portfolio. In addition, substanti 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 decl market area could have an adverse impact on our revenues and financial condition. In particular, we may experience increased loan de result in a higher provision for loan losses and increased charge-offs. Any sustained period of increased non-payment, delinquencies, by adverse market or economic conditions in our market area could adversely affect the value of our assets, revenues, results of opera condition.

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

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

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

Our expenses will increase as a result of increases in FDIC insurance premiums.

The Federal Deposit Insurance Corporation imposes an assessment against institutions for deposit insurance. This assessment is based institution and ranges from 5 to 43 basis points of the institution s deposits. Federal law requires that the designated reserve ratio for established by the FDIC at 1.15% to 1.50% of estimated insured deposits. If this reserve ratio drops below 1.15% or the FDIC expects months, the FDIC must, within 90 days, establish and implement a plan to restore the designated reserve ratio to 1.15% of estimated i years (absent extraordinary circumstances).

Recent bank failures coupled with deteriorating economic conditions have significantly reduced the deposit insurance fund s reserve designated reserve ratio was 1.01% of estimated insured deposits at March 31, 2008. As a result of this reduced reserve ratio, on Octo published a proposed rule that would restore the reserve ratios to its required level. The proposed rule would raise the current deposit uniformly for all institutions by 7 basis points (to a range from 12 to 50 basis points) for the first quarter of 2009. The proposed rule w FDIC calculates federal deposit insurance assessment rates beginning in the second quarter of 2009 and thereafter.

On December 22, 2008, the FDIC published a final rule that raises the current deposit insurance assessment rates uniformly for all ins (to a range from 12 to 50 basis points) effective for the first quarter of 2009. On February 27, 2009, the FDIC also issued a final rule t FDIC calculates federal deposit insurance assessment rates beginning in the second quarter of 2009. Under the new rule, the total base from 7 to 77.5 basis points of the institution s deposits, depending on the risk category of the institution and the institution s levels o liabilities, and brokered deposits. Additionally, the FDIC issued an interim rule that would impose a special 20 basis points assessmen would be collected on September 30, 2009. However, the FDIC has indicated a willingness to decrease the special assessment to 10 ba circumstances concerning the overall financial health of the insurance fund. Special assessments of 10 and 20 basis points would resul approximately $450,000 to $900,000, respectively. The interim rule also allows for additional special assessments.

In addition, the Emergency Economic Stabilization Act of 2008 (EESA) temporarily increased the limit on FDIC insurance coverage through December 31, 2009, and the FDIC took action to provide coverage for newly-issued senior unsecured debt and non-interest be certain NOW accounts in excess of the $250,000 limit, for which institutions will be assessed additional premiums. These actions will non-interest expense in 2009 and in future years as long as the increased premiums are in place.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At December 31, 2008, we conducted our business from our executive office located at 104-110 Avenue C, Bayonne, New Jersey, an which are located in Bayonne and Hoboken. The aggregate book value of our premises and equipment was $5.6 million at December executive office facility and lease our three branch offices.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSU EQUITY SECURITIES

BCB Bancorp, Inc. s common stock trades on the Nasdaq Global Market under the symbol BCBP. In order to list common stock c 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 D were 4,649,691 shares of BCB Bancorp, Inc. common stock outstanding. At December 31, 2008, BCB Bancorp, Inc. had approximate record.

Fiscal 2008	High	Low
Quarter Ended December 31, 2008	$ 13.25	$ 9.98
Quarter Ended September 30, 2008	14.87	12.61
Quarter Ended June 30, 2008	14.86	13.25
Quarter Ended March 31, 2008	15.67	13.00

Fiscal 2007	High	Low
Quarter Ended December 31, 2007	$ 16.70	$ 14.80
Quarter Ended September 30, 2007	16.50	15.06
Quarter Ended June 30, 2007	18.38	16.24
Quarter Ended March 31, 2007	17.87	16.16

Please see Item 1. Business Bank Regulation Dividends for a discussion of restrictions on the ability of the Bank to pay the Comp

Compensation Plans

Set forth below is information as of December 31, 2008 regarding equity compensation plans that have been approved by shareholder equity based benefit plans that were not approved by shareholders.

Plan	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average Exercise price(2)
Equity compensation plans approved by shareholders	295,339(1)	$ 10.19
Equity compensation plans not approved by shareholders		
Total	295,339	$ 10.19

(1) Consists of options to purchase (i) 88,488 shares of common stock under the 2002 Stock Option Plan and (ii) 206,851 shares of 2003 Stock Option Plan.

(2) The weighted average exercise price reflects the exercise prices ranging from $9.34 to $15.65 per share for options granted und Plan and ranging from $5.29 to $15.65 per share for options under the 2002 Stock Option Plan.

Stock Performance Graph

Set forth hereunder is a stock performance graph comparing (a) the cumulative total return on the common stock for the period beginn
price on May 1, 2004 through December 31, 2008, (b) the cumulative total return on all publicly traded commercial bank stocks over
cumulative total return of Nasdaq Market Index over such period. Cumulative return assumes the reinvestment of dividends, and is ex
an assumed investment of $100.

BCB BANCORP, INC.

Total Return Performance

[THE FOLLOWING TABLE WAS REPRESENTED BY A LINE GRAPH IN THE PRINTED MATERIAL.]

			Period
Index	**12/31/03**	**12/31/04**	**12/31/05**
BCB Bancorp, Inc.	100.00	108.81	110.80
NASDAQ Composite	100.00	108.59	110.08
SNL Bank	100.00	112.06	113.59

On November 20, 2007, the Company announced a third stock repurchase plan to repurchase 5% or 234,002 shares of the Company
below is information regarding purchases of our common stock made by or on behalf of the Company during the fourth quarter of 200

Period	Total number of shares purchased	Average price per share paid	Total number of shares purchased as part of a publicly announced program
October 1-31		$	
November 1-30	7,925	10.22	7,925
December 1-31	17,763	11.50	25,688
Total	25,688	$ 11.11	

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 ende
2006, 2005 and 2004. The information is derived in part from, and should be read together with, the audited Consolidated Financial S
of BCB Bancorp, Inc. Per share data has been adjusted for all periods to reflect the common stock dividends paid by the Company.

	Selected financial conditi		
	2008	2007	20
		(In Thou	
Total assets	$ 578,624	$ 563,477	$ 51
Cash and cash equivalents	6,761	11,780	2
Securities, held to maturity	141,280	165,017	14
Loans receivable	406,826	364,654	31
Deposits	410,503	398,819	38
Borrowings	116,124	114,124	7
Stockholders equity	49,715	48,510	5

	Selected operating data for t		
	2008	2007	20
	(In thousands, except f		
Net interest income	$ 19,960	$ 17,173	$ 1
Provision for loan losses	1,300	600	
Non-interest income (loss)	(2,054)	1,092	
Non-interest expense	11,314	10,718	
Income tax	1,820	2,509	
Net income	$ 3,472	$ 4,438	$
Net income per share:			
Basic	$ 0.75	$ 0.92	$
Diluted	$ 0.74	$ 0.90	$
Dividends declared per share	$ 0.41	$ 0.32	$

	At or for the Years Ende		
	2008	2007	2006
Selected Financial Ratios and Other Data:			
Return on average assets (ratio of net income to average total assets)	0.60%	0.83%	1.13
Return on average stockholders equity (ratio of net income to average stockholders equity)	7.00	8.86	11.12
Non-interest income (loss) to average assets	(0.36)	0.20	0.26
Non-interest expense to average assets	1.97	1.99	1.96
Net interest rate spread during the period	3.09	2.71	3.19
Net interest margin (net interest income to average interest earning assets)	3.54	3.26	3.69
Ratio of average interest-earning assets to average interest-bearing liabilities	115.05	116.94	118.09
Cash dividend payout ratio	54.67	34.78	26.98
Asset Quality Ratios:			
Non-performing loans to total loans at end of period	0.90	1.16	0.10
Allowance for loan losses to non-performing loans at end of period	142.27	95.13	1,155.73
Allowance for loan losses to total loans at end of period	1.28	1.10	1.16
Capital Ratios:			
Stockholders equity to total assets at end of period	8.59	8.61	10.17
Average stockholders equity to average total assets	8.61	9.32	10.19
Tier 1 capital to average assets	9.22	8.81	10.91
Tier 1 capital to risk weighted assets	13.38	13.05	15.36

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

General

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

Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those curr
number of factors, which include, but are not limited to, factors discussed in the Company s Annual Report on Form 10-K and in oth
Company with the Securities and Exchange Commission. Forward-looking statements, which are based on certain assumptions and de
strategies and expectations of the Company, are generally identified by the use of the words plan, believe, expect, intend,
should, could, predicts, forecasts, potential, or continue or similar terms or the negative of these terms. The Compan
effects of its plans or strategies is inherently uncertain. Accordingly, actual results may differ materially from anticipated results.

Factors that could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, rates, general economic conditions, legislation, and regulation; changes in monetary and fiscal policies of the United States Governme United States Treasury and Federal Reserve Board; changes in the quality or composition of the loan or investment portfolios; change competition, and demand for financial services, loans, deposits and investment products in the Company s local markets; changes in guidelines; war or terrorist activities; and other economic, competitive, governmental, regulatory, geopolitical and technological facto 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 discuss believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results performance or achievements. Except as required by applicable law or regulation, the Company undertakes no obligation to update th 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 require the use of complex and subjective estimates based upon past experiences and management s judgment. Because of the uncert estimates, actual results may differ from these estimates. Below are those policies applied in preparing the Company s consolidated f management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see 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, managemen factors, such as economic and industry trends, real estate market conditions, size and type of loans in portfolio, nature and value of co financial strength and credit ratings, and prepayment and default history. The calculation of the appropriate allowance for loan losses amount of judgment regarding the impact of the aforementioned factors, as well as other factors, on the ultimate realization of loans r

Other-than-Temporary Impairment of Securities

We evaluate on a quarterly basis whether any securities are other-than-temporarily impaired. In making this determination, we consid the impairment, the nature and financial health of the issuer and our ability and intent to hold securities for a period sufficient to allow for any anticipated recovery in market value. Other considerations include a review of the credit quality of t of a guarantee or insurance, if applicable to the security. If a security is determined to be other-than-temporarily impaired, we record a charge to income for the period in which the impairment loss is determined to exist, resulting in a reduction to our earnings for that pe

Financial Condition

Comparison at December 31, 2008 and at December 31, 2007

Since we commenced operations in 2000 we have sought to grow our assets and deposit base consistent with our capital requirements and deposit products and seek to distinguish ourselves from our competitors through our service and availability. Total assets increase to $578.6 million at December 31, 2008 from $563.5 million at December 31, 2007 as the Company continued to grow the Bank s ba primarily through growth in the Bank s deposit base and the utilization of wholesale funding sources, specifically Federal Home Loa

Total cash and cash equivalents decreased by $5.0 million or 42.4% to $6.8 million at December 31, 2008 from $11.8 million at Dece management s decision, with money market rates at historically low levels, to deploy those liquid assets into loans in an effort to ach held-to-maturity decreased by $23.7 million or 14.4% to $141.3 million at December 31, 2008 from $165.0 million at December 31, 2 primarily attributable to call options exercised on $78.9 million of callable agency securities and $5.5 million of repayments and prep backed securities portfolio during the year ended December 31, 2008, partially offset by purchases of $47.3 million of callable agency in the mortgage backed securities.

Loans receivable increased by $42.1 million or 11.5% to $406.8 million at December 31, 2008 from $364.7 million at December 31, primarily from a $46.4 million increase in real estate mortgages comprising residential, commercial, construction and participation lo institutions, net of amortization, and a $2.8 million increase in consumer loans, net of amortization, partially offset by a $5.8 million d comprising business loans and commercial lines of credit, net of amortization, and a $1.2 million increase in the allowance for loan lo the allowance for loan losses was $5.3 million or 1.28% of loans receivable. The growth in loans receivable was primarily attributable lower than historically normal interest rate environment.

Deposit liabilities increased by $11.7 million or 2.9% to $410.5 million at December 31, 2008 from $398.8 million at December 31, 2 primarily from an increase of $20.5 million or 9.6% in time deposits to $235.0 million from $214.5 million, partially offset by a decre in demand deposits to $75.9 million from $83.9 million and a decrease of $855,000 or 0.9% in savings and club accounts to $99.6 mil The decrease in demand, savings and club account balances resulted primarily from internal disintermediation brought on by an increa market for deposit growth. The Bank has been able to achieve overall growth in deposits through competitive pricing on select deposi

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Total borrowed money increased by $2.0 million or 1.8% to $116.1 million at December 31, 2008 from $114.1 million at December 3
borrowings reflects the use of Federal Home Loan Bank advances to augment deposits as the Bank s funding source for originating lo

Total stockholders equity increased by $1.2 million or 2.5% to $49.7 million at December 31, 2008 from $48.5 million at December
stockholders equity primarily reflects net income of $3.5 million for the year ended December 31, 2008 and the exercise of stock op
purchase 104,873 shares of the Company s common stock for a total of approximately $925,000, partially offset by the repurchase of
Company s common stock through the stock repurchase plans in place at a cost during the year of $1.3 million and cash dividends pa
$1.9 million. At December 31, 2008 the Bank s Tier 1 leverage, Tier 1 risk-based and Total risk-based capital ratios were 9.22%, 13.
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 liabili
depends on the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them,

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

	At December 31, 2008		The year ended December 31, 2008			The year
	Actual Balance	Actual Yield/ Cost	Average Balance	Interest earned/paid	Average Yield/ Cost (5)	Average Balance
				(Dollars in Thousands)		
Interest-earning assets:						
Loans receivable(1)	$ 413,552	7.09%	$ 393,198	$ 27,248	6.96%	$ 339,057
Investment securities(2)	147,904	5.55	161,281	9,185	5.70	161,707
Interest-earning deposits	3,266	0.06	10,034	190	1.89	26,010
Total interest-earning assets	564,722	6.65%	564,513	36,623	6.49%	526,774
Interest-earning liabilities:						
Interest-bearing demand deposits	$ 25,843	1.25%	$ 23,930	$ 300	1.25%	$ 21,076
Money market deposits	19,539	2.43	26,697	746	2.79	17,212
Savings deposits	99,586	1.32	100,754	1,370	1.36	108,921
Certificates of deposit	234,974	3.87	220,375	9,106	4.13	209,828
Borrowings	116,124	4.28	118,920	5,141	4.32	93,412
Total interest-bearing liabilities	496,066	3.27%	490,676	16,663	3.40%	450,449
Net interest income				$ 19,960		
Interest rate spread(3)		3.38%			3.09%	
Net interest margin(4)					3.54%	
Ratio of interest-earning assets to interest-bearing liabilities	113.84%		115.05%			116.94

(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 interes
(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.

		The year ended
	Average Balance	Int earn
		(Dollars i
Interest-earning assets:		
Loans receivable(1)	$ 315,493	$
Investment securities(2)	153,628	
Interest-earning deposits	12,569	
Total interest-earning assets	481,690	
Interest-earning liabilities:		
Interest-bearing demand deposits	$ 21,397	
Money market deposits	3,353	
Savings deposits	137,046	
Certificates of deposit	182,340	
Borrowings	63,775	
Total interest-bearing liabilities	407,911	
Net interest income		$
Interest rate spread(3)		
Net interest margin(4)		
Ratio of average interest-earning assets to average interest-bearing liabilities	118.09%	

(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 interes

(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.

Rate/Volume Analysis

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

				Years Ended December 31,		
	2008 vs. 2007 Increase/(Decrease) Due to				2007 vs. Increase/(Decr	
	Volume	Rate	Rate/ Volume	Total Increase (Decrease)	Volume	Rat
				(In Thousands)		
Interest income:						
Loans receivable	$ 3,891	$ (869)	$ (139)	$ 2,883	$ 1,701	$ (9
Investment securities	(23)	366	(1)	342	423	35
Interest-earning deposits with other banks	(726)	(689)	423	(992)	476	12
Total interest-earning assets	3,142	(1,192)	283	2,233	2,600	38
Interest expense:						
Interest-bearing demand accounts	40	(30)	(4)	6	(4)	
Money market	392	(231)	(127)	34	512	1
Savings and club	(140)	(385)	29	(496)	(536)	(26
Certificates of Deposits	508	(1,439)	(72)	(1,003)	1,177	97
Borrowed funds	1,157	(198)	(54)	905	1,224	25
Total interest-bearing liabilities	1,957	(2,283)	(228)	(554)	2,373	98
Change in net interest income	$ 1,185	$ 1,091	$ 511	$ 2,787	$ 227	$ (60

Results of Operations for the Years Ended December 31, 2008 and 2007

Net income decreased by $970,000 or 21.8% to $3.47 million for the year ended December 31, 2008 from $4.44 million for the year e The decrease in net income resulted primarily from a decrease in non-interest income and increases in the provision for loan losses an partially offset by an increase in net interest income and a decrease in income taxes. Net interest income increased by $2.8 million or the year ended December 31, 2008 from $17.2 million for the year ended December 31, 2007. The increase in net interest income resu increase of $37.7 million or 7.2% in the average balance of interest earning assets to $564.5 million for the year ended December 31, for the year ended December 31, 2007 offset by a decrease in the average yield on interest earning assets to 6.49% for the year ended 6.53% for the year ended December 31, 2007. The average balance of interest bearing liabilities increased by $40.3 million or 8.9% to December 31, 2008 from $450.4 million at December 31, 2007 while the average cost of interest bearing liabilities decreased to 3.40% December 31, 2008 from 3.82% for the year ended December 31, 2007. As a result of the aforementioned, our net interest margin incr ended December 31, 2008 from 3.26% for the year ended December 31, 2007.

The decrease in non-interest income resulted primarily from an other than temporary impairment (OTTI) charge of $2.9 million on a S Federal National Mortgage Association (FNMA) preferred stock. The increase in non-interest expense reflected a change to income re of a deposit fraud scheme by a commercial client of the Bank. The Bank recorded a $560,000 loss in other non-interest expense relate and Company anticipate that any future recoveries may partially offset this loss; however there can be no assurance of the level or pro The Bank and the Company have notified its insurance carriers.

Interest income on loans receivable increased by $2.8 million or 11.5% to $27.2 million for the year ended December 31, 2008 from $ ended December 31, 2007. The increase was primarily due to an increase in average loans receivable of $52.6 million or 15.5% to $39 ended December 31, 2008 from $339.1 million for the year ended December 31, 2007, partially offset by a decrease in the average yie 6.96% for the year ended December 31, 2008 from 7.19% for the year ended December 31, 2007. The increase in the average balance management s philosophy of deploying funds in higher yielding instruments, specifically commercial real estate loans, in an effort to decrease in average yield reflects the competitive price environment prevalent in the Bank s primary market area for commercial and the effect of the actions taken by the Federal Open Market Committee to reduce interest rates during 2008.

Interest income on securities increased by $342,000 or 3.9% to $9.2 million for the year ended December 31, 2008 from $8.8 million December 31, 2007. The increase was primarily attributable to an increase in the average yield on securities to 5.70% for the year end 5.47% for the year ended December 31, 2007, partially offset by a slight decrease in the average balance of securities of $426,000 or (the year ended December 31, 2008 from $161.7 million for the year ended December 31, 2007. The decrease in average balances refle decision to exercise their call options on a select number of securities which resulted in decreases to the investment portfolio. The incr reflects the fact that the exercise of call options discussed above occurred on seasoned securities whose yield was less than those secu investment portfolio.

Interest income on other interest-earning assets consisting primarily of federal funds sold decreased by $992,000 or 83.9% to $190,00 December 31, 2008 from $1.2 million for the year ended December 31, 2007. This decrease was primarily due to an decrease in the av interest-earning assets of $16.0 million or 61.5% to $10.0 million for the year ended December 31, 2008 from $26.0 million for the ye 2007 and a decrease in the average yield on other interest-earning assets to 1.89% for the year ended December 31, 2008 from 4.54% December 31, 2007. As a result of the lower interest rate environment for overnight deposits during the year ended December 31, 200 balance resulted, as management deployed funds into loans in an effort to achieve higher returns.

Total interest expense decreased by $554,000 or 3.2% to $16.7 million for the year ended December 31, 2008 from $17.2 million for t December 31, 2007. This decrease resulted primarily from a decrease in the average cost of interest bearing liabilities to 3.40% for the 2008 from 3.82% for the year ended December 31, 2007, partially offset by an increase in the balance of total interest bearing deposit or 4.1% to $371.8 million for the year ended December 31, 2008 from $357.0 million for the year ended December 31, 2007, and an i average borrowings of $25.5 million or 27.3% to $118.9 million for the year ended December 31, 2008, from $93.4 million for the ye 2007.

The provision for loan losses totaled $1.3 million and $600,000 for the years ended December 31, 2008 and 2007, respectively. The p established based upon management s review of the Bank s loans and consideration of a variety of factors including, but not limited of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the significant level of loan growth reserves for loan losses that are possible and estimable. During 2008, the Bank experienced $61,000 in net charge-offs (consisting of $ $40,000 in recoveries). During 2007, the Bank experienced $268,000 in net charge-offs (consisting of $285,000 in charge-offs and $1 Bank had non-accrual loans totaling $3.7 million at December 31, 2008 and $3.8 million at December 31, 2007. The allowance for loa million or 1.28% of gross total loans at December 31, 2008 as compared to $4.1 million or 1.10% of gross total loans at December 31 allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan lo and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses availal loses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regu integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize ad their judgment of information available to them at the time of their examination. Management believes that the allowance for loan los December 31, 2008 and 2007.

Total non-interest income decreased by $3.2 million to a loss of $2.1 million for the year ended December 31, 2008 from income of $ ended December 31, 2007. The decrease in non-interest income resulted primarily from an other than temporary impairment (OTTI) c $3.0 million investment in Federal National Mortgage Association (FNMA) preferred stock as well as a $283,000 decrease in gain on sale, to $137,000 for the year ended December 31, 2008 from $420,000 for the year ended December 31, 2007, and a $12,000 decreas estate owned, partially offset by a $64,000 or 9.7% increase in fees, service charges and other income to $723,000 for the year ended I $659,000 for the year ended December 31, 2007. The decrease in gain on sale of loans originated for sale reflects the softening one-to estate market during 2008.

Total non-interest expense increased by $596,000 or 5.6% to $11.3 million for the year ended December 31, 2008 from $10.7 million
December 31, 2007. The increase in non-interest expense resulted primarily from the discovery of a deposit fraud scheme by a comm
during 2008. The Bank recorded a $560,000 loss related to this incident. The Bank and Company anticipate that future recoveries may
however there can be no assurance of the level or probability of any recovery. The Bank and the Company have notified its insurance
employee benefits expense decreased by $207,000 or 3.6% to $5.5 million for the year ended December 31, 2008 from $5.7 million fo
December 31, 2007. This decrease resulted from a decrease in full time equivalent employees to eighty-five (85) at December 31, 200
December 31, 2007 and from eighty-seven (87) at December 31, 2006. Occupancy expense increased by $59,000 or 5.9% to $1.1 mill
December 31, 2008 from $1.0 million for the year ended December 31, 2007. Equipment expense increased by $113,000 or 5.9% to $
ended December 31, 2008 from $1.9 million for the year ended December 31, 2007. The primary component of this expense item is d
which increases with the growth of the Bank s assets. Advertising expense decreased by $85,000 or 26.1% to $241,000 for the year e
from $326,000 for the year ended December 31, 2007. Other non-interest expense increased by $156,000 or 8.7% to $1.9 million for t
2008 from $1.8 million for the year ended December 31, 2007. The increase in other non-interest expense is primarily attributable to i
commensurate with a growing franchise. Other non-interest expense is comprised of directors fees, stationary, forms and printing, pr
check printing, correspondent bank fees, telephone and communication, shareholder relations and other fees and expenses.

Income tax expense decreased $689,000 or 27.5% to $1.8 million for the year ended December 31, 2008 from $2.5 million for the yea
reflecting decreased pre-tax income earned during 2008. The consolidated effective income tax rate for the year ended December 31,
year ended December 31, 2007 was 36.1%.

Results of Operations for the Years Ended December 31, 2007 and 2006

Net income decreased by $1.13 million or 20.3% to $4.44 million for the year ended December 31, 2007 from $5.57 million for the y
2006. The decrease in net income resulted primarily from decreases in net interest income and non-interest income and an increase in
partially offset by decreases in the provision for loan losses, and income taxes. Net interest income decreased by $611,000 or 3.4% to
ended December 31, 2007 from $17.8 million for the year ended December 31, 2006. This decrease in net interest income resulted pri
$42.6 million or 10.4% in the average balance of interest-bearing liabilities to $450.5 million for the year ended December 31, 2008 f
year ended December 31, 2006 and an increase in the cost of interest-bearing liabilities to 3.82% for the year ended December 31, 200
ended December 31, 2006. The average balance of interest-earning assets increased by $45.1 million or 9.4% to $526.8 million at De
$481.7 million at December 31, 2006 while the yield on interest-earning assets increased slightly to 6.53% for the year ended Decemb
the year ended December 31, 2006. As a consequence of the aforementioned, our net interest margin decreased to 3.26% for the year
from 3.69% for the year ended December 31, 2006.

Interest income on loans receivable increased by $1.6 million or 7.0% to $24.4 million for the year ended December 31, 2007 from $2
ended December 31, 2006. The increase was primarily due to an increase in average loans receivable of $23.6 million or 7.5% to $339
ended December 31, 2008 from $315.5 million for the year ended December 31, 2006, partially offset by a slight decrease in the avera
to 7.19% for the year ended December 31, 2007 from 7.22% for the year ended December 31, 2006. The increase in the average balan
management s philosophy of deploying funds in higher yielding instruments, specifically commercial real estate loans in an effort to
decrease in average yield reflects the competitive price environment prevalent in the Bank s primary market area for commercial and
the effect of the actions taken by the Federal Open Market Committee to reduce interest rates during the latter half of 2007.

Interest income on securities increased by $797,000 or 9.9% to $8.8 million for the year ended December 31, 2007 from $8.0 million
December 31, 2006. The increase was primarily attributable to an increase in the average balance of securities of $8.1 million or 5.3%
year ended December 31, 2007 from $153.6 million for the year ended December 31, 2006, and an increase in the average yield on se
year ended December 31, 2007 from 5.24% for the year ended December 31, 2006. The increase in average balances reflects managem
funds in investments, absent an opportunity to originate higher yielding loans, in an effort to achieve higher returns.

Interest income on other interest-earning assets consisting primarily of federal funds sold increased by $737,000 or 165.6% to $1.2 mi
December 31, 2007 from $445,000 for the year ended December 31, 2006. This increase was primarily due to an increase in the avera
interest-earning assets of $13.4 million or 106.3% to $26.0 million for the year ended December 31, 2007 from $12.6 million for the y
2006 and an increase in the average yield on other interest-earning assets to 4.54% for the year ended December 31, 2007 from 3.54%
December 31, 2006. During 2007, as short term interest rates remained elevated and the yield curve remained inverted through the ma
balances in cash and cash equivalent accounts, in the absence of higher yielding loan product, provided a competitive yield while affo
latitude to research more profitable investment opportunities.

Total interest expense increased by $3.7 million or 27.4% to $17.2 million for the year ended December 31, 2007 from $13.5 million
December 31, 2006. This increase resulted from an increase in the average balance of total interest-bearing deposit liabilities of $12.9
million for the year ended December 31, 2007 from $344.1 million for the year ended December 31, 2006, and an increase of $29.6 m
borrowings to $93.4 million for the year ended December 31, 2007, from $63.8 million for the year ended December 31, 2006, as wel
average cost of interest-bearing liabilities to 3.82% for the year ended December 31, 2007 from 3.30% for the year ended December 3

The provision for loan losses totaled $600,000 and $625,000 for the years ended December 31, 2007 and 2006, respectively. The prov established based upon management s review of the Bank s loans and consideration of a variety of factors including, but not limited of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) the significant level of loan growth reserves for loan losses that are probable and estimable. During 2007, the Bank experienced $268,000 in net charge-offs (consisting o and $17,000 in recoveries). During 2006, the Bank experienced $18,000 in net recoveries (consisting of $85,000 in recoveries and $6 Bank had non-accrual loans totaling $3.8 million at December 31, 2007 and $323,000 at December 31, 2006. The allowance for loan or 1.10% of gross total loans at December 31, 2007 as compared to $3.7 million or 1.16% of gross total loans at December 31, 2006. is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available informa loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory ag their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisi of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequa 2007 and 2006.

Total non-interest income decreased by $168,000 or 13.3% to $1.1 million for the year ended December 31, 2007 from $1.3 million f December 31, 2006. The decrease in non-interest income resulted primarily from a $215,000 decrease in gain on sales of loans origina the year ended December 31, 2007 from $635,000 for the year ended December 31, 2006, partially offset by a $34,000 increase in fee income to $659,000 for the year ended December 31, 2007 from $625,000 for the year ended December 31, 2006 and a $13,000 incre non-performing loans. The decrease in gain on sale of loans originated for sale reflects the softening one-to four-family residential rea year 2007.

Total non-interest expense increased by $1.1 million or 11.5% to $10.7 million for the year ended December 31, 2007 from $9.6 milli December 31, 2006. The increase in 2007 was primarily due to an increase of $489,000 or 9.4% in salaries and employee benefits exp year ended December 31, 2007 from $5.2 million for the year ended December 31, 2006 as the Bank increased staffing levels and co service its growing customer base. Full time equivalent employees increased to ninety-three (93) at December 31, 2007 from eighty-s 2006 and eighty-two (82) at December 31, 2005. Occupancy expense increased by $100,000 or 11.1% to $1.0 million for the year end $900,000 for the year ended December 31, 2006. Equipment expense increased by $172,000 or 9.9% to $1.9 million for the year ende $1.7 million for the year ended December 31, 2006. The primary component of this expense item is data service provider expense wh growth of the Bank s assets. Advertising expense remained relatively stable at $326,000 for the year ended December 31, 2007 as co year ended December 31, 2006. Other non-interest

expense increased by $328,000 or 22.5% to $1.8 million for the year ended December 31, 2007 from $1.5 million for the year ended I
increase in other non-interest expense is primarily attributable to increases in expenses commensurate with a growing franchise. Other
comprised of directors fees, stationary, forms and printing, professional fees, legal fees, check printing, correspondent bank fees, tele
shareholder relations and other fees and expenses.

Income tax expense decreased $711,000 or 22.1% to $2.5 million for the year ended December 31, 2007 from $3.2 million for the yea
reflecting decreased pre-tax income earned during 2007. The consolidated effective income tax rate for the year ended December 31,
year ended December 31, 2006 was 36.6%.

Liquidity and Capital Resources

Our funding sources include income from operations, deposits and borrowings and principal payments on loans and investment securi
scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatl
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 loa
commercial business and consumer loans, as well as the purchase of mortgage-backed and other investment securities. During 2008 lo
$110.7 million compared to $142.5 million and $119.6 million for 2007 and 2006, respectively. The continued strength of loan origina
efforts to increase our total assets, the continued focus on increasing commercial and multi-family lending operations and the refinanc

During 2008, cash flow provided by the calls, maturities and principal repayments and prepayments received on securities held-to-ma
million compared to $21.0 million and $28.8 million in 2007 and 2006. Deposit growth provided $11.7 million, $16.1 million and $19
facilitate asset growth for the years ending December 31, 2008, 2007 and 2006, respectively. Borrowings increased $2.0 million in 20
short-term borrowings of $24.0 million and repayments of $22.0 million through the FHLB.

Loan Commitments. In the ordinary course of business the Bank extends commitments to originate residential and commercial loans a
Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the
generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since the Bank does not expect a
funded, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer s cre
case-by-case basis. Collateral may be obtained based upon management s assessment of the customers creditworthiness. Commitme
written on a fixed rate basis exposing the Bank to interest rate risk given the possibility that market rates may change between the com
extension of credit. The Bank had outstanding commitments to originate and fund loans of approximately $46.1 million and $57.4 mil
and 2007, respectively.

The following tables sets forth our contractual obligations and commercial commitments at December 31, 2008.

			Payments d	
		Less than 1	1-3	M
Contractual obligations	Total	Year	Years	
			(In Tho	
Borrowed money	$ 116,124	$ 2,000	$	$
Lease obligations	4,297	425	610	
Certificates of deposit	234,974	188,112	38,577	
Total	$ 355,395	$ 190,537	$ 39,187	$

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement No. 160 Noncontrolling Interests in Con
amendment of ARB No. 51 . This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsic
deconsolidation of a subsidiary. The guidance will become effective as of the beginning of a company s fiscal year beginning after D
Company believes that this new pronouncement will not have a material impact on its consolidated financial statements.

In May 2008, the FASB issued Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles. This Statement id
accounting principles and the framework for selecting the principles used in the preparation of financial statements. This Statement is
the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present
Generally Accepted Accounting Principles. The Company believes that this new pronouncement will not have a material impact on
statements.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Bas
Participating Securities. This FSP clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfei
undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class met
diluted earnings per share must be applied. This FSP is effective for fiscal years beginning after December 15, 2008. The Company do
03-6-1 will have an impact on its consolidated financial statements.

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared
International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the Inter
Board (IASB). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFR

as early as 2014. The SEC will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently a
potential change would have on its consolidated financial statements, and it will continue to monitor the development of the potential

In November 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 08-6, Equity Method Investment Accountin
clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is eff
beginning after December 15, 2008, with early adoption prohibited. The Company does not expect that EITF 08-6 will have an impac
financial statements.

In November 2008, the FASB ratified EITF Issue No. 08-7, Accounting for Defensive Intangible Assets . EITF 08-7 clarifies the ac
identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obta
08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which
expense over the period the asset diminishes in value. EITF 08-7 is effective for fiscal years beginning after December 15, 2008, with
This new pronouncement will impact the Company s accounting for any defensive intangible assets acquired in a business combinati
January 1, 2009.

In December 2008, the FASB issued FSP SFAS 140-4 and FASB Interpretation (FIN) 46(R)-8, Disclosures by Public Entities (E
Financial Assets and Interests in Variable Interest Entities . FSP SFAS 140-4 and FIN 46(R)-8 amends FASB SFAS 140 Accountin
of Financial Assets and Extinguishments of Liabilities , to require public entities to provide additional disclosures about transfers of
amends FIN 46(R), Consolidation of Variable Interest Entities , to require public enterprises, including sponsors that have a variabl
entity, to provide additional disclosures about their involvement with variable interest entities. Additionally, this FSP requires certain
by a public enterprise that is (a) a sponsor of a qualifying special purpose entity (SPE) that holds a variable interest in the qualifyin
transferor of financial assets to the qualifying SPE and (b) a servicer of a qualifying SPE that holds a significant variable interest in th
not the transferor of financial assets to the qualifying SPE. The disclosures required by FSP SFAS 140-4 and FIN 46(R)-8 are intende
transparency to financial statement users about a transferor s continuing involvement with transferred financial assets and an enterpri
interest entities and qualifying SPEs. FSP SFAS 140-4 and FIN 46(R) is effective for reporting periods (annual or interim) ending aft
adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In January 2009, the FASB issued FSP EITF 99-20-1, Amendments to the Impairment of Guidance of EITF Issue No. 99-20 . FSP
impairment guidance in EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests an
Continue to Be Held by a Transferor in Securitized

Financial Assets , to achieve more consistent determination of whether an other-than-temporary impairment has occurred. FSP EITF
emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in SFAS No. 115
Investments in Debt and Equity Securities , and other related guidance. FSP EITF 99-20-1 is effective for interim and annual reportin
December 15, 2008, and shall be applied prospectively. Retrospective application to a prior interim or annual reporting period is not p
EITF 99-20-1 did not have a material impact on our consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Market Risk

Qualitative Analysis. The majority of our assets and liabilities are monetary in nature. Consequently, one of our most significant form
rate risk. Our assets, consisting primarily of mortgage loans, have longer maturities than our liabilities, consisting primarily of deposit
part of our business strategy is to manage interest rate risk and reduce the exposure of our net interest income to changes in market int
Board of Directors has established an Asset/Liability Committee which is responsible for evaluating the interest rate risk inherent in o
determining the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance
managing this risk consistent with the guidelines approved by the Board of Directors. Senior management monitors the level of intere
and the Asset/Liability Committee, which consists of senior management and outside directors operating under a policy adopted by th
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 upo
fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth belo
included all financial instruments as of December 31, 2008. Assumptions have been made by the Company relating to interest rates, l
deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates
loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based u
of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. V
scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table incl
loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months
noninterest bearing accounts were scheduled with an assumed term of 24 months. The NPV at PAR represents the difference betw
value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 100 to 300 basis poi
it would not be meaningful, in the interest rate environment as of December 31, 2008. The following sets forth the Company s NPV a

Change in	Net Portfolio	$ Change from	% Change from	N
calculation	Value	PAR	PAR	NPV Rati
+300bp	$ 33,632	$ (34,528)	-50.66%	6.2
+200bp	59,526	(8,634)	-12.67	10.6
+100bp	70,348	2,188	3.21	12.0
PAR	68,160			11.4
-100bp				
-200bp				
-300bp				

bp-basis points

The table above indicates that at December 31, 2008, in the event of a 100 basis point increase in interest rates, we would experience

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in NPV re assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In th presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains co measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration assets and liabilities. Accordingly, although the NPV table provides an indication of our interest rate risk exposure at a particular poi measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net int from actual results.

ITEM 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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

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

None.

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 Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a- the Exchange Act) as of the end of the fiscal year (the Evaluation Date). Based upon that evaluation, the Chief Executive Officer, 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 consolidate 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 inter reporting. The Company s system of internal control is designed under the supervision of management, including our Chief Executiv Officer, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of the Company s fina 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 reason fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to perm statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with the authorization of mana Directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections on a effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions or tha with policies and procedures may deteriorate.

As of December 31, 2008, management assessed the effectiveness of the Company s internal control over financial reporting based u established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Comm its assessment, management believes that the Company s internal control over financial reporting as of December 31, 2008 is effectiv annual report does not include an attestation report of the company s registered public accounting firm regarding internal control ove Management s report was not subject to attestation by the company s registered public accounting firm pursuant to temporary rules Commission that permit 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 othe 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.

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ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

The Proposal I Election of Directors section of the Company s definitive Proxy Statement for the Company s 2009 Annual Meet Proxy Statement) is incorporated herein by reference in response to the disclosure requirements of Items 401, 405, 406, 407(d)(4) an S-K.

The information concerning directors and executive officers of the Company under the caption Proposal I-Election of Directors an captions Section 16(a) Beneficial Ownership Compliance and The Audit Committee of the 2009 Proxy Statement is incorporate

There have been no changes during the last year in the procedures by which security holders may recommend nominees to the Compa

ITEM 11. EXECUTIVE COMPENSATION

The Executive Compensation section of the Company s 2009 Proxy Statement is incorporated herein by reference.

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

The Proposal I Election of Directors section of the Company s 2009 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 Compa 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 2009 Annual Meeting of Sto II-Ratification of the Appointment of Independent Auditors Fees Paid to Beard Miller Company LLP.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements

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

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Statements of Financial Condition as of December 31, 2008 and 2007

(C) Consolidated Statements of Income for each of the Years in the Three-Year period ended December 31, 2008

(D) Consolidated Statements of Changes in Stockholders Equity for each of the Years in the Three-Year period ended Dece

(E) Consolidated Statements of Cash Flows for each of the Years in the Three-Year period ended December 31, 2008

(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 statem

(b) Exhibits

3.1	Certificate of Incorporation of BCB Bancorp, Inc.****
3.2	Bylaws of BCB Bancorp, Inc.**
3.3	Specimen Stock Certificate*
10.1	BCB Community Bank 2002 Stock Option Plan***
10.2	BCB Community Bank 2003 Stock Option Plan***
10.3	2005 Director Deferred Compensation Plan****

10.4	Change in Control Agreement with Donald Mindiak*******
10.5	Change in Control Agreement with James E. Collins*******
10.6	Change in Control Agreement with Thomas M. Coughlin*******
10.7	Executive Agreement with Donald Mindiak*******
10.8	Executive Agreement with James E. Collins*******
10.9	Executive Agreement with Thomas M. Coughlin*******
10.10	Amendment to 2002 and 2003 Stock Option Plans******
13	Consolidated Financial Statements
14	Code of Ethics***
21	Subsidiaries of the Company****
23	Accountant s Consent to incorporate consolidated financial statements in Form S-8
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley A

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

** Incorporated by reference to the Form 8-K filed with the Securities and Exchange Commission on October 12, 2007.

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

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

***** Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K filed with the Securities and Exchange Co 2005.

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

******* Incorporated by reference to Exhibit 10.4, 10.5, 10.6, 10.7, 10.8 and 10.9 to the Current Report on Form 8-K filed with tl Commission on December 15, 2008.

Signatures

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be sig
undersigned, thereunto duly authorized.

BCB BANCORP, INC.

Date: March 27, 2009 By: /s/ Donald Mindia

Donald Mindiak
President, Chief Executiv

and Chief Financial O

(Duly Authorized Repres

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

Signatures	Title
/s/ Donald Mindiak **Donald Mindiak**	President, Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer)
/s/ Thomas M. Coughlin **Thomas M. Coughlin**	Vice President, Chief Operating Officer (Principal Accounting Officer and Director
/s/ Mark D. Hogan **Mark D. Hogan**	Chairman of the Board
/s/ Robert Ballance **Robert Ballance**	Director
/s/ Judith Q. Bielan **Judith Q. Bielan**	Director
/s/ Joseph J. Brogan **Joseph J. Brogan**	Director
/s/ James E. Collins **James E. Collins**	Director
/s/ Joseph Lyga **Joseph Lyga**	Director

/s/ ALEXANDER PASIECHNIK **Alexander Pasiechnik**	Director
/s/ AUGUST PELLEGRINI, JR. **August Pellegrini, Jr.**	Director
/s/ JOSEPH TAGLIARENI **Joseph Tagliareni**	Director

EXHIBIT INDEX

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CONSOLIDATED FINANCIAL STATEMENTS

BCB Bancorp, Inc. and Subsidiaries

Consolidated Financial Report

December 31, 2008

BCB Bancorp, Inc. and Subsidiaries

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Report of Independent Registered Public Accounting Firm

Consolidated Financial Statement

Consolidated Statements of Financial Condition

Consolidated Statements of Income

Consolidated Statements of Changes in Stockholders   Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

[BMC LOGO]

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

BCB Bancorp, Inc.

Bayonne, New Jersey

We have audited the accompanying consolidated statements of financial condition of BCB Bancorp, Inc. and Subsidiaries (the Comp
2008 and 2007, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the ye
ended December 31, 2008. The Company s management is responsible for these consolidated financial statements. Our responsibility
these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States).
we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material
is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included co
control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purp
opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An
examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the acc
significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe
reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financia
Inc. and Subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each
three-year period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of Ame

/s/ Beard Miller Company LLP

Beard Miller Company LLP

Clark, New Jersey

March 25, 2009

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

	(In
Assets	
Cash and amounts due from depository institutions	$
Interest-bearing deposits	
Cash and Cash Equivalents	
Securities available for sale	
Securities held to maturity, fair value $143,245 and $165,660 respectively	
Loans held for sale	
Loans receivable, net of allowance for loan losses of $5,304 and $4,065 respectively	
Premises and equipment	
Federal Home Loan Bank of New York stock	
Interest receivable	
Real Estate Owned	
Deferred income taxes	
Other assets	
Total Assets	$
Liabilities and Stockholders Equity	
Liabilities	
Non-interest bearing deposits	$
Interest bearing deposits	
Total deposits	
Short-term borrowings	
Long-term debt	
Other liabilities	
Total Liabilities	
Stockholders Equity	
Common stock, stated value $0.064; 10,000,000 shares authorized; 5,183,731 and 5,078,858 shares, respectively, issued	
Paid-in capital	
Treasury stock, at cost, 533,680 and 440,651 shares, respectively	
Retained earnings	
Accumulated other comprehensive (loss) income	
Total Stockholders Equity	
Total Liabilities and Stockholders Equity	$

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Income

	Year 2008 (In Thousan
Interest Income	
Loans, including fees	$ 27,248
Securities	9,185
Other interest-earning assets	190
Total Interest Income	36,623
Interest Expense	
Deposits:	
Demand	1,046
Savings and club	1,370
Certificates of deposit	9,106
	11,522
Borrowed money	5,141
Total Interest Expense	16,663
Net Interest Income	19,960
Provision for Loan Losses	1,300
Net Interest Income after Provision for Loan Losses	18,660
Non-Interest Income	
Fees and service charges	689
Gain on sales of loans originated for sale	137
Gain on sale of real estate owned	1
Other than temporary impairment on security	(2,915)
Other	34
Total Non-Interest (Loss) Income	(2,054)
Non-Interest Expenses	
Salaries and employee benefits	5,492
Occupancy expense of premises	1,059
Equipment	2,019
Advertising	241
Loss on overdrafts	560
Other	1,943
Total Non-Interest Expenses	11,314
Income before Income Taxes	5,292
Income Taxes	1,820

Net Income	$	3,472
Net Income per Common Share		
Basic	$	0.75
Diluted	$	0.74
Weighted Average Number of Common Shares Outstanding		
Basic		4,629
Diluted		4,706

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Changes in Stockholders Equity

	Common Stock	Paid-In Capital	Treasury Stock	Retained Earnings
		(In Thousands, except for share and per		
Balance - December 31, 2005	$ 323	$ 45,518	$ (795)	$ 2,801
Stock-based compensation		25		
Stock issuance cost		(9)		
Exercise of stock options (12,816 shares)	1	98		
Treasury stock purchases (3,977 shares)			(64)	
Cash dividend ($0.30 per share) declared				(1,502)
Net income				5,567
Balance - December 31, 2006	324	45,632	(859)	6,866
Stock-based compensation		6		
Exercise of stock options (15,426 shares)	1	157		
Treasury stock purchases (385,358 shares)			(6,526)	
Cash dividend ($0.32 per share) declared				(1,555)
Net income				4,438
Unrealized gain on securities available for sale, net of deferred income tax of $18				
Total Comprehensive income				
Balance - December 31, 2007	325	45,795	(7,385)	9,749
Tax benefit from exercise of stock options		150		
Exercise of stock options (104,873 shares)	6	919		
Treasury stock purchases (93,029 shares)			(1,295)	
Cash dividend ($0.41 per share) declared				(1,896)
Net income				3,472
Loss on other than temporary impairment on security, net of deferred income tax benefit of $1,164				
Unrealized loss on securities available for sale, net of deferred income tax of $1,266				
Total Comprehensive income				
Balance - December 31, 2008	$ 331	$ 46,864	$ (8,680)	$ 11,325

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year
	2008
Cash Flows from Operating Activities	
Net income	$ 3,472
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation of premises and equipment	401
Amortization (accretion), net	(684)
Provision for loan losses	1,300
Stock-based compensation	
Deferred income tax (benefit)	(1,659)
Other than temporary impairment loss	2,915
Loans originated for sale	(6,705)
Proceeds from sales of loans originated for sale	7,552
Gain on sales of loans originated for sale	(137)
Gain on sale of real estate owned	(1)
(Increase) in interest receivable	(108)
Decrease in stock subscriptions receivable	
(Increase) decrease in other assets	(718)
(Decrease) increase in accrued interest payable	(59)
Increase (decrease) in other liabilities	317
Net Cash Provided by Operating Activities	5,886
Cash Flows from Investing Activities	
Proceeds from repayments and calls on securities held to maturity	84,400
Proceeds from sales of securities held to maturity	
Purchases of securities held to maturity	(60,606)
Purchases of securities available for sale	(2,000)
Proceeds from sales of participation interests in loans	2,523
Proceeds from sale of real estate owned	288
Purchases of loans	(113)
Net increase in loans receivable	(46,449)
Improvements to real estate owned	(241)
Additions to premises and equipment	(99)
Purchases of Federal Home Loan Bank of New York stock	(176)
Net Cash Used in Investing Activities	(22,473)
Cash Flows from Financing Activities	
Net increase in deposits	11,684
Proceeds of long-term debt	
Repayment of long-term debt	
Net change in short-term borrowings	2,000
Purchase of treasury stock	(1,295)
Cash dividends paid	(1,896)
Net proceeds from issuance of common stock	925
Tax benefit from exercise of stock options	150

Net Cash Provided by Financing Activities	11,568
Net Increase (Decrease) in Cash and Cash Equivalents	(5,019)
Cash and Cash Equivalents - Beginning	11,780
Cash and Cash Equivalents - Ending	$ 6,761
Supplementary Cash Flows Information	
Cash paid during the year for:	
Income taxes	$ 3,903
Interest	$ 16,722
Transfer of loans to real estate owned	$ 1,194

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1 - Organization and Stock Offerings

BCB Bancorp, Inc. (the Company) is incorporated in the State of New Jersey and is a bank holding company. The common stock c Nasdaq Electronic Bulletin Board and trades under the symbol BCBP.

On April 27, 2005, the Company announced that the Board of Directors had approved a stock repurchase program for the repurchase c Company s outstanding common stock equal to approximately 187,096 shares. The repurchases may be made from time to time as m During 2006, 3,977 shares were purchased under the repurchase program at an approximate cost of $64,000 or $15.93 per share. In 20 the initial stock repurchase plan. On April 26, 2007, the Company announced a second stock repurchase plan which provided for the r shares of the Company s common stock. During 2007, the Company began and completed the repurchase of all of the shares associat repurchase plan. Consequently, on November 20, 2007, the Company announced a third stock repurchase plan which provided for the 234,002 shares of the Company s common stock. During 2008 and 2007, a total of 93,029 and 385,358 shares of the Company s cor a cost of approximately $1.3 and $6.5 million or $13.92 and $16.93 per share, respectively.

The Company s primary business is the ownership and operation of BCB Community Bank (the Bank). The Bank is a New Jersey December 31, 2008, operated at four locations in Bayonne and Hoboken, New Jersey, and is subject to regulation, supervision, and ex Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation. The Bank is principally engaged in the b deposits from the general public and using these deposits, together with borrowed funds, to invest in securities and to make loans coll commercial real estate and, to a lesser extent, consumer loans. BCB Holding Company Investment Corp. (the Investment Company 2005 under New Jersey law as a New Jersey investment company primarily to hold investment and mortgage-backed securities.

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of Consolidated Financial Statement Presentation

The consolidated financial statements which include the accounts of the Company and its wholly-owned subsidiaries, the Bank and th
have been prepared in conformity with accounting principles generally accepted in the United States of America. All significant interc
transactions have been eliminated in consolidation.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported
liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the periods then ended. Ac
significantly from those estimates. A material estimate that is particularly susceptible to significant change relates to the determinatio
losses. Management believes that the allowance for loan losses is adequate. While management uses available information to recogni
additions to the allowance for loan losses may be necessary based on changes in economic conditions in the market area.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank s allowance fo
may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the tim

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from depository institutions and interest-bearing deposits in other banks hav
three months or less.

Securities Available for Sale and Held to Maturity

Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity
amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are clas
and reported at fair value, with unrealized holding gains and losses included in earnings. Debt and equity securities not classified as tr
to maturity securities are classified as available for sale securities and reported at fair value, with unrealized holding gains or losses, n
income taxes, reported in the accumulated other comprehensive income component of stockholders equity.

On a quarterly basis, the Company makes an assessment to determine whether there have been any events or economic circumstances
which there is an unrealized loss is impaired on an other-than-temporary basis. The Company considers many factors including the se
impairment; the intent and ability of the Company to hold the security for a period of time sufficient for a recovery in value; recent ev
industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is c
other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

Premiums and discounts on all securities are amortized/accreted to maturity using the interest method. Interest and dividend income o
amortization of premiums and accretion of discounts, are recognized in the consolidated financial statements when earned. Gains or lo
based on the specific identification method.

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Loans Held For Sale

Loans held for sale consist primarily of residential mortgage loans intended for sale and are carried at the lower of cost or estimated fa
aggregate method. These loans are generally sold with servicing rights released. Gains and losses recognized on loan sales are based u
received and the cost of the related loans sold.

Loans Receivable

Loans receivable are carried at unpaid principal balances less net deferred loan origination fees and the allowance for loan losses. Loa
certain direct loan origination costs are deferred and amortized, as an adjustment of yield, over the contractual lives of the related loan

The accrual of interest on loans that are contractually delinquent ninety days or more is discontinued and the related loans placed on n
subsequently recognized only to the extent that cash payments are received until delinquency status is reduced to less than ninety days
returned to accrual status.

Allowance for Loan Losses

The allowance for loan losses is increased through provisions charged to operations and by recoveries, if any, on previously charged-o
charge-offs on loans which are determined to be a loss in accordance with Bank policy.

The allowance for loan losses is maintained at a level considered adequate to absorb loan losses. Management, in determining the allo
considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the general eco
conditions. The Bank utilizes a two tier approach: (1) identification of impaired loans and establishment of specific loss allowances o
(2) establishment of general valuation allowances on the remainder of its loan portfolio. The Bank maintains a loan review system wh
review of its loan portfolio and the early identification of potentially impaired loans. Such a system takes into consideration, but is not
status, size of loans, and types and value of collateral and financial condition of the borrowers. Specific loan loss allowances are estab
based on a review of such information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a co
including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions, and manage
management believes that adequate specific and general allowances for loan losses are established, actual losses are dependent upon f
further additions to the level of specific and general loan loss allowances may be necessary.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan s effective interest rate,
the loan s observable market price or the fair value of the collateral if the loan is collateral dependent. A loan evaluated for impairme
when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the
agreement. All loans identified as impaired are evaluated independently. The Bank does not aggregate such loans for evaluation purpo
impaired loans are applied first to accrued interest receivable and then to principal.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Concentration of Risk

Financial instruments which potentially subject the Company and its subsidiaries to concentrations of credit risk consist of cash and ca and mortgage-backed securities and loans.

Cash and cash equivalents include amounts placed with highly rated financial institutions. Securities include securities backed by the highly rated instruments. The Bank s lending activity is primarily concentrated in loans collateralized by real estate in the State of Ne risk is broadly dependent on the real estate market and general economic conditions in the State.

Premises and Equipment

Land is carried at cost. Buildings, building improvements, leasehold improvements and furniture, fixtures and equipment are carried a depreciation and amortization. Significant renovations and additions are charged to the property and equipment account. Maintenance expense in the period incurred. Depreciation charges are computed on the straight-line method over the following estimated useful liv

	Years
Buildings	40
Building improvements	7 - 40
Furniture, fixtures and equipment	3 - 40
Leasehold improvements	Shorter of useful life or term of leas

Federal Home Loan Bank (FHLB) of New York Stock

Federal law requires a member institution of the FHLB system to hold stock of its district FHLB according to a predetermined formul cost.

Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at fair value less cost to sell at the d establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carr amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in n assets. At December 31, 2008, the Bank owned one property totaling $1,435,000.

Interest Rate Risk

The Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with secured by real estate and to purchase securities. The potential for interest-rate risk exists as a result of the difference in duration of th liabilities compared to its interest-sensitive assets. For this reason, management regularly monitors the maturity structure of the Bank interest-bearing liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return. Income taxes are allocated to the Company and its sub
respective income or loss included in the consolidated income tax return. Separate state income tax returns are filed by the Company a

Federal and state income tax expense has been provided on the basis of reported income. The amounts reflected on the tax returns diff
principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes. The ta
differences is accounted for as deferred taxes applicable to future periods. Deferred income tax expense or (benefit) is determined by r
assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amo
liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to ta
which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change
earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance pro
that portion of the asset which is not more likely than not to be realized.

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Incon
provides clarification on accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance v
 Accounting for Income Taxes. The Interpretation prescribes a recognition threshold and measurement attribute for the financial sta
measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classificatio
accounting in interim periods, disclosure and transition. The Company has evaluated its tax positions as of January 1, 2007, Decembe
December 31, 2008, respectively. A tax position is recognized as a benefit only if it is more likely than not that the tax position wo
examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that has a li
on examination of more than 50 percent. For tax positions not meeting the more likely than not test, no tax benefit is recorded. Und
threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that wo
non-recognition of an existing tax benefit. As of January 1, 2007, December 31, 2007 and December 31, 2008, respectively, the Comp
unrecognized tax benefits or accrued interest and penalties. The Company recognizes interest and penalties on unrecognized tax benef
in the Consolidated Statement of Income. The Company did not recognize any interest and penalties for the year ended December 31,
years subject to examination by the taxing authorities are the years ended December 31, 2007, 2006, and 2005.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Net Income per Common Share

Basic net income per common share is computed by dividing net income by the weighted average number of shares of common stock income per common share is computed by adjusting the weighted average number of shares of common stock outstanding to include t stock options, if dilutive, using the treasury stock method. For the years ended December 31, 2008, 2007 and 2006, the difference in t of basic and diluted common shares was due solely to the effects of outstanding stock options. No adjustments to net income were nec and diluted net income per share.

Stock-Based Compensation Plans

The Company, under plans approved by its stockholders in 2003 and 2002, has granted stock options to employees and outside directo additional information as to option grants. Through December 31, 2005, the Company accounted for options granted using the intrinsi accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related in generally, when the exercise price of the Company s stock options equaled the market price of the underlying stock on the date of the expense was recognized. Accordingly, prior to January 1, 2006, no compensation expense has been reflected in net income for the opt grants have an exercise price equal to the market price of the underlying stock at the date of grant.

On January 1, 2006, we adopted Statement of Financial Accounting Standards (Statement) No. 123(R) using the modified prospect implemented a policy of recording compensation expense for all new awards granted and any awards modified after January 1, 2006. rules under Statement No. 123(R) require that, for all awards outstanding at January 1, 2006, for which the requisite service had not y compensation cost be recorded as such service is rendered after January 1, 2006. Statement No. 123(R) also requires that the benefits excess of previously recognized tax benefits on compensation expense are to be reported as a financing cash flow rather than an opera previously required. In accordance with Staff Accounting Bulletin (SAB) No. 107, the Company classifies share-based compensati employee benefits and directors compensation expenses to correspond with the same line items as the cash compensation paid to such

Compensation expense recognized for all option grants is net of estimated forfeitures and is recognized over the awards respective re fair values relating to all options granted are estimated using a Black-Scholes option pricing model. Expected volatilities are based on stock and other factors, such as implied market volatility. As permitted by SAB No. 110, we use the mid-point of the original vesting life to estimate the options expected term, which represents the period of time that the options granted are expected to be outstanding periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. We recognize c the fair values of these option awards, which have graded vesting, on a straight-line basis over the requisite service period of these aw

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Comprehensive Income

The Company records unrealized gains and losses, net of deferred income taxes, on securities available for sale in accumulated other c
Realized gains and losses, if any, are reclassified to non-interest income upon sale of the related securities or upon the recognition of a
Company has elected to report the effects of other comprehensive income in the consolidated statements of changes in stockholders

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement No. 160 Noncontrolling Interests in Con
amendment of ARB No. 51 . This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsic
deconsolidation of a subsidiary. The guidance will become effective as of the beginning of a company s fiscal year beginning after D
Company believes that this new pronouncement will not have a material impact on its consolidated financial statements.

In May 2008, the FASB issued Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles. This Statement id
accounting principles and the framework for selecting the principles used in the preparation of financial statements. This Statement is
the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present F
Generally Accepted Accounting Principles. The Company believes that this new pronouncement will not have a material impact on i
statements.

In June 2008, the FASB issued FASB Staff Position (FSP) EITF 03-6-1, Determining Whether Instruments Granted in Share-Bas
Participating Securities. This FSP clarifies that all outstanding unvested share-based payment awards that contain rights to nonforfei
undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class met
diluted earnings per share must be applied. This FSP is effective for fiscal years beginning after December 15, 2008. The Company do
03-6-1 will have an impact on its consolidated financial statements.

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared
International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the Inter
Board (IASB). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFR
will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that thi
have on its consolidated financial statements, and it will continue to monitor the development of the potential implementation of IFRS

In November 2008, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 08-6, Equity Method Investment Accounting
clarifies the accounting for certain transactions and impairment considerations involving equity method investments. EITF 08-6 is eff
beginning after December 15, 2008, with early adoption prohibited. The Company does not expect that EITF 08-6 will have an impac
financial statements.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

In November 2008, the FASB ratified EITF Issue No. 08-7, Accounting for Defensive Intangible Assets . EITF 08-7 clarifies the ac identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obta 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which expense over the period the asset diminishes in value. EITF 08-7 is effective for fiscal years beginning after December 15, 2008, with This new pronouncement will impact the Company s accounting for any defensive intangible assets acquired in a business combinati January 1, 2009.

In December 2008, the FASB issued FSP SFAS 140-4 and FASB Interpretation (FIN) 46(R)-8, Disclosures by Public Entities (E Financial Assets and Interests in Variable Interest Entities . FSP SFAS 140-4 and FIN 46(R)-8 amends FASB SFAS 140 Accountin of Financial Assets and Extinguishments of Liabilities , to require public entities to provide additional disclosures about transfers of amends FIN 46(R), Consolidation of Variable Interest Entities , to require public enterprises, including sponsors that have a variabl entity, to provide additional disclosures about their involvement with variable interest entities. Additionally, this FSP requires certain by a public enterprise that is (a) a sponsor of a qualifying special purpose entity (SPE) that holds a variable interest in the qualifyin transferor of financial assets to the qualifying SPE and (b) a servicer of a qualifying SPE that holds a significant variable interest in th not the transferor of financial assets to the qualifying SPE. The disclosures required by FSP SFAS 140-4 and FIN 46(R)-8 are intende transparency to financial statement users about a transferor s continuing involvement with transferred financial assets and an enterpri interest entities and qualifying SPEs. FSP SFAS 140-4 and FIN 46(R) is effective for reporting periods (annual or interim) ending aft adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In January 2009, the FASB issued FSP EITF 99-20-1, Amendments to the Impairment of Guidance of EITF Issue No. 99-20 . FSP impairment guidance in EITF Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests an Continue to Be Held by a Transferor in Securitized Financial Assets , to achieve more consistent determination of whether an other-t has occurred. FSP EITF 99-20-1 also retains and emphasizes the objective of an other-than-temporary impairment assessment and the requirements in SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities , and other related guidance. FSF interim and annual reporting periods ending after December 15, 2008, and shall be applied prospectively. Retrospective application to reporting period is not permitted. The adoption of EITF 99-20-1 did not have a material impact on our consolidated financial statemen

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3 - Related Party Transactions

The Bank leases a property from NEW BAY LLC (NEW BAY), a limited liability corporation 100% owned by a majority of the d
Bank. In conjunction with the lease, NEW BAY substantially removed the pre-existing structure on the site and constructed a new bui
for its banking operations. Under the terms of the lease, the cost of this project was reimbursed to NEWBAY by the Bank. The amour
occurred during the year 2000, was approximately $943,000, and is included in property and equipment under the caption Building a
7).

The original lease term began on November 1, 2000, and concluded on October 31, 2005. On May 1, 2006, the Company renegotiated
year term. The Company will pay NEW BAY $165,000 a year ($13,750 per month) for the first 60 months. The rent shall be reset ev
the fair market rental value at the end of each preceding five year period.

Note 4 - Securities Available for Sale

		Decembe
	Cost	Gross Unrealized Gains
		(In Tho
Equity securities	$ 1,097	$

		Decembe
	Cost	Gross Unrealized Gains
		(In Tho
Equity securities	$ 2,012	$ 44

The age of unrealized losses and fair value of related securities available for sale were as follows:

	Less than 12 Months		More than 12 Mo	
	Fair Value	Unrealized Losses	Fair Value	Unrea Los
			(In Thousand	
December 31, 2008				
Preferred Stock	$ 791	$ 209	$	$

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4 - Securities Available for Sale (Continued)

At December 31, 2008, management concluded that the unrealized losses above (which relate to one equity issue) are temporary in na to general market fluctuations. Additionally, the Company has the ability and intent to hold these securities for a time necessary to rec

During 2008, there was a pre-tax other than temporary impairment (OTTI) charge recorded of $2.9 million on the $3.0 million investr Mortgage Association (FNMA) preferred stock. The OTTI charge resulted from a significant decline in the market value of these secu announcement by the Federal Housing Finance Agency (FHFA) that FNMA would be placed under conservatorship. Additionally, the payment of dividends on common stock and preferred stock and assumed the powers of the Board and management of FNMA. Based Company evaluated the impairment as other than temporary.

Note 5 - Securities Held to Maturity

		December
	Amortized Cost	Gross Unrealized Gains
		(In Thou
U.S. Government Agencies:		
Due after one through five years	$ 6,315	$ 323
Due after five through ten years	6,000	6
Due after ten years	86,292	449
	98,607	778
Mortgage-backed securities:		
Due after one year through five years	88	2
Due after five years through ten years	2,336	81
Due after ten years	40,249	1,144
	42,673	1,227
	$ 141,280	$ 2,005

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 - Securities Held to Maturity (Continued)

		December 3
	Amortized Cost	Gross Unrealized Gains
		(In Thous
U.S. Government Agencies:		
Due within one year	$ 4,000	$
Due after one through five years	25,312	153
Due after five through ten years	15,988	25
Due after ten years	84,856	744
	130,156	922
Mortgage-backed securities:		
Due after one year through five years	157	3
Due after five years through ten years	1,334	29
Due after ten years	33,370	28
	34,861	60
	$ 165,017	$ 982

There were no sales of securities during the years ended December 31, 2008, 2007 and 2006. At December 31, 2008 and 2007, mortg
carrying value of approximately $759,000 and $924,000, respectively, were pledged to secure public deposits (see Note 10 for inform
for borrowings).

The age of unrealized losses and fair value of related securities held to maturity were as follows:

	Less than 12 Months		More than 12 Month	
	Fair Value	Unrealized Losses	Fair Value	Unrealize Losses
			(In Thousands)	
December 31, 2008				
U.S. Government Agencies	$ 16,301	$ 198	$	$
	$ 16,301	$ 198	$	$

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5 - Securities Held to Maturity (Continued)

December 31, 2007:			
U.S. Government Agencies	$	$	$ 11,440
Mortgage-backed securities	7,291	10	16,592
	$ 7,291	$ 10	$ 28,032

At December 31, 2008, management concluded that the unrealized losses above (which related to 4 U.S. Government Agency bonds) since they are not related to the underlying credit quality of the issuers and the Company has the ability and intent to hold these securi recover their cost. The losses above are primarily related to market interest rates.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 - Loans Receivable

		December 31
	2008	
		(In Thousand
Real estate mortgage:		
Residential	$ 74,039	$
Commercial	223,179	2
Construction	62,483	
	359,701	3
Commercial:		
Business loans	10,859	
Lines of credit	3,239	
	14,098	
Consumer:		
Passbook or certificate	297	
Home equity lines of credit	5,564	
Home equity	32,501	
Automobile	93	
Personal	76	
	38,531	
Deposit overdrafts	454	
Total Loans	412,784	3
Deferred loan fees, net	(654)	
Allowance for loan losses	(5,304)	
	(5,958)	
	$ 406,826	$ 3

At December 31, 2008 and 2007, loans serviced by the Bank for the benefit of others, which consist of participation interests in loans totaled approximately $15,211,000 and $10,451,000.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6 - Loans Receivable (Continued)

The Bank grants loans to its officers and directors and to their associates. Related party loans are made on substantially the same term and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal activity with respect to loans to directors, officers and associates of such persons, is as follows:

	Years Ended Decer	
	2008	
	(In Thousanc	
Balance - beginning	$ 6,825	$
Loans originated	1,598	
Collections of principal	(1,362)	
Balance - ending	$ 7,061	$

The following is an analysis of the allowance for loan losses:

	Years Ended Dece	
	2008	2007
	(In Thousar	
Balance - beginning	$ 4,065	$ 3,733
Provision charged to operations	1,300	600
Recoveries of loans previously charged off	40	17
Loans charged off	(101)	(285
Balance - ending	$ 5,304	$ 4,065

At December 31, 2008 and 2007, nonaccrual loans for which the accrual of interest had been discontinued totaled approximately $3,7 respectively. Had these loans been performing in accordance with their original terms, the interest income recognized for the years en 2007 and 2006 would have been approximately $289,000, $287,000, and $26,000, respectively. Interest income recognized on such lo $138,000, $64,000, and $6,000, respectively. The Bank is not committed to lend additional funds to the borrowers whose loans have b status. At December 31, 2008 and 2007, loans which were ninety days or more past due and still accruing interest totaled $0 and $519

At December 31, 2008 and 2007, impaired loans were $3,728,000 and $3,754,000, respectively, and the related specific allocation of totaled $881,000 and $728,000, respectively. There were no impaired loans which did not have a specific allocation of the allowance years ended December 31, 2008, 2007, and 2006, the average balance of impaired loans was $2,759,000, $2,104,000, and $568,000 re income recognized during the period of impairment totaled $138,000, $64,000, and $6,000, respectively.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 7 - Premises and Equipment

	December 3	
	2008	
	(In Thousand	
Land	$ 890	$
Buildings and improvements	3,572	
Leasehold improvements	976	
Furniture, fixtures and equipment	2,366	
	7,804	
Accumulated depreciation and amortization	(2,177)	
	$ 5,627	$

Buildings and improvements include a building constructed on property leased from a related party (see Note 3).

Rental expenses related to the occupancy of premises totaled $415,000, $413,000, and $386,000 for the years ended December 31, 20 respectively. The minimum obligation under lease agreements expiring through April 30, 2031, for each of the years ended December thousands):

2009	$ 4
2010	3
2011	2
2012	2
2013	1
Thereafter	2,8
	$ 4,2

Note 8 - Interest Receivable

	Decemb
	2008
	(In Thou
Loans	$ 2,284
Securities	1,600
	$ 3,884

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9 - Deposits

	December	
	2008	
	(In Thousa	
Demand:		
Non-interest bearing	$ 30,561	$
NOW	25,843	
Money market	19,539	
	75,943	
Savings and club	99,586	
Certificates of deposit	234,974	
	$ 410,503	$

At December 31, 2008 and 2007, certificates of deposit of $100,000 or more totaled approximately $118,367,000 and $102,830,000, r

The scheduled maturities of certificates of deposit at December 31, 2008, were as follows (in thousands):

	Amou
2009	$ 188,1
2010	31,1
2011	7,3
2012	4
2013	7,8
Thereafter	
	$ 234,9

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10 - Short-Term Borrowings and Long-Term Debt

Long-term debt consists of the following:

Long-term debt:
Federal Home Loan Bank of New York (FHLB) Fixed Rate Repurchase Agreements:
4.50% maturing May 22, 2016
4.30% maturing August 16, 2016
4.17% maturing August 31, 2016
4.76% maturing June 18, 2017
4.30% maturing July 30, 2017
4.08% maturing July 30, 2017
Trust preferred floating rate junior subordinated debenture maturing June 17, 2034; interest rate adjusts quarterly to LIBOR plus 2.65% (4.52% at December 31, 2008 and 7.64% at December 31, 2007)

The trust preferred debenture is callable, at the Company s option, on June 17, 2009, and quarterly thereafter.

At December 31, 2008, the Bank has available to it two borrowing facilities aggregating $113,059,000 from the FHLB of New York, and a companion commitment, both of which expire on July 31, 2009. There was $2,000,000 and $0 outstanding under these borrowi 2008 and 2007, respectively.

Additional information regarding short-term borrowings is as follows:

	December 3	
	2008	2007
	(In Thousanc	
Average balance outstanding during the year	$ 4,796	
Highest month-end balance during the year	20,500	
Average interest rate during the year	1.23%	
Weighted average interest rate at year-end	0.44%	

At December 31, 2008 and 2007 securities held to maturity with a carrying value of approximately $140,519,000 and $146,811,000, r secure the above noted Federal Home Loan Bank of New York borrowings.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 11 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimun initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guideline measures of the Bank s assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures, established by regulation to ensure capital adequacy, require the Bank to maintain minimum amounts and ratio (as defined in the regulations), to risk-weighted assets, (as defined), and of Tier 1 capital to average assets (as defined). The following as to the Bank s capital levels.

To be Well Capitalized

	Actual		For Capital Adequacy Purposes	
	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)	
As of December 31, 2008:				
Total capital (to risk-weighted assets)	$ 58,667	14.63%	$ 32,079	=>8.00%
Tier 1 capital (to risk-weighted assets)	53,642	13.38	=>16,039	=>4.00
Tier 1 capital (to average assets)	53,642	9.22	=>23,282	=>4.00
As of December 31, 2007:				
Total capital (to risk-weighted assets)	$ 53,761	14.12%	$ =>30,457	=>8.00%
Tier 1 capital (to risk-weighted assets)	49,696	13.05	=>15,228	=>4.00
Tier 1 capital (to average assets)	49,696	8.81	=>22,566	=>4.00

As of December 31, 2008, the most recent notification from the Bank s regulators categorized the Bank as well capitalized under t prompt corrective action. There are no conditions or events occurring since that notification that management believes have changed t

Note 12 - Benefits Plan

Stock Options

The Company has two stock-related compensation plans, the 2002 Stock Option Plan and the 2003 Stock Option Plan (the Plans). a ten year term and were scheduled to vest and become exercisable on a cumulative basis in equal installments (20% immediately upo 20% at each of the four succeeding grant anniversary dates). As of December 31, 2008, all options authorized under the Plans had bee

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12 - Benefits Plan (Continued)

Stock Options (Continued)

In anticipation of the adoption of Statement No. 123(R) on January 1, 2006, the Board of Directors of the Company, on December 14, accelerated vesting and exercisability of all unvested and unexercisable stock options granted as a part of the Plans held by directors, result, options to purchase 218,195 shares of common stock, which would otherwise have vested and become exercisable from time to years, became fully vested and immediately exercisable on December 20, 2005. The number of shares and exercise prices of the optio were unchanged. The accelerated options have exercise prices that range from $5.29 to $11.84 per share. The accelerated options incl directors and executive officers and 23,231 options held by other employees. The acceleration of the vesting and exercisability of thes compensation expense, net of income tax, that would otherwise have been recorded in the Company s income statements for the year 2007, and 2008 of $379,000, $301,000, and $128,000, respectively. As required, the Company estimated the number of options that w in the future which would not have been exercisable under their original vesting terms and therefore began recording additional comp estimate is updated on a quarterly basis.

During the years ended December 31, 2008, 2007 and 2006, the Company recorded $0, $6,000 ($4,000 after tax) and $25,000 ($15,00 compensation expense, respectively.

A summary of stock option activity, adjusted to retroactively reflect subsequent stock dividends, follows:

	Number of Option Shares	Range of Exercise Prices
Outstanding at December 31, 2006	415,638	5.29-15.6
Options granted	2,000	15.1
Options exercised	(15,426)	5.29-15.6
Options cancelled	(2,000)	15.6
Outstanding at December 31, 2007	400,212	5.29-15.6
Options Exercised	(104,873)	5.29-11.8
Outstanding at December 31, 2008	295,339	5.29-15.6

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12 - Benefits Plan (Continued)

Stock Options (Continued)

At December 31, 2008, all stock options outstanding were exercisable, having a weighted-average remaining contractual term of 4.8 y
intrinsic value of $393,000. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006,
$102,000, respectively. It is Company policy to issue new shares upon share option exercise.

The weighted average grant-date fair values of the stock options granted during 2007, all of which have exercise prices equal to the m
stock at the grant date, were estimated using the Black-Scholes option-pricing model. Such fair value and the weighted average assum
fair value are as follows:

		Years Ended Dec
	2008	2007
Grant-date fair value per share	N/A	$ 2.9
Assumptions:		
Expected common stock dividend yield	N/A	2.3
Expected option life	N/A	5.0 year
Risk-free interest rate	N/A	4.3
Volatility	N/A	19.9

Note 13 - Dividend Restrictions

Payment of cash dividends is conditional on earnings, financial condition, cash needs, the discretion of the Board of Directors, and co
requirements. State and federal law and regulations impose substantial limitations on the Bank s ability to pay dividends to the Comp
the Bank is permitted to declare dividends on its common stock only if, after payment of the dividend, the capital stock of the Bank w
the Bank will have a surplus of not less than 50% of its capital stock or the payment of the dividend will not reduce the Bank s surplu
paid the Company total dividends of $8,500,000. There were no dividends paid to the Company in 2008. The Company s ability to de
upon the amount of dividends declared by the Bank.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 14 - Income Taxes

The components of income tax expense (benefit) are summarized as follows:

	Years Ended Dece	
	2008	2007
		(In Thousan
Current income tax expense:		
Federal	$ 3,097	$ 2,391
State	382	250
	3,479	2,641
Deferred income tax benefit:		
Federal	(1,324)	(102
State	(335)	(30
	(1,659)	(132
Total Income Taxes	$ 1,820	$ 2,509

The tax effects of existing temporary differences that give rise to significant portions of the deferred income tax assets and deferred in
follows:

	Decemb
	2008
	(In Thou
Deferred income tax assets:	
Allowance for loan losses	$ 2,119
Unrealized loss on securities available for sale	84
Other than temporary impairment on security	1,164
Other	33
	3,400
Deferred income tax liabilities:	
Depreciation	233
Unrealized gain on securities available for sale	
Other	54
	287

Net Deferred Tax Asset	$ 3,113

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 14 - Income Taxes (Continued)

The following table presents a reconciliation between the reported income tax expense and the income tax expense which would be co normal federal income tax rate of 34% to income before income tax expense:

	Years Ended Decemb	
	2008	2007
		(In Thousands)
Federal income tax expense at statutory rate	$ 1,799	$ 2,362
Increases (reductions) in income taxes resulting from:		
State income tax, net of federal income tax effect	31	145
Other items, net	(10)	2
Effective Income Tax	$ 1,820	$ 2,509
Effective Income Tax Rate	34.4%	36.1%

The Investment Company commenced operations in January 2005. Under New Jersey tax law, the Investment Company is subject to a as compared to the 9.0% rate to which the Company and Bank are subject. The presence of the Investment Company during the year e 2007, and 2006, resulted in an income tax savings of approximately $285,000, $297,000, and $282,000 respectively, and reduced the income tax rate by approximately 5.4%, 4.3%, and 3.2%, respectively.

Note 15 - Commitments and Contingencies

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs o financial instruments primarily include commitments to extend credit. The Bank s exposure to credit loss, in the event of nonperform financial instrument for commitments to extend credit, is represented by the contractual amount of those instruments. The Bank uses t making commitments and conditional obligations as it does for on-balance-sheet instruments.

Outstanding loan related commitments were as follows:

	Decembe
	2008
	(In Thous
Loan origination	$ 5,692
Construction loans in process	25,676
Unused lines of credit	14,761
	$ 46,129

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 15 - Commitments and Contingencies (Continued)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments without being drawn upon, total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on ma of the counterparty. Collateral held varies but primarily includes residential real estate properties.

The Company and its subsidiaries also have, in the normal course of business, commitments for services and supplies. Management d any of these transactions.

The Company and its subsidiaries, from time to time, may be party to litigation which arises primarily in the ordinary course of busin management, the ultimate disposition of such litigation should not have a material effect on the financial statements. As of December its subsidiaries were not parties to any material litigation.

Note 16 - Fair Value Measurements and Fair Values of Financial Instruments

Management uses its best judgment in estimating the fair value of the Company s financial instruments; however, there are inherent technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the am have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective been re-evaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, th these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each year-end.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements , which defines fair value, establishes a framew under GAAP, and expands disclosures about fair value measurements. Statement No. 157 applies to other accounting pronouncement value measurements. The Company adopted Statement No. 157 effective for its fiscal year beginning January 1, 2008.

In December 2007, the FASB issued FSP 157-2, Effective Date of FASB Statement No. 157 . FSP 157-2 delays the effective date o non-financial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to November 15, 2008 and interim periods within those fiscal years. As such, the Company only partially adopted the provisions of Stat begin to account and report for non-financial assets and liabilities in 2009. In October 2008, the FASB issued FSP 157-3, Determini Financial Asset When the Market for that Asset is Not Active , to clarify the application of the provisions of Statement No. 157 in an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and applies to the Company s December financial statements. The adoption of Statement No. 157 and FSP 157-3 had no impact on the amounts reported in the consolidated fi

Statement No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hi priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority (Level 3 measurements). The three levels of the fair value hierarchy under Statement No. 157 are as follows:

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 - Fair Value Measurements and Fair Values of Financial Instruments (Continued)

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable no market activity).

An asset s or liability s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value m

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy us are as follows:

Description	December 31, 2008	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Si Ol
		(In Thousan	
Securities available for sale	$ 888	$ 888	$

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarch 2008 are as follows:

Description	December 31, 2008	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Si Ol
		(In Thousan	
Impaired loans	$ 2,847	$	$

As discussed above, the Company has delayed its disclosure requirements of non-financial assets and liabilities. Certain real estate ow subsequent to foreclosure are carried at fair value at the balance sheet date for which the Company has not yet adopted the provisions

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculatio limited portion of the Company s assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity use comparisons between the Company s disclosures and those of other companies may not be meaningful. The following methods and a estimate the fair values of the Company s financial instruments at December 31, 2008 and 2007:

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 - Fair Value Measurements and Fair Values of Financial Instruments (Continued)

Cash and Cash Equivalents (Carried at Cost)

The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets fair values.

Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by c prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used w debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities r benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence management s best estimate is used. Management s best estimate consists of both internal and external support on certain Level 3 in models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtai (where available) were used to support fair values of certain Level 3 investments.

Loans Held for Sale (Carried at Lower of Cost or Fair Value)

The fair value of loans held for sale is determined, when possible, using quoted secondary-market prices. If no such quoted prices exis determined using quoted prices for a similar loan or loans, adjusted for specific attributes of that loan. Loans held for sale are carried a

Loans Receivable (Carried at Cost)

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments an Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying

Impaired Loans (Generally Carried at Fair Value)

Impaired loans are those that are accounted for under FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan measured impairment generally based on the fair value of the loan s collateral. Fair value is generally determined based upon indepen the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upo that is significant to the fair value measurements. The fair value consists of the loan balances of $3,728,000, net of a valuation allowan provisions of $881,000 for loan losses were recorded during the period.

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 - Fair Value Measurements and Fair Values of Financial Instruments (Continued)

FHLB of New York Stock (Carried at Cost)

The carrying amount of restricted investment in bank stock approximates fair value, and considers the limited marketability of such se

Interest Receivable and Payable (Carried at Cost)

The carrying amount of interest receivable and interest payable approximates its fair value.

Deposits (Carried at Cost)

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expect time deposits.

Short-Term Borrowings (Carried at Cost)

The carrying amounts of short-term borrowings approximate their fair values.

Long-Term Debt (Carried at Cost)

Fair values of long-term debt are estimated using discounted cash flow analysis, based on quoted prices for new long-term debt with s characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed t if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments (Disclosed at Cost)

Fair values for the Bank s off-balance sheet financial instruments (lending commitments and unused lines of credit) are based on fees market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties credit star commitments was deemed immaterial and is not presented in the accompanying table.

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 16 - Estimated Fair Value of Financial Instruments (Continued)

The carrying values and estimated fair values of financial instruments were as follows at December 31, 2008 and 2007:

		Dece
	2008	
	Carrying Value	Fair Value
		(In T
Financial assets:		
Cash and cash equivalents	$ 6,761	$ 6,761
Securities available for sale	888	888
Securities held to maturity	141,280	143,087
Loans held for sale	1,422	1,437
Loans receivable	406,826	413,372
FHLB of New York stock	5,736	5,736
Interest receivable	3,884	3,884
Financial liabilities:		
Deposits	410,503	409,370
Short-term borrowings	2,000	2,000
Long-term debt	114,124	116,317
Interest payable	967	967

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17 - Parent Only Condensed Financial Information

STATEMENTS OF FINANCIAL CONDITION

Assets
Cash and due from banks
Investment in subsidiaries
Restricted common stock
Other assets
Total Assets
Liabilities and Stockholders Equity
Liabilities
Long-term debt
Other liabilities
Total Liabilities
Stockholders equity
Common stock
Paid-in capital
Treasury stock
Retained earnings
Accumulated other comprehensive (loss) income
Total Stockholders Equity
Total Liabilities and Stockholders Equity

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17 - Parent Only Condensed Financial Information (Continued)

STATEMENTS OF INCOME

	Yea 2008
Dividends from subsidiary	$
Interest Income	
Total Income	
Interest Expense, borrowed money	23
Stock-Based Compensation	
Other	
Total Expense	23
Income (Loss) before Income Tax Benefit and Equity in Undistributed Earnings (Losses) of Subsidiaries	(23
Income tax benefit	9
Income (Loss) before Equity in Undistributed Earnings (Losses) of Subsidiaries	(13
Equity in undistributed earnings (losses) of	3,61
Net Income	$ 3,47

See notes to consolidated financial statements.

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BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 17 - Parent Only Condensed Financial Information (Continued)

STATEMENTS OF CASH FLOW

	Years
	2008
Cash Flows from Operating Activities	
Net income	$ 3,472
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Equity in undistributed (earnings) losses of subsidiaries	(3,610)
Stock based compensation	
(Increase) decrease in other assets	(158)
(Increase) decrease in stock subscriptions receivable	
Increase (decrease) in other liabilities	16
Net Cash Provided By (Used in) Operating Activities	(280)
Cash Flows from Investing Activities	
Additional investment in subsidiaries	
Net Cash Used in Investing Activities	
Cash Flows from Financing Activities	
Proceeds from issuance of common stock	925
Tax benefit from exercise of stock options	150
Cash dividends paid	(1,896)
Purchase of treasury stock	(1,295)
Net Cash Used in Financing Activities	(2,116)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,396)
Cash and Cash Equivalents - Beginning	2,719
Cash and Cash Equivalents - Ending	$ 323

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 18 - Quarterly Financial Data (Unaudited)

			Quarter E
	March 31, 2008	June 30, 2008	Septer 2
		(In Thousands, Except P	
Interest income	$ 9,057	$ 9,012	$
Interest expense	4,380	4,142	
Net Interest Income	4,677	4,870	
Provision for loan losses	250	300	
Net Interest Income after Provision for Loan Losses	4,427	4,570	
Non-interest income (loss)	248	173	
Non-interest expenses	2,627	2,739	
Income (Loss) before Income Taxes (Benefit)	2,048	2,004	
Income taxes (benefit)	744	728	
Net Income (Loss)	$ 1,304	$ 1,276	$
Net income (loss) per common share:			
Basic	$ 0.28	$ 0.28	$
Diluted	$ 0.28	$ 0.27	$
Weighted average number of common shares outstanding:			
Basic	4,617	4,604	
Diluted	4,721	4,691	

See notes to consolidated financial statements.

BCB Bancorp, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 18 - Quarterly Financial Data (Unaudited) (Continued)

			Quarter
	March 31, 2007	June 30, 2007	Sep
		(In Thousands, Except	
Interest income	$ 8,088	$ 8,259	$
Interest expense	3,896	4,073	
Net Interest Income	4,192	4,186	
Provision for loan losses			
Net Interest Income after Provision for Loan Losses	4,192	4,186	
Non-interest income	270	287	
Non-interest expenses	2,477	2,723	
Income before Income Taxes	1,985	1,750	
Income taxes	722	624	
Net Income	$ 1,263	$ 1,126	$
Net income per common share:			
Basic	$ 0.25	$ 0.23	$
Diluted	$ 0.25	$ 0.23	$
Weighted average number of common shares outstanding:			
Basic	5,006	4,849	
Diluted	5,136	4,982	

See notes to consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BCB Bancorp, Inc.

Bayonne, New Jersey

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-112201) of BCB Bancorp, I
March 25, 2009, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ Beard Miller Company LLP

Beard Miller Company LLP

Clark, New Jersey

March 25, 2009

EXHIBITS 31.1 AND 31.2

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER

AND PRINCIPAL ACCOUNTING OFFICER

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Donald Mindiak, certify that:

1. I have reviewed this Annual Report on Form 10-K of BCB Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact nec statements made, in light of the circumstances under which such statements were made, not misleading with respect to the peri report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all m condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedur Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) a registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed unde that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be desi to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statement accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclu of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; an

   d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the re quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonabl the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over finan registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the regis financial reporting.

March 27, 2009
Date

/s/ Donald Mindiak
Donald Mindiak

President, Chief Executive Of

Chief Financial Offic

Certification of Principal Accounting Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas M. Coughlin, certify that:

1. I have reviewed this Annual Report on Form 10-K of BCB Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact nece statements made, in light of the circumstances under which such statements were made, not misleading with respect to the peric report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all m condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedur Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) a registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed unde that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be desi to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report our conclus of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; anc

   d) disclosed in this report any change in the registrant s internal control over financial reporting that occurred during the re quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over finan registrant s auditors and the audit committee of registrant s board of directors (or persons performing the equivalent functions

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting to adversely affect the registrant s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the regis financial reporting.

March 27, 2009	/s/ THOMAS M. COUGH
Date	**Thomas M. Cough**
	Principal Accounting C

EXHIBIT 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

AND PRINCIPAL ACCOUNTING OFFICER

PURSUANT TO SECTION 906 OF THE

SABANES-OXLEY ACT OF 2002

Certification pursuant to

18 U.S.C. Section 1350,

as adopted pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Donald Mindiak, President, Chief Executive Officer and Chief Financial Officer and Thomas M. Coughlin, Chief Operating Officer o
Company) each certify in his capacity as an officer of the Company that he has reviewed the annual report of the Company on For
ended December 31, 2008 and that to the best of his knowledge:

(1) the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the report fairly presents, in all material respects, the financial condition and results of opera
The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by S
Sarbanes-Oxley Act of 2002.

March 27, 2009	/s/ DONALD MINDIAK
Date	**President, Chief Executive O** **Chief Financial Offic**
March 27, 2009	/s/ THOMAS M. COUGHL
Date	**Principal Accounting Offic** **Chief Operating Offic**

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to ss.240.14a-12

BCB Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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 amou calculated and state how it was determined):

---

4) Proposed maximum aggregate value of transaction:

---

5) Total fee paid:

□ 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 offs previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

BCB Bancorp, Inc.

104-110 Avenue C

Bayonne, New Jersey 07002

March 27, 2009

Dear Fellow Shareholder:

We cordially invite you to attend the Annual Meeting of Shareholders of BCB Bancorp, Inc. The annual meeting will be held at The C
Broadway, Bayonne, New Jersey 07002, at 10:00 a.m., Eastern time, on April 23, 2009.

The enclosed notice of annual meeting and proxy statement describe the formal business to be transacted at the annual meeting. Durin
will also report on the operations of BCB Bancorp, Inc. Directors and officers, as well as a representative of our independent registere
will be present to respond to any questions that shareholders may have.

The annual meeting is being held so that shareholders may vote upon the election of four directors and the ratification of the appointm
registered public accounting firm for the year ending December 31, 2009.

The Board of Directors has determined that approval of the matters to be considered at the annual meeting is in the best interests of sh
set forth in the proxy statement, the Board of Directors recommends a vote FOR the matters to be considered.

On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card in the postage-paid envelope as soon
currently plan to attend the annual meeting. This will not prevent you from voting in person, but will assure that your vote is counted
the annual meeting. Your vote is important, regardless of the number of shares that you own. Please sign and return the enclosed prox
cooperation is appreciated, since a majority of the common stock must be represented at the annual meeting, either in person or by pro
for the conduct of business.

Sincerely,

/s/ Mark D. Hogan
Mark D. Hogan

Chairman of the Board

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BCB Bancorp, Inc.

104-110 Avenue C

Bayonne, New Jersey 07002

(201) 823-0700

NOTICE OF

ANNUAL MEETING OF SHAREHOLDERS

To Be Held On April 23, 2009

Notice is hereby given that the Annual Meeting of Shareholders of BCB Bancorp, Inc., will be held at The Chandelier Restaurant, 108 Jersey 07002, on April 23, 2009 at 10:00 a.m., Eastern time.

A Proxy Card and a Proxy Statement for the annual meeting are enclosed.

The annual meeting is being held so that shareholders may vote on the following matters:

1. The election of four directors;

2. The ratification of the appointment of our independent registered public accounting firm for the year ending December 3 Such other business as may properly come before the annual meeting or any adjournment or postponement of the annual meeting.

Any action may be taken on the foregoing proposals at the annual meeting on the date specified above, or on any date or dates to whic be adjourned. Shareholders of record at the close of business on March 9, 2009, are the shareholders entitled to vote at the annual mee thereof.

EACH SHAREHOLDER, WHETHER HE OR SHE PLANS TO ATTEND THE ANNUAL MEETING, IS REQUESTED TO SIGN, THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVE SHAREHOLDER MAY BE REVOKED ANY TIME PRIOR TO THE ANNUAL MEETING. A PROXY MAY BE REVOKED BY CORPORATE SECRETARY A WRITTEN NOTICE OF REVOCATION, SUBMITTING A DULY EXECUTED PROXY BEARIN BY VOTING IN PERSON AT THE ANNUAL MEETING. HOWEVER, IF YOU ARE A SHAREHOLDER WHOSE SHARES AR NAME OF A BROKER, BANK OR OTHER NOMINEE, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM THE RE ORDER TO VOTE PERSONALLY AT THE ANNUAL MEETING.

Our proxy statement, annual report to shareholders on Form 10-K and proxy card are available on www.bcbbancorp.com. If you need Annual Meeting and to vote in person, please call us at (201) 823-0700.

By Order of the Board of Directors

/s/ Mark D. Hogan
Mark D. Hogan

Chairman of the Board

Bayonne, New Jersey

March 27, 2009

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROX
ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED S

PROXY STATEMENT

BCB Bancorp, Inc.

104-110 Avenue C

Bayonne, New Jersey 07002

(201) 823-0700

ANNUAL MEETING OF SHAREHOLDERS

To be Held on April 23, 2009

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of BCB Bancorp, Meeting of Shareholders, which will be held at The Chandelier Restaurant, 1081 Broadway, Bayonne, New Jersey 07002, on April 23 eastern time, and all adjournments of the annual meeting. The accompanying Notice of Annual Meeting of Shareholders and this Prox mailed to shareholders on or about March 27, 2009.

At the annual meeting shareholders will vote on the election of four directors, the ratification of the appointment of our independent re firm for the year ending December 31, 2009 and such other matters as may properly come before the annual meeting or any adjournm

REVOCATION OF PROXIES

Shareholders who complete proxies retain the right to revoke them in the manner described below. Unless so revoked, the shares repr be voted at the annual meeting and any adjournments thereof. Proxies solicited on behalf of the Board of Directors will be voted in ac given thereon. Where no instructions are indicated, validly completed proxies will be voted FOR the proposals set forth in this Pro at the annual meeting.

Proxies may be revoked by sending written notice of revocation to our Corporate Secretary at the address shown above, the submissio by voting in person at the annual meeting. The presence at the annual meeting of any shareholder who had returned a proxy shall not r shareholder delivers his or her ballot in person at the annual meeting or delivers a written revocation to our Corporate Secretary prior

If your shares of common stock are held in street name by a broker, bank or other nominee, you will receive instructions from your that you must follow in order to have your shares voted at the annual meeting. If you wish to change your voting instructions after you instructions to your broker, bank or other nominee you must contact your broker, bank or other nominee. If you want to vote your sha street name in person at the annual meeting, you will have to get a legal proxy in your name from the broker, bank or other nominee v

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Holders of record of our common stock as of the close of business on March 9, 2009, our record date, are entitled to one vote for each record date, we had 5,183,731 shares of common stock issued and outstanding. The presence in person or by proxy of a majority of th common stock entitled to vote is necessary to constitute a quorum at the annual meeting. Abstentions and broker non-votes will be counted for a quorum is present.

Persons and groups who beneficially own in excess of 5% of our common stock are required to file certain reports with the Securities (SEC) regarding such beneficial ownership. We are aware of one group who beneficially owned in excess of 5% of our common st being Wellington Management Company, LLP, 75 State Street, Boston, Massachusetts 02109 owning 268,000 shares or 5.76% of our Wellington Management Company LLP is an investment advisor who holds such shares of record on behalf of its clients.

In accordance with New Jersey law, a list of shareholders entitled to vote at the annual meeting shall be made available at the annual r

VOTING PROCEDURES AND METHOD OF COUNTING VOTES

As to the election of directors, the proxy card being provided by the Board of Directors enables a shareholder to vote FOR the elec by the Board of Directors, or to WITHHOLD AUTHORITY to vote for the nominees being proposed. Under New Jersey law and c and Bylaws, directors are elected by a plurality of votes cast, without regard to either broker non-votes, or proxies as to which authori being proposed is withheld.

As to the ratification of our independent registered public accounting firm, by checking the appropriate box a shareholder may: (i) vot AGAINST the item; or (iii) ABSTAIN from voting on such item. Under our Certificate of Incorporation and Bylaws, the ratific determined by a majority of the votes cast, without regard to broker non-votes or proxies marked ABSTAIN.

The Board of Directors will designate an inspector of elections.

Regardless of the number of shares of common stock owned, it is important that holders of a majority of the shares of our common sto or present in person at the annual meeting. Shareholders are requested to vote by completing the enclosed proxy card and returning it enclosed postage-paid envelope. Shareholders are urged to indicate their vote in the spaces provided on the proxy card. PROXIES SO OF DIRECTORS WILL BE VOTED IN ACCORDANCE WITH YOUR INSTRUCTIONS GIVEN ON THE PROXY. WHERE NO INDICATED, SIGNED PROXIES WILL BE VOTED FOR EACH OF THE PROPOSALS TO BE CONSIDERED AT THE ANN

PROPOSAL I - ELECTION OF DIRECTORS

Our Board of Directors is currently composed of 11 members and is divided into three classes, with one class of directors elected each generally be elected to serve for a three-year period and until their respective successors have been elected and qualified. Four directo annual meeting, each to serve for a three-year period and until his successor has been elected and shall qualify. The Board of Director Lyga, Alexander Pasiechnik, Joseph Tagliareni and Thomas M. Coughlin for election as directors at the annual meeting. Each nomine has consented to being named in this Proxy Statement.

The table below sets forth certain information, as of March 9, 2009, regarding the composition of our Board of Directors, including th
members, and information regarding our executive officers and the executive officers of BCB Community Bank (formerly Bayonne C
principal operating subsidiary. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which
the nominee) will be voted at the annual meeting for the election of the nominees identified below. If a nominee is unable to serve, the
proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board of Director

why any of the nominees might be unable to serve, if elected. Except as indicated herein, there are no arrangements or understandings any other person pursuant to which such nominee was selected. None of the shares beneficially owned by directors, executive officers Directors have been pledged as security or collateral for any loans.

Name	Position(s) Held With the Company or the Bank	Age At Record Date	Director Since(1)	Current Term Expires
	NOMINEES			
Joseph Lyga	Director	49	2000	2008
Alexander Pasiechnik	Director	47	2000	2008
Joseph Tagliareni	Director	54	2006	2008
Thomas M. Coughlin	Chief Operating Officer and Director	49	2002	2008
	CONTINUING DIRECTORS			
Judith Q. Bielan	Director	44	2000	2009
James E. Collins	Senior Lending Officer and Director	60	2003	2009
Mark D. Hogan	Chairman of the Board	43	2000	2009
Robert Ballance	Director	50	2000	2010
Joseph J. Brogan	Director	70	2000	2010
Donald Mindiak	President, Chief Executive Officer, Chief Financial Officer and Director	50	2000	2010
Dr. August Pellegrini, Jr.	Director	49	2000	2010
	EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS			
Amer Saleem	Vice President	54	N/A	N/A
All directors and executive officers as a group (12 persons)	N/A	N/A	N/A	N/A

* Less than 1%.

(1) Includes service as a director of BCB Community Bank.

(2) Includes shares underlying options that are exercisable within 60 days from the record date.

(3) Mr. Lyga has sole voting and dispositive power over 68,838 shares, shared voting and dispositive power over 1,040 shares with voting and dispositive power over 379 shares with his child. Includes 22,243 shares underlying options exercisable within 60 d

(4) Mr. Pasiechnik has sole voting and dispositive power over 83,960 shares. Includes 11,406 shares underlying options exercisabl record date.

(5) Mr. Tagliareni has sole voting and dispositive power over 18,920 shares, shared voting and dispositive power over 10,966 shar shared voting and dispositive power over 1,040 shares with his children. Includes 2,000 shares underlying options exercisable record date.

(6) Mr. Coughlin has sole voting and dispositive power over 134,660 shares. Includes 21,514 shares underlying options exercisable record date.

(7) Ms. Bielan has sole voting and dispositive power over 77,768 shares, shared voting and dispositive power over 6,297 shares wi voting and dispositive power over 1,890 shares with her children. Includes 34,534 shares underlying options exercisable within date.

(8) Mr. Collins has sole voting and dispositive power over 126,028 shares, shared voting and dispositive power over 851 shares wi voting and dispositive power over 3,441 shares with his children. Includes 32,951 shares underlying options exercisable within date.

(9) Mr. Hogan has sole voting and dispositive power over 185,055 shares, shared voting and dispositive power over 15,615 shares voting and dispositive power over 1,988 shares with his children. Includes no shares underlying options exercisable within 60 d

(10) Mr. Ballance has sole voting and dispositive power over 74,268 shares, shared voting and dispositive power over 953 shares wi voting and dispositive power over 2,494 shares with his children. Includes 35,258 shares underlying options exercisable within date.

(11) Mr. Brogan has sole voting and dispositive power over 117,101 shares, shared voting and dispositive power over 11,181 shares voting and dispositive power over 99,196 shares with his grandchildren. Includes 8,592 shares underlying options exercisable w record date.

(12) Mr. Mindiak has sole voting and dispositive power over 107,516 shares, shared voting and dispositive power over 2,950 shares voting and dispositive power over 1,811 shares with his child. Includes 37,080 shares underlying options exercisable within 60

(13) Dr. Pellegrini has sole voting and dispositive power over 67,167 shares. Includes 35,114 shares underlying options exercisable record date.

(14) Mr. Saleem has sole voting and dispositive power over 2,385 shares and shared voting and dispositive power over 945 shares w 5,854 shares underlying options exercisable within 60 days from the record date.

Biographical Information Regarding Directors, Executive Officers and Nominees

Set forth below is biographical information regarding our directors and executive officers. Unless otherwise noted, each director has h for at least five years.

Directors

Robert Ballance, 50, is a Battalion Chief with the Bayonne Fire Department and the owner of Bob s Carpet located in Bayonne. Mr. Bayonne Fire Exempt Association; a member of the Bayonne Elks B.P.O.E.; and has served as the Treasurer of Bayonne Fire Departr Mr. Ballance attended Saint Vincent DePaul Grammar School and Marist High School in Bayonne.

Judith Q. Bielan, Esq., 44, is an attorney practicing law for 18 years. Ms. Bielan currently owns her own law firm, Bielan, Miklos, Ma formed in 1996. Ms. Bielan was a partner with Cavanaugh and Bielan, P.C. from 1993 to 1996, and associated with the firm of Schum McCrossin from 1989 to 1993. She is a member of the New York and New Jersey State Bars as well as the incoming President of the Association. Ms. Bielan serves on the Hudson County Bar Association s Family Law Committee and serves as Vice Chair on the Boa Family Academy of Bayonne. She also coaches Bayonne PAL Intermediate Elementary School and Holy Family Academy. In additio Montclair State College and Seton Hall Law School.

Joseph J. Brogan, 70, has over 45 years of experience in the insurance industry and is the founder of Brogan Insurance Agency locate the former head of the State Farm Agents Association and is a current member of the Knights of Columbus and the Fraternal Order of Saint Aloysius Grammar School, Jersey City, and Seton Hall Preparatory School, has received a B.S. from Saint Peter s College and Fordham and New Jersey City University.

James E. Collins, 60, is Senior Lending Officer of BCB Community Bank, and has worked in the banking industry since 1972. He is t Lending at First Savings Bank of New Jersey and served as that bank s Community Reinvestment Officer and as a member of the Bu Asset Classification and Loan Committees. In addition, Mr. Collins has served as Treasurer of the Bayonne Chamber of Commerce, a Ireland s 32 and as citywide director for Bayonne s C.Y.O. Sports Programs. Currently, Mr. Collins serves as a Trustee for the Bayo is currently a member of the Directorate of Marist High School in Bayonne. Mr. Collins attended St. Mary s, Our Lady Star of the Se Marist High School, received a B.S. from St. Peter s College and attended graduate school at the Institute for Financial Education. M Estate Appraiser and a member of the Review Appraisers Association.

Thomas M. Coughlin, 49, is Chief Operating Officer of BCB Bancorp, Inc. and BCB Community Bank, and has been employed in the years. He was previously Chief Financial Officer of BCB Bancorp, Inc. and BCB Community Bank. Mr. Coughlin was formerly Vice Savings Bank and, prior to that, Controller and Corporate Secretary of First Savings Bank of New Jersey. While at First Savings Bank Mr. Coughlin served in various capacities on several executive managerial committees, including, but not limited to, the Budget, Asse Committees. Mr. Coughlin, who received his CPA designation in 1982, is the past President of the American Heart Association and h D.A.R.E. and the Bayonne P.A.L. Mr. Coughlin attended Saint Vincent DePaul Grammar School and Bayonne High School, and rece Saint Peter s College.

Mark D. Hogan, C.P.A., 43, is a sole practitioner with an office located in Bayonne. In addition, Mr. Hogan is a registered representat planning for his clientele. Mr. Hogan has achieved the following licenses and designations: NASD Series 7, 24 and 63, New Jersey Li broker, New Jersey Property and Casualty Insurance broker. Mr. Hogan attended Saint Peter s Preparatory School and received a B.S University. He is a member of the New Jersey Society of Certified Public Accountants. Mr. Hogan serves as the Chairman of the Boa Bancorp, Inc. and BCB Community Bank.

Joseph Lyga, 49, has served on the Bayonne Fire Department since 1985, having achieved the rank of Fire Captain. In addition, Mr. L self-employed contractor for the last 23 years. Mr. Lyga has served as President and Secretary/State Delegate of the Bayonne Fire Dep served as President, Vice President, Secretary and Treasurer of the Bayonne Fire Department Local #11. Mr. Lyga is also a member o and the Friends of Nick Capodice. Mr. Lyga attended Saint Mary s, Our Lady Star of the Sea Elementary School, Marist High Schoo and the Chubb Institute where he studied computer programming and network design.

Donald Mindiak, 50, has been employed in the banking industry for over 30 years and has been President and Chief Executive Office since October 1999 and BCB Bancorp, Inc. since May 2003. He was named Chief Financial Officer of BCB Bancorp, Inc. and BCB C 2007. Before joining BCB Community Bank, he was employed by Summit Bank as a Manager of Strategic Planning and Support. Pri Summit Bank, Mr. Mindiak was employed at First Savings Bank of New Jersey in Bayonne. During his tenure at First Savings Bank o Treasurer and prior to that position as Controller. Mr. Mindiak served as an active member of the Asset/Liability, Budget, Investment Committees while at First Savings Bank of New Jersey and was the former Chairman of the Asset Classification Committee. Mr. Min the Board of Governors of the NJ Bankers Association as well as Treasurer for the Community Bankers Association of New Jersey. In serves on the Board of All Saints Catholic Academy Elementary School in Bayonne. Mr. Mindiak received a B.A. degree in Chemistr College of Arts and Sciences and an M.B.A. degree in Finance from Fairleigh Dickinson University.

Alexander Pasiechnik, 47, is President and Chief Executive Officer of Victoria T.V. Sales and Appliances. Mr. Pasiechnik was born in Saint Mary s, Our Lady Star of the Sea Elementary School, Marist High School, and Saint Peter s College.

Dr. August Pellegrini, Jr., 49, has practiced general dentistry in Bayonne for 23 years. He has served as President of both the New Jers the Hudson County Dental Society. A former board member of the New Jersey Foundation for Dentistry for Persons with Disabilities serves as the Director of Clinics for the New Jersey Dental School and is an Assistant Professor in the Department of Restorative Den is a graduate of Temple University School of Dentistry, Rutgers College, Marist High School and Horace Mann Grammar School.

Joseph Tagliareni, 54, is the President and Chief Executive Officer of J&J Printing, located in Bayonne, and has over thirty years of p Mr. Tagliareni is a member of many civic organizations including: the Bayonne Chapter of UNICO National, the Knights of Columbu Jews Association, the Bayonne Chamber of Commerce, Mr. Tagliareni is the Vice President and a board member of the Bayonne Fam the school board All Saints Catholic Academy Elementary School. Mr. Tagliareni is a committeeman for the First Ward in Bayonne. Lincoln School and Bayonne High School. Mr. Tagliareni was a member of our Board of Directors from 2003 through 2004.

Executive Officer who is not a Director

The following is biographical information regarding our executive officer of BCB Community Bank who is not a director. The named indicated position for at least five years.

Amer Saleem, 54, is a Vice President of Commercial Lending of BCB Community Bank. Prior to joining BCB Community Bank in 2 Assistant Vice President of Commercial Lending of 1st Constitution Bank, Cranbury, New Jersey. Mr. Saleem holds a B.A. degree in Accounting from City of London Polytechnic, London, England and an M.B.A. degree in Finance from Long Island University, New 20 years of banking experience, specializing in commercial lending. Mr. Saleem is a member of the Officers Lending Committee.

Board Independence

The Board of Directors has determined that, except as to Messrs. Collins, Coughlin and Mindiak, each member of the Board of Direct director within the meaning of the Nasdaq corporate governance listing standards. Messrs. Collins, Coughlin and Mindiak are not considered independent because they are executive offic BCB Community Bank.

The Board of Directors has also determined that each member of the Audit Committee of the Board meets the independence requirem committee prescribed by the NASDAQ Marketplace Rules, the SEC and the Internal Revenue Service. There were no transactions no under Transactions With Certain Related Person that were considered in determining the independence of our directors.

Meetings and Committees of the Board of Directors

Our Board of Directors meets on a monthly basis and may hold additional special meetings. Our standing committees include the Au Compensation Committee and Nominating and Corporate Governance Committee. BCB Community Bank s standing committees in Management Committee, a Loan Committee, an Investment Committee and a Budget Committee. During the year ended December 3 directors held 12 regular meetings and two special meetings. No director attended fewer than 75%, in the aggregate, of the total numb and the total number of committee meetings in which he or she served during fiscal 2008. During the year ended December 31, 2008, Holding Company, BCB Bancorp, Inc., held 12 regular meetings and five special meetings. No director attended fewer than 75%, in t number of board meetings held and the total number of committee meetings in which he or she served during fiscal 2008. At last year directors were in attendance.

The Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee consists of Directors Ballance, Lyga and Pellegrini. Each member of the Nom Governance Committee is considered independent as defined in the Nasdaq corporate governance listing standards. Our Board of I charter for the Nominating and Corporate Governance Committee and the charter was last distributed to shareholders as part of the pr ended December 31, 2006. The charter has not been amended. The full board of directors, acting as the Nominating and Corporate Go one time during 2008.

The functions of the Nominating and Corporate Governance Committee include the following:

to lead the search for individuals qualified to become members of the Board of Directors and to select director nominees shareholder approval;

to review and monitor compliance with the requirements for board independence;

to review the committee structure and make recommendations to the Board of Directors regarding committee membershi

to develop and recommend to the Board of Directors for its approval corporate governance guidelines; and

to develop and recommend to the Board of Directors for its approval a self-evaluation process for the Board of Directors

The Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board of D in service. Current members of the Board of Directors with skills and experience that are relevant to our business and who are willing first considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with tha perspectives. If any member of the Board of Directors does not wish to continue in service, or if the Nominating and Corporate Gove Board of Directors decides not to re-nominate a member for re-election, or if the size of the Board of Directors is increased, the Nomi Governance Committee would solicit suggestions for director candidates from all board members. In addition, the Nominating and Co Committee is authorized by its charter to engage a third party to assist in the

identification of director nominees. The Nominating and Corporate Governance Committee would seek to identify a candidate who at
following criteria:

- has the highest personal and professional ethics and integrity and whose values are compatible with ours;
- has had experiences and achievements that have given them the ability to exercise and develop good business judgment;
- is willing to devote the necessary time to the work of the Board of Directors and its committees, which includes being av committee meetings;
- is familiar with the communities in which we operate and/or is actively engaged in community activities;
- is involved in other activities or interests that do not create a conflict with their responsibilities to us and our shareholder
- has the capacity and desire to represent the balanced, best interests of our shareholders as a group, and not primarily a sp constituency.

The Nominating and Corporate Governance Committee will also take into account whether a candidate satisfies the criteria for indep
corporate governance listing standards, and if a nominee is sought for service on our Audit Committee, the financial and accounting e
including whether an individual qualifies as an audit committee financial expert.

Procedures for the Shareholder Recommendations for the Nomination of Directors

Our Board of Directors has adopted procedures for the submission of director nominees by shareholders. If a determination is made th
needed for the Board of Directors, the Nominating and Corporate Governance Committee will consider candidates submitted by our s
can submit the names of candidates for director by writing to our Corporate Secretary, at 104-110 Avenue C, Bayonne, New Jersey 0
Board must receive a submission not less than 90 days prior to the anniversary date of our proxy materials for the preceding year s ar
the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding yea
shareholder s suggestion must be so delivered not later than the close of business on the tenth day following the day on which public
such annual meeting is first made. The submission must include the following information:

- the name and address of the shareholder as they appear on our records, and number of shares of our common stock that a such shareholder (if the shareholder is not a holder of record, appropriate evidence of the shareholder s ownership will b
- the name, address and contact information for the candidate, and the number of shares of our common stock that are own candidate is not a holder of record, appropriate evidence of the shareholder s ownership should be provided);
- a statement of the candidate s business and educational experience;
- such other information regarding the candidate as would be required to be included in the proxy statement pursuant to S

a statement detailing any relationship between the candidate and us;

- a statement detailing any relationship between the candidate and any of our customers, suppliers or competitors;
- detailed information about any relationship or understanding between the proposing shareholder and the candidate; and
- a statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

There have been no material changes to these procedures since they were previously disclosed in our proxy statement for the 2008 An Shareholders.

We have no written procedural or informational requirements for the presentation of a shareholder nomination at the Annual Meeting expected that any person making a shareholder nomination at the annual meeting will provide the information set forth above regardin proposed nominee.

Shareholder Communications with the Board

A shareholder who wants to communicate with our Board of Directors or with any individual director can write to our President and C 104-110 Avenue C, Bayonne, New Jersey 07002, Attention: Board Administration. The letter should indicate that the author is a share held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, management will:

- forward the communication to the director or directors to whom it is addressed;
- attempt to handle the inquiry directly, for example where it is a request for information about the company or it is a stock
- not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unc illegal or otherwise inappropriate.

At each Board of Directors meeting, management presents a summary of all communications received since the last meeting that were those communications available to the directors.

Code of Ethics

We have adopted a code of ethics that is applicable to our officers, directors and employees, including our principal executive officer, principal accounting officer or controller, or persons performing similar functions. Our Code of Ethics has been filed as an exhibit to t 10-K.

The Audit Committee

The Audit Committee consists of directors Hogan, Bielan, Brogan and Pellegrini. Each current member of the Audit Committee is con defined in the Nasdaq corporate governance listing standards and under SEC Rule 10A-3. The duties and responsibilities of the Audit other things:

- retaining, overseeing and evaluating a firm of independent certified public accountants to audit the annual financial staten
- in consultation with the independent registered public accounting firm and the internal auditor, reviewing the integrity of processes, both internal and external;

approving the scope of the audit in advance;

reviewing the financial statements and the audit report with management and the independent registered public accountin

considering whether the provision by the external auditors of services not related to the annual audit and quarterly review
maintaining the auditor s independence;

reviewing earnings and financial releases and quarterly reports filed with the SEC;

consulting with the internal audit staff and reviewing management s administration of the system of internal accounting

approving all engagements for audit and non-audit services by the independent registered public accounting firm; and

reviewing the adequacy of the audit committee charter.

The Audit Committee met seven times during 2008. The Board of Directors has adopted a written charter for the Audit Committee. Tl
to the Board of Directors on its activities and findings. The Board of Directors believes that Mr. Hogan qualifies as an audit committ
term is used in the rules and regulations of the SEC.

Audit Committee Report

In accordance with SEC regulations, the Audit Committee has prepared the following report. As part of its ongoing activities, the Aud

Reviewed and discussed with management our audited consolidated financial statements for the year ended December 31

Discussed with the independent registered public accounting firm the matters required to be discussed by Statement on A
Communications with Audit Committees, as amended; and

Received the written disclosures and the letter from the independent registered public accounting firm required by Indepe
Standard No. 1, Independence Discussions with Audit Committees, and has discussed with the independent registered pu
independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited
statements be included in our Annual Report on Form 10-K for the year ended December 31, 2008 to be filed with the SEC. In additio
approved the appointment of Beard Miller Company LLP as our independent registered public accounting firm for the fiscal year endi
subject to the ratification of the appointment by our shareholders.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement in
Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically inco
reference, and shall not otherwise be deemed filed under such Acts.

The Audit Committee:

Mark D. Hogan, (Chairman)

Judith Q. Bielan

Joseph Brogan

Dr. August Pellegrini, Jr.

The Audit Committee has approved a list of procedures for the engagement of outside auditors to perform non-audit tasks. The follow
provided by the auditor: financial information systems design and implementation; internal audit outsourcing; appraisal or valuation s
and contribution in kind reports; management functions or human resources; bookkeeping; broker or dealer or investment banking ser
unrelated to the audit; actuarial services; and services determined by the Audit Committee to

be impermissible. All permissible non-audit services must be pre-approved by the Audit Committee. The authority to approve audit ar delegated by the committee to one or more of its members, provided that any delegated approvals must be reported to the full Audit C of non-audit services will be disclosed in our periodic reports.

Section 16(a) Beneficial Ownership Reporting Compliance

Our common stock is registered pursuant to Section 12(b) of the Exchange Act. Executive officers, directors and 10% beneficial owne beneficial ownership reports with the SEC disclosing beneficial ownership and changes in beneficial ownership of our common stock disclosure in our Proxy Statement and Annual Report on Form 10-K of the failure of an executive officer, director or 10% beneficial c timely basis. Based on our review of such ownership reports, we believe that no officer or director failed to timely file such ownershi ended December 31, 2008.

Compensation Committee

During the fiscal year ended December 31, 2008, the Compensation Committee, which consisted of Robert Ballance, Judith Q. Bielan Hogan, Joseph Lyga and Alexander Pasiechnik, met three times to review the performance of the executive officers and determine co adjustments. Each member of the Compensation Committee is considered independent as defined in the Nasdaq corporate governa Board of Directors has adopted a written charter for the Compensation Committee. Messrs. Mindiak, Coughlin and Collins do not par Directors determination of their respective compensation as executive officers.

Roles and Responsibilities. The primary purpose of the Compensation Committee is to conduct reviews of our general executive com strategies in order to oversee and evaluate our overall compensation structure and programs. Direct responsibilities include, but are no

Evaluating and approving goals and objectives relevant to compensation of the chief executive officer and other executiv the performance of the executives in light of those goals and objectives;

Determining and approving the compensation level for the chief executive officer;

Determining and approving compensation levels of other key executive officers; and

Recommending to the Board compensation policies for outside directors.

The Compensation Committee approves the compensation paid to the Chief Executive officer and our other executive officers. The pe Executive Officer is reviewed annually by the Committee. The Chief Executive Officer presents annually to the Committee his assess the other executive officers and his recommendations for their salary adjustments and performance awards. The Committee exercises the levels of compensation to be paid to those executives.

The Compensation Committee approves equity compensation awards to all our officers. The Committee has given the Chief Executiv determine the non-equity compensation of all of our officers other than those officers mentioned in the preceding paragraph.

Performance evaluations are generally measured on criteria applicable to us as a whole and to specific responsibilities of each executi include earnings, return on equity, return on assets, asset quality, capital management, risk management, franchise expansion, corpora general management skills, and each executive s contribution to our successful operation. These criteria are evaluated not only on cu also on the trend of performance over the past few years and within the context of unusual operating and performance issues. Also, ta factors outside of the control of management, such as the state of the economy, the interest rate environment, regulatory mandates and

Strict numerical formulas are not used to determine changes in compensation, instead, the factors as set forth above are utilized in the

Executive Compensation

Summary Compensation Table. The following table shows the compensation of Donald Mindiak, our principal executive and financia compensated executive officers who received total compensation of at least $100,000 for services to us or any of our subsidiaries duri December 31, 2008.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock awards ($)	Option awards ($)	Non-equity incentive plan compensation ($) (1)	Change in pension value and non-qualified deferred compensati earnings ($)
Donald Mindiak	2008	$ 156,000	$ 70,000	$	$	$	$
President, Chief Executive Officer, Chief Financial Officer and Director	2007	$ 150,000	$ 65,000	$	$	$	$
James E. Collins	2008	$ 127,400	$ 55,000	$	$	$	$
Senior Lending Officer and Director	2007	$ 122,500	$ 50,000	$	$	$	$
Thomas M. Coughlin	2008	$ 124,800	$ 70,000	$	$	$	$
Chief Operating Officer and Director	2007	$ 120,000	$ 65,000	$	$	$	$

(1) Loan production incentive compensation based on total dollar value of loan closings.

(2) Employer matching 401-K contribution for 2008 and 2007.

(3) For the years ended December 31, 2008 and 2007, the named executive officers did not receive perquisites or personal benefits

(4) Includes a retainer to each of Messrs. Mindiak, Collins and Coughlin in the amount of $5,000 each for 2008.

Change in Control Agreements. BCB Bancorp, Inc. and BCB Community Bank have entered into change in control agreements with These agreements provide certain benefits in the event of a change in control of BCB Bancorp or BCB Community Bank. Each of the term of 36 months. Commencing on December 1, 2009, and continuing each anniversary date thereafter, the change in control agreem for an additional year unless advance written notice of non-renewal is provided to the Named Officer. The change in control agreeme Inc. and BCB Community Bank to offer to the Named Officers certain financial protection in the event of a change in control (as defi type of protection is frequently offered by other financial institutions, and BCB Bancorp, Inc. and BCB Community Bank may be at a attracting and retaining key employees if they do not offer similar protection.

Following a change in control of BCB Bancorp, Inc. or BCB Community Bank, the Named Officers are entitled to payment under the
Named Officer s employment does not terminate as a result of the change in control. In the event that a Named Officer who is a party
agreement is entitled to receive payments pursuant to the agreement, he will receive a cash lump sum payment equal to 2.999 times th
annual compensation for services performed for BCB Bancorp, Inc. and BCB Community Bank that was includible in gross income fo
taxable years ending before the date of the change in control. Such payment is subject to applicable withholding taxes. The lump sum
in control agreements are limited so that they will not constitute an excess parachute payment under Section 280G of the Internal Rev

In addition to the lump sum payment, the Named Officers are entitled to receive non-taxable health coverage for themselves and their comparable to the health benefits provided immediately before the change in control, at no cost to the Named Officers for a period of the change in control. The value of the health benefits could cause an excess parachute payment under Section 280G of the Internal R the Named Officers experience an excess parachute payment, BCB Bancorp, Inc. and BCB Community Bank shall pay each Named C agreement, an amount equal to the Named Officer s tax liability that results from the excess parachute payment. The Board believes t the best interests of BCB Bancorp, Inc. and BCB Community Bank because they provide a further incentive for the Named Officers to in the management and operation of BCB Bancorp, Inc. and BCB Community Bank.

Outstanding Equity Awards at Year End. The following table sets forth information with respect to our outstanding equity awards as o our named executive officers. All of the options granted became fully vested on December 31, 2005.

Outstanding Equity Awards at Fiscal Year-End

			Option awards
Name	**Number of securities underlying unexercised options (#) exercisable**	**Number of securities underlying unexercised options (#) unexercisable**	**Equity incentive pla awards: number of securities underlying unexercised unearned options (#)**
Donald Mindiak	11,094		
President, Chief Executive Officer, Chief Financial Officer and	14,580		
Director	11,406		
James E. Collins	5,844		
Senior Lending Officer and Director	15,701		
	11,406		
Thomas M. Coughlin	3,834		
Chief Operating Officer and Director	9,287		
	8,393		

During the year ended December 31, 2008 there were no grants of plan-based awards for our named executive officers. We did not pr at and for the year ended December 31, 2008 for the named executive officers. We did not provide any defined contribution or other n compensation plans at and for the year ended December 31, 2008 for the named executive officers.

401(k) Plan. BCB Community Bank sponsors a 401(k) plan. Employees are eligible to participate in the plan upon completion of one Community Bank. The Plan allows a participant to contribute from 1% to 15% of his or her annual salary, provided that the contributi indexed dollar amount set by the Internal Revenue Service, which was $15,500 for 2008. In addition, BCB Community Bank may ma non-elective contributions and/or (ii) discretionary profit-sharing contributions to the 401(k) plan, both of which will be allocated to a account based on the ratio his or her compensation bears to the total compensation of all participants. A participant is 100% vested in and the qualified non-elective contributions that were allocated to his or her account. However, BCB Community Bank s profit-shari allocated to a participant s account will become vested at the rate of 20% per year, starting upon completion of two years of credited vested upon completion of six years of credited service. Generally, vested plan benefits will be distributed upon a participant s termi

Benefit Plans

2003 Stock Option Plan. Our 2003 Stock Option Plan provided for the grant of options to purchase 358,910 shares of common stock, Pursuant to the 2003 Stock Option Plan, no options were granted to non-employee directors in 2008. The term of the options is ten ye and the number of shares subject to awards will be adjusted in the event of any merger, consolidation, reorganization, recapitalization combination or exchange of shares or other change in our corporate structure. The stock options granted vested 100% upon grant. To the awards include an equal number of reload options (Reload Options), limited stock appreciation rights (Limited Rights) and (Dividend Equivalent Rights). A Limited Right gives the option holder the right, upon a change in our control, to receive the exces shares represented by the Limited Rights on the date exercised over the exercise price. The Limited Rights are subject to the same ter stock options. Payment upon exercise of Limited Rights will be in cash, or in the event of a merger transaction, for shares of the acqu parent, as applicable. Limited Rights have been granted to employees only. The Dividend Equivalent Rights entitle the option holder at the time that certain extraordinary dividends are declared equal to the amount of the extraordinary dividend multiplied by the numb holds. For these purposes, an extraordinary dividend is defined as any dividend where the rate of dividend exceeds our weighted aver interest-bearing liabilities for the current and preceding three quarters. The Reload Options entitle the option holder, who has delivere as payment of the exercise price for option stock, to a new option to acquire additional shares equal in amount to the shares he or she Options may also be granted to replace option shares retained by the employer for payment of the option holder s withholding tax. T additional shares of stock can be purchased by the option holder through the exercise of a Reload Option is equal to the market value stock at the time it was surrendered. The option period during which the Reload Option may be exercised expires at the same time as that the holder has exercised.

2002 Stock Option Plan. Our 2002 Stock Option Plan provided for the grant of options to purchase 241,980 shares of common stock, Pursuant to the 2002 Stock Option Plan, no options were granted to non-employee directors in 2008. The term of the options is ten ye and the number of shares subject to awards will be adjusted in the event of any merger, consolidation, reorganization, recapitalization combination or exchange of shares or other change in our corporate structure. The stock options granted vest at the rate of 20% per ye below, the awards include an equal number of reload options (Reload Options), limited stock appreciation rights (Limited Rights (Dividend Equivalent Rights). A Limited Right gives the option holder the right, upon a change in our control, to receive the exces shares represented by the Limited Rights on the date exercised over the exercise price. The Limited Rights are subject to the same ter stock options. Payment upon exercise of Limited Rights will be in cash, or in the event of a merger transaction, for shares of the acqu parent, as applicable. Limited Rights have been granted to employees only. The Dividend Equivalent Rights entitle the option holder at the time that certain extraordinary dividends are declared equal to the amount of the extraordinary dividend multiplied by the numb holds. For these purposes, an extraordinary dividend is defined as any dividend where the rate of dividend exceeds our weighted aver interest-bearing liabilities for the current and preceding three quarters. The Reload Options entitle the option holder, who has delivere as payment of the exercise price for option stock, to a new option to acquire additional shares equal in amount to the shares he or she Options may also be granted to replace option shares retained by the employer for payment of the option holder s withholding tax. T additional shares of stock can be purchased by the option holder through the exercise of a Reload Option is equal to the market value stock at the time it was surrendered. The option period during which the Reload Option may be exercised expires at the same time as that the holder has exercised.

In December 2005, in response to changes in the accounting of limited rights and other cash settlement features set forth in the 2003 S 2002 Stock Option Plan, both stock option plans were amended to eliminate the ability to award limited rights, to eliminate outstandi consent of the award recipient, to eliminate the right to receive a cash settlement of an option following a transaction in which our sha securities that are not registered under the Securities Act of 1933, and to provide that no provision of the plan shall operate to require stock option in circumstances that are not in our discretion.

Director Compensation

Directors Summary Compensation Table. Set forth below is summary compensation for each of our non-employee directors for the 2008. During the year ended December 31, 2008, we did not provide any stock awards or option grants to our directors. Furthermore, non-equity incentive plan compensation or pension compensation to our directors.

Director Compensation

Name	Fees earned or paid in cash ($)	Non-qualified deferred compensation earnings ($)
Mark D. Hogan	$ 40,500	
Robert Ballance	$ 38,500	
Judith Q. Bielan	$ 38,000	
Joseph Brogan	$ 36,000	
Joseph Lyga	$ 37,750	
Alexander Pasiechnik	$ 41,500	
Dr. August Pellegrini, Jr.	$ 33,250	
Joseph Tagliareni	$ 40,000	

(1) For the year ended December 31, 2008, no director received perquisites or personal benefits, which exceeded $10,000.

(2) For a list of the total outstanding stock options for each director, please see the beneficial stock ownership table.

During the year ended December 31, 2008, we did not pay board fees but BCB Community Bank s Board of Directors received fees received fees of between $33,250 and $41,500 based on their tenure. Directors Collins, Coughlin and Mindiak, as members of executi receive directors fees.

Deferred Compensation Plan for Directors. The Board of Directors of BCB Community Bank adopted the 2005 Director Deferred Co Deferred Plan), which became effective on October 1, 2005. The 2005 Deferred Plan is designed to comply with the requirements o Section 409A. Pursuant to the 2005 Deferred Plan, directors of BCB Community Bank may elect to defer, on a pre-tax basis, receipt fees and retainers received for their service on the Board of Directors and on committees of the Board of Directors, but only to the ext attributable to services not yet performed. BCB Community Bank credits the deferred amounts to a bookkeeping account. Interest is p amounts at a rate equal to the rate payable on BCB Community Bank s highest paying time deposit, as determined as of the first day from time to time. BCB Community Bank may establish a rabbi trust to which BCB Community Bank may deposit such deferrals and shall remain subject to the claims of BCB Community Bank s creditors.

Directors may make a deferral election during the first 30 days of becoming eligible to participate in the 2005 Deferred Plan with resp year, specifying the amount deferred and the time and form of payment. Deferral amounts continue in effect until the director files a notice of adjustment with BCB Community Bank. In additio fees and/or retainers is increased, the director may increase the amount of his deferral by filing a notice of adjustment with BCB Com adjustments take effect as of January 1 following the date the notice is given to BCB Community Bank. Such deferral election is irrev calendar year for which it is filed, provided, however, that a director may delay distributions or modify a previous deferral election if: is not effective for 12 months, (ii) the original distribution date is at least 12 months from the date of the change in the election, and (i must be at least five years after the original distribution date.

Deferred fees will be paid out on the director s benefit age as designated by the director in his or her deferral election form or upon th separation from service as a director of BCB Community Bank, if such date is earlier than his or her designated benefit age. Distributi earlier than the director s designated benefit age if the distribution is necessary to satisfy a financial hardship, as defined in Internal R At the election of the director, the distribution may be paid out in a lump sum or in equal annual installments over a period not to exce

Related Party Transactions

BCB Community Bank leases its 860 Broadway branch office from a limited liability company owned by directors Hogan, Ballance, Coughlin, Lyga, Pasiechnik, Pellegrini and Tagliareni. Based upon a market rental value appraisal obtained prior to entering into the l that the terms and conditions of the lease are comparable to terms that would have been available from a third party that was unaffilia Bank. During 2008, total lease payments of $165,000 were made to the limited liability company. Payments under the lease currently Each director s percentage ownership in the limited liability corporation is divided equally among 10 individuals.

Other than as described in the preceding two paragraphs, no directors, executive officers or immediate family members of such indivi transactions with us involving more than $120,000 (other than through a loan) during the preceding year. In addition, no directors, exe family members of such individuals were involved in loans from us involving more than $120,000 which were not made in the ordina substantially the same terms and conditions, including interest rate and collateral, as those of comparable transactions prevailing at the and do not include more than the normal risk of collectability or present other unfavorable features.

We require that any transaction in which a director, officer or a member of their immediate family has an interest, and in which BCB involved must be reviewed and approved by the Board of Directors. Any such transaction must be made on terms no less favorable to entered into a similar relationship with an unaffiliated third party. Any lending relationship between a director, officer or a member of BCB Community Bank must be reviewed and approved by the Board of Directors. All such loans are made on substantially the same parties, consistent with banking regulations governing the origination of loans to directors, officers and employees of BCB Communit responsible for overseeing the application of these polices and procedures, which are part of our written policies.

Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (1) extending or maintaining credit; (2) arranging f (3) renewing an extension of credit in the form of a personal loan for an officer or director. There are several exceptions to this genera is applicable to us. Sarbanes-Oxley does not apply to loans made by a depository institution that is insured by the Federal Deposit Insu subject to the insider lending restrictions of the Federal Reserve Act. All loans to the our directors and officers are made in conformity Act regulations.

MARKET INFORMATION

On December 14, 2005, our common stock began trading on the Nasdaq Global Market. Previously, our common stock was traded on Electronic Bulletin Board. We currently have three market makers in accordance with Nasdaq rules. However, no market maker has an obligation to continue to make a market for our common making a market at any time. As of March 9, 2009, we had approximately 1,500 shareholders of record.

PROPOSAL II - RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTER PUBLIC ACCOUNTING FIRM

Our independent registered public accounting firm for the year ended December 31, 2008 was Beard Miller Company LLP. The Audi Directors has approved the engagement of Beard Miller to be our independent registered public accounting firm for the year ending D to the ratification of the engagement by our shareholders at this annual meeting. Representatives of Beard Miller are expected to atten have an opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

Shareholder ratification of the selection of the independent registered public accounting firm is not required by our bylaws or otherwi Directors is submitting the selection of the independent registered public accounting firm to the shareholders for ratification as a matt practice. If the shareholders fail to ratify the independent registered public accounting firm selected by the Audit Committee, the Audi whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of accounting firm at any time during the year if it determines that such change is in our best interests and the best interests of our shareh

Fees Paid to Beard Miller

Set forth below is certain information concerning aggregate fees billed for professional services rendered by Beard Miller during 2008

Audit Fees. The aggregate fees billed to us by Beard Miller for professional services rendered for the audit of our annual financial stat financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided in connection with statu and engagements was $90,019 and $79,868 during the years ended December 31, 2008 and 2007, respectively.

Audit Related Fees. There were no fees billed to us by Beard Miller for assurance and related services that are reasonably related to th of and review of the financial statements and that are not already reported in Audit Fees, above for the years ended December 31,

Tax Fees. The aggregate fees billed to us by Beard Miller for professional services rendered for tax compliance, tax advice and tax pla $8,000 during the years ended December 31, 2008 and 2007, respectively. These services include the calculation of and preparation o state tax forms relative to us and our subsidiaries, and the maintenance of all applicable schedules and work papers relative to the sam

All Other Fees. There were no fees billed to us by Beard Miller that are not described above during the years ended December 31, 200

The Audit Committee has considered whether the provision of non-audit services, which relate primarily to costs incurred with the ma services rendered, is compatible with maintaining Beard Miller s independence. The Audit Committee concluded that performing suc Beard Miller s independence in performing its function as auditor for us.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Registered Public Accounting Firm

The Audit Committee s policy is to pre-approve all audit and non-audit services provided by the independent registered public accou
may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one yea
detailed as to particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegat
its Chairman when expedition of services is necessary. The independent registered public accounting firm and management are requir
the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordanc
the fees for the services performed to date. All of the fees paid in the audit-related, tax and all other categories were approved per the

Required Vote and Recommendation of the Board of Directors

In order to ratify the selection of Beard Miller as independent registered public accounting firm for the 2009 year, the proposal must r
of at least a majority of the votes cast at the annual meeting, either in person or by proxy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF BEARD MILLER COMPANY LLP
REGISTERED PUBLIC ACCOUNTING FIRM.

SHAREHOLDER PROPOSALS

In order to be eligible for inclusion in our proxy materials for next year s Annual Meeting of Shareholders, any shareholder proposal
must be received at our executive office, 104-110 Avenue C, Bayonne, New Jersey 07002, no later than December 7, 2009. Any such
the requirements of the proxy rules adopted under the Exchange Act.

OTHER MATTERS

Our Board of Directors is not aware of any business to come before the annual meeting other than the matters described above in the
if any other matter should properly come before the annual meeting, the Proxy Committee of the Board of Directors will have authori
discretion with respect to any matter as to which the Board of Directors is not notified at least five business days before the date of the

MISCELLANEOUS/FINANCIAL STATEMENTS

We will bear the cost of solicitation of proxies. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for
incurred by them in sending proxy materials to the beneficial owners of our common stock. Our directors, officers and regular employ
personally or by telegraph or telephone without additional compensation.

A FORM 10-K CONTAINING FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED DECEMBER 31, 2008 IS BEINC SHAREHOLDERS. THIS DOCUMENT CONSTITUTES OUR ANNUAL DISCLOSURE STATEMENT. COPIES OF ALL OF BC FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION ARE AVAILABLE AT THE COMMISSION S WEB SIT AVAILABLE WITHOUT CHARGE BY WRITING TO BCB BANCORP, INC. AT 104-110 AVENUE C, BAYONNE, NEW JERS CORPORATE SECRETARY.

BY ORDER OF THE BOARD OF I

/s/ Mark D. H
Mark D. Ho
Chairman of th

Bayonne, New Jersey

March 27, 2009

PROXY CARD

REVOCABLE PROXY

BCB BANCORP, INC.

ANNUAL MEETING OF SHAREHOLDERS

April 23, 2009

The undersigned hereby appoints the Board of Directors with full powers of substitution to act as attorneys and proxies for the unders common stock of BCB Bancorp, Inc. (the Company) which the undersigned is entitled to vote at the Annual Meeting of Sharehold Restaurant, 1081 Broadway, New Jersey 07002 on April 23, 2009, at 10:00 a.m. Eastern time. The Board of Directors are authorized t undersigned is entitled as follows:

FO

1. The election as directors of all nominees listed below (except as marked to the contrary below).

   Joseph Lyga

   Alexander Pasiechnik

   Joseph Tagliareni

   Thomas M. Coughlin

   INSTRUCTION: To withhold your vote for one or more nominees, write the name of the nominee(s) on the lines below.

FO

2. The ratification of the appointment of Beard Miller Company LLP as independent registered public accounting firm for the Company for the year ending December 31, 2009.

The Board of Directors recommends a vote FOR the listed proposals.

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOT PROPOSALS STATED ON THIS PROXY. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH ANNUAL MEETING, A MA OF DIRECTORS WILL HAVE THE AUTHORITY TO VOTE IN THEIR DISCRETION WITH RESPECT TO ANY MATTER AS OF DIRECTORS IS NOT NOTIFIED AT LEAST FIVE BUSINESS DAYS BEFORE THE DATE OF THIS PROXY STATEMENT

The annual meeting may be postponed or adjourned for the purpose of soliciting additional proxies.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

Should the undersigned be present and elect to vote at the annual meeting or at any adjournment thereof and after notification to our C annual meeting of the shareholder s decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed te force and effect. This proxy may also be revoked by sending written notice to our Corporate Secretary at the address set forth on the N Shareholders, or by the filing of a later proxy prior to a vote being taken on a particular proposal at the annual meeting.

The undersigned acknowledges receipt from the Company prior to the execution of this proxy of a notice of the annual meeting and a March 27, 2009 and the Annual Report on Form 10-K with audited financial statements.

Dated: ____________________ ¨ Check Box if You Plan to Attend annual m

PRINT NAME OF SHAREHOLDER PRINT NAME OF SHAREHOLDER

SIGNATURE OF SHAREHOLDER SIGNATURE OF SHAREHOLDER

Please sign exactly as your name appears on this proxy card. When signing as attorney, executor, administrator, trustee or guardian, p

Please complete and date this proxy card and return it promptly

in the enclosed postage-prepaid envelope.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCH
For the quarterly period ended June 30, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCH
For the transition period from ______ to ______

Commission File Number 0-18014

PAMRAPO BANCORP, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY **(State or other jurisdiction of** **incorporation or organization)**	**22-2984813** **(I.R.S. Employer** **Identification Number**
611 AVENUE C, BAYONNE, NEW JERSEY **(Address of principal executive offices)**	**07002** **(Zip Code)**

Registrant s telephone number, including area code 201-339-4600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Excl the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to su the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interact submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such s registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller repo definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accele
Non-accelerated filer	¨	Smalle

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Common stock, $.01 par value per share 4,935,542 shares outstanding as of August 10, 2009

PAMRAPO BANCORP, INC.

AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

PAMRAPO BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	Jun **20**
ASSETS	
Cash and amounts due from depository institutions	$ 3,
Interest-bearing deposits in other banks	19,
Total cash and cash equivalents	22,
Securities available for sale	
Investment securities held to maturity; fair value of $10,809,000 (2009) and $10,831,000 (2008)	11,
Mortgage-backed securities held to maturity; fair value of $104,890,000 (2009) and $119,920,000 (2008)	101,
Loans receivable net of allowance for loan losses of $6,012,000 (2009) and $4,661,000 (2008)	422,
Foreclosed real estate	
Premises and equipment	2,
Federal Home Loan Bank of New York stock	3,
Accrued interest receivable	2,
Deferred tax assets	5,
Other assets	
Total assets	$ 575,
LIABILITIES AND STOCKHOLDERS EQUITY	
Liabilities:	
Deposits:	
Interest bearing	$ 410,
Non-interest bearing	39,
Total deposits	449,
Advances from Federal Home Loan Bank of New York	62,
Advance payments by borrowers for taxes and insurance	2,
Other liabilities	10,
Total liabilities	525,
Stockholders equity:	
Preferred stock; authorized 3,000,000 shares; issued and outstanding-none	
Common Stock; par value $.01; authorized 25,000,000 shares; 6,900,000 shares issued; 4,935,542 shares outstanding, 2009 and 2008	
Paid-in capital	19,
Retained earnings	57,
Accumulated other comprehensive loss	(2,
Treasury stock, at cost; 1,964,458 shares, 2009 and 2008	(23,

Total stockholders equity	50,
Total liabilities and stockholders equity	$ 575,

See notes to consolidated financial statements.

PAMRAPO BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended June 30,		
	2009	2008	
Interest income:			
Loans	$ 6,440,393	$ 6,839,705	$
Mortgage-backed securities	1,209,272	1,440,072	
Investments	233,875	205,210	
Other interest-earning assets	68,263	279,189	
Total interest income	7,951,803	8,764,176	
Interest expense:			
Deposits	2,208,675	2,959,089	
Advances from Federal Home Loan Bank	820,122	1,057,453	
Overnight borrowings	24,646		
Total interest expense	3,053,443	4,016,542	
Net interest income	4,898,360	4,747,634	
Provision for loan losses	850,000	150,500	
Net interest income after provision for loan losses	4,048,360	4,597,134	
Non-interest income:			
Fees and service charges	282,969	323,300	
Gain on sale of branch			
Commissions from sale of financial products	3,053	125,598	
Other	108,544	106,412	
Total non-interest income	394,566	555,310	
Non-interest expenses:			
Salaries and employee benefits	1,878,458	1,864,732	
Net occupancy expense of premises	301,627	327,205	
Equipment	337,165	329,168	
Advertising	49,994	66,000	
Professional fees	1,590,428	409,790	
Loss on foreclosed real estate	5,363	1,483	
Federal Deposit Insurance Premiums	396,018	13,575	
Litigation loss reserve	3,000,000		
Other	665,500	613,127	
Total non-interest expenses	8,224,553	3,625,080	

(Loss) income before income tax (benefit) expense	(3,781,627)	1,527,364	
Income tax (benefit) expense	(191,047)	564,266	
Net (loss) income	$ (3,590,580)	$ 963,098	$
Net (loss) income per common share:			
Basic	$ (0.73)	$ 0.20	$
Diluted	$ (0.73)	$ 0.20	$
Dividends per common share	$ 0.11	$ 0.23	$
Weighted average number of common shares outstanding:			
Basic	4,935,542	4,975,542	
Diluted	4,935,542	4,975,542	

See notes to consolidated financial statements.

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PAMRAPO BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		
	2009	**2008**	
Net (loss) income	$ (3,590,580)	$ 963,098	$ (
Other comprehensive income, net of income taxes:			
Gross unrealized holding gains (losses) on securities available for sale	51,827	(1,047)	
Benefit plans	116,482	47,678	
Deferred income tax (benefit)	(67,287)	(18,671)	
Other comprehensive income	101,022	27,960	
Comprehensive (loss) income	$ (3,489,558)	$ 991,058	$ (

See notes to consolidated financial statements.

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PAMRAPO BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	20
Cash flows from operating activities:	
Net (loss) income	$ (3,1
Adjustments to reconcile net (loss) income to net cash provided by operating activities:	
Depreciation of premises and equipment	1
Amortization of premiums and discounts, net	
Amortization of deferred loan fees, net	1
Provision for loan losses	1,3
Provision for loss on foreclosed real estate	
Gain on sale of branch	(4
Deferred income tax benefit	(9
Decrease (increase) in accrued interest receivable	
Decrease (increase) in other assets	5
Increase in other liabilities	4,5
Net cash provided by operating activities	2,3
Cash flows from investing activities:	
Principal repayments on securities available for sale	
Principal repayments on mortgage-backed securities held to maturity	15,5
Purchases of mortgage-backed securities held to maturity	
Net decrease in loans receivable	13,6
Capital improvements to foreclosed real estate	
Additions to premises and equipment	(
Proceeds from sale of premises and equipment	
Redemption of Federal Home Loan Bank of New York Stock	1,2
Net cash provided by investing activities	30,4
Cash flows from financing activities:	
Net increase (decrease) in deposits	19,7
Cash paid upon sale of branch deposits, net of premiums received	(13,9
Repayment of advances from Federal Home Loan Bank of New York	(29,6
Advances from Federal Home Loan Bank of New York	2,1
Net (decrease) increase in payments by borrowers for taxes and insurance	(4
Cash dividends paid	(1,2
Net cash used in financing activities	(23,4
Net increase (decrease) in cash and cash equivalents	9,3
Cash and cash equivalents beginning	13,5
Cash and cash equivalents ending	$ 22,9

Supplemental information:		
Cash paid during the period for:		
Interest on deposits and borrowings	$	6,3
Income taxes	$	8

PAMRAPO BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated unaudited financial statements include the accounts of Pamrapo Bancorp, Inc. (the Company) and its wholly-own Savings Bank, S.L.A. (the Bank), Pamrapo Service Corporation, Inc. and Pamrapo Investment Company, Inc. The Company s bus through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally acc America for interim financial information and with the instructions for Form 10-Q and Regulation S-X. Accordingly, they do not inclu footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows. In the opinion of manage (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been inclu operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results which may be expected for th unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes theret 2008 Annual Report to Shareholders and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal y 2008.

The Company has evaluated subsequent events through the date of issuance of the financial data included herein, August 10, 2009.

3. NET (LOSS) INCOME PER COMMON SHARE

Basic net (loss) income per common share is based on the weighted average number of common shares actually outstanding. Diluted is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or se convertible into common stock, if dilutive, using the treasury stock method. The company had no dilutive potential common shares ou and six month periods ended June 30, 2009 and 2008.

4. BENEFITS PLANS COMPONENTS OF NET PERIODIC BENEFIT/EXPENSE

					Supplem
	Pension Plan				
	Three Months Ended June 30,		Six Months Ended June 30,		Three Mont June
	2009	2008	2009	2008	2009
				(In Thousands)	
Service cost	$ 66	$ 67	$ 133	$ 134	$
Interest cost	131	128	262	256	21
Expected return on plan assets	(96)	(147)	(191)	(293)	
Amortization of unrecognized net loss (gain)	118	42	236	84	(18)
Unrecognized past service liability	5	4	9	8	12
Net periodic benefit/expense	$ 224	$ 94	$ 449	$ 189	$ 15

5. SECURITIES

SECURITIES AVAILABLE FOR SALE

	Amortized Cost	Gross Unrealiz Gains
June 30, 2009		
Mortgage-backed securities	$ 335,892	$ 1,84
Trust originated preferred security, maturing after 20 years	400,000	
Total	$ 735,892	$ 1,84

The unrealized losses categorized by the length of time of the continuous loss position, and the fair value of the related securities avai

	Less than 12 Months		More than 12 month	
	Fair Value	Unrealized Losses	Fair Value	Unrealiz Losses
June 30, 2009				
Mortgage-backed securities	$ 133,317	$ 609	$	$
Trust originated preferred security, maturing after 20 years			376,000	24,0
Total	$ 133,317	$ 609	$ 376,000	$ 24,0

INVESTMENT SECURITIES HELD TO MATURITY

	Amortized Cost	Gross Unrealized Gains
June 30, 2009		
Subordinated notes:		
Due within one year	$ 4,009,514	$
Due after one within five years	6,000,000	
Municipal obligations:		
Due after 10 years through 15 years	1,333,777	199
Total	$ 11,343,291	$ 199

5. SECURITIES (Continued)

The unrealized losses, categorized by the length of time of the continuous loss position, and the fair value of the related securities held

	Less than 12 Months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2009				
Subordinated notes:				
Due within one year	$ 3,800,000	$ 209,514	$	$
Due after one within five years	5,700,000	300,000		
Municipal obligations:				
Due after 10 years through 15 years			934,100	24,876
Total	$ 9,500,000	$ 509,514	$ 934,100	$ 24,876

MORTGAGE-BACKED SECURITIES HELD TO MATURITY

	Amortized Cost	Gross Unrealized Gains
June 30, 2009		
Federal Home Loan Mortgage Corporation	$ 70,404,104	$ 2,244,475
Federal National Mortgage Association	18,244,951	551,707
Governmental National Mortgage Corporation	98,155	11,968
Collateralized mortgage obligations	13,075,411	288,851
Total	$ 101,822,621	$ 3,097,001

5. SECURITIES (Continued)

The unrealized losses, categorized by the length of time of the continuous loss position, and the fair value of the related mortgage-bac maturity are as follows:

	Less than 12 Months		More than 12 months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2009				
Federal Home Loan Mortgage Corporation	$	$	$ 2,145,869	$ 22,070
Federal National Mortgage Association			904,938	6,980
Collateralized mortgage obligations			727,410	226
Total	$	$	$ 3,778,217	$ 29,276

When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent t amortized cost, additional analysis is performed to determine whether an other-than-temporary impairment condition exists. Available held-to-maturity securities are analyzed quarterly for possible other-than-temporary impairment. The analysis considers (i) whether w securities prior to recovery and/or maturity and (ii) whether it is more likely than not that we will have to sell our securities prior to re Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject t information or conditions are different than estimated, the extent of the impairment of the security may be different than previously es material effect on the Company s consolidated results of operations and financial condition.

Management does not believe that any of the unrealized losses at June 30, 2009 represent an other-than-temporary impairment. Unrea sale securities relate to subordinated notes and municipal securities that earn interest at a fixed rate. Such losses are due to changes in the above investments are at a fixed rate. The unrealized losses on held to maturity investments relate to subordinated notes and mortg earn interest at a fixed rate. Such losses are due to changes in market interest rates while the above investments are at a fixed rate. The held to maturity mortgage backed securities portfolio are due primarily to increases in market interest rates. The securities with unreal fixed interest rates. At June 30, 2009, unrealized losses included three mortgage-backed securities, one trust-originated preferred secu notes, two municipal obligations, one Federal Home Loan Mortgage Corporation security, one Federal National Mortgage Associatio collateralized mortgage obligation.

Federal Home Loan Bank of New York (FHLB) stock, which represents required investment in the common stock of a correspond as of June 30. 2009 and December 31, 2008, consists of the common stock FHLB.

5. SECURITIES (Continued)

Management evaluates the FHLB stock for impairment in accordance with Statement of Position (SOP) 01-6, *Accounting by Certain With Trade Receivables) That Lend to or Finance the Activities of Others*. Management s determination of whether this investment is assessment of the ultimate recoverability of its cost rather than by recognizing temporary declines in value. The determination of whe ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as co amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the FHLB stock as of June 30, 2009.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SF Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value under generally accepted United States of America (GAAP), and expands disclosures about fair value measurements. SFAS 157 applies to other accounting permit fair value measurements.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobser measurements). The three levels of the fair value hierarchy under SFAS 157 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or lia

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the ful liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e market activity).

An asset or liability s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value mea

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6. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

For assets measured at fair value on a recurring and non-recurring basis, the Company s fair value measurements by level within the June 30, 2009 and December 31, 2008 are as follows:

Description	**Total**	**(Level 1) Quoted Prices in Active Markets for Identical Assets**	**(L Sig C Obs I**
		(In Thousan	
June 30, 2009			
Recurring:			
Securities available for sale	$ 713	$	$
Non-recurring:			
Impaired loans	2,238		
Foreclosed real estate	426		
Total	$ 3,377	$	$
December 31, 2008			
Recurring:			
Securities available for sale	$ 771	$	$
Non-recurring:			
Impaired loans	1,501		
Foreclosed real estate	426		
Total	$ 2,698	$	$

The following summarizes activity related to impaired loans and foreclosed real estate for the three and six month periods ended June

Impaired Loans
Beginning balance
Additions
Payments and other credits
Provision for loan losses
Ending balance

Foreclosed Real Estate

Beginning balance
Additions
Payments and other credits
Reserve for loss
Ending balance

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following valuation techniques were used to measure the fair value of assets in the tables above for additional information on the financial instruments and the related methods and assumptions, see the tabular information and narrative below.

Impaired Loans: Loans included in the above tables are those that are accounted for under SFAS No. 114, Accounting by Creditors (SFAS 114), in which the Company has measured impairment generally based on the fair value of the loan s collateral. Fair value upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets ar values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of loan balances valuation allowances of $1,814,000 at June 30, 2009, and loan balances of $1,501,000, net of valuation allowances of $1,086,000 at D

Foreclosed Real Estate: Fair value of foreclosed real estate was based on independent third party appraisals of the properties. These v on the sales prices of similar properties in the proximate vicinity.

The following is a summary of fair value versus the carrying value of financial instruments. For the Company and the Bank, as for mo bulk of its assets and liabilities are considered financial instruments. Many of the financial instruments lack an available trading mark willing buyer and willing seller engaging in an exchange transaction. Therefore, significant estimations and present value calculations of this note. Changes in assumptions could significantly affect these estimates.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts and fair value of the Company s financial instruments are as follows:

	June 30, 2009	
		Estimat
	Carrying Value	Fair Value
		(In
Financial assets:		
Cash and cash equivalents	$ 22,969	$ 22,9
Securities available for sale	713	7
Investment securities held to maturity	11,343	10,8
Mortgage-backed securities held to maturity	101,823	104,8
FHLB stock	3,900	3,9
Loans receivable	422,463	438,0
Interest receivable	2,812	2,8
Financial liabilities:		
Deposits	$ 449,279	$ 451,8
Advances from FHLB	62,000	63,7
Interest payable	318	3
Commitments to extend credit		

The following methods and assumptions were used in estimating the fair value of financial instruments in the table above:

Cash and cash equivalents and interest receivable and payable: The carrying amounts reported in the consolidated financial statement
equivalents and interest receivable and payable approximate their fair values.

Securities: The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are dete
market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique
to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather by relying on the sec
benchmark quoted prices. For certain securities which are not traded in active markets are subject to transfer restrictions, valuations ar
illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence
management s best estimate is used. Management s best estimate consists of both internal and external support on certain Level 3 in
models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtai
(where available) were used to support fair values of certain Level 3 investments.

FHLB stock: Due to its restricted nature, the estimated fair value of the Bank s investment in FHLB stock is deemed equal to its carr
the price at which it may be redeemed.

Loans receivable: The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet d
and interest rate-risk inherent in the loans. Projected future

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally reprice frequently and with no significant change to credit risk, fair values are based on carrying values.

Deposit liabilities: The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certifi estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a s expected monthly maturities on time deposits.

Advances from Federal Home Loan Bank of New York: Fair value is estimated using rates currently offered for liabilities of similar r when available, quoted market prices.

Commitments to extend credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agree the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair va difference between current levels of interest rates and the committed rates.

7. CRITICAL ACCOUNTING POLICIES

Accounting policies involving significant judgments and assumptions by management that have, or could have a material impact on th assets and liabilities or on income or expense are considered to be critical accounting policies.

Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses, a Company s defined benefit pension plan and other-than-temporary impairment of investment and mortgage-backed securities. Deterr allowance for loan losses necessarily involves a high degree of judgment.

Management reviews the level of the allowance on a quarterly basis, at a minimum, and establishes the provision for loan losses based loan portfolio, delinquency levels, loss experience, economic conditions, and other factors related to the collectability of the loan port no material shift in the composition of the loan portfolio, the level of the allowance for loan losses has changed primarily due to chang portfolio and the level of nonperforming loans. We have allocated the allowance among categories of loan types as well as classificati date. Assumptions and allocation percentages based on loan types and classification status have been consistently applied. Manageme various risk factors related to the loan portfolio, such as type of loan, underlying collateral and payment status, and the corresponding percentages.

Although we believe that we use the best information available to establish the allowance for loan losses, future additions to the allow based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the regu integral part of their examinations process, periodically review our allowance for loan losses. Such agencies may require us to recogni allowance based on their judgment about information available to them at the time of their examinations.

7. CRITICAL ACCOUNTING POLICIES (Continued)

Our pension plan costs are calculated using actuarial concepts, as discussed within the requirements of Statement of Financial Accoun No. 87, Employers Accounting for Pensions, SFAS No. 132 (R) Employers Disclosures about Pensions and Other Postretirem Statements No. 87, 88, and 106, and as amended by SFAS No. 158, Employers Accounting for Deferred Benefit Pension and Oth Pension expense and the determination of our projected pension liability are based upon two critical assumptions: the discount rate an plan assets. We evaluate each of these critical assumptions annually.

Other assumptions impact the determination of pension expense and the projected liability, including the primary employee demograp patterns, employee turnover, mortality rates, and estimated employer compensation increases. These factors, along with the critical as reviewed by management each year in consultation with our pension plan consultants and actuaries.

Further information about our pension plan assumptions, the plan s funded status, and other plan information is included in Note 11 t Statements in the Company s 2008 Annual Report to Shareholders, which is filed as Exhibit 13 and incorporated by reference to the Form 10-K for fiscal 2008.

When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent t amortized cost, additional analysis is performed to determine whether an other-than-temporary impairment condition exists. Available held-to-maturity securities are analyzed quarterly for possible other-than-temporary impairment. The analysis considers (i) whether w securities prior to recovery and/or maturity and (ii) whether it is more likely than not that we will have to sell our securities prior to re Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject t information or conditions are different than estimated, the extent of the impairment of the security may be different than previously es material effect on the Company s consolidated results of operations and financial condition.

8. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepte replacement of FASB Statement No. 162.* SFAS 168 replaces SFAS No. 162*, The Hierarchy of Generally Accepted Accounting Princi Accounting Standards Codification* as the source of authoritative accounting principles recognized by the FASB to be applied by non- preparation of financial statements in conformity with GAAP. SFAS 168 is effective for interim and annual periods ending after Septe expect the adoption of this standard to have an impact on our consolidated financial position or results of operations.

8. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R).* This statement amends FASB Interpre *of Variable Interest Entities (revised December 2003) an interpretation of ARB No. 51*, or FIN 46(R), to require an enterprise to det interest or interests give it a controlling financial interest in a variable interest entity. The primary beneficiary of a variable interest ent both (1) the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performanc absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the en significant to the variable interest entity. SFAS 167 also amends FIN 46(R) to require ongoing reassessments of whether an enterprise of a variable interest entity. SFAS 167 is effective for fiscal years beginning after November 15, 2009. We have not determined the ef SFAS 167 will have on our consolidated financial position or results of operations.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 1* prescribes the information that a reporting entity must provide in its financial reports about a transfer of financial assets; the effects of position, financial performance and cash flows; and a transferor s continuing involvement in transferred financial assets. Specifically SFAS 166 amends SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, or S concept of a qualifying special-purpose entity from SFAS 140 as well as the exception from applying FIN 46(R) to variable interest en special-purpose entities. It also modifies the financial-components approach used in SFAS 140. SFAS 166 is effective for fiscal years November 15, 2009. We have not determined the effect that the adoption of SFAS 166 will have on our consolidated financial positio

Effective April 1, 2009, the Company adopted SFAS No. 165, Subsequent Events. Statement No. 165 establishes general standards disclosure of events that occur after the balance sheet date but before the financial statements are issued. Statement No. 165 sets forth sheet date during which management of the reporting entity, should evaluate events or transactions that may occur for potential recogr statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance shee statements, and the disclosure that should be made about events or transactions that occur after the balance sheet date. The adoption o have an effect on the amounts reported in the Company s consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position (FSP) No. FAS 157-4, *Determining Fair Value When the Volume and Level o Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FASB Statement 157 defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a for sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 provides additional guida the volume and level of activity for the asset or liability has significantly decreased. The FSP also includes guidance on identifying ci transaction may not be considered orderly.

FSP FAS 157-4 provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decr of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes t decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and the related prices may be necessary to estimate fair value in accordance with Statement 157.

8. RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

This FSP clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some tra orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The FS circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction i when estimating fair value.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods en The adoption of this FSP effective June 30, 2009 did not have an effect on the amounts reported in the Company s consolidated finan

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impair* FAS 124-2). FSP FAS 115-2 and FAS 124-2 clarify the interaction of the factors that should be considered when determining wheth other-than-temporarily impaired. For debt securities, management must assess whether (a) it has the intent to sell the security and (b) management will be required to sell the security prior to its anticipated recovery. These steps are done before assessing whether the en basis of the investment. Previously, this assessment required management to assert it has both the intent and the ability to hold a secur sufficient to allow for an anticipated recovery in fair value to avoid recognizing another-than-temporary impairment. This change doe forecast recovery of the value of the security through either cash flows or market price.

In instances when a determination is made that another-than-temporary impairment exists, but the investor does not intend to sell the more likely than not that the investor will be required to sell the debt security prior to its anticipated recovery, FSP FAS 115-2 and FA presentation and amount of the other-than-temporary impairment recognized in the income statement.

The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decre be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all othe total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporar other factors is recognized in other comprehensive income. This FSP is effective for interim and annual reporting periods ending after adoption permitted for periods ending after March 15, 2009. The adoption of this FSP effective June 30, 2009 did not have an effect o the Company s consolidated financial statements.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (28-1). FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. Thi Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting pe for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, FSP effective June 30, 2009 did not have an effect on the amounts reported in the Company s consolidated financial statements.

9. MERGER AGREEMENT

On June 29, 2009, the Company and BCB Bancorp, Inc., a New Jersey corporation (BCB), entered into an Agreement and Plan of
Agreement), pursuant to which Pamrapo will merge with and into BCB, with BCB as the surviving corporation. The Bank and BCB
Jersey-chartered bank and a wholly-owned subsidiary of BCB (BCB Bank), will also enter into a subsidiary agreement and plan of
merger of the Bank with and into BCB Bank, with BCB Bank as the surviving institution. Pursuant to the terms of the Merger Agreen
Pamrapo will receive 1.0 share of BCB common stock for each share of the Company s common stock. In addition, all outstanding u
purchase the Company s common stock will be converted into options to purchase BCB common stock. The transaction is expected t
regulatory approvals, approval of the Merger Agreement by shareholders of both Pamrapo and BCB, and the satisfaction of other cust

10. SUBSEQUENT EVENT

The Bank s largest non-accruing commercial loan of $1.9 million is to a local hospital. In October 2006, $1.0 million of the total $3.0
paid and the remaining contractual balance of approximately $1.9 million was secured by a mortgage on real estate. The $1.9 million
of June 30, 2009, the $1.9 million loan balance had not been paid. The repayment of the loan is subject to bankruptcy proceedings. In
creditor s committee for the hospital filed a complaint against the Bank seeking to recover the $1.0 million previously paid on the loa
mortgage securing the $1.9 million still owed to the Bank, charging that the payment and the mortgage were avoidable preferences.

On June 9, 2009, the Liquidating Trustee for the hospital filed a motion providing for an auction sale of the two mortgaged properties
all liens, with liens to attach to the proceeds of sale. The Bank did not oppose the motion and the auction sale was held at a hearing on
Bankruptcy Court for the District of New Jersey, by orders dated July 23, 2009, approved separate bids to acquire the properties for a
closings took place on August 5, 2009 and August 6, 2009, respectively. Net proceeds of the sale, after deducting taxes, real estate co
costs, were approximately $1.5 million.

The litigation with respect to the hospital loan is currently in the discovery phase. The successful party in the preference litigation wil
the net proceeds of the sale of the properties. At this point, management believes, based on discussions with its litigation counsel, the
its defense. However, due to the normal uncertainties of any litigation, the loan has been deemed impaired and is included in the recor
loans, net of its related allowance, at June 30, 2009. Based upon the net carrying value of the hospital loan as of June 30, 2009, if the B
preference litigation and, as a result, receives all or a certain portion of the net proceeds of the sale of the properties, the Bank may rec
carrying value of the hospital loan plus a portion of amounts previously reserved for. The Bank will continue to monitor this loan and
necessary.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Forward-Looking Statements

This Form 10-Q may include certain forward-looking statements based on current management expectations. The actual results of the
materially from those management expectations. Factors that could cause future results to vary from current management expectation
to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes i
regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan produ
services, competition, changes in the quality or composition of loan and investment portfolios of the Bank, changes in accounting prin
guidelines, and other economic, competitive, governmental and technological factors affecting the Company s operations, markets, p

Recent Developments

On June 29, 2009, the Company and BCB Bancorp, Inc., a New Jersey corporation (BCB), entered into an Agreement and Plan of
Agreement), pursuant to which Pamrapo will merge with and into BCB, with BCB as the surviving corporation. The Bank and BCB
Jersey-chartered bank and a wholly-owned subsidiary of BCB (BCB Bank), will also enter into a subsidiary agreement and plan of
merger of the Bank with and into BCB Bank, with BCB Bank as the surviving institution. Pursuant to the terms of the Merger Agreen
Pamrapo will receive 1.0 share of BCB common stock for each share of the Company s common stock. In addition, all outstanding u
purchase the Company s common stock will be converted into options to purchase BCB common stock. The transaction is expected t
regulatory approvals, approval of the Merger Agreement by shareholders of both Pamrapo and BCB, and the satisfaction of other cust

On June 9, 2009, the Liquidating Trustee for the hospital, which is the debtor of the Bank s largest non-accruing commercial loan the subject to bankruptcy proceedings, filed a motion providing for an auction sale of the two mortgaged properties securing the $1.9 mill be sold free and clear of all liens, with liens to attach to the proceeds of sale. The Bank did not oppose the motion and the auction sale July 20, 2009. The U.S. Bankruptcy Court for the District of New Jersey, by orders dated July 23, 2009, approved separate bids to acq total of $1.6 million. The closings took place on August 5, 2009 and August 6, 2009, respectively. Net proceeds of the sale, after dedu commissions and other closing costs, were approximately $1.5 million. Please see Management s Discussion and Analysis of Finan Operations Comparison of Operating Results for the Three Months Ended June 30, 2009 and 2008 for further information regarding

Report of Independent Forensic Accountants

As previously disclosed in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and its 2008 A in August 2008, management became aware that certain commission payments from a third-party broker, which were payable to Pam Inc. (the Corporation), a wholly-owned subsidiary of the Bank, as required by its policies and procedures, were being paid directly

Corporation (the Manager). The direct payments to the Manager were made pursuant to a letter between a third-party broker and th These direct payments constituted a change in commission structure, which was made without the approval of the Board of Directors required by its policies and procedures. Following an internal inquiry into this matter, the Bank determined, based upon the knowledg time of the individuals who conducted the inquiries, that $270,357 was owed by the Manager to the Corporation for commissions paid the period from August 2007 to December 2008. The $270,357 was repaid by or on behalf of the Manager to the Corporation, and the recognized the amount of $270,357 in earnings during the fourth quarter of 2008. For further information, please see Note 22 to the C Statements in the Company s 2008 Annual Report to Shareholders, which is filed as Exhibit 13 and incorporated by reference to its A for fiscal 2008.

On February 24, 2009, the Audit Committee of the Company engaged independent forensic accountants to assist with an internal inve financial records of the Corporation. On May 5, 2009, the independent forensic accountants issued a report to the Company s Audit C results of their internal investigation (the Report). The Report indicates that, based upon the information presented to the forensic a April 24, 2009 and the procedures that they performed, the forensic accountants determined that the Manager received funds in the for directly from broker-dealers and insurance carriers beginning in the year 2005 through his termination on February 12, 2009. Accordi independent forensic accountants determined that, as of May 5, 2009, excluding the $270,357 previously paid to the Corporation, an a commission revenue for the fiscal years 2005 through 2008 is due to the Corporation by the Manager and certain other individuals pre Corporation. Recovery of any of these amounts is subject to several contingencies, including any claims or defenses put forth by any p Company would choose to seek recovery from, including, but not limited to, the former Manager of the Corporation. The amounts are the receipt of further information. Management has determined that the item is a gain contingency and in accordance with Financial A Accounting for Contingencies (As Amended), has not reflected any amounts in its consolidated financial statements as of June 30, and for the three and six month periods ended June 30, 2009 and 2008. If it is determined that the Corporation is in fact entitled to any are in fact recovered, the amounts could be material to the Company s current and previously issued consolidated financial statement consolidated financial statements may be necessary.

The Report reflects the determinations of the independent forensic accountants based upon information received and procedures perfo Report. The Company s management, Board of Directors and Audit Committee are still in the process of evaluating the Report and o becomes available to determine additional amounts due, if any.

Changes in Financial Condition

The Company s assets at June 30, 2009 totaled $575.5 million, which represents a decrease of $22.5 million or 3.8% as compared wi December 31, 2008.

Total cash and cash equivalents of $23.0 million at June 30, 2009 increased $9.4 million or 69.1% when compared with $13.6 million increase during the six months ended June 30, 2009 resulted primarily from an increase in interest-bearing deposits in other banks, wh decrease in cash and amounts due from depository institutions.

Securities available for sale at June 30, 2009 decreased $58,000 or 7.5% to $713,000 when compared with $771,000 at December 31, the six months ended June 30, 2009 resulted primarily from repayments on securities available for sale of $83,000 and a decrease in n $25,000.

Investment securities held to maturity at June 30, 2009 totaled $11.3 million as compared with $11.4 million at December 31, 2008. M held to maturity at June 30, 2009 decreased $15.6 million or 13.3% to $101.8 million when compared with $117.4 million at Decemb during the six months ended June 30, 2009 resulted primarily from principal repayments totaling $15.5 million.

Net loans receivable amounted to $422.5 million at June 30, 2009, as compared to $437.6 million at December 31, 2008, which repres million or 3.5%. The decrease during the six months ended June 30, 2009 resulted primarily from principal repayments exceeding loa

Foreclosed real estate consists of two single-family residences.

Deferred tax assets totaled $5.3 million at June 30, 2009 as compared to $4.4 million at December 31, 2008 representing an increase o was primarily due to an increase in the provision for loan losses, the reserve for uncollectable interest and the accrual for pension and

Deposits at June 30, 2009 totaled $449.3 million as compared with $444.0 million at December 31, 2008 representing an increase of $ increase during the six months ended June 30, 2009 resulted primarily from an increase in interest bearing deposits, which more than a result of the sale of the Bank s Fort Lee, New Jersey branch in March 2009 with deposits, as of the date of sale, approximating $14

Advances from the Federal Home Loan Bank of New York (FHLB) amounted to $62.0 million at June 30, 2009 as compared with 2008 representing a decrease of $27.5 million or 30.7% due to repayments on the advances.

Stockholders equity totaled $50.4 million and $54.7 million at June 30, 2009 and December 31, 2008, respectively. The decrease of months ended June 30, 2009 resulted primarily from a net loss of $3.2 million and from cash dividends paid of $1.3 million.

Comparison of Operating Results for the Three Months Ended June 30, 2009 and 2008

The net loss for the three months ended June 30, 2009 totaled $3.6 million as compared to net income of $963,000 for the three month representing a decrease of $4.6 million or 473.8%. The net loss during the three months ended June 30, 2009, as compared to the same primarily from a $4.6 million increase in total non-interest expenses and a higher provision for loan losses, as well as decreases in tota non-interest income, which were partially offset by decreases in total interest expense and a benefit for income taxes. The $4.6 million non-interest expenses was primarily driven by a $3.0 million litigation loss reserve accrued during the second quarter of 2009 and a $ professional fees from the quarter ended June 30, 2008 to the quarter ended June 30, 2009, as well as a $382,000 increase in Federal D Corporation (FDIC) premiums from the 2008 to the 2009 period.

Interest income on loans decreased by $400,000 or 5.9% to $6.4 million during the three months ended June 30, 2009, when compared same 2008 period. The decrease during the 2009 period resulted from a decrease of $2.0 million or 0.5% in the average balance of loa decrease of thirty-four basis points in the yield earned on loans. Interest on mortgage-backed securities decreased $231,000 or 16.5% three months ended June 30, 2009, when compared with $1.4 million for the same 2008 period. The decrease during the 2009 period r $19.3 million or 15.3% in the average balance of mortgage-backed securities outstanding, along with a four basis point decrease in the mortgage-backed securities. Interest earned on investments increased by $29,000 or 14.1% to $234,000 during the three months ended compared to $205,000 during the same 2008 period, primarily due to an increase of $921,000 or 8.6% in the average balance of such a with an increase of thirty-nine basis points in the yield on the portfolio.

Interest income earned on other interest-earning assets decreased by $211,000 or 75.6% to $68,000 during the three months ended Jur
to $279,000 during the same 2008 period, primarily due to a decrease of one hundred forty-six basis points in the yield on the portfoli
$17.0 million or 35.7% in the average balance of such assets outstanding.

Interest expense on deposits decreased $750,000 or 25.0% to $2.2 million during the three months ended June 30, 2009, when compa
the same 2008 period. Such decrease was primarily attributable to a decrease of fifty-three basis points in the cost of interest-bearing
decrease of $30.3 million or 6.8% in the average balance of interest-bearing deposits.

Interest expense on advances from the FHLB and overnight borrowing decreased by $213,000 or 20.1% to $845,000 million during th
June 30, 2009, when compared with $1.06 million during the same 2008 period, primarily due to a decrease of $3.2 million or 4.2% i
advances and overnight borrowings outstanding, along with a ninety-four basis point decrease in the cost of advances and overnight b

Net interest income increased $151,000 or 3.2% during the three months ended June 30, 2009 when compared with the same 2008 pe
to a decrease in total interest expense of $963,000, which more than offset a decrease in total interest income of $812,000. The Bank
3.01% in 2009 and 2.63% in 2008. There was a decrease in the cost of interest-bearing liabilities of fifty-seven basis points, which mo
nineteen basis points in the yield on interest-earning assets.

During the three months ended June 30, 2009 and 2008, the Bank provided $850,000 and $151,000, respectively, as a provision for lo
increase in the provision for loan losses, from the 2008 to the 2009 period, was primarily due to an increase in the Bank s non-perfor
million at June 30, 2009 compared to $8.0 million at June 30, 2008. The allowance for loan losses is based on management s evaluat
loan portfolio and gives due consideration to the changes in general market conditions and in the nature and volume of the Bank s lo
to continue to provide for loan losses based on its periodic review of the loan portfolio and general market conditions.

At June 30, 2009 and 2008, the Bank s non-performing loans, which were delinquent ninety days or more, totaled $19.7 million or 3.
million or 1.32% of total assets, respectively. At June 30, 2009, $7.4 million of non-performing loans were accruing interest and $12.
status.

Included in the non-performing loans were $9.9 million in one-to-four family mortgage loans, $2.6 million in multi-family mortgage l
non-residential mortgage loans, $2.5 million in construction loans, and $2.3 million in commercial loans. The Bank s largest non-acc
million is to a local hospital. In October 2006, $1.0 million of the total $3.0 million due on the loan was paid and the remaining contr
approximately $1.9 million was secured by a mortgage on real estate. The $1.9 million was due on June 1, 2007. As of June 30, 2009,
balance had not been paid. The repayment of the loan is subject to bankruptcy proceedings. In September 2008, the creditor s commi
complaint against the Bank seeking to recover the $1.0 million previously paid on the loan and to set aside the mortgage securing the
Bank, charging that the payment and the mortgage were avoidable preferences. In August 2009, the two mortgaged properties wer
auction free and clear of all liens, with liens attaching to the proceeds of the sale for a total of $1.6 million. Net proceeds of the sale, a
estate commissions and other closing costs, were approximately $1.5 million. For further information, please see Recent Developm
Discussion and Analysis of Financial Condition and Results of Operations.

The litigation with respect to the hospital loan is currently in the discovery phase. The successful party in the preference litigation wi
the net proceeds of the sale of the properties. At this point, management believes, based on discussions with its litigation counsel, the
its defense. However, due to the normal uncertainties of any litigation, the loan has been deemed impaired and is included in the reco
loans, net of its related allowance, at June 30, 2009. Based upon the net carrying value of the hospital loan as of June 30, 2009, if the
preference litigation and, as a result, receives all or a certain portion of the net proceeds of the sale of the properties, the Bank may re
carrying value of the hospital loan plus a portion of amounts previously reserved for. The Bank will continue to monitor this loan and
necessary.

During the three months ended June 30, 2009, the Bank charged off loans totaling $24,000. There were no charge offs for the 3 month There were also no recoveries during either period. The allowance for loan losses amounted to $6.0 million at June 30, 2009, represen and 30.49% of loans delinquent ninety days or more, and $3.4 million at June 30, 2008, representing 0.78% of total loans and 42.40% days or more.

Non-interest income decreased $160,000 or 28.8% to $395,000 during the three months ended June 30, 2009, from $555,000 during t resulted primarily from a decrease in commissions from the sale of financial products of $123,000, in addition to a decrease in fees an and an increase in other non-interest income of $3,000. The decrease in commissions from the sale of financial products was primarily decision to eliminate the sale of financial products to the general public in April of 2009.

Non-interest expenses increased $4.6 million or 127.8% to $8.2 million during the three months ended June 30, 2009, when compared the same 2008 period.

Salaries and employee benefits, equipment expense, professional fees, provision for loss on foreclosed real estate, federal deposit insu loss reserve and other non-interest expense increased $14,000, $8,000, $1,181,000, $4,000, $382,000, $3,000,000 and $52,000, respec to offset a decrease both in net occupancy expense of premises and advertising in the amounts of $26,000 and $16,000, respectively, c compared with the same 2008 period.

As previously reported, the Bank received federal grand jury subpoenas from the U.S. Attorney s Office for the District of New Jerse The subpoenas were issued to the Bank in connection with an ongoing investigation regarding the Bank s anti-money laundering and compliance. Certain individuals, including the Bank s senior officers and directors, have received grand jury testimony subpoenas in investigation. In addition, the Bank and its wholly-owned subsidiary, Pamrapo Service Corporation, have also received federal grand U.S. Attorney s Office relating to certain commissions paid to the Manager of Pamrapo Service Corporation. The Bank has, and cont the investigation. It is anticipated that the investigation will continue for at least the next several months.

No penalties, either criminal or civil, have been imposed on the Bank to date as a result of the investigation. However, pursuant to Sta Accounting Standards No. 5, a company must accrue funds for a possible litigation loss if a loss is probable and the amount of the exp estimable. It is probable that the Bank will incur monetary penalties in the form of fines and forfeitures as a result of these matters. As filed with the Securities and Exchange Commission on June 23, 2009, the Bank was able to reasonably estimate certain losses, based come to light. As a result, the Bank accrued a $3.0 million litigation loss reserve to reflect a potential criminal forfeiture, and related c quarter ended June 30, 2009.

The Bank is only able to reasonably estimate certain losses at this time. It is probable that the Bank will incur material losses in additi litigation loss reserve described above; however it is not able to reasonably estimate additional losses at this time. These additional los further criminal forfeitures and potential criminal fines that may be imposed separately by a court, and civil money penalties that may be imposed by the Office of Thrift Supervision (federal regulator, and Financial Crimes Enforcement Network, a part of the United States Treasury Department (FinCEN). Depending investigation, the total amount of penalties and related costs and expenses incurred by the Bank may be significantly higher than $3.0 material impact on the Company s consolidated financial position, results of operations, and regulatory capital ratios.

The increase in professional fees during the three months ended June 30, 2009, as compared to the same 2008 period, was predominat for legal, accounting and other professional services as a result of the federal grand jury investigation by the U.S. Attorney s Office d to consultants that the Bank engaged as a result of a cease and desist order issued by the OTS, effective September 26, 2008.

FDIC premiums increased as a result of an increase in premium rates, the depletion of assessment credits previously in effect and a sp quarter ended June 30, 2009 of $270,000.

Income tax benefit for the three months ended June 30, 2009 totaled $191,000 as compared to income tax expense of $564,000 for the June 30, 2008. The decrease during the 2009 period resulted from a decrease in pre-tax income of $5.3 million. The effective income 36.9% for the three months ended June 30, 2009 and 2008, respectively. The effective tax rate for the three months ended June 30, 20 $3.0 million litigation loss reserve.

Comparison of Operating Results for the Six Months Ended June 30, 2009 and 2008

The net loss for the six months ended June 30, 2009 totaled $3.2 million as compared to net income of $2.0 million for the six months representing a decrease of $5.2 million or 260.0%. The net loss during the six months ended June 30, 2009, as compared to the same 2 primarily from a $5.8 million increase in total non-interest expenses and a higher provision for loan losses, as well as a decrease in tot were partially offset by decreases in total interest expense, reduction of income taxes and an increase in total non-interest income. The total non-interest expenses was primarily driven by a $3.0 million litigation loss reserve accrued during the second quarter of 2009 an professional fees from the six months ended June 30, 2008 to the six months ended June 30, 2009, as well as a $467,000 increase in F special assessment of $270,000, from the 2008 to the 2009 period.

Interest income on loans decreased by $614,000 or 4.4% to $13.2 million during the six months ended June 30, 2009, when compared same 2008 period. The decrease during the 2009 period resulted from a decrease of $1.6 million or 0.4% in the average balance of loa decrease of twenty-seven basis points in the yield earned on loans. Interest on mortgage-backed securities decreased $326,000 or 11.6 six months ended June 30, 2009, when compared with $2.8 million for the same 2008 period. The decrease during the 2009 period res $14.3 million or 11.4% in the average balance of mortgage-backed securities outstanding. Interest earned on investments increased by $467,000 during the six months ended June 30, 2009, when compared to $397,000 during the same 2008 period, primarily due to an i in the average balance of such assets outstanding, along with an increase of sixty-one basis points in the yield on the portfolio.

Interest income earned on other interest-earning assets decreased by $726,000 or 87.5% to $104,000 during the six months ended June to $830,000 during the same 2008 period, primarily due to a decrease of $32.3 million or 57.1% in the average balance of such assets, two hundred and seven basis points in the yield on the portfolio.

Interest expense on deposits decreased $1.7 million or 26.6% to $4.6 million during the six months ended June 30, 2009, when compa the same 2008 period. Such decrease was primarily attributable to a decrease of fifty-four basis points in the cost of interest-bearing d decrease of $46 million or 10.1% in the average balance of interest-bearing deposits. Interest expense on advances from the FHLB an decreased by $358,000 or 17.0% to $1.7 million during the six months ended June 30, 2009, when compared with $2.1 million during primarily due to a decrease of $911,000 or 1.2% in the average balance of advances and overnight borrowings outstanding, in additio basis points in the cost of advances and overnight borrowings.

Net interest income increased $506,000 or 5.4% during the six months ended June 30, 2009 when compared with the same 2008 perio a decrease in total interest expense of $2.1 million, which was partially offset by a decrease in total interest income of $1.6 million. T spread was 3.04% in 2009 when compared with 2.56% during the same 2008 period. There was a decrease of fifty-six basis points in liabilities, which was offset by a decrease of eight basis points in the yield on interest-earning assets.

During the six months ended June 30, 2009 and 2008, the Bank provided $1,375,000 and $228,000, respectively, as a provision for lo increase in the provision for loan losses, from the 2008 to the 2009 period, was primarily due to an increase in the Bank s non-perfor million at June 30, 2009 compared to $8.0 million at June 30, 2008. The allowance for loan losses is based on management s evaluat loan portfolio and gives due consideration to the changes in general market conditions and in the nature and volume of the Bank s loa to continue to provide for loan losses based on its periodic review of the loan portfolio and general market conditions. During the six and 2008, the Bank charged off $24,000 and $0, respectively. There were also no recoveries during either period.

Non-interest income increased $216,000 or 19.6% to $1.3 million during the six months ended June 30, 2009, from $1.1 million durin which resulted from a gain on sale of branch in the amount of $492,000, an increase in other non-interest income in the amount of $3 decreases in commissions from sale of financial products of $204,000 and fees and service charges in the amount of $110,000. The de sale of financial products was primarily due to management s decision to eliminate the sale of financial products to the general publi

Non-interest expenses increased by $5.8 million or 80.6% to $13.0 million during the six months ended June 30, 2009, when compar the same 2008 period. Salaries and employee benefits, professional fees, federal deposit insurance premiums, litigation loss reserve a increased $138,000, $2.2 million, $467,000, $3.0 million and $69,000, respectively, which was sufficient to offset decreases in net oc premises, equipment, advertising and provision for loss on foreclosed real estate of $30,000, $3,600, $42,000 and $14,000, respective when compared with the same 2008 period. As discussed in Comparison of Operating Results for the Three Months Ended June 30, accrued a $3.0 million litigation loss reserve to reflect a potential criminal forfeiture, and related costs and expenses in the quarter end of the federal grand jury investigation by the U.S. Attorney s Office discussed above. It is probable that the Bank will incur material million litigation loss reserve; however no reasonable estimate of additional losses can be made at this time. Depending on the end re total amount of penalties and related costs and expenses incurred by the Bank may be significantly higher than $3.0 million, and coul the Company s consolidated financial position, results of operations, and regulatory capital ratios. The increase in professional fees d June 30, 2009, as compared to the same 2008 period, was predominately due to expenses incurred for legal, accounting and other pro of the federal grand jury investigation by the U.S. Attorney s Office discussed above and fees paid to consultants that the Bank engag desist order issued by the OTS. FDIC premiums increased as a result of an increase in premium rates, the depletion of assessment cre a special assessment during the quarter ended June 30, 2009 of $270,000.

Income tax expense totaled $71,000 and $1.2 million during the six months ended June 30, 2009 and 2008, respectively. The decrease resulted from a decrease in pre-tax income of $6.2 million. The effective income tax rate was 2.3% and 36.9% for the six months ende respectively. The effective tax rate for the six months ended June 30, 2009 reflects a non-deductible $3.0 million litigation loss reserv

Liquidity and Capital Resources

The Bank is required by OTS regulations to maintain sufficient liquidity to ensure the Bank s safe and sound operation. The Bank s during the month of June 2009. The Bank adjusts its liquidity levels in order to meet funding needs for deposit outflows, payment of r accounts on mortgage loans, repayment of borrowings, when applicable, and loan funding commitments. The Bank also adjusts its liq to meet its asset/liability objectives.

The Bank s primary sources of funds are deposits, amortization and prepayments of loans and mortgage-backed securities, FHLB adv investment securities and funds provided from operations. While scheduled loan and mortgage-backed securities amortization and ma are a relatively predictable source of funds, deposit flow and loan and mortgage-backed securities prepayments are greatly influenced economic conditions and competition.

The Bank s liquidity, represented by cash and cash equivalents, is a product of its operating, investing and financing activities. Cash activities during the six months ended June 30, 2009 and 2008.

The primary sources of investing activities are lending and mortgage-backed securities. Loans receivable amounted to $422.5 million June 30, 2009 and December 31, 2008, respectively. Securities available for sale totaled $713,000 and $771,000 at June 30, 2009 and respectively. Mortgage-backed securities held to maturity totaled $101.8 million and $117.4 million at June 30, 2009 and December 3 addition to funding new loan production and mortgage-backed securities purchases through operating and financing activities, such ac principal repayments on existing loans and mortgage-backed securities.

The main sources of financing activities are deposits, advances and dividends. Deposits were $449.3 million and $444.0 million at Jun December 31, 2008, respectively. Advances from the FHLB totaled $62.0 million and $89.5 million at June 30, 2009 and December 3 dividends of $1.3 million and $2.3 million were paid during the six months ended June 30, 2009 and 2008, respectively.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short- federal funds and interest-bearing deposits. If the Bank requires funds beyond its ability to generate them internally, borrowing agreem which provide an additional source of funds.

The Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At June 30, 2009, the Bank had to originate loans of $3.8 million. Certificates of deposit scheduled to mature in one year or less at June 30, 2009, totaled $197.0 milli that, based upon its experience and the Bank s deposit flow history, a significant portion of such deposits will remain with the Bank.

Under OTS regulations, three separate measurements of capital adequacy (the Capital Rule) are required. The Capital Rule require maintain tangible capital equal to at least 1.5% and core capital equal to at least 4.0% of its adjusted total assets. The Capital Rule furt institution to maintain total capital equal to at least 8.0% of its risk-weighted assets.

The following table sets forth the Bank s capital position at June 30, 2009, as compared to the minimum regulatory capital requireme

	Actual		Minimum Capital Requirements	
	Amount	Ratio	Amount	Ra
			(Dollars in Thousa	
Total Capital (to risk-weighted assets)	$ 56,059	14.95%	$ 30,007	8.
Tier 1 Capital (to risk-weighted assets)	51,861	13.83%		
Core (Tier 1) Capital (to adjusted total assets)	51,861	9.02%	23,008	4.
Tangible Capital (to adjusted total assets)	51,861	9.02%	8,628	1.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth the Bank s contractual obligations and commercial commitments at June 30, 2009:

			Payment Du
Contractual Obligations	Total	One Year or Less	More Than One Year Through Three Years
			(In Thousands)
FHLB advances	$ 62,000	$ 21,000	$ 23,000
Certificates of deposit	212,625	196,911	13,834
Lease obligations	2,542	481	958
Benefit plans	6,885	695	1,381
Total	$ 284,052	$ 219,087	$ 39,173

In the normal course of business, the Bank enters into off-balance sheet arrangements consisting of commitments to fund mortgage lo
secured by real estate. The following table presents these off-balance sheet arrangements at June 30, 2009.

			Commitment Ex
Off-Balance Sheet Arrangements	Total	One Year or Less	More Than One Year Through Three Years
			(In Thousand
To originate loans	$ 3,838	$ 3,838	$
Unused lines of credit	1,722	1,712	10
Letters of credit	13,279	13,279	
Total	$ 18,839	$ 18,829	$ 10

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Management of Interest Rate Risk. The ability to maximize net interest income is largely dependent upon the achievement of a posi
can be sustained during fluctuations in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amount
and interest-bearing liabilities that either re-price or mature within a given period of time. The difference, or the interest rate re-pricing
of the extent to which an institution s interest rate spread will be affected by changes in interest rates. A gap is considered positive wh
sensitive assets exceeds the amount of interest-rate sensitive liabilities, and is considered negative when the amount of interest rate sen
amount of interest-rate sensitive assets.

Generally, during a period of rising interest rates, a negative gap within shorter maturities would adversely affect net interest income,
shorter maturities would result in an increase in net interest income, and during a period of falling interest rates, a negative gap within
result in an increase in net interest income while a positive gap within shorter maturities would result in a decrease in net interest inco
interest-bearing liabilities that mature or re-price within short periods exceed its interest-earning assets with similar characteristics, ma
increases in interest rates generally would adversely affect net interest income, while material and prolonged decreases in interest rate
positive effect on net interest income.

The Bank s current investment strategy is to maintain an overall securities portfolio that contributes to the Bank s overall profitabilit
quality and maturity considerations established and maintained by the Bank s Investment and Interest Rate Risk Committees.

Net Portfolio Value. The Bank s interest rate sensitivity is monitored by management through the use of the OTS model that estimat
net portfolio value (NPV) over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabi
contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets
OTS produces its analysis based upon data submitted on the Bank s quarterly Thrift Financial Reports. The following table sets forth
March 31, 2009, the most recent date the Bank s NPV was calculated by the OTS.

Change in Interest Rates In Basis Points (Rate Shock)	Net Portfolio Value			NPV as Percent of Portfolio Assets
	Amount	Dollar Change	Percent Change (Dollars in Thousands)	NPV Ratio
+300	$ 50,251	$ (34,606)	(41)%	8.48%
+200	64,054	(20,803)	(25)%	10.54%
+100	76,088	(8,769)	(10)%	12.23%
+50	80,410	(4,447)	(5)%	12.82%
0	84,857			13.41%
50	87,798	2,941	3%	13.78%
100	90,741	5,884	7%	14.16%

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV re assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In thi presented assumes that the composition of the Bank s interest sensitive assets and liabilities existing at the beginning of a period rema being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of th re-pricing of specific assets and liabilities. Accordingly, although the NPV measurements and net interest income models provide an i interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of market interest rates on the Bank s net interest income and will differ from actual results.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company s Chief Financial Officer and Interim Chief Executive Officer, evaluated the eff disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period c purpose of these controls and procedures is to ensure that information required to be disclosed by the Company in its Exchange Act re summarized and reported within the applicable time periods specified by the SEC s rules and forms. Based on the evaluation, the Co Officer and Interim Chief Executive Officer concluded that, because of a material weakness in the Company s internal control over fi during management s assessment of internal control over financial reporting as of December 31, 2008, the Company s disclosure co effective as of June 30, 2009.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a r material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis. In assessment of internal control over financial reporting as of the end of fiscal 2008, management identified the following material weal internal control over financial reporting as of December 31, 2008, which also existed as of June 30, 2009:

Pamrapo Service Corporation The controls relating to fees and commissions from sale of financial products payable to the Corpora subsidiary of the Bank, were inadequate. In August 2008, management became aware that certain commission payments from a third- payable to the Corporation, as required by its policies and procedures, were being paid directly to the Manager of the Corporation. Th Manager

were made pursuant to a letter between a third-party broker and the president of the Corporation. These direct payments constituted a
structure, which was made without the approval of the Board of Directors of the Corporation, as required by its policies and procedure

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the Company s most recent fi
materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. The Compan
to take actions to remediate its material weakness in internal control over financial reporting.

For a summary of the results of the internal investigation of the business and financial records of the Corporation conducted by indepe
engaged by the Company s Audit Committee, please see Part I, Item 2, Management s Discussion and Analysis of Financial Conditi
Operations Pamrapo Service Corporation of this Form 10-Q.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

As announced on February 3, 2009, the Bank previously received federal grand jury subpoenas from the U.S. Attorney s Office for th
subpoenas were issued to the Bank in connection with an ongoing investigation regarding the Bank s anti-money laundering and Ban
Certain individuals, including the Bank s senior officers and directors, have received grand jury testimony subpoenas in connection w
the Bank and its wholly-owned subsidiary, the Corporation, have also received federal grand jury subpoenas from the U.S. Attorney
commissions paid to the Manager of the Corporation. The Bank has, and continues to, fully cooperate with the investigations. It is ant
investigations will continue for at least the next several months.

No penalties, either criminal or civil, have been imposed on the Bank to date as a result of the investigation. However, pursuant to Sta
Accounting Standards No. 5, a company must accrue funds for a possible litigation loss if a loss is probable and the amount of the exp
estimable. It is probable that the Bank will incur monetary penalties in the form of fines and forfeitures as a result of these matters. As
filed with the Securities and Exchange Commission on June 23, 2009, the Bank was able to reasonably estimate certain losses, based
come to light. As a result, the Bank accrued a $3.0 million litigation loss reserve to reflect a potential criminal forfeiture, and related c
quarter ended June 30, 2009.

The Bank is only able to reasonably estimate certain losses at this time. It is probable that the Bank will incur material losses in additi
litigation loss reserve described above; however it is not able to reasonably estimate additional losses at this time. These additional los
further criminal forfeitures and potential criminal fines that may be imposed separately by a court, and civil money penalties that may
Bank s primary federal regulator, and Financial Crimes Enforcement Network, a part of the United States Treasury Department (Fin
result of the investigation, the total amount of penalties and related costs and expenses incurred by the Bank may be significantly high
could have a material impact on the Company s consolidated financial position, results of operations, and regulatory capital ratios.

On July 9, 2009, a complaint was filed in the Superior Court of New Jersey in Hudson County against the Company, each of its direct (BCB). The action, which seeks class certification, was brought by Keith Kube, a purported shareholder of the Company, on behal similarly situated. The complaint alleges, among other things, that the directors of the Company are in breach of their fiduciary duties connection with the Company s entry into an agreement and plan of merger, dated as of June 29, 2009, with BCB (the Agreement Company will merge with and into BCB, with BCB as the surviving corporation. The complaint seeks, among other things, for the Co from consummating the transactions contemplated by the Agreement and to award the plaintiff attorneys fees and expenses incurred Company and its directors believe that the allegations in the complaint are without merit and intend to vigorously defend against the c asserted in this legal matter.

ITEM 1A. Risk Factors

The following is an additional update to the first risk factor disclosed under Part I, Item 1A, Risk Factors in our Annual Report on For ended December 31, 2008, as previously updated by Part II, Item 1A, Risk Factors in our Quarterly Report on Form 10-Q for the quar

Government investigations could materially impact our financial statements and continue to reduce our earnings.

As previously disclosed and described in Part II, Item 1, Legal Proceedings of this Form 10-Q, the Bank has received federal grand ju Attorney s Office. The subpoenas were issued to the Bank in connection with an ongoing investigation regarding the Bank s anti-mo Secrecy Act compliance. Certain individuals, including the Bank s senior officers and directors, have received grand jury testimony s this investigation. In addition, the Bank and its wholly-owned subsidiary, the Corporation, have also received federal grand jury subpo Attorney s Office relating to certain commissions paid to the Manager of the Corporation. The Bank has, and continues to, fully coop is anticipated that the investigation will continue for at least the next several months.

Although no penalties, either criminal or civil, have been imposed on the Bank to date as a result of the investigation, it is probable th monetary penalties in the form of fines and forfeitures as a result of these matters. Pursuant to Statement of Financial Accounting Star must accrue funds for a possible litigation loss if a loss is probable and the amount of the expected loss is reasonably estimable. As re with the Securities and Exchange Commission on June 23, 2009, the Bank was able to reasonably estimate certain losses, based on ne come to light. As a result, the Bank accrued a $3.0 million litigation loss reserve to reflect a potential criminal forfeiture, and related c quarter ended June 30, 2009. It is probable that the Bank will incur material losses in addition to the $3.0 million litigation loss reserv it is not able to reasonably estimate additional losses at this time. Depending on the end result of the investigation, the total amount of and expenses incurred by the Bank may be significantly higher than $3.0 million, and could have a material impact on our consolidate of operations, and regulatory capital ratios. In addition, regardless of the outcome of the investigation, we may continue to incur subst these matters, which could continue to reduce our earnings.

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

There were no repurchases by the Company of its common stock during the quarter ended June 30, 2009. As of June 30, 2009, there v remaining that may be repurchased under the Company s stock repurchase programs, which were announced on August 22, 2000 and modified or revoked by the Company s Board of Directors, the repurchase authorizations do not expire.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Stockholders Meeting was held on April 29, 2009. The following matters were submitted to the stockholders:

1. Election of three directors.

The following directors were elected for terms to expire at the Annual Meeting of Stockholders for the year indicated next to each dir successor is elected and qualified:

	Year
Patrick D. Conaghan	2012
John A. Morecraft	2012
Herman L. Brockman	2011

2. The ratification of Beard Miller Company LLP as independent auditors of the Company for the fiscal year endin

	Number of Votes	
For	Against	Abstain
4,300,595	227,117	12,440

ITEM 5. Other Information

None.

ITEM 6. Exhibits

The following exhibits are filed as part of this report:

2	Agreement and Plan of Merger, dated as of June 29, 2009, between BCB Bancorp, Inc. and Pamrapo Bancorp, Inc. [1]
3.1.1	Certificate of Incorporation of Pamrapo Bancorp, Inc.[2]
3.1.2	Certificate of Amendment to Certificate of Incorporation of Pamrapo Bancorp, Inc.[3]
3.2	Pamrapo Bancorp, Inc. By-laws[4]
4	Stock Certificate of Pamrapo Bancorp, Inc.[5]
10.1	Change in Control Agreement by and between Pamrapo Bancorp, Inc. and Margaret Russo.[6]
10.2	Restated Pamrapo Bancorp, Inc. Change in Control Agreement by and between Pamrapo Bancorp, Inc. and Kenneth D. Wa
10.3	Amended and Restated Pamrapo Savings Bank, S.L.A. Directors Consultation and Retirement Plan.[8]
10.4	Pamrapo Bancorp, Inc. 2003 Stock-Based Incentive Plan. [9]
10.5	Order to Cease and Desist, Order No. NE-08-12, effective September 26, 2008. [10]
10.6	Stipulation and Consent to Issuance of Order to Cease and Desist.[10]
11	Computation of earnings per share (filed herewith).
31	Certification of Chief Financial Officer and Interim Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley herewith).
32	Certification of Chief Financial Officer and Interim Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopte of the Sarbanes-Oxley Act of 2002 (filed herewith).

[1] Incorporated herein by reference to the Current Report on Form 8-K, filed on June 30, 2009.

[2] Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2000, filed

[3] Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed o

[4] Incorporated herein by reference to the Current Report on Form 8-K, filed on November 27, 2007.

[5] Incorporated herein by reference to the Registration Statement on Form S-1 (Registration No. 33-30370), as amended, fil

[6] Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed o

[7] Incorporated herein by reference to the Current Report on Form 8-K, filed on October 29, 2007.

[8] Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed on M

[9] Incorporated herein by reference to the 2003 Annual Meeting Proxy Statement, filed on March 31, 2003.

[10] Incorporated herein by reference to the Current Report on Form 8-K, filed on September 26, 2008.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its beh
thereunto duly authorized.

PAMRAPO BANCORP, INC.

Date: August 10, 2009

By /s/ Kenneth D. Walter
Kenneth D. Walter
Vice President, Treasurer and Chief Financial Of
and Chief Executive Officer

Computation of Earnings per Share

	Thre E June
(Loss) available to common stockholders	$ (3
Weighted average shares outstanding	4
Basic (loss) per share	$
(Loss) for diluted (loss) per share	$ (3
Total weighted average common shares and equivalents outstanding for diluted computation	4
Diluted (loss) per share	$

CERTIFICATION

I, Kenneth D. Walter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pamrapo Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fa statements made, in light of the circumstances under which such statements were made, not misleading with respect to th report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present i financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report

4. The registrant s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act I 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be supervision, to ensure that material information relating to the registrant, including its consolidated subsid by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial repo our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the pre statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this rep effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report b and

   (d) Disclosed in this report any change in the registrant s internal control over financial reporting that occurre recent fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has material likely to materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control o registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over fina reasonably likely to adversely affect the registrant s ability to record, process, summarize and report finar

(b) Any fraud, whether or not material, that involves management or other employees who have a significant internal control over financial reporting.

Date: August 10, 2009

/s/ Kenneth D. Walter
Kenneth D. Walter
Vice President, Treasurer and Chief
Interim President and Chief Executi

CERTIFICATION PURSUANT TO

18 U.S.C. SECTIONS 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Pamrapo Bancorp, Inc. (the Company) on Form 10-Q for the period ended June 30, 200
and Exchange Commission on the date hereof (the Report), I, Kenneth D. Walter, Vice President, Treasurer and Chief Financial O
and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the S
that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of oper

/s/ Kenneth D. Walter
Kenneth D. Walter
Vice President, Treasurer and Chief
Interim President and Chief Executi

Date: August 10, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended DECEMBER 31, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 193
For the transition period from to

Commission File No. 0-18014

PAMRAPO BANCORP, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY	**22-2984813**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

611 AVENUE C, BAYONNE, NEW JERSEY 07002

(Address and zip code of principal executive offices)

Registrant s telephone number, including area code: (201) 339-4600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of exchange on which re**
Common Stock, par value $0.01 per share	**The NASDAQ Global M**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ¨ Yes x No

Note Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act fro those Sections.

Persons who respond to the collection of information contained in this form

are not required to respond unless the form displays a currently valid OMB control number.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Excl the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to su the past 90 days. x Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not l registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any ar 10-K. ¨

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

Large accelerated filer ¨		Accelerate
Non-accelerated filer ¨	(Do not check if a smaller reporting company)	Smaller re

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

The aggregate market value, based upon the last sales price of $15.48 as quoted on The NASDAQ Global Market for June 30, 2008, o
non-affiliates of the registrant, i.e., persons other than directors and executive officers of the registrant, is approximately $59,380,000.

The Registrant had 4,935,542 shares of Common Stock outstanding as of March 9, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 2008 are incorporated by reference into Parts 10-K.

Portions of the Proxy Statement for the 2009 Annual Meeting of Shareholders are incorporated by reference into Part III of th

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SIGNATURES

Forward-Looking Statements

This Form 10-K may include certain forward-looking statements based on current management expectations. The actual results of Par
 Company) could differ materially from those management expectations. Factors that could cause future results to vary from curren
include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the fed
tax policies, rates and regulations of federal, state and local tax authorities, changes in interest rates, deposit flows, the cost of funds, d
demand for financial services, competition, changes in the quality or composition of loan and investment portfolios of Pamrapo Savin
Company s wholly-owned subsidiary, changes in accounting principles, policies or guidelines, and other economic, competitive, gov
factors affecting the Company s operations, markets, products, services and prices.

PART I

Item 1. Business.

Pamrapo Bancorp, Inc. (also referred to as the Company or the Registrant) was incorporated under Delaware law on June 26, 19 incorporation from Delaware to New Jersey on March 29, 2001. On November 10, 1989, the Registrant acquired Pamrapo Savings Ba Pamrapo) as a part of the Bank s conversion from a New Jersey chartered savings association in mutual form to a New Jersey cha The Registrant is a savings and loan holding company and is subject to regulation by the Office of Thrift Supervision (OTS), the F Corporation (FDIC) and the Securities and Exchange Commission (SEC). Currently, the Registrant does not transact any materi sole subsidiary, the Bank.

Pamrapo was organized in 1887 as Pamrapo Building and Loan Association. On October 6, 1952, it changed its name to Pamrapo Sav a New Jersey chartered savings and loan association in mutual form, and in 1988 it changed its name to Pamrapo Savings Bank, S.L.A is located in Bayonne, New Jersey. Its deposits are insured up to applicable limits by the Deposit Insurance Fund (the DIF) which i December 31, 2008, the Bank had total assets of $598.0 million, deposits of $447.0 million and stockholders equity of $51.5 million intercompany accounts with the Company.

On March 6, 2009, the Bank completed its transaction for the sale of assets and transfer of liabilities of the Bank s Fort Lee, New Jer the assignment of the lease for that office, to NewBank, a New York-chartered commercial bank located in Flushing, New York. As o the Bank s Fort Lee branch were approximately $14.5 million. The purchase price for the assets of the branch, which was offset agai NewBank for assuming the branch s deposits, was $500,000 and a cash payment for the loans being purchased, which had a net book of sale. The Bank recorded a gain of $492,000 as a result of the sale.

As a community-oriented institution, the Bank is principally engaged in attracting retail deposits from the general public and investing one- to four-family residential mortgage loans and, to a lesser extent, in multi-family residential mortgage loans, commercial real esta second mortgage loans, consumer loans and mortgage-backed securities. The Bank s revenues are derived principally from interest o securities, interest and dividends on investment securities and short-term investments, and other fees and service charges. The Bank s deposits and, to a lesser extent, Federal Home Loan Bank of New York (FHLB-NY) advances and other borrowings.

Market Area

The Bank, which is headquartered in Bayonne, New Jersey, conducts its business through ten retail banking offices, seven of which a Jersey, one in Hoboken, New Jersey, one in Jersey City, New Jersey, and one in Monroe, New Jersey. The Bank s deposit base is loc County, with a large concentration in Bayonne, an older, stable, residential community of one-family and two-family residences and r have lived in the area for many years. The communities in which the Bank s branches are located are strategically located in the New and many residents of these communities commute to Manhattan to work on a daily basis. The Bank s lending activities have also be County and to a lesser extent in Bergen, Monmouth, Middlesex and Ocean Counties, areas which have had a high level of new develo

Lending Activities

General. Pamrapo principally originates fixed-rate mortgage loans on one- to four-family residential dwellings for retention in its own originates acquisition, development and construction

loans in addition to multi-family and commercial real estate loans. At December 31, 2008, the Bank s total gross loans outstanding ar
which $273.7 million consisted of loans secured by one- to four-family residential properties, $12.2 million consisted of construction
million consisted of loans secured by multi-family and commercial real estate, and $13.6 million consisted of commercial loans. Subs
real estate loan portfolio consists of conventional mortgage loans.

LOAN PORTFOLIO COMPOSITION

The following table sets forth the composition of the Bank s loan and mortgage-backed securities portfolios in dollar amounts and in
indicated:

	At December 31,							
	2004		2005		2006		2007	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Perc
					(Dollars in thousands)			
Real Estate Mortgage Loans:								
Permanent:								
Fixed-rate	$ 319,043	80.61%	$ 346,456	79.05%	$ 352,913	77.59%	$ 336,620	76
Adjustable rate	3,039	.77	6,316	1.44	8,188	1.80	7,098	1
Construction(1)	18,272	4.61	16,299	3.72	17,224	3.78	15,533	3
Total mortgage loans	340,354	85.99	369,071	84.21	378,325	83.17	359,251	81
Commercial Loans	659	.17	5,858	1.34	9,037	1.99	10,318	2
Consumer Loans:								
Passbook or certificate	733	.19	763	.18	719	.16	720	
Home improvement	133	.03	57	.01	36	.01	25	
Equity and second mortgages	59,015	14.91	66,494	15.17	70,507	15.50	71,902	16
Automobile	637	.16	680	.16	536	.12	561	
Personal	1,041	.26	1,052	.24	1,146	.25	938	
Total consumer loans	61,559	15.55	69,046	15.76	72,944	16.04	74,146	16
Total loans	402,572	101.71	443,975	101.31	460,306	101.20	443,715	101
Less:								
Allowance for loan losses	2,495	.63	2,755	.63	2,651	.58	3,155	
Loans in process	5,155	1.30	4,020	.92	4,012	.88	2,719	
Deferred loan fees (costs)	(878)	(.22)	(1,050)	(.24)	(1,216)	(.26)	(1,212)	(
Total	6,772	1.71	5,725	.31	5,447	1.20	4,662	1
Total net loans	$ 395,800	100.00%	$ 438,250	100.00%	$ 454,859	100.00%	$ 439,053	100
Mortgage-Backed Securities:								
GNMA(2)	$ 421	.21%	$ 253	.15%	$ 168	.12%	$ 127	
FHLMC(3)(6)	140,821	69.99	118,507	70.63	100,185	70.69	86,975	69
FNMA(4)(6)	42,660	21.20	32,623	19.44	27,127	19.14	24,725	19
CMO(5)	16,027	7.97	15,428	9.20	13,334	9.41	12,029	9
Total mortgage-backed securities	199,929	99.37	166,811	99.42	140,814	99.36	123,856	99
Add:								
Premiums (discounts), net	1,246	.62	970	.58	903	.64	567	
Unrealized gain on securities available for sale	16	.01	8		7		5	
Net mortgage-backed securities	$ 201,191	100.00%	$ 167,789	100.00%	$ 141,724	100.00%	$ 124,428	100

(1) Includes acquisition, development and land loans.
(2) Government National Mortgage Association (GNMA).
(3) Federal Home Loan Mortgage Corporation (FHLMC).
(4) Federal National Mortgage Association (FNMA).
(5) Collateralized Mortgage Obligations (CMO).
(6) Includes available for sale securities having a principal balance of $1,098,323 for 2004, a principal balance of $772,221 for 2005, a principal bala principal balance of $516,561 for 2007 and a principal balance of $418,937 for 2008.

The following table sets forth the composition of the Bank s gross loan portfolio by type of security at the dates indicated.

	As of December 31,			
	2006		2007	
	(Dollars in thousands)			
	Amount	Percent of Total	Amount	Percent of Total
One-to four-family (2)	$ 276,232	60.01%	$ 268,048	60.41
Multi-family (2)	71,323	15.50	63,652	14.35
Commercial real estate (2)	84,088	18.27	83,944	18.92
Construction and land	17,224	3.74	15,533	3.50
Commercial	9,037	1.96	10,318	2.32
Consumer-secured and unsecured	2,402	.52	2,220	.50
Total gross loans	$ 460,306	100.00%	$ 443,715	100.00

ORIGINATION, PURCHASE AND SALE OF LOANS AND MORTGAGE-BACKED SECURITIES. The following table sets forth the
purchases, sales and principal repayments for the periods indicated.

	Y
	2006
Mortgage Loans (gross):	
At beginning of period	$ 369,0
Mortgage loans originated:	
One- to four-family residential	46,5
Multi-family residential	9,4
Commercial	12,9
Construction (1)	12,3
Total mortgage loans originated	81,3
Mortgage loans sold	
Charge-offs	
Transfers to REO	
Repayments	71,9
At end of period	$ 378,3
Commercial Loans (gross):	
At beginning of period	$ 5,8
Commercial loans originated	5,0
Charge-offs	
Repayments	1,8
At end of period	$ 9,0
Consumer Loans (gross) (2)	
At beginning of period	$ 69,0
Consumer loans originated	26,7

Charge-offs	
Repayments	22,8
At end of period	$ 72,9
Mortgage-backed securities (gross):	
At beginning of period	$ 166,8
Mortgage-backed securities purchased	
Repayments	25,9
At end of period	$ 140,8

(1) Includes acquisition, development and land loans.

(2) Includes equity and second mortgages.

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LOAN MATURITY. The following table sets forth the maturity of the Bank s gross loan portfolio at December 31, 2008. The table do scheduled principal repayments. Prepayments and scheduled principal repayments on loans totaled $96.7 million, $66.7 and $71.3 mi December 31, 2006, 2007 and 2008, respectively.

	One- to four-family residential mortgage loans (1)	Multi-family and commercial real estate loans (1)	Construction Loans (2)	Consumer-secured and unsecured loans
			(In thousands)	
Amounts due:				
Within 1 year	$ 125	$ 1,067	$ 12,086	$ 53
After 1 year:				
1 to 3 years	794	1,204	87	498
3 to 5 years	4,816	2,290	26	381
5 to 10 years	30,548	21,118		805
10 to 20 years	88,159	114,772		242
Over 20 years	149,241	917		
Total due after 1 year	273,558	140,301	113	1,926
Total amounts due	$ 273,683	$ 141,368	$ 12,199	$ 1,979
Less:				
Allowance for loan losses				
Loans in process				
Deferred loan fees (costs)				
Total				

(1) Includes equity, second mortgage and home improvement loans.

(2) Includes acquisition, development and land loans.

The following table sets forth at December 31, 2008, the dollar amount of all mortgage, consumer, commercial and construction loans 2009, which have fixed interest rates or adjustable interest rates:

	Due
	Fixed Rates
One- to four-family residential (1)	$ 264,89
Construction loans	11
Multi-family and commercial real estate (1)	134,57
Commercial-loans	
Consumer-secured and unsecured loans	1,16
Totals	$ 400,75

(1) Includes equity, second mortgage and home improvement loans.

Residential Mortgage Lending. Pamrapo presently originates first mortgage loans, equity loans, second mortgage loans and improvem
four-family residences and multi-family residences. As of December 31, 2008, 96.7% of the gross loan portfolio was fixed-rate loans
was

originated for the Bank s portfolio. Residential loan originations are generally obtained from existing or past customers and members of December 31, 2008, $337.4 million or 76.2% of the Bank s total gross loan portfolio consisted of one- to four-family and multi-fa loans. Of this amount $273.7 million were one- to four-family loans and $63.7 million were multi-family loans.

The one- to four-family residential loans originated by the Bank are primarily fixed-rate mortgages, generally with terms of 15 or 25 y in the Bayonne area are one- or two-family owner-occupied dwellings. The Bank generally makes one- to four-family residential mor 80% of the appraised value of the secured property. The Bank will originate loans with loan-to-value ratios up to 90% within the loca private mortgage insurance on the amount in excess of such 80% ratio is obtained. Mortgage loans in the Bank s portfolio generally i which provide the Bank with the contractual right to demand the loan immediately due and payable in the event that the borrower tra property that is subject to the mortgage. It is the Bank s policy to enforce due-on-sale provisions. As of December 31, 2008, the inter residential fixed-rate mortgages offered by the Bank was 6.00% on 15-year loans and 6.25% on 25-year loans.

The Bank also originates loans on multi-family residences. Such residences generally consist of 6 to 24 units. Such loans are generall interest rates ranging from 1.0% to 1.5% higher than those offered on one- to four-family residences. The Bank generally makes mult amounts up to 75% of the appraised value of the secured property. Such appraisals are based primarily on the income producing abili of multi-family residential loans range from 10 to 15 years. As of December 31, 2008, $63.7 million or 14.4% of the Bank s total gro multi-family residential loans.

Upon receipt of an application for a mortgage loan from a prospective borrower, a credit report is ordered to verify information relati employment, income and credit standing. A preliminary inspection of the subject premises is made by at least one member of the Exe report of that inspection is brought before the Executive Committee or the full Board of Directors to approve the amount of the loan a given subject to a report of value from an independent appraiser and credit approval. Approval of credit is given by the Bank s presid Bank s policy to obtain title insurance on all real estate loans. Borrowers also must obtain hazard insurance and flood insurance, if re Bank generally requires borrowers to advance funds on a monthly basis together with each payment of principal and interest to a tax e the Bank can make disbursements for items such as real estate taxes and certain insurance premiums, if any, as they become due.

Acquisition, Development, Construction and Land Lending. The Bank originates loans to finance the construction of one- to four-fam dwellings and, to a lesser extent, commercial real estate. It also originates loans for the acquisition and development of unimproved p principally for residential purposes in cases where the Bank is to provide the construction funds to improve the properties.

The interest rates and terms of the construction and land development loans vary, depending upon market conditions, the size of the c project and negotiations with the borrower. Advances are generally made to the borrower to cover actual construction costs incurred. the Bank requires the project to be built out in phases. Advancement of funds is dependent upon completion of the project stages. The exposure to 75% of the projected market value of the completed project. The amount of the loans are generally determined as follows with no immediate plans for construction are limited to 65% of the appraised value of the land; (ii) acquisition and development loans appraised value of the improved lot not to exceed 150% of the original acquisition cost; (iii) in addition to the disbursement for acqui acquisition, development and construction loan, the Bank will not advance more than 90% of the construction costs; and (iv) loans se vacant land are limited to 65%. Prior to making any disbursements, the Bank requires that the projects securing the construction and d inspected.

The underwriting criteria used by the Bank are designed to evaluate and minimize the risks of each construction loan. Among other th considers an appraisal of the project, the reputation of the borrower and the contractor, the amount of the borrower s equity in the pro and review of cost estimates, plans and specifications, preconstruction sale and leasing information, current and expected economic co project, cash flow projections of the borrower, and, to the extent available, guarantees by the borrower and/or third parties. All of the development and construction loan portfolio is secured by real estate properties located in northern and central New Jersey.

Acquisition, development and construction lending is generally considered to involve a higher level of risk than one- to four-family p due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on de estate developers and managers. In addition, the nature of these loans is such that they are generally less predictable and more difficul As of December 31, 2008, $12.2 million or 2.8% of the Bank s gross loan portfolio consisted of acquisition, development, constructi size from $50,000 to $1.7 million.

Commercial Real Estate Lending. Loans secured by commercial real estate totaled $77.7 million, or 17.5% of the Bank s total gross December 31, 2008. Commercial real estate loans are generally originated in amounts up to 70% of the appraised value of the propert determined by an independent appraiser previously approved by the Bank. The Bank s commercial real estate loans are secured by in office buildings, retail stores, warehouses and other non-residential buildings. Once the loan has been determined to be creditworthy a value, in the case of corporate borrowers, the Bank obtains a personal guaranty from third party principals of the corporate borrower a the loan. This enables the Bank to proceed against the guarantor in the event of default without first exhausting remedies against the b collectibility pursuant to such third party guarantees may be made by means of review of other properties secured by the Bank, perso applicants, review of the applicant s personal financial statements and income tax returns and review of credit bureau reports. Borrow guarantee loans made for commercial real estate. Commercial real estate loans have terms ranging from 5 to 15 years and are generall

Loans secured by commercial real estate properties are generally larger and involve a greater degree of risk than residential mortgage loans secured by commercial real estate properties are often dependent on successful operation or management of the properties, repa subject to adverse conditions in the real estate market or the economy. Emphasis is placed on the income producing capability of the c management-intensive projects.

Consumer and Commercial Lending. The Bank offers various other secured and unsecured consumer loan products such as automobi passbook loans, as well as commercial loans. At December 31, 2008, the balance of such loans was $15.5 million, or 3.5% of the Ban

Loan Review. The Bank has a formalized loan review program, providing for detailed post-closing reviews for loans selected from all reports are made to the mortgage and loan officers and the Board of Directors. Classification determination is presently the responsibi Classification Committee. See Classification of Assets. The purpose of these procedures is to enhance the Bank s ability to proper originates and to improve the performance of such loans.

Lending Authority. The Bank s Executive Committee has the authority to approve loans up to $750,000, with the stipulation that loan $500,000 must be reported at the next Board of Directors meeting. The Bank s Vice President and Loan Officer have the authority to loans of up to $350,000.

Loan Servicing. The Bank originated all of the loans it has sold and services those loans for other investors. Pamrapo receives fees for
which include collecting and remitting loan payments, inspecting the properties and making certain insurance and tax payments on be
December 31, 2008, the Bank was servicing $1.3 million of loans for others.

Loan Origination Fees and Costs. Loan origination fees and certain related direct loan origination costs are deferred and the resulting
over the life of the related loan as an adjustment to the yield of such loans. In addition, commitment fees are required to be offset agai
the resulting net amount generally is recognized over the life of the related loans as an adjustment of yield or if the commitment expir
upon expiration of the commitment. The Bank had $1.2 million in net deferred origination costs at December 31, 2008.

Non-Performing Assets

When a borrower fails to make a required payment by the fifteenth day of the month in which the payment is due, the Bank sends a la
borrower that the payment has not been received. In most cases delinquencies are cured promptly; however, if a loan has been delinqu
the Bank reviews the loan status more closely and, where appropriate, appraises the condition of the property and the financial circum
Based upon the results of any such investigation, the Bank (1) may accept a repayment program for the arrearage from the borrower; (
form of a listing contract, of efforts by the borrower to sell the property if the borrower has stated that he is attempting to sell; (3) may
foreclosure; or (4) generally will initiate foreclosure proceedings when a loan payment is delinquent for more than three monthly insta

The following table sets forth information regarding non-accrual loans, loans which are 90 days or more delinquent, but on which the
and other real estate owned held by the Bank at the dates indicated. It is generally the Bank s policy to stop interest income accruals a
previously accrued interest income on consumer loans more than 120 days past due and on all other loans when, in management s op
portion of the loan principal has become doubtful.

			At Dec
	2004	2005	2
		(Dollars i	
One- to four-family residential real estate loans (1):			
Non-accrual loans	$ 696	$ 493	$
Accruing loans 90 days overdue	81	332	
Total	777	825	1
Multi-family residential and commercial real estate loans (1):			
Non-accrual loans	1,067	647	
Accruing loans 90 days overdue	236	463	
Total	1,303	1,110	
Construction loans (2):			
Non-accrual loans	456		
Accruing loans 90 days overdue			
Total	456		
Commercial loans:			
Non-accrual loans			
Accruing loans 90 days overdue			
Total			

			At December 31
	2004	2005	2006
			(Dollars in thousan
Consumer loans:			
Non-accrual loans	42	33	22
Accruing loans 90 days overdue	9	1	7
Total	51	34	29
Total non-performing loans:			
Non-accrual loans	2,261	1,173	896
Accruing loans 90 days overdue	326	796	1,383
Total	$ 2,587	$ 1,969	$ 2,279
Total foreclosed real estate, net of related reserves	$	$	$
Total non-performing loans and foreclosed real estate to total assets	.41%	.30%	.36%

(1) Includes equity and second mortgage loans.

(2) Includes acquisition and development loans.

At December 31, 2006, 2007 and 2008, non-accrual loans for which interest has been discontinued totaled approximately $896,000, $ respectively. During the years ended December 31, 2006, 2007 and 2008, the Bank recognized interest income of approximately $10, respectively, on these loans. Interest income that would have been recorded, had the loans been on the accrual status, would have amo $67,000, $261,000 and $363,000 for the years ended December 31, 2006, 2007 and 2008, respectively. The Bank is not committed to borrowers whose loans have been placed on nonaccrual status.

Delinquent Loans. At December 31, 2006, 2007 and 2008, respectively, delinquencies in the Bank s portfolio were as follows:

	At December 31, 2006				At December 31, 2007				At D	
	60 - 89 Days		90 Days or more		60 - 89 Days		90 Days or more		60 - 89 Day	
	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	Number of Loans	Prin Bala o Loa
					(Dollars in thousands)					
Delinquent loans	19	$ 2,513	25	$ 2,279	13	$ 1,460	31	$ 5,483	33	$ 6,
As a percent of total gross loans		.55%		.50%		.33%		1.24%		

As of December 31, 2008, the Bank had 52 loans which were 90 days or more past due totaling $10.8 million. The average balance of approximately $208,000. All loans are within the Bank s lending areas. Most of the loans are of moderate size, with the largest balan is a commercial loan to a local hospital. The loan was originally for $3.0 million with a maturity date of November 15, 2006, which w In October 2006, $1.0 million of the loan was paid and the remaining balance of approximately $1.9 million was secured by a mortga December 31, 2008, the $1.9 million loan balance had not been paid. The repayment of the loan is subject to bankruptcy proceedings. creditor s committee for the hospital filed a complaint against the Bank seeking to recover the $1.0 million previously paid on the loa mortgage securing the $1.9 million still owed to the Bank.

The Bank s level of non-performing loans 90 days or more delinquent increased from $5.5 million at December 31, 2007 to $10.8 mi
The total of such loans in the lower risk one- to four-family residential category increased to $4.8 million from $1.8 million at Decem
Non-performing multi-family residential, commercial real estate and construction loans, loans normally having greater elements of ris
million at December 31, 2007 to $4.1 million at December 31, 2008. The $1.9 million loan discussed above was the only non-perform
December 31, 2008 and 2007.

Classified Assets. Federal regulations provide for the classification of loans and other assets such as debt and equity securities conside
substandard, doubtful or loss assets. Assets which do not currently expose the insured institution to sufficient risk to warrant
aforementioned categories but possess weaknesses are designated special mention by management.

A classification of either substandard or doubtful requires the establishment of general allowances for loan losses in an amount deeme
Assets classified as loss require either a specific allowance for losses equal to 100% of the amount of the asset so classified or a ch

A savings institution s determination as to the classification of its assets and the amount of its valuation allowances is subject to revie
order the establishment of additional general or specific loss allowances. The OTS, in conjunction with the other federal banking ager
interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial instituti
responsibilities of management for the assessment and establishment of adequate allowances and guidance for banking agency exami
the adequacy of general valuation allowances. Generally, the policy statement requires that institutions have effective systems and co
and address asset quality problems; have analyzed all significant factors that affect the collectibility of the portfolio in a reasonable m
acceptable allowance evaluation processes that meet the objectives set forth in the policy statement.

Management of the Bank has classified $10.4 million of its assets as substandard and approximately $1.1 million as related loss based
Bank s loan portfolio. Such review, among other things, takes into consideration the appraised value of underlying collateral, econom
capacity of the borrowers. However, the Bank s Asset Classification Committee carefully monitors all of the Bank s delinquent loan
they should be classified. At a minimum, the Bank classifies all foreclosed real estate and non-performing loans 90 days or more deli
At December 31, 2008, the allowance for loan losses totaled $4.7 million.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management s
in its loan portfolio and changes in the nature and volume of its loan activity. Such evaluation, which includes a review of all loans of
not be reasonably assured, considers among other matters, the estimated net realizable value of the underlying collateral, economic co
experience and other factors that warrant recognition in providing for an adequate loan loss allowance.

During the years ended December 31, 2006, 2007 and 2008, gross charge-offs totaled $113,000, $270,000 and $124,000, respectively

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The following table sets forth the activity of the Bank s allowance for loan losses at the dates indicated:

	At or for the year ended De		
	2004	2005	2006
		(Dollars in thousan	
Balance at beginning of period	$ 2,515	$ 2,495	$ 2,755
Provision for loan losses	82	110	
Charge-offs (recoveries):			
Charge-offs:			
Real estate mortgage loans	39		86
Consumer loans	68	21	27
Commercial loans			
Recoveries:			
Real estate mortgage loans	(5)	(129)	
Consumer loans		(42)	(9)
Net charge-offs (recoveries)	102	(150)	104
Balance at end of period	$ 2,495	$ 2,755	$ 2,651
Ratio of net charge offs (recoveries) during the period to average loans receivable during the period	.03%	(.03)%	.02%
Ratio of allowance for loan losses to total outstanding loans (gross) at the end of period	.62%	.62%	.58%
Ratio of allowance for loan losses to non-performing loans	96.44%	139.93%	116.32%

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated. Management can be allocated by category only on an approximate basis. The allocation to the allowance by category is not necessarily indicative o restrict the use of the allowance to absorb losses in any category.

	At December 31,											
	2004			2005			2006			2007		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Allowance	Perc of Lo in E Cate to T Lo
	(Dollars in thousands)											
Real estate mortgage loans	$ 2,270	90.98%	99.24%	$ 2,470	89.66%	98.12%	$ 2,201	83.03%	97.52%	$ 2,138	67.77%	9
Consumer loans	150	6.01	.60	110	3.99	.56	150	5.65	.52	103	3.26	
Commercial loans	75	3.01	.16	175	6.35	1.32	300	11.32	1.96	914	28.97	
Total allowance	$ 2,495	100.00%	100.00%	$ 2,755	100.00%	100.00%	$ 2,651	100.00%	100.00%	$ 3,155	100.00%	10

Mortgage-Backed Securities. The Bank has significant investments in mortgage-backed securities and has, during periods when loan c
interest yields on alternative investments were minimal, utilized such investments as an alternative to mortgage lending. All of the sec
insured or guaranteed by GNMA, FNMA or FHLMC and have coupon rates as of December 31, 2008 ranging from 3.94% to 10%. A
unamortized principal balance of mortgage-backed securities, both held to maturity and available for sale, totaled $117.4 million or 19
carrying value of such securities amounted to $141.7 million, $124.4 million and $117.8 million at December 31, 2006, 2007 and 200
market value of such securities totaled approximately $137.1 million, $121.9 million and $120.3 million at December 31, 2006, 2007

The following table sets forth the contractual maturities of the Bank s gross mortgage-backed securities portfolio, which includes ava
maturity mortgage-backed securities, at December 31, 2008.

	Contractual Maturities Due in December 31,			
	2009-2010	2011-2012	2013-2017	2018-20
	(In thousands)			
Mortgage-backed securities:				
Held to maturity	$ 104	$ 434	$ 14,997	$ 96,0
Available for sale				3
Total	$ 104	$ 434	$ 14,997	$ 96,3

Mortgage-backed securities are a low risk investment for the Bank. The Bank s substantial investment in mortgage-backed securities
Bank s ability to meet risk based capital requirements as mortgage-backed securities are assigned a risk rating, generally from 0% to
experience, the Bank believes that the mortgage-backed securities will be repaid significantly in advance of the stated maturities refle

Investment Activities

DIF-insured savings institutions have the authority to invest in various types of liquid assets, including United States Treasury obligat
federal agencies, certain certificates of deposit of insured banks and savings institutions, certain bankers acceptances, repurchase agr
Subject to various restrictions, DIF-insured savings institutions may also invest their assets in commercial paper, corporate debt secur
whose assets conform to the investments that a DIF-insured savings institution is otherwise authorized to make directly.

The Board of Directors sets the investment policy of the Bank. This policy dictates that investments will be made based on the safety
requirements of the Bank and the return on the investment and capital appreciation. The Bank s Chief Executive Officer may make in
subject to ratification by the Bank s Board of Directors.

The Bank s conservative policy does not permit investment in junk bonds or speculative strategies based upon the rise and fall of inte
however, has always been to realize the greatest possible return commensurate with its interest rate risk. Pamrapo has emphasized sho
liquidity to increase sensitivity of its investment securities to changes in interest rates.

Investment Portfolio

The following table sets forth certain information regarding the Bank s investment portfolio, which includes available for sale securit
held to maturity, at the dates indicated:

			At December	
	2006		2007	
	Amortized Cost	Fair Value	Amortized Cost	F Va
			(In thousand	
Investments:				
FHLB-NY stock (1)	$ 5,721	$ 5,721	$ 4,996	$ 4
Subordinated Notes (3)	9,168	9,599	9,043	9
Municipal Obligations (3)			1,334	1
Trust originated preferred security (2)	500	500	400	
Total investment securities	$ 15,389	$ 15,820	$ 15,773	$ 16
Other interest-earning assets:				
Interest bearing deposits	$ 8,790	$ 8,790	$ 62,976	$ 62
Total investment portfolio	$ 24,179	$ 24,610	$ 78,749	$ 79

(1) No stated maturity.
(2) For further information, see Note 2 to the Company s Financial Statements in the 2008 Annual Report to Shareholders.
(3) For further information, see Note 3 to the Company s Financial Statements in the 2008 Annual Report to Shareholders.

At December 31, 2008, the Bank had $6.0 million invested in subordinated notes with Columbia Financial Inc. Other than this investr
investments with any one issuer that exceeded 10% of stockholders equity.

The following table sets forth certain information regarding the amortized cost, weighted average yields and contractual maturities of
portfolio:

					At December 31, 2008			
	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
					(Dollars in thousands)			
Subordinated Notes	$	%	$ 10,016	8.57%	$	%	$	
Municipal Obligations							1,334	4.16
Trust originated preferred security							400	7.75
Total debt securities	$	%	$ 10,016	8.57%	$	%	$ 1,734	4.99

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Sources of Funds

General. Deposits are the primary source of the Bank s funds for use in lending and for other general business purposes. In addition t funds from advances from the FHLB-NY and other borrowings.

Deposits. Pamrapo offers a variety of deposit accounts having a wide range of interest rates and terms. The Bank s deposits consist o bearing demand, NOW and Super NOW, money market and certificate accounts. Pamrapo s deposits are obtained primarily from the Bank relies primarily on customer service and long-standing relationships with customers to attract and retain deposits. Deposits decr 12.6% from $507.9 million at December 31, 2007 to $444.0 million at December 31, 2008.

The flow of deposits is influenced significantly by general economic conditions, changes in the money market and prevailing interest

Deposit Portfolio. The following table sets forth the distribution and weighted average nominal interest rate of the Bank s deposit acc

					At December 31,		
		2006			2007		
	Amount	% of Total Deposits	Weighted Average Nominal Rate	Amount	% of Total Deposits	Weighted Average Nominal Rate	Amount
				(Dollars in thousands)			
Passbook and club accounts	$ 135,503	28.83%	1.41%	$ 122,923	24.20%	1.13%	$ 115,71
Non-interest bearing demand	43,848	9.33	.00	38,226	7.52	.00	40,68
NOW	36,455	7.76	1.00	82,088	16.16	1.52	35,81
Super NOW	163	.03	1.00	234	.05	1.00	22
Money market demand	24,148	5.14	1.25	26,305	5.18	2.87	25,82
Total passbook, club, NOW, and money market accounts	240,117	51.09	1.07	269,776	53.11	1.26	218,26
Certificate accounts:							
91-day	62,027	13.20	4.34	70,169	13.81	4.77	28,07
26-week	106,204	22.60	4.63	115,331	22.70	4.54	147,20
12- to 30-month	15,018	3.20	4.27	8,661	1.71	4.54	2,53
30- to 48-month	15,989	3.40	4.02	10,556	2.08	4.28	11,79
IRA and KEOGH	30,586	6.51	3.94	33,468	6.59	4.37	36,12
Total certificates	229,824	48.91	4.39	238,185	46.89	4.57	225,73
Total deposits	$ 469,941	100.00%	2.69%	$ 507,961	100.00%	2.81%	443,99

The following table sets forth the deposit activity of the Bank for the periods indicated:

	Yea
	2006
Net (withdrawals) deposits	$ (15,37
Interest credited	11,31
Net (decrease) increase in deposits	$ (4,06

The following table sets forth, by various rate categories, the amount of certificate accounts outstanding as of the dates indicated and t
certificate accounts outstanding at December 31, 2008.

	At December 31,			At Decembe	
	2006	2007	2008	One Year or Less (In thousands)	Twe Year
2.99% or less	$ 4,862	$ 856	$ 34,326	$ 33,946	$ 3
3.00% to 4.99%	206,519	225,569	186,631	171,331	12,7
5.00% to 5.99%	18,443	11,760	4,774	1,890	1,5
Total	$ 229,824	$ 238,185	$ 225,731	$ 207,167	$ 14,6

At December 31, 2008, the Bank had outstanding $107.0 million in certificate accounts in amounts of $100,000 or more maturing as f

Three months or less	
Over three through six months	
Over six through twelve months	
Over twelve months	
Total	

Borrowings. Although deposits are the Bank s primary source of funds, the Bank utilizes borrowings when they are a less costly sour
at a positive rate of return.

Pamrapo obtains advances from the FHLB-NY upon the security of its capital stock of the FHLB-NY and a blanket assignment of the
qualifying mortgage loans, mortgage-backed securities and investment securities. Such advances are made pursuant to several differe
which has its own interest rate and range of maturities. As of December 31, 2008, outstanding advances from the FHLB-NY amounte

The following table sets forth certain information regarding FHLB-NY advances, all of which are at fixed rates, maturing in the perio

			At December 31,	
	2006		2007 (Dollars in thousands)	
Maturing by December 31,	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amoun
2006	%	$	%	$
2007	2.91	17,000		
2008	4.24	15,000	4.24	15,00
2009	5.25	18,000	5.25	18,00
2010	5.59	23,000	5.59	23,00
2011	5.24	10,000	5.24	10,00
2015	4.80	3,000	4.80	3,00
2016	4.05	15,000	4.05	15,00
	4.59%	$ 101,000	4.93%	$ 84,00

Competition

Pamrapo has substantial competition for both loans and deposits. The New York City metropolitan area has a high density of financia are significantly larger and have substantially greater financial resources than the Bank, and all of which are competitors of the Bank t Bank faces significant competition both in making mortgage loans and in attracting deposits. The Bank s competition for loans come loan associations, savings banks, mortgage banking companies, insurance companies, commercial banks and other institutional lender competition for deposits has historically come from savings and loan associations, savings banks, commercial banks, credit unions an The Bank faces additional competition for deposits from short-term money market funds and other corporate and government securiti increased competition among financial institutions for deposits. Competition also may increase as a result of the continuing reduction on the interstate operations of financial institutions and legislation authorizing the acquisition of thrifts by Banks.

The Bank competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of services it estate brokers. It competes for deposits through pricing, service and by offering a variety of deposit accounts. New powers for thrift in Jersey and federal legislation enacted in recent years have resulted in increased competition between savings banks and other financia deposits and loans. Management believes that implementation of new powers set forth in such recent legislation is expected to intensi

Subsidiaries

Pamrapo is generally permitted under New Jersey law and the regulations of the Commissioner of the New Jersey Department of Ban Commissioner) to invest, without regulatory approval, an amount equal to 3% of its assets in subsidiary service corporations. As of had $215.7 million and $176,000 of its assets invested in Pamrapo Investment Company and Pamrapo Service Corporation, respective wholly-owned subsidiary of the Bank. Pamrapo Investment Company manages and maintains certain tangible assets of the Bank for in Currently, Pamrapo Service Corporation s only activity is marketing non-variable life insurance products.

Yields Earned and Rates Paid

The Bank s earnings depend primarily on its net interest income. Net interest income is affected by (i) the volume of interest-earning liabilities, (ii) rates of interest earned on interest-earning assets and rates paid on interest-bearing liabilities and (iii) the difference (i rates of interest earned on interest-earning assets and rates paid on interest-bearing liabilities. When interest-earning assets approxima liabilities, any positive interest rate spread will generate net interest income.

A large portion of the Bank s real estate loans are long-term, fixed-rate loans. Accordingly, the average yield recognized by the Bank changes slowly and generally does not keep pace with changes in interest rates on deposit accounts and borrowings. At December 31, of the Bank s gross mortgage loan portfolio, excluding mortgage-backed securities, consisted of fixed-rate mortgage loans with origi of 15 to 30 years. Accordingly, when interest rates rise, the Bank s yield on its loan portfolio increases at a slower pace than the rate increases, which may adversely impact the Bank s interest rate spread.

The following tables set forth for the periods indicated information regarding the average balances of interest-earning assets and intere dollar amount of interest income earned on such assets and the resultant yields, the dollar amount of interest expense paid on such liab costs. The tables also reflect the interest rate spread for such periods, the net yield on interest-earning assets (i.e., net interest income a interest-earning assets) and the ratio of average interest-earning assets to average interest-bearing liabilities. Average balances are bas

	Year Ended December 31,							
	2006			2007			2008	
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest
	(Dollars in thousands)							
Interest-earning assets:								
Loans (1)	$ 448,917	$ 28,937	6.45%	$ 444,389	$ 28,838	6.49%	$ 433,667	$ 27,747
Mortgage-backed securities	154,471	7,222	4.68	133,116	6,003	4.51	123,989	5,647
Investments (2)	11,465	773	6.74	10,072	695	6.90	11,243	851
Other interest-earning assets	13,343	605	4.53	32,030	1,566	4.89	34,941	970
Total interest-earning assets	628,196	37,537	5.98	619,607	37,102	5.99	603,840	35,215
Non-interest-earning assets	14,932			12,433			13,250	
Total assets (1)	$ 643,128			$ 632,040			$ 617,090	
Interest-bearing liabilities:								
Passbook and club account	146,117	2,017	1.38	125,809	1,623	1.29	118,749	1,358
NOW and money market accounts	67,523	780	1.15	82,466	1,005	1.22	84,839	1,197
Certificates of Deposits	218,635	8,517	3.90	227,840	11,070	4.81	230,845	8,957
Advances and other borrowings	104,042	4,667	4.59	91,346	4,384	4.80	78,089	3,893
Total interest-bearing liabilities	536,317	15,981	2.98	527,461	18,082	3.43	512,522	15,405
Non-interest-bearing liabilities:								
Non-interest-bearing demand accounts	39,361			38,352			39,623	
Other	7,690			6,982			6,699	
Total non-interest-bearing liabilities	47,051			45,334			46,322	
Total liabilities	583,368			572,795			558,844	
Stockholders equity	59,760			59,245			58,246	
Total liabilities and stockholders equity	$ 643,128			$ 632,040			$ 617,090	
Net interest income/interest rate spread		$ 21,556	3.00%		$ 19,020	2.56%		$ 19,810
Net interest-earning assets/net yield on interest-earning assets	$ 91,879		3.43%	$ 92,146		3.07%		
Ratio of average interest-earning assets to average interest-bearing liabilities			1.17x			1.17x		

(1) Non-accruing loans are part of the average balances of loans outstanding.
(2) Includes held to maturity and available for sale.
(3) Includes interest earning deposit in other banks and Federal Home Loan Bank stock.

Interest Rate Sensitivity Analysis

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are interest rate se
institution s interest rate sensitivity gap. An asset or liability is said to be interest rate sensitive within a specific time period if it w
time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or rep
period and the amount of interest-bearing liabilities maturing or repricing within that time period. A gap is considered positive when t
sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate s
the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net in
positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would te
in net interest income while a positive gap would tend to adversely affect net interest income.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at December 31, 2008,
reprice or mature in each of the future time periods shown. Except as stated below, the amount of assets and liabilities shown which re
particular period were determined in accordance with the contractual terms of the asset or liability. Loans and mortgage-backed securi
rates are shown as being due in the period during which the interest rates are next subject to change. The Bank has assumed that its pa
accounts, which totaled $115.7 million at December 31, 2008, are withdrawn at the following rates: 11.55% are rate sensitive within a
the remainder will be withdrawn at an annual rate of 11.36% on the cumulative declining balance of such accounts during the periods
further assumed that its money market accounts, which totaled $25.8 million at December 31, 2008, are withdrawn at the following ra
sensitive within a one year time frame and the remainder will be withdrawn at an annual rate of 11.36% on the cumulative declining b
during the periods shown.

Additionally, the Bank has assumed that its NOW and Super NOW accounts, which totaled $36 million at December 31, 2008, are wi
rates: 11.36% are rate sensitive within a one year time frame and the remainder will be withdrawn at an annual rate of 11.36% on the c
balance of such accounts during the periods shown.

	1 Year or Less	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years to 10 Years	More th 10 Years 20 Yea
				(In thousands)	
Interest-earning Assets:					
Loans	$ 19,360	$ 8,253	$ 9,069	$ 52,471	$ 203,4
Mortgage-backed securities	17	86	911	60,383	55,9
Investments		10,000			1,3
Other interest-earning assets (1)	14,631				
Total interest-earning assets	34,008	18,339	9,980	112,854	260,7

	1 Year or Less	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years to 10 Years (In thousands)	More than 10 Years to 20 Years
Interest-bearing Liabilities:					
NOW and Super NOW Accounts (2)	4,095	6,847	5,380	8,931	7,561
Money market accounts	2,933	4,905	3,854	6,398	5,417
Passbook and club accounts	13,366	21,934	17,234	28,609	24,223
Certificate accounts	207,167	16,385	2,080	99	
Advances	38,500	33,000		18,000	
Total interest-bearing liabilities	266,061	83,071	28,548	62,037	37,201
Interest sensitivity gap per period	(232,053)	(64,732)	(18,568)	50,817	223,586
Cumulative interest sensitivity gap	$ (232,053)	$ (296,785)	$ (315,353)	$ (264,536)	$ (40,950)
Cumulative gap as a percent of interest-earning assets	(39.56)%	(50.59)%	(53.76)%	(45.10)%	(6.98)
Cumulative interest-sensitive assets as a percent of interest-sensitive liabilities	12.78%	14.99%	16.50%	39.84%	91.41%

(1) Includes stock, which has no stated maturity.

(2) Excludes non-interest-earning bearing accounts.

Rate/Volume Analysis

Changes in net interest income are attributable to three factors: (i) a change in volume or amount of an interest-earning asset or interes change in interest rates or (iii) a change caused by a combination of changes in volume and interest rate. The table below sets forth ce changes in interest income and interest expense of the Bank for the periods indicated, reflecting the extent to which such changes are a volume and changes in rate. The amount attributable to a change in volume or amount is calculated by multiplying the average interes the increase (decrease) in the average balance of the related asset or liability. The amount attributable to a change in rate is calculated (decrease) in the average interest rate from the prior period by the average balance of the related asset or liability for the prior period. represents a change in rate multiplied by a change in volume and is allocated proportionately to volume and rate changes.

			Year Ended Decemb	
	2007 v. 2006			
	Increase (decrease) due to			I
	Volume	Rate	Net	Volu
			(In thousands)	
Interest income:				
Loans	$ (285)	$ 186	$ (99)	$ (69
Mortgaged-backed securities	(996)	(223)	(1,219)	(40
Investments	(94)	16	(78)	8
Other interest-earning assets	846	115	961	14
Total interest income	(529)	94	(435)	(88
Interest expense:				
Passbook and club accounts	(281)	(113)	(394)	(8
NOW and money market accounts	370	(144)	226	2
Certificates of deposit	419	2,134	2,553	9
Advances and other borrowings	(529)	246	(283)	(63
Total interest expense	(21)	2,123	2,102	(60
Net change in net interest	$ (508)	$ (2,029)	$ (2,537)	$ (27

REGULATION AND SUPERVISION

General

The Company, as a savings and loan holding company, is required to file certain reports with, and otherwise comply with the rules an under the Home Owners Loan Act, as amended (the HOLA). In addition, the activities of savings institutions, such as the Bank, a the Federal Deposit Insurance Act (FDI Act).

The Bank is subject to extensive regulation, examination and supervision by the OTS, as its primary federal regulator, and the FDIC, a Bank is a member of the Federal Home Loan Bank (FHLB) System and its deposit accounts are insured up to applicable limits by t (DIF) managed by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial conditi regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other savings institutions. The conduct periodic examinations to test the Bank s safety and soundness and compliance with various regulatory requirements. This re establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examinat policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any c requirements and policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on the Company, the Certain of the regulatory requirements applicable to the Bank and to the Company are referred to below or elsewhere herein. The desc provisions and regulations applicable to savings institutions and their holding companies set forth in this Form 10-K does not purport of such statutes and regulations and their effects on the Bank and the Company.

Holding Company Regulation

The Company is a nondiversified unitary savings and loan holding company within the meaning of the HOLA. As a unitary savings a the Company generally is not restricted under existing laws as to the types of business activities in which it may engage, provided tha qualified thrift lender (QTL). Upon any non-supervisory acquisition by the Company of another savings institution or savings bank deemed to be a savings institution by the OTS, the Company would become a multiple savings and loan holding company (if the acqu separate subsidiary) and would be subject to extensive limitations on the types of business activities in which it could engage. The HC multiple savings and loan holding company and its non-insured institution subsidiaries primarily to activities permissible for bank hol Section 4(c)(8) of the Bank Holding Company Act (BHC Act), subject to the prior approval of the OTS, and certain activities auth no multiple savings and loan holding company may acquire more than 5% the voting stock of a company engaged in impermissible ac

The HOLA prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring stock of another savings institution or holding company thereof, without prior written approval of the OTS or acquiring or retaining c institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the OTS m and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the convenience and needs of the community and competitive factors.

The OTS is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling s than one state, subject to two exceptions: (i) the approval of interstate supervisory acquisitions by savings and loan holding companie savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The sta which they permit interstate savings and loan holding company acquisitions.

Although savings and loan holding companies are not subject to specific capital requirements or specific restrictions on the payment c distributions, HOLA does prescribe such restrictions on subsidiary savings institutions as described below. The Bank must notify the declaring any dividend to the Company. In addition, the financial impact of a holding company on its subsidiary institution is a matte OTS, and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety a subsidiary institution.

Federal Savings Institution Regulation

Cease and Desist Order. The Bank is subject to a range of bank regulatory compliance obligations. As previously disclosed, in conne compliance examination by the OTS, certain deficiencies were identified. The Bank has and continues to take steps to remediate these strengthen the Bank s

overall compliance programs. The Bank agreed to a cease and desist order (the Order) issued by the OTS on September 26, 2008 a
the Bank s compliance with certain laws and regulations, including the Bank Secrecy Act and Anti-Money Laundering (BSA/AML
relate to any issues regarding the safety and soundness of the Bank.

The Order requires the Bank to strengthen its BSA/AML Program, to strengthen its Compliance Maintenance Program and internal co
matters and to take certain other actions identified by the OTS in the Order. The Bank has implemented initiatives to enhance, among
Program and its Compliance Management Program in accordance with the requirements of the Order.

Capital Requirements. The OTS capital regulations require savings institutions to meet three minimum capital standards: a 1.5% tangi
leverage (core) capital ratio and an 8% risk-based capital ratio. Core capital is defined as common stockholders equity (including ret
noncumulative perpetual preferred stock and related surplus, minority interests in equity accounts of consolidated subsidiaries less int
mortgage servicing rights and credit card relationships. The OTS regulations require that, in meeting the tangible, leverage (core) and
institutions must generally deduct investments in and loans to subsidiaries engaged in activities that are not permissible for a national

The risk-based capital standard for savings institutions requires the maintenance of total capital (which is defined as core capital and s
risk-weighted assets of 8%. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, ar
risk-weight factor of 0% to 100%, as assigned by the OTS capital regulation based on the risks the OTS believes are inherent in the ty
of core capital are equivalent to those discussed earlier under the 4% leverage standard. The components of supplementary capital cur
preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred st
limits, the allowance for loan and lease losses. Overall, the amount of supplementary capital included as part of total capital cannot ex

The OTS regulatory capital requirements also incorporate an interest rate risk component. Savings institutions with above normal i
subject to a deduction from total capital for purposes of calculating their risk-based capital requirements. A savings institution s inter
the decline in the net portfolio value of its assets (i.e., the difference between incoming and outgoing discounted cash flows from asse
sheet contracts) that would result from a hypothetical 200 basis point increase or decrease in market interest rates divided by the estim
institution s assets, as calculated in accordance with guidelines set forth by the OTS. A savings institution whose measured interest ra
must deduct an amount equal to one-half of the difference between the institution s measured interest rate risk and 2%, multiplied by
of the institution s total assets. That dollar amount is deducted from an institution s total capital in calculating compliance with its ris
Under the rule, there is a two quarter lag between the reporting date of an institution s financial data and the effective date for the nev
on that data. A savings institution with assets of less than $300 million and risk-based capital ratios in excess of 12% is not subject to
component, unless the OTS determines otherwise. The Director of the OTS may waive or defer a savings institution s interest rate ris
case-by-case basis. For the present time, the OTS has deferred implementation of the interest rate risk component. At December 31, 2
its capital requirements.

The following table presents the Bank s capital position at December 31, 2008:

	Actual Amount	Required Amount	Excess Amount
			(Dollars in thousa
Tangible	$ 54,578	$ 8,960	$ 45,618
Core (Leverage)	54,578	23,894	30,684
Risk-based	58,154	30,515	27,639

Prompt Corrective Regulatory Action. Under the OTS prompt corrective action regulations, the OTS is required to take certain superv undercapitalized institutions, the severity of which depends upon the institution s degree of undercapitalization. Generally, a savings risk-based capital of less than 8% or a leverage ratio or a Tier 1 capital ratio that is less than 4% is considered to be undercapitalized a total risk-based capital ratio less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered t undercapitalized and a savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be criticall narrow exception, the banking regulator is required to appoint a receiver or conservator for an institution that is critically undercapita provides that a capital restoration plan must be filed with the OTS within 45 days of the date a savings institution receives notice that significantly undercapitalized or critically undercapitalized. Compliance with the plan must be guaranteed by any parent holding mandatory supervisory actions become immediately applicable to the institution depending upon its category, including, but not limite by regulators and restrictions on growth, capital distributions and expansion. The OTS could also take any one of a number of discreti including the issuance of a capital directive and the replacement of senior executive officers and directors.

Insurance of Deposit Accounts. Deposits of the Bank are insured up to applicable limits by the DIF, which is administered by the FDI FDIC-insured institutions are required to pay a deposit insurance premium. The FDIC s risk-based premium system provides for quar insured institution s ranking in one of four risk categories based upon supervisory and capital evaluations. Assessment rates for insure ended December 31, 2008 ranged from five basis points for the healthiest institutions to 43 basis points for the riskiest.

The FDIC adopted a final rule, which became effective on January 1, 2009, that raised the risk-based deposit insurance assessment rat institutions by seven basis points for the first quarter of 2009 assessment period. As a result, assessment rates for the first quarter of 20 points for the healthiest institutions. The FDIC also adopted a final rule, which becomes effective on April 1, 2009, that modifies the v differentiates risk among insured institutions and raises the assessment rates for the second quarter of 2009 assessment period and ther assessment rates for the second quarter of 2009 will range from between 12 and 16 basis points for the healthiest institutions to 45 bas

In addition, on February 27, 2009, the FDIC adopted an interim rule, with request for comment, to impose a one-time 20 basis point e assessment, effective on June 30, 2009 and to be collected on September 30, 2009. The interim rule would also permit the FDIC to im assessments of up to 10 basis points after June 30, 2009, if the DIF reserve ratio is estimated to fall to a level that that the FDIC believ public confidence or to a level close to zero or negative at the end of a calendar quarter. The ultimate goal of the increase in assessmen special assessments is to restore the DIF reserve ratio to a minimum of 1.15 percent within the next seven years.

Given the enacted and proposed increases in assessments for insured financial institutions in 2009, the Company anticipates that FDIC will have a significantly greater impact upon operating expenses in 2009 compared to 2008 and could materially affect its reported ea

In addition to the assessment for deposit insurance, institutions are required to pay on bonds issued in the late 1980s by the Financing
recapitalize a predecessor deposit insurance fund.

The Bank s assessment rate for the year ended December 31, 2008 was 8.53 basis points. $327,000 in premiums that would have bee
$225,000 from the One-time Assessment Credits (OTAC) for which the Bank was eligible pursuant to The Federal Deposit Insurance
(FDIRA). The ending credit balance remaining as of December 31, 2008 is $0. Payments on the FICO bonds amounted to $55,000.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, i
condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the O
Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

On October 3, 2008, President George W. Bush signed the Emergency Economic Stabilization Act of 2008 (EESA). The EESA, a
basic limit on federal deposit insurance coverage from $100,000 to $250,000 per depositor until December 31, 2009. In addition, on C
adopted an optional Temporary Liquidity Guarantee Program (TLGP). The TLGP includes the Transaction Account Guarantee Pro
noninterest bearing transaction accounts will receive unlimited insurance coverage until December 31, 2009. The TLGP also includes
Program by which certain senior unsecured debt issued by institutions and their holding companies on or after October 14, 2008 and r
will be guaranteed by the FDIC through June 30, 2012. Eligible entities were required to inform the FDIC by December 5, 2008 whet
one or both components of the TLGP or they became a participating entity in the program. The Company and the Bank elected to opt
Program, but the Bank chose to participate in the Transaction Account Guarantee Program.

Thrift Rechartering Legislation. Various proposals to eliminate the federal thrift charter, create a uniform financial institutions charte
been introduced in past sessions of Congress. The Bank is unable to predict whether such legislation would be enacted or the extent t
restrict or disrupt its operations.

Loans to One Borrower. Under the HOLA, savings institutions are generally subject to the limits on loans to one borrower applicable
Generally, savings institutions may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of its u
surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if such loan is fully secured by readily-ma
defined to include certain financial instruments and bullion. At December 31, 2008, the Bank s limit on loans to one borrower was $7
2008, the Bank s largest aggregate outstanding balance of loans to one borrower was $4.6 million.

QTL Test. The HOLA requires savings institutions to meet a QTL test. Under the QTL test, a savings association is required to mainta
portfolio assets (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) t
conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including certain
securities) in at least 9 months out of each 12 month period. A savings association that fails the QTL test must either convert to a ban
certain restrictions. As of December 31, 2008, the Bank maintained 78.6% of its portfolio assets in qualified thrift investments and, th

Limitation on Capital Distributions. OTS regulations impose limitations upon all capital distributions by savings institutions, such as
repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distribution
The rule establishes three tiers of institutions, which are based primarily on an institution s capital level. An institution

that exceeds all fully phased-in capital requirements before and after a proposed capital distribution (Tier 1 Bank) and has not been in need of more than normal supervision, could, after prior notice but without obtaining approval of the OTS, make capital distributio equal to the greater of (i) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half its excess capital over its fully phased-in capital requirements) at the beginning of the calendar year or (ii) 75% of its net earnings for the additional capital distributions would require prior regulatory approval. In the event the Bank s capital fell below its regulatory requi that it was in need of more than normal supervision, the Bank s ability to make capital distributions could be restricted. In addition, t proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that suc constitute an unsafe or unsound practice. At December 31, 2008, the Bank was classified as a Tier 1 Bank.

Under OTS capital distribution regulations, an application to and the prior approval of the OTS is required before an institution makes (1) the institution does not meet certain criteria for expedited treatment for applications under the regulations, (2) the total capital d for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, (3) the instit undercapitalized following the distribution or (4) the distribution would otherwise be contrary to a statute, regulation or agreement wi is not required, the institution may still need to give advance notice to the OTS of the capital distribution.

Liquidity. Until recently, the Bank is required to maintain an average daily balance of specified liquid assets equal to a monthly avera specified percentage of its net withdrawable deposit accounts plus short-term borrowings. Effective March 15, 2001, the liquidity requ is held under HOLA was amended to eliminate the specific percentage requirement, but retained the requirement that an institution r ensure its safe and sound operation. The Bank s average liquidity ratio for the month of December 2008 calculated using the ratio c March 15, 2001 was 2.62%, and in the opinion of management meets current requirements for Bank s safe and sound operation. The to monetary penalties for failure to meet its liquidity requirements.

Assessments. Savings institutions are required to pay assessments to the OTS to fund the agency s operations. The general assessmen basis, are based upon the savings institution s total assets, including consolidated subsidiaries, as reported in the Bank s latest quarte assessments paid by the Bank for the fiscal year ended December 31, 2008 totaled $188,000.

Branching. OTS regulations permit nationwide branching by federally chartered savings institutions to the extent allowed by federal s savings institutions to establish interstate networks and to geographically diversify their loan portfolios and lines of business. The OT state law purporting to regulate branching by federal savings institutions.

Transactions with Related Parties. The Bank s authority to engage in transactions with related parties or affiliates (i.e., any compa common control with an institution, including the Company and its non-savings institution subsidiaries) is limited by Sections 23A an Reserve Act (FRA). Section 23A restricts the aggregate amount of covered transactions with any individual affiliate to 10% of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution s capi transactions with affiliates are required to be secured by collateral in an amount and of a type described in Section 23A and the purcha from affiliates is generally prohibited. Section 23B generally requires that certain transactions with affiliates, including loans and asse under circumstances, including credit standards, that are substantially the same or at least as favorable to the institution as those preva comparable transactions with non-affiliated companies.

Enforcement. Under the FDI Act, the OTS has primary enforcement responsibility over savings institutions and has the authority to br institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly o wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a and desist order to removal of officers and/or directors to institution of receivership, conservatorship or termination of deposit insuran wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. Under the FDI authority to recommend to the Director of the OTS enforcement action to be taken with respect to a particular savings institution. If ac Director, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for ce

Standards for Safety and Soundness. The FDI Act requires each federal banking agency to prescribe for all insured depository institut among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate ris and compensation, fees and benefits and such other operational and managerial standards as the agency deems appropriate. The federa adopted final regulations and Interagency Guidelines Prescribing Standards for Safety and Soundness (Guidelines) to implement th standards. The Guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address pr depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails t prescribed by the Guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance required by the FDI Act. The final rule establishes deadlines for the submission and review of such safety and soundness compliance p

Standards for Safeguarding Customer Information. In 1999, the President signed the Gramm-Leach-Bliley Act into law. Section 501 o regulatory agencies establish appropriate standards for financial institutions relating to the administrative, technical, and physical safe and information. Accordingly, the OTS, the FDIC, the Office of the Comptroller of the Currency and the Board of Governors of the F published Interagency Guidelines for Safeguarding Customer Information in February of 2001. The Customer Information Guidelines comprehensive written information security program that is designed to protect against unauthorized access to or use of customers n information. All elements of the security program must be coordinated among all parts of the bank. The Board of Directors of the Ban information security program and oversee its development, implementation and maintenance. The Bank must identify reasonably fore threats that could result in unauthorized disclosure, misuse, alteration or destruction of customer information or customer information likelihood and potential damage of these threats (taking into consideration the sensitivity of customer information), and assess the suf procedures, customer information systems, and other arrangements in place to control risks. In order to manage and control any risk, t information security program to control the identified risks, commensurate with the sensitivity of the information as well as the compl Bank s activities and adopt such measures listed in the Guidelines regarding access, controls, encryption and other procedures that th appropriate. In addition, banks are required to exercise due diligence in selecting service providers having access to customer informa providers by contract to implement appropriate measures designed to meet the objectives of the Guidelines, and monitor such service they have satisfied their obligations under the contract. The Bank must report to its Board at least annually describing the overall statu program and the Bank s compliance with the Guidelines.

The USA Patriot Act of 2001. The USA Patriot Act of 2001, as amended (the Patriot Act), has imposed substantial new record-keep obligations on banks and other financial institutions, with a particular focus on detecting and reporting money-laundering transactions international customers. The U.S. Treasury Department has issued and will continue to issue regulations clarifying the Patriot Act s r requires all financial institutions, as defined, to establish certain anti-money laundering compliance and due diligence programs.

Regulation R. In September 2007, the SEC and the Federal Reserve Board jointly adopted final rules to implement exceptions provide
Gramm-Leach-Bliley Act for securities activities that banks may conduct without registering with the SEC as a securities broker or m
broker-dealer affiliate. Regulation R affects the way a bank s employees who are not registered with the SEC may be compensated fo
broker-dealer with whom the bank has entered into a networking arrangement. In addition, Regulation R implements the bank broker
and fiduciary activities, deposit sweep activities, and custody and safekeeping activities. The final regulation also includes certain e
other activities. Regulation R became effective for the Bank on January 1, 2009.

Federal Reserve System

The Federal Reserve Board regulations require savings institutions to maintain non-interest earning reserves against their transaction a
Reserve Board regulations generally require that reserves be maintained against aggregate transaction accounts as follows: for accoun
or less (subject to adjustment by the Federal Reserve Board) the reserve requirement was 3%; and for accounts aggregating greater tha
requirement was $1.0 million plus 10% (subject to adjustment by the Federal Reserve Board) against that portion of total transaction a
million. The first $9.3 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) were exempted
requirements. The Bank maintained compliance with the foregoing requirements. The balances maintained to meet the reserve require
Federal Reserve Board may be used to satisfy liquidity requirements imposed by the OTS.

New Jersey Law

The Commissioner regulates, among other things, the Bank s internal business procedures as well as its deposits, lending and investm
Commissioner must approve changes to the Bank s Certificate of Incorporation, establishment or relocation of branch offices, merger
additional stock. In addition, the Commissioner conducts periodic examinations of the Bank. Certain of the areas regulated by the Com
similar regulation by the FDIC.

Recent federal and state legislative developments have reduced distinctions between commercial banks and DIF-insured savings instit
respect to lending and investment authority, as well as interest rate limitations. As federal law has expanded the authority of federally
institutions to engage in activities previously reserved for commercial banks, New Jersey legislation and regulations (parity legislatio
chartered savings institutions, such as the Bank, the powers of federally chartered savings institutions.

New Jersey law provides that, upon satisfaction of certain triggering conditions, as determined by the Commissioner, insured institutio
holding companies located in a state which has reciprocal legislation in effect on substantially the same terms and conditions as stated
acquire, or be acquired by New Jersey insured institutions or holding companies on either a regional or national basis. New Jersey law
interstate branching.

Sarbanes-Oxley Act of 2002

The *Company* is subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, inclu

- certification of financial statements by the chief executive officer and the chief financial officer;

- enhanced disclosure of controls and procedures and internal control over financial reporting;

the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer s securities by dire
the twelve month period following initial publication of any financial statements that later require restatement;

a prohibition on insider trading during pension plan black out periods;

disclosure of off-balance sheet transactions;

a prohibition on personal loans to directors and officers;

auditor independence; and

various increased criminal penalties for violations of securities laws.

FEDERAL AND STATE TAXATION

Federal Taxation

General. The Company and the Bank report their income on a consolidated basis and the accrual method of accounting, and are subje
in the same manner as other corporations with some exceptions, including particularly the Bank s reserve for bad debts discussed bel
of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the
Bank has not been audited by the IRS in the past ten years. For its 2008 taxable year, the Bank is subject to a maximum federal incom

Bad Debt Reserves. For fiscal years beginning prior to December 31, 1995, thrift institutions which qualified under certain definitiona
of the Internal Revenue Code of 1986 (the Code) were permitted to use certain favorable provisions to calculate their deductions fr
additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans (generally secured b
improved or to be improved) under (i) the Percentage of Taxable Income Method (the PTI Method) or (ii) the Experience Method.
nonqualifying loans was computed using the Experience Method.

The Small Business Job Protection Act of 1996 (the 1996 Act), which was enacted on August 20, 1996, requires savings institution
income) certain portions of their accumulated bad debt reserves. The 1996 Act repeals the reserve method of accounting for bad debts
beginning after 1995. Thrift institutions that would be treated as small banks are allowed to utilize the Experience Method applicable
thrift institutions that are treated as large banks (those generally exceeding $500 million in assets) are required to use only the specific
the PTI Method of accounting for bad debts is no longer available for any financial institution.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in method of
taxpayer, and having been made with the consent of the IRS. Any Section 481(a) adjustment required to be taken into income with res
generally will be taken into income ratably over a six-taxable year period, beginning with the first taxable year beginning after 1995, s
requirement.

Distributions. Under the 1996 Act, if the Bank makes non-dividend distributions to the Company, such distributions will be consid
the Bank s unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, a
supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of th
will be included in the Bank s income. Non-dividend distributions include distributions in excess of the Bank s current and accumul

calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. D
Bank s current or accumulated earnings and profits will not be so included in the Bank s income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the in
of the distribution. Thus, if the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the an
(but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 34% fe
rate. The Banks does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

State and Local Taxation

New Jersey Taxation. The Company, the Bank and the Bank s subsidiaries, Pamrapo Service Corporation and Pamrapo Investment C
Jersey income tax returns. For New Jersey income tax purposes, savings institutions are presently taxed at a rate equal to 9.36% of tax
purpose, taxable income generally means federal taxable income, subject to certain adjustments (including addition of interest inco
obligations). For New Jersey income tax purposes, regular corporations are presently taxed at a rate equal to 9% of taxable income (7.
income is less than $100,000) and investment companies are presently taxed at a rate equal to 3.60% of taxable income.

Personnel

As of December 31, 2008, the Bank had 87 full-time employees and 26 part-time employees. The employees are not represented by a
and the Bank considers its relationship with its employees to be good.

Website Access to Company Reports

The Company s Internet address is www.pamrapo.com. The Company makes available free of charge through the Investor Relations
annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or fu
Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), as soon as reasonably practicable after
electronically filed with, or furnished to, the SEC.

Item 1A. Risk Factors.

Government investigations may reduce our earnings.

As previously disclosed and described in Part I, Item 3, Legal Proceedings of this Form 10-K, the Bank has received federal grand jur
States Attorney s Office for the District of New Jersey (U.S. Attorney s Office). The subpoenas were issued to the Bank in conne
investigation regarding the Bank s anti-money laundering and Bank Secrecy Act compliance. Certain individuals, including the Bank
received grand jury testimony subpoenas in connection with this matter. In addition, the Bank and its wholly-owned subsidiary, Pamr
have also recently received federal grand jury subpoenas from the U.S. Attorney s Office relating to certain commissions paid to the
Corporation. The Bank is, and intends to continue, cooperating fully with the investigations. It is anticipated that the investigations wi
next several months. We are unable to predict what action, if any, might be taken in the future by governmental authorities as a result
what impact, if any, the outcome of these matters might have on our consolidated financial position, results of operations, or cash flov
outcome, however, we may continue to incur substantial costs in dealing with these matters, which could continue to reduce our earni

Forensic audit of Pamrapo Service Corporation may disrupt our business, cause us to incur significant expenses and affect our fi current and prior periods.

As described in Part II, Item 9A, Controls and Procedures of this Form 10-K and Note 22 of the Notes to Consolidated Financial State Report to Shareholders, in August 2008, management became aware that certain commission payments from a third-party broker, whi Service Corporation, as required by its policies and procedures, were being paid directly to the manager of Pamrapo Service Corporat the manager were made pursuant to a letter between a third-party broker and the president of Pamrapo Service Corporation. These dir change in commission structure, which was made without the approval of the board of directors of Pamrapo Service Corporation, as r procedures. Following an internal inquiry into this matter, an independent auditor recently was engaged to conduct a forensic audit an records of Pamrapo Service Corporation. Depending on the outcome of this audit, the independent auditor may provide recommendati and safeguards to be implemented on a going forward basis. At the present time, we cannot predict the outcome or the full impact of t internal controls, business, results of operations or financial position. Depending upon the result of the forensic audit, however, we ma commission amounts in our income statement and evaluate whether a restatement of certain financial statements is necessary. In addit forensic audit and related activities have required, and will likely continue to require, us to incur substantial expenses for legal, accou services, and have diverted, and may continue to divert, management s attention from our business.

If we are unsuccessful in our effort to remediate our material weakness in our internal control over financial reporting over time, ability to report our financial condition and results of operations in the future.

As discussed in Part II, Item 9A, Controls and Procedures of this Form 10-K, due to a material weakness in our internal control over f management concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as Although, we have taken, and are continuing to take, actions to remediate the weakness in internal control over financial reporting, if focused effort to permanently and effectively remediate the weakness over time, it may adversely impact our ability to report our fina operations in the future accurately and in a timely manner, and may potentially adversely impact our reputation with stockholders.

The Bank is subject to a cease and desist order, which could adversely affect us.

The Bank is subject to supervision and regulation by the OTS. As a regulated savings bank, the Bank s good standing with its regula importance to the continuation of its business. On September 26, 2008, the Bank consented to the Order issued by the OTS. The Orde strengthen its BSA/AML Program, to strengthen its Compliance Maintenance Program and internal controls related to those matters a actions identified by the OTS in the Order. The Bank has and continues to take steps to remediate the deficiencies noted in the Order overall compliance programs, including initiatives implemented to enhance, among other things, the Bank s BSA/AML Program and Program. We cannot predict the further impact of the Order upon our business, financial condition or results of operations.

The current economic environment poses significant challenges for us and could adversely affect our financial condition and resu

We are operating in a challenging and uncertain economic environment, including generally uncertain national and local conditions. F continue to be affected by sharp declines in the real estate market and constrained financial markets. Dramatic declines in the housing with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of

asset values by financial institutions. Continued declines in real estate values, home sales volumes and financial stress on borrowers a
economic environment could have an adverse effect on our borrowers or their customers, which could adversely affect our financial c
operations. A worsening of these conditions would likely exacerbate the adverse effects on us and others in the financial institutions i
national economic recession or a further deterioration in local economic conditions in our markets could drive losses beyond that whic
allowance for loan losses. We may also face the following risks in connection with these events:

Domestic economic conditions that negatively affect housing prices and the job market have resulted, and may continue
in credit quality of our loan portfolios, and such deterioration in credit quality has had, and could continue to have, a neg
business.

Market developments may affect consumer confidence levels and may cause adverse changes in payment patterns, causi
and default rates on loans and other credit facilities.

The processes we use to estimate allowance for loan losses and reserves may no longer be reliable because they rely on c
including forecasts of economic conditions, which may no longer be capable of accurate estimation.

Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to selec
our customers become less predictive of future charge-offs.

We expect to face increased regulation of our industry, and compliance with such regulation may increase our costs, limi
business opportunities and increase compliance challenges.

As these conditions or similar ones continue to exist or worsen, we could experience continuing or increased adverse effects on our fi

We rely, in part, on external financing to fund our operations and the unavailability of such funds in the future could adversely in
and prospects.

The Bank relies on deposits, advances from the FHLB-NY and other borrowings to fund its operations. Although we consider such so
our current capital needs, we may seek additional debt or equity capital in the future to achieve our long-term business objectives. The
convertible debt securities in the future may be dilutive to our stockholders, and debt refinancing arrangements may require us to pled
enter into covenants that would restrict our ability to incur further indebtedness. There can be no assurance that additional financing s
available to us or, if available, would be on terms favorable to us. If additional financing sources are unavailable or are not available c
growth strategy and future prospects could be adversely impacted.

Our business is subject to interest rate risk and variations in market interest rates may negatively affect our financial performance

We are unable to predict fluctuations of market interest rates, which are affected by many factors, including:

Inflation;

Recession;

A rise in unemployment;

Tightening money supply; and

Domestic and international disorder and instability in domestic and foreign financial markets.

Changes in the interest rate environment may reduce our profits.

We expect that the Bank will continue to realize income from the differential or spread between the interest earned on loans, securi assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the differenc and repricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, an increase in the general level of in affect the ability of some borrowers to pay the interest on and principal of their obligations, especially borrowers with loans subject to Negative amortization involves a greater risk during a period of rising interest rates because the loan principal may increase above the advanced, which could increase the risk of default. Accordingly, changes in levels of market interest rates could materially and advers interest spread, asset quality, levels of prepayments and cash flows as well as the market value of its securities portfolio and overall pr

The Bank s ability to pay dividends is subject to regulatory limitations which, to the extent we require such dividends in the future service our debt and pay dividends.

The Company is a separate legal entity from its subsidiaries and does not have significant operations of its own. The availability of di limited by various statutes and regulations. It is possible, depending upon the financial condition of the Bank and other factors, that th regulator, could assert that payment of dividends or other payments by the Bank is an unsafe or unsound practice. In the event the Ban to us, we may not be able to service our debt, pay our obligations as they become due, or pay dividends on our common stock. Conse receive dividends from the Bank could adversely affect our financial condition, results of operations and prospects.

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for loan defaults and non-performance. Our allowa be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our operating result losses is based on our historical loss experience, as well as an evaluation of the risks associated with our loans held for investment. Du December 31, 2008, loans charged off totaled $124,000. The amount of future losses is susceptible to changes in economic, operating including changes in interest rates, which may be beyond our control, and these losses may exceed current estimates. Federal regulato part of their examination process, review our loans and allowance for loan losses. While we believe that our allowance for loan losses losses, we cannot provide assurance that we will not need to increase our allowance for loan losses or that regulators will not require u Either of these occurrences could materially and adversely affect our earnings and profitability.

Our business is subject to various lending and other economic risks that could adversely impact our results of operations and fina

Further deterioration in economic conditions, particularly in New Jersey, could hurt our business. Our business is directly affected by conditions, broad trends in industry and finance, legislative and regulatory changes, changes in governmental monetary and fiscal poli which are beyond our control. Further deterioration in economic conditions, in particular within New Jersey, could result in the follow which could hurt our business materially:

Loan delinquencies may increase;

Problem assets and foreclosures may increase;

Demand for our products and services may decline; and

Collateral for loans made by us, especially real estate may decline in value, in turn reducing a client s borrowing power, assets and collateral associated with our loans held for investment.

A further downturn in the New Jersey real estate market could hurt our business.

Our business activities and credit exposure are concentrated in real estate lending in New Jersey. During 2008, the market for resident dramatic declines, with falling home prices and increasing foreclosures. In recognition of the continued deterioration in the housing m increase in non-performing assets, we significantly increased our provision for loan losses in fiscal 2008. A further downturn in the N could hurt our business because the vast majority of our loans are secured by real estate located within New Jersey. If the significant c continues, especially in New Jersey, the collateral for our loans will provide less security. As a result, our ability to recover the princip loans by selling the underlying real estate will be diminished, and we will be more likely to suffer losses on defaulted loans.

We may suffer losses in our loan portfolio despite our underwriting practices.

We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices include ana credit history, financial statements, tax returns and cash flow projections, valuation of collateral based on reports of independent appra liquid assets. Although we believe that our underwriting criteria are appropriate for the various kinds of loans we make, we may incur our underwriting criteria, and these losses may exceed the amounts set aside as reserves in our allowance for loan losses.

Recent changes in our management may cause uncertainty in, or be disruptive to, our general business operations.

On February 13, 2009, William J. Campbell retired as President, Chief Executive Officer and director of the Company and the Bank. the Company and the Bank for over 40 years and had served as President and Chief Executive Officer since 1970. The Company s bo established a search committee that is in the process of seeking a permanent candidate to fill the position. In the meantime, Kenneth D Treasurer and Chief Financial Officer of the Company and the Bank, has been appointed as Interim President and Chief Executive Of the Bank. This change in our management may be disruptive to our business and during the transition period there may be uncertainty the Bank s customers and employees concerning our future direction and performance. Our success will depend on our ability to attra management and other key personnel and on the abilities of the new management personnel to function effectively going forward.

Our former President and Chief Executive Officer owns a significant amount of our common stock and may make decisions that a of all stockholders.

As of December 31, 2008, William J. Campbell, our former President and Chief Executive Officer, owned approximately 12.2% of ou stock. As a result, he will have the ability to significantly influence the election and removal of our board of directors, as well as the o to be decided by a vote of stockholders. In addition, this concentration of ownership may delay or prevent a change in control of our c change in control may be perceived by some to be in the best interest of our stockholders.

We are subject to extensive regulation, which could adversely affect us.

Our operations are subject to extensive regulation by federal, state and local governmental authorities and are subject to various laws a administrative decisions imposing requirements and restrictions on part or all of our operations. Our business is highly regulated, and regulations applicable to us are subject to regular modification and change. There can be no assurance that there will be no laws, rules the future, which could make compliance more difficult or expensive, or otherwise adversely affect our business, financial condition c

We face strong competition from other financial institutions, financial service companies and other organizations offering services us, which could hurt our business.

We conduct our business operations primarily in New Jersey. Increased competition within our market area may result in reduced loan Ultimately, we may not be able to compete successfully against current and future competitors. Many competitors offer the types of lo that we offer. These competitors include other savings associations, national banks, regional banks and other community banks. We a many other types of financial institutions, including finance companies, brokerage firms, insurance companies, credit unions, mortgag intermediaries. In particular, our competitors include national banks and major financial companies whose greater resources may affor advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns.

Additionally, banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulator lending limits and are thereby able to serve the credit needs of larger clients. These institutions, particularly to the extent they are mor may be able to offer the same loan products and services that we offer at more competitive rates and prices. If we are unable to attract we may be unable to continue our loan and deposit growth and our business, financial condition and prospects may be negatively affe

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

The Bank conducts its business through ten branch offices and one administrative office. Four offices have drive-up facilities. The Ba
teller machines at its branch facilities and four other off-site locations. The following table sets forth information relating to each of th
December 31, 2008. The total net book value of the Bank s premises and equipment at December 31, 2008 was $2.9 million.

Location	Year Office Opened
Executive Office	
591-597 Avenue C Bayonne, New Jersey	1985
Branch Offices	
611 Avenue C Bayonne, New Jersey	1984
155 Broadway Bayonne, New Jersey	1973
175 Broadway (1) Bayonne, New Jersey	1985
861 Broadway Bayonne, New Jersey	1962
987 Broadway Bayonne, New Jersey	1977
1475 Bergen Boulevard (1)(2) Fort Lee, New Jersey	1990
544 Broadway (1) Bayonne, New Jersey	1995
401 Washington Street (1) Hoboken, New Jersey	1990
473 Spotswood Englishtown Road (1) Monroe, New Jersey	1998
181 Avenue A (1) Bayonne, New Jersey	2004
211-A Washington Street (1) Jersey City, New Jersey	2006
Net book value of properties	
Furnishings and equipment (3)	
Total premises and equipment	

(1) Leased Property.
(2) Sold to NewBank, Flushing, New York, on March 6, 2009.
(3) Includes off-site ATMs.

Item 3. Legal Proceedings.

As announced on February 3, 2009, the Bank previously received federal grand jury subpoenas from the United States Attorney s Of
Jersey (U.S. Attorney s Office). The subpoenas were issued to the Bank in connection with an ongoing investigation regarding the
and Bank Secrecy Act compliance. Certain individuals, including the Bank s senior officers, have also received grand jury testimony
this matter. In addition, the Bank and its wholly-owned subsidiary, Pamrapo Service Corporation, have also recently received federal
the U.S. Attorney s

Office relating to certain commissions paid to the manager of Pamrapo Service Corporation. The Bank is, and intends to continue, coo
investigations, having previously provided documents and information to the U.S. Attorney s Office. It is anticipated that the investig
least the next several months. The Company is unable to predict what action, if any, might be taken in the future by governmental auth
investigations or what impact, if any, the outcome of these matters might have on its consolidated financial position, results of operati

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

None.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Information relating to the market for Registrant s common stock and related stockholder matters appears under Stock Information ar
in the Registrant s 2008 Annual Report to Shareholders on pages 45 and 46 and is incorporated herein by reference.

The following table contains information about the Company s purchases of its equity securities during the fourth quarter of 2008.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Numbe of Shares Purchased a Part of Public Announced Plans or Programs
October 1, 2008 to October 31, 2008		$	
November 1, 2008 to November 30, 2008	40,000	8.99	40,00
December 1, 2008 to December 31, 2008			
Total	40,000		40,00

(1) As of December 31, 2008.

(2) The Company s share repurchase program that authorized the Company to purchase up to 256,000 shares of common stock wa
2000. On February 3, 2009, the Company announced a new stock repurchase program, which authorizes the repurchase of up to
common stock, or approximately 246,700 shares. Unless modified or revoked by the Company s Board of Directors, the autho

(3) If the Company repurchases shares of its common stock, the Company intends to complete the original authorization with 1,45(
purchasing additional shares pursuant to the new authorization.

Item 6. Selected Financial Data.

The selected financial data appears under Selected Consolidated Financial Condition and Operating Data of the Company in the Regis
to Shareholders on pages 43 and 44 and is incorporated herein by reference.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The above-captioned information appears under Management s Discussion and Analysis of Financial Condition and Results of Opera
Annual Report to Shareholders on pages 2 through 9 and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information about market risk appears under Management s Discussion and Analysis of Financial Condition and Results of Operation
Rate Risk and Net Portfolio Value in the Registrant s 2008 Annual Report to Shareholders on pages 8 and 9 and is incorporated her

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements, and related notes thereto, of the Company and its subsidiaries, together with the report thereon
LLP appear in the Registrant s 2008 Annual Report to Shareholders on pages 10 through 42 and are incorporated herein by reference

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not Applicable.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, with the participation of the Company s Chief Financial Officer and Interim Chief Executive Officer, evaluated the eff
disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period c
purpose of these controls and procedures is to ensure that information required to be disclosed by the Company in its Exchange Act re
summarized and reported within the applicable time periods specified by the SEC s rules and forms. Based on the evaluation, the Co
Officer and Interim Chief Executive Officer concluded that, because of a material weakness in the Company s internal control over f
in Management s Annual Report on Internal Control over Financial Reporting, the Company s disclosure controls and procedures w
December 31, 2008. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting
reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or d

Limitations on the Effectiveness of Disclosure Controls and Procedures

There are inherent limitations on the effectiveness of any systems of disclosure controls and procedures, including the possibility of h
circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only p
of achieving their control objectives.

Management s Annual Report on Internal Control Over Financial Reporting

March 12, 2009

Board of Directors and Shareholders of Pamrapo Bancorp, Inc.:

The management of Pamrapo Bancorp, Inc. and subsidiaries (the Company) is responsible for establishing and maintaining adequa financial reporting. The Company s internal control system was designed to provide reasonable assurance to the Company s manage regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2008. In maki criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrate* assessment we believe that, as of December 31, 2008, the Company s internal control over financial reporting was not effective base management has identified the following material weakness:

Pamrapo Service Corporation The controls relating to fees and commissions from sale of financial products payable to Pamrapo Ser wholly-owned subsidiary of the Bank, were inadequate. In August 2008, management became aware that certain commission paymen which were payable to Pamrapo Service Corporation, as required by its policies and procedures, were being paid directly to the mana Corporation. The direct payments to the manager were made pursuant to a letter between a third-party broker and the president of Pa These direct payments constituted a change in commission structure, which was made without the approval of the board of directors Corporation, as required by its policies and procedures. Following an internal inquiry, the Board of Directors of the Bank was inform 2009. Management, under the oversight of the joint Audit Committee of the Company and the Bank, is in the process of remediating

The Independent Registered Public Accounting Firm that audited the consolidated financial statements included in the Registrant s 2 Shareholders has also issued an attestation on the Company s internal control over financial reporting.

/s/ KENNETH D. WALTER
Kenneth D. Walter
Chief Financial Officer and
Interim Chief Executive Officer

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the Company s most recent fi
materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. Subsequent
Company has taken and is continuing to take actions to remediate its material weakness in internal control over financial reporting as

Remediation of Material Weakness

In February 2009, the Company and the Bank took the following actions to remediate the weakness in internal control over financial r

- The manager of Pamrapo Service Corporation was terminated and any signing authority he may have had on behalf of Pa
was withdrawn.

- The third-party broker was instructed that any further commissions to the manager of Pamrapo Service Corporation earn
termination date that have not yet been paid should be placed in escrow.

- An independent auditor was engaged to conduct a forensic audit and to review the business records of Pamrapo Service C
the outcome of this audit, the independent auditor may provide recommendations regarding procedures and safeguards to
forward basis.

The Company will continue to evaluate the effectiveness of the remedial measures and the actions taken to date as summarized above
correct the weakness in internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Pamrapo Bancorp, Inc

We have audited Pamrapo Bancorp, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 3
established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Comm
Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the
control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Rep
express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those
plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was mainta
Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting,
material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed ri
performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable b

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability o
preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles
control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonabl
fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are reco
preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of
made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance rega
detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the consolidated

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections
effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that th
the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that ther
that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely ba

The following material weakness has been identified and included in management s assessment:

Management overrode established controls and operating procedures in 2008 relating to collection of fees and commissions from thir
subsidiary of the Company. This override resulted in the third party broker paying fees and commissions directly to the manager of th
subsidiary, resulting in commission income not being accurately and completely recorded. This material weakness was considered in
timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements, and this report does not affect our r
on those consolidated financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control crit
maintained effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Contr*
issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the cons
financial condition and the related consolidated statements of income and changes in stockholders equity and cash flows of Pamrapo
subsidiaries, and our report dated March 12, 2009 expressed an unqualified opinion.

/s/ BEARD MILLER COMPANY LLP

Beard Miller Company LLP

Clark, New Jersey

March 12, 2009

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

On March 9, 2004, the Company adopted a Code of Ethics for its Principal Executive Officers and Senior Financial Officers (the Co
Ethics is available free of charge by writing to the Secretary of the Company at 611 Avenue C, Bayonne, New Jersey 07002.

The information relating to directors, executive officers and audit committee of the Registrant and with respect to compliance with Se
Act is incorporated herein by reference to the Registrant s Proxy Statement for the Annual Meeting of Shareholders to be held on Ap
filed with the SEC not later than 120 days after the end of the Registrant s fiscal year 2008 (Proxy Statement).

Item 11. Executive Compensation.

The information relating to executive compensation, including the Personnel Committee Report, which is deemed furnished herein, is
reference to the Registrant s Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to th
Statement.

Equity Compensation Plan Information

The following table gives information about the Company s common stock that may be issued upon the exercise of options, warrants
equity compensation plans as of December 31, 2008.

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Nu A U
Equity Compensation Plans Approved by Stockholders	46,000	$ 24.77	
Equity Compensation Plans Not Approved by Stockholders			
Total	46,000	$ 24.77	

Item 13. Certain Relationships, Related Transactions, and Director Independence.

The information relating to certain relationships and related transactions, and director independence is incorporated herein by referenc
Statement.

Item 14. Principal Accounting Fees and Services.

The information relating to principal accountant fees and services is incorporated herein by reference to the Registrant s Proxy Stater

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as a part of this report:

1. Consolidated Financial Statements of Pamrapo Bancorp, Inc. are incorporated by reference to the indicated pages of the 2008 Ar Shareholders.

Report of Independent Registered Public Accounting Firm

Consolidated Statements of Financial Condition as of December 31, 2008 and 2007

Consolidated Statements of Income for the Years Ended December 31, 2008, 2007 and 2006

Consolidated Statements of Changes in Stockholders Equity for the Years Ended December 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2007 and 2006

Notes to Consolidated Financial Statements

The remaining information appearing in the 2008 Annual Report to Shareholders is not deemed to be filed as part of this report, excep herein.

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

3. Exhibits.

Table of Contents

The following Exhibits are filed as part of this report, and this list includes the Exhibit Index.

3.1.1	Certificate of Incorporation of Pamrapo Bancorp, Inc.[1]
3.1.2	Certificate of Amendment to Certificate of Incorporation of Pamrapo Bancorp, Inc.[2]
3.2	Pamrapo Bancorp, Inc. By-laws.[3]
4	Stock Certificate of Pamrapo Bancorp, Inc.[4]
10.1	Restated Bank Employment Agreement by and between Pamrapo Savings Bank, S.L.A. and William J. Campbell.[5]*
10.2	Restated Holding Company Employment Agreement by and between Pamrapo Bancorp, Inc. and William J. Campbell.[5]*
10.3	Restated Pamrapo Bancorp, Inc. Change in Control Agreement by and between Pamrapo Bancorp, Inc. and Kenneth D. W
10.4	Change in Control Agreement by and between Pamrapo Bancorp, Inc. and Margaret Russo.[6]*
10.5	Pamrapo Savings Bank, S.L.A. Directors Consultation and Retirement Plan.[7]
10.6	Pamrapo Bancorp, Inc. 2003 Stock-Based Incentive Plan.[8]
10.7	Order to Cease and Desist, Order No. NE-08-12, effective September 26, 2008.[9]
10.8	Stipulation and Consent to Issuance of Order to Cease and Desist.[9]
11	Computation of earnings per share (filed herewith).
13	Portions of the 2008 Annual Report to Shareholders (filed herewith).
14	Code of Ethics.[10]
21	Subsidiary information is incorporated herein by reference to Part I Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm (filed herewith).
31	Certification of Chief Financial Officer and Interim Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxle herewith).
32	Certification of Chief Financial Officer and Interim Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adop of the Sarbanes-Oxley Act of 2002 (filed herewith).

[1] Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2000, filed on Ma

[2] Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, filed on Nov

[3] Incorporated herein by reference to the Current Report on Form 8-K, filed on November 27, 2007.

[4] Incorporated herein by reference to the Registration Statement on Form S-1 (Registration No. 33-30370), as amended, filed on

[5] Incorporated herein by reference to the Current Report on Form 8-K, filed on October 29, 2007.

[6] Incorporated herein by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed on Nov

[7] Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed on Ma

[8] Incorporated herein by reference to the 2003 Annual Meeting Proxy Statement, filed on March 31, 2003.

[9] Incorporated herein by reference to the Current Report on Form 8-K, filed on September 26, 2008.

[10] Incorporated herein by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed on Ma

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report t the undersigned, thereunto duly authorized.

PAMRAPO BANCORP, INC.

Dated: March 16, 2009

By: /s/ KENNETH D. WALTER
Kenneth D. Walter
Vice President, Treasurer and Chief Finan
President and Chief Executive Officer

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

Name	Title
/s/ KENNETH D. WALTER Kenneth D. Walter	Vice President, Treasurer and Chief Financial Officer, and Interim President and Chief Executive Officer (Principal Executive, Financial and Accounting Officer)
/s/ DANIEL J. MASSARELLI Daniel J. Massarelli	Chairman of the Board and Director
/s/ JOHN A. MORECRAFT John A. Morecraft	Vice Chairman of the Board and Director
/s/ PATRICK D. CONAGHAN Patrick D. Conaghan	Director
/s/ KENNETH R. POESL Kenneth R. Poesl	Director
/s/ ROBERT G. DORIA Robert G. Doria	Director
/s/ HERMAN L. BROCKMAN Herman L. Brockman	Director

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE

Income available to common stockholders
Weighted average shares outstanding
Basic earnings per share
Income for diluted earnings per share
Total weighted average common shares and equivalents outstanding for diluted computation
Diluted earnings per share

Pamrapo Bancorp, Inc. & Subsidiaries

Management s Discussion and Analysis of Financial Conditions and Results of Operations

General

Pamrapo Bancorp, Inc. (the Company) owns 100% of the issued and outstanding stock of Pamrapo Savings Bank, S.L.A. (the Ba the Company. The Company s business is conducted principally through the Bank.

Business of The Company

The Bank s principal business has been and continues to be attracting retail deposits from the general public and investing those depo generated from operations, primarily in one-to-four family, owner occupied residential mortgage loans. In addition, in times of low lo invest in mortgage-backed securities to supplement its lending portfolio. The Bank also invests, to a lesser extent, in multi-family resi commercial real estate loans, home equity and second mortgage loans, consumer loans and commercial loans.

The earnings of the Bank depend primarily upon the level of net interest income, which is the difference between the interest earned o mortgage-backed securities, investments and other interest-earning assets, and the interest paid on liabilities such as deposits and borr is affected by many factors, including regulatory, economic and competitive factors that influence interest rates, loan demand and dep income is also affected by the amount, composition and relative interest rates of the Bank s assets and liabilities and by the repricing The Bank is vulnerable to interest rate fluctuations to the extent that its interest-bearing liabilities mature or reprice more rapidly than Such asset/liability structure may result in lower net interest income during periods of rising interest rates and may be beneficial in tin rates. The Bank s net income is also affected by provisions for loan losses, non-interest income, non-interest expenses and income ta

Critical Accounting Estimates

Allowance for Loan Losses

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a materia value of certain assets or on income, to be critical accounting policies. Material estimates that are particularly susceptible to significar determination of the allowance for loan losses. Determining the amount of the allowance for loan losses necessarily involves a high de Management reviews the level of the allowance on a quarterly basis, at a minimum, and establishes the provision for loan losses base loan portfolio, delinquency levels, loss experience, economic conditions, and other factors related to the collectibility of the loan portf no material shift in the loan portfolio, the level of the allowance for loan losses has changed primarily due to changes in the size of the of nonperforming loans. We have allocated the allowance among categories of loan types as well as classification status at each perio allocation percentages are based on loan types and classification status. Management regularly evaluates various risk factors related to type of loan, underlying collateral and payment status, and the corresponding allowance allocation percentages. Although we believe information available to establish the allowance for loan losses, future additions to the allowance may be necessary based on estimate change as a result of changes in economic conditions and other factors. In addition, the regulatory authorities, as an integral part of the periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on t information available to them at the time of their examinations.

Pension Plan Assumptions

Our pension plan costs are calculated using actuarial concepts, as discussed within the requirements of Statement of Financial Accour No. 87, Employers Accounting for Pensions SFAS No. 132 (R) and as amended by SFAS No. 158, Employers Accounting for Def Other Post Retirement Plans. Pension expense and the determination of our projected pension liability are based upon two critical as and the expected return on plan assets. We evaluate each of these critical assumptions annually. Other assumptions impact the determ and the projected liability, including the primary employee demographics such as retirement patterns, employee turnover, mortality ra compensation increases. These factors, along with the critical assumptions, are carefully reviewed by management each year in consu consultants and actuaries. Further information about our pension plan assumptions, the plan s funded status, and other plan informati the Consolidated Financial Statements.

Other Than Temporary Impairment of Investment Securities

Investment securities are written down to their net realizable value when there is impairment in value that is considered to be other t determination of whether or not other than temporary impairment exists is a matter of judgment.

Management reviews its investment securities portfolio regularly for possible impairment that is other than temporary by analyzing each investment and the expectations for that investment s performance.

Financial Condition

The Company s consolidated assets at December 31, 2008 totaled $598.0 million, which represents a decrease of $59.4 million or 9.0 million at December 31, 2007, primarily due to decreases in interest-bearing deposits in other banks, loans receivable and mortgage-b more than offset increases in investment securities held to maturity and deferred tax assets.

Securities available for sale decreased $146,000 or 15.92% to $771,000 at December 31, 2008 when compared to $917,000 at Decem during the year ended December 31, 2008 resulted primarily from principal repayments of $98,000 on securities available for sale alo $48,000 in unrealized losses. Investment securities held to maturity increased $973,000 or 9.38% to $11.4 million at December 31, 20 million at December 31, 2007. The increase during the year ended December 31, 2008 resulted primarily from purchases of investmen amounting to $1.0 million.

Mortgage-backed securities held to maturity decreased $6.5 million or 5.25% to $117.4 million at December 31, 2008 from $123.9 m The decrease during the year ended December 31, 2008 resulted primarily from principal repayments of $21.2 million on mortgage-b than offset purchases of mortgage-backed securities totaling $15.0 million.

Net loans amounted to $437.6 million and $439.1 million at December 31, 2008 and 2007, respectively, which represents a decrease o primarily due to loan repayments exceeding loan originations.

Foreclosed real estate amounted to $426,000 and $486,000 at December 31, 2008 and 2007, respectively, which represents a decrease primarily due to provision for losses of $70,000 on the foreclosed real estate, offset by capital improvements of $10,000.

Total deposits at December 31, 2008 decreased $64.0 million or 12.60% to $444.0 million compared to $508.0 million at December 3 December 31, 2007 total is an interest-bearing demand account with a balance of $40.3 million which was reduced during the year 20

Advances from the Federal Home Loan Bank of New York (FHLB-NY) totaled $89.5 million and $84.0 million at December 31, 2 The net increase of $5.5 million or 6.55% during the year ended December 31, 2008 resulted from an increase in FHLB-NY overnigh million, offset by repayments of $15.0 million on advances from the FHLB-NY.

Stockholders equity amounted to $54.7 million and $58.6 million at December 31, 2008 and 2007, respectively. During the years en 2007, net income of $2.5 million and $4.4 million, respectively, was recorded and cash dividends of $4.2 million and $4.6 million, res Company s common stock. Accumulated other comprehensive loss increased $1.8 million or 138.46% to $3.1 million at December 3 December 31, 2007, primarily due to FAS 158 adjustments pertaining to the Bank s defined benefit plans. During the year ended Dec Company repurchased 40,000 shares of its common stock for $361,000 under a stock repurchase program.

Results of Operations For The Years Ended December 31, 2008 and 2007

Net Income

Net income decreased by $1.9 million or 43.18% to $2.5 million during the year ended December 31, 2008 when compared to $4.4 m December 31, 2007. The decrease in net income during the 2008 period was primarily due to an increase in total non-interest expense provision for loan losses of $960,000, along with decreases in total interest income of $1.9 million, which more than offset an increase income of $76,000 and decreases in total interest expense of $2.7 million and income taxes of $779,000.

Interest Income

Interest income on loans during the year ended December 31, 2008 decreased by $1.1 million or 3.82% to $27.7 million when compar 2007. During the years ended December 31, 2008 and 2007, the yield earned on the loan portfolio was 6.40% and 6.49%, respectively loans outstanding during the years ended December 31, 2008 and 2007, totaled $433.7 million and $444.4 million, respectively.

Interest on mortgage-backed securities decreased $356,000 or 5.93% during the year ended December 31, 2008 to $5.6 million compa During the years ended December 31, 2008 and 2007, the average balance of mortgage-backed securities totaled $124.0 million and $

resulting in a net decrease of $9.1 million or 6.84%. The yield earned on the mortgage-backed securities portfolio was 4.55% and 4.51 respectively. Interest earned on

Pamrapo Bancorp, Inc. & Subsidiaries

Management s Discussion and Analysis of Financial Conditions and Results of Operations

investment securities increased by $156,000 or 22.45% to $851,000 for the year ended December 31, 2008, when compared to $695,0 during the year ended December 31, 2008 resulted from an increase of $1.1 million, or 10.89%, in the average balance of the investm along with an increase of sixty-seven basis points in the yield earned on the investment securities portfolio from 6.90% in 2007 to 7.5 other interest-earning assets decreased by $596,000 or 38.06% to $970,000 for the year ended December 31, 2008, when compared to decrease during the year ended December 31, 2008, resulted from a decrease of two-hundred eleven basis points in the yield earned o assets portfolio from 4.89% in 2007 to 2.78% in 2008, which more than offset an increase of $2.9 million in the average balance of th assets portfolio.

Interest Expense

Interest on deposits decreased $2.2 million or 16.06% to $11.5 million during the year ended December 31, 2008 compared to $13.7 r decrease during 2008 was attributable to a decrease of forty-nine basis points in the Bank s average cost of interest-bearing deposits t for 2007, along with a decrease of $1.7 million or 0.39% in the average balance of interest-bearing deposits outstanding. Interest on a money decreased $491,000 or 11.20% to $3.9 million during the year ended December 31, 2008 compared to $4.4 million for 2007. T was attributable to a decrease of $13.2 million or 14.46% in the average balance of advances and other borrowed money, which more nineteen basis points in the Bank s cost of borrowings from 4.80% for 2007 to 4.99% for 2008.

Net Interest Income

Net interest income for the year ended December 31, 2008 increased $790,000 or 4.15% to $19.8 million for 2008 as compared to $19 Bank s net interest rate spread increased from 2.56% in 2007 to 2.83% in 2008 and its interest rate margin increased from 3.07% in 2 increase in net interest rate spread primarily resulted from a forty-two basis point decrease in the cost of interest-bearing liabilities fro in 2008, sufficient to offset a sixteen basis point decrease in the yield of average interest-earning assets from 5.99% in 2007 to 5.83% balance of interest-earning assets amounted to $603.8 million in 2008 and $619.6 million in 2007 and the average balance of interest- to $512.5 million in 2008 and $527.5 million in 2007.

Provision For Loan Losses

During the years ended December 31, 2008 and 2007, the Bank provided $1.6 million and $670,000, respectively, for loan losses. At 2007, the Bank s loan portfolio included loans totaling $10.8 million and $5.5 million, respectively, which were delinquent ninety da December 31, 2008 and 2007 total delinquent loans is the Bank s largest non-accruing commercial loan of $1.9 million to a local hos for $3.0 million with a maturity date of November 15, 2006, which was extended to June 1, 2007. In October 2006, $1.0 million of th remaining balance of approximately $1.9 million was secured by a mortgage on real estate. As of December 31, 2008, the $1.9 millio paid. The repayment of the loan is subject to bankruptcy proceedings. In September 2008, the creditor s committee for the hospital fi Bank seeking to recover the $1.0 million previously paid on the loan and to set aside the mortgage securing the $1.9 million still owe methodology used to determine the collectability of this loan was based on the fair value of the collateral. The fair value of the physic December 15, 2006 at $2.04 million, which is greater than the loan balance at December 31, 2008. While management believes that th is valid, the unsecured creditors in the bankruptcy proceedings have brought suit against the Bank, charging that the mortgage is a v is in the discovery phase. At this point, management believes, based on discussions with its litigation counsel, that the Bank will likel However, due to the normal uncertainties of any litigation, the loan ($1.9 million) has been deemed impaired and is included in the im and $1.9 million at December 31, 2008 and 2007, respectively, as reflected in Note 5 to the Notes to Consolidated Financial Statemen in close proximity to the Bank and is routinely observed by management. Given the proximity of the property, management s knowle and the fact that the appraisal of the property is higher than the carrying value of the loan, the management does not believe that a nev time. The Company has not charged off this loan against the allowance for loan losses based on the fact that the loan is collateralized greater value than the carrying amount of the loan. However, due to the uncertainty of any litigation, the Bank will continue to monit collectability as necessary. The Bank maintains an allowance for loan losses based on management s evaluation of the risk inherent i gives due consideration to changes in general market conditions and in the nature and volume of the Bank s loan activity. The allowa to $4.66 million at December 31,

2008, representing 1.05% of total loans and 43.15% of loans delinquent ninety days or more, compared to an allowance of $3.15 milli representing 0.71% of total loans and 57.54% of loans delinquent ninety days or more. During the years ended December 31, 2008 an off loans aggregating $124,000 and $270,000, respectively, and recoveries totaled $0 and $104,000, respectively. The Bank monitors to continue to provide for loan losses based on its ongoing periodic review of the loan portfolio and general market conditions.

Non-Interest Income

Non-interest income increased by $76,000 or 3.30% to $2.4 million during the year ended December 31, 2008 as compared to $2.3 m in non-interest income during 2008 resulted primarily from increases in other income of $131,000, sufficient to offset decreases in fee $10,000 and commissions from sale of financial products of $45,000.

Commissions from sale of financial products includes commissions received by Pamrapo Service Corporation (Corporation), a wh Bank, due to the sale of products such as securities, life insurance, and annuities. Commissions received related to securities are recei dealer. Pursuant to the Corporation s policies, such commissions are to be paid directly to the Corporation, which, in conjunction wit the amount of commission payments to be made to the Corporation s employees and agents.

As of March 12, 2009, the Company and the Bank were aware of the following information relating to certain commission payments Corporation (the Manager). The information presented below is based upon the knowledge and understanding of the individuals w into this matter. The Bank has hired an independent auditor to conduct a forensic audit of the Corporation s business records, the out determined at this time. Subsequent to March 12, 2009, additional information may be discovered, or may come to light, that could af following information relating to the commissions.

In August 2008, the Bank discovered that 100% of certain commissions from a third-party broker were paid directly to the Manager. constituted a change in commission structure, which was made without the approval of the Board of Directors of the Corporation, as procedures. Based upon the Corporation s policies in effect at the time, 100% of these commissions were to be paid directly to the C to be distributed by the Corporation to the Manager. Following such internal inquiries, the Bank determined that $270,357 was owed Corporation for commissions paid directly to the Manager for the period from August 2007 to December 2008.

The $270,357 was paid to the Corporation as follows. On December 3, 2008, the Manager paid $160,000 of the amount owed to the C 10, 2008, the Manager paid $50,000 of the amount owed to the Corporation. On February 4, 2009, the Manager paid the remaining $6 to the Corporation. The Company and the Bank determined to record the amount of $270,357 in the fourth quarter of 2008. For furthe Note 22 to the Consolidated Financial Statements in this 2008 Annual Report.

Non-Interest Expenses

Non-interest expenses increased $2.6 million or 18.84% to $16.4 million during the year ended December 31, 2008 compared to $13. the year ended December 31, 2008, salaries and employee benefits, net occupancy expense of premises, equipment, professional fees, estate and other expenses increased $314,000, $92,000, $37,000, $2,028,000, $92,000 and $27,000 respectively, which more than offs expense of $12,000. The increase in professional fees was predominately due to fees paid to consultants that the Bank engaged as a re order issued by the Office of Thrift Supervision (OTS), effective September 26, 2008. For further information on the OTS cease a 19 to the Notes to Consolidated Financial Statements.

Income Taxes

Income tax expense totaled $1.7 million and $2.5 million during the years ended December 31, 2008 and 2007, respectively. The dec decrease in pre-tax income of $2.7 million.

PAMRAPO BANCOP, INC. & SUBSIDIARIES

Management s Discussion and Analysis of Financial Conditions and Results of Operations

Results of Operations For The Years Ended December 31, 2007 and 2006

NET INCOME

Net income decreased by $2.1 million or 32.31% to $4.4 million during the year ended December 31, 2007 when compared to $6.5 m
December 31, 2006. The decrease in net income during the 2007 period was primarily due to an increase in total interest expense of $
loan losses of $670,000, along with decreases in total interest income of $435,000 and total non-interest income of $451,000, which n
total non-interest expenses of $44,000 and income taxes of $1.4 million.

INTEREST INCOME

Interest income on loans during the year ended December 31, 2007 decreased by $98,000 or 0.34% to $28.8 million when compared t
During the years ended December 31, 2007 and 2006, the yield earned on the loan portfolio was 6.49% and 6.45%, respectively. The
outstanding during the years ended December 31, 2007 and 2006, totaled $444.4 million and $448.9 million, respectively.

Interest on mortgage-backed securities decreased $1.2 million or 16.67% during the year ended December 31, 2007 to $6.0 million co
2006. During the years ended December 31, 2007 and 2006, the average balance of mortgage-backed securities totaled $133.1 million
respectively, resulting in a net decrease of $21.4 million or 13.85%. The yield earned on the mortgage-backed securities portfolio was
2007 and 2006, respectively. Interest earned on investment securities decreased by $78,000 or 10.09% to $695,000 for the year ended
compared to $773,000 for 2006. The decrease during the year ended December 31, 2007, resulted from a decrease of $1.4 million in t
investment securities portfolio, which more than offset an increase of sixteen basis points in the yield earned on the investment securit
2006 to 6.90% in 2007. Interest on other interest-earning assets increased by $960,000 or 158.60% to $1.6 million for the year ended
compared to $606,000 for 2006. The increase during the year ended December 31, 2007, resulted from an increase of $18.7 million in
other interest-earning assets portfolio along with an increase of thirty-five basis points in the yield earned on the other interest-earning
in 2006 to 4.89% in 2007.

INTEREST EXPENSE

Interest on deposits increased $2.4 million or 21.24% to $13.7 million during the year ended December 31, 2007 compared to $11.3 n
increase during 2007 was attributable to an increase of fifty-two basis points in the Bank s average cost of interest-bearing deposits to
for 2006, along with an increase of $3.8 million or 0.89% in the average balance of interest-bearing deposits outstanding. Interest on a
money decreased $283,000 or 6.06% to $4.4 million during the year ended December 31, 2007 compared to $4.7 million for 2006. Th
attributable to a decrease of $12.7 million or 12.20% in the average balance of advances and other borrowed money, which more than
thirty-one basis points in the Bank s cost of borrowings from 4.49% for 2006 to 4.80% for 2007.

NET INTEREST INCOME

Net interest income for the year ended December 31, 2007, decreased $2.6 million or 12.04% to $19.0 million for 2007 as compared t
The Bank s net interest rate spread decreased from 3.00% in 2006 to 2.56% in 2007 and its interest rate margin decreased from 3.43%
The decrease in net interest rate spread primarily resulted from a forty-five basis point increase in the cost of interest-bearing liabilitie
3.43% in 2007, sufficient to offset a one basis point increase in the yield of average interest-earning assets from 5.98% in 2006 to 5.99
balance of interest-earning assets amounted to $619.6 million in 2007 and $628.2 million in 2006 and the average balance of interest-l
to $527.5 million in 2007 and $536.3 million in 2006.

PROVISION FOR LOAN LOSSES

During the years ended December 31, 2007 and 2006, the Bank provided $670,000 and $0, respectively, for loan losses. At December
Bank s loan portfolio included loans totaling $5.5 million and $2.3 million, respectively, which were delinquent ninety days or more.
2007 total is the Bank s largest non-accruing commercial loan of $1.9 million to a local hospital. The loan matured on June 1, 2007 a

repayment of this loan is subject to bankruptcy proceedings. For further details on this loan, see Note 13 to the Consolidated Financial
Annual Report. The Bank maintains an allowance for loan losses based on management s evaluation of the risk inherent in its loan po
consideration to changes in general market conditions and in the nature and volume of the Bank s loan activity. The

allowance for loan losses amounted to $3.15 million at December 31, 2007, representing 0.71% of total loans and 57.54% of loans de compared to an allowance of $2.65 million at December 31, 2006, representing 0.58% of total loans and 116.32% of loans delinquent the years ended December 31, 2007 and 2006, the Bank charged off loans aggregating $270,000 and $113,000, respectively. Recoveri $9,000, respectively. The Bank monitors its loan portfolio and intends to continue to provide for loan losses based on its ongoing peri portfolio and general market conditions.

Non-Interest Income

Non-interest income decreased by $451,000 or 16.11% to $2.3 million during the year ended December 31, 2007 as compared to $2.8 decrease in non-interest income during 2007 resulted primarily from decreases in the gain on sale of securities available for sale of $4 sale of financial products of $73,000 and other income of $15,000, sufficient to offset an increase in fees and service charges of $67,0 on commissions from sale of financial products, see Note 22 to the Consolidated Financial Statements in this 2008 Annual Report.

Non-Interest Expenses

Non-interest expenses decreased $44,000 or 0.31% to $13.8 million during the year ended December 31, 2007 compared to $13.9 mil year ended December 31, 2007, salary and employee benefits, advertising and other expenses decreased $41,000, $52,000 and $169,0 than offset increases in occupancy costs, equipment and professional fees of $17,000, $25,000, and $176,000, respectively.

Income Taxes

Income tax expense totaled $2.5 million and $3.9 million during the years ended December 31, 2007 and 2006, respectively. The decr decrease in pre-tax income of $3.6 million.

Liquidity and Capital Resources

The Bank s primary sources of funds are deposits, amortization and prepayments of loan and mortgage-backed securities principal, F maturities of investment securities and funds provided from operations. While scheduled loan and mortgage-backed securities amortiz investment securities are a relatively predictable source of funds, deposit flows and loan and mortgage-backed securities prepayments market interest rates, economic conditions and competition.

The Bank is required to maintain sufficient liquidity to ensure its safe and sound operation by the OTS regulations. The Bank adjusts i meet funding needs for deposit outflows, payments of real estate taxes from escrow accounts on mortgage loans, repayment of borrow loan funding commitments. The Bank also adjusts its liquidity level as appropriate to meet its asset/liability objectives. In addition, th funds in federal funds and interest-bearing deposits with the FHLB-NY, which provides liquidity to meet lending requirements.

The Bank s liquidity, represented by cash and cash equivalents, is a product of its operating, investing and financing activities. Cash activities in each of the above periods. The primary source of cash from operating activities during each period was net income.

The primary sources of investing activities of the Bank are lending and investment in mortgage-backed securities. In addition to fundi the purchase of mortgage-backed securities through operations and financing activities, new loan production and purchases of mortga also funded by principal repayments on existing loans and mortgage-backed securities.

Liquidity management is both a daily and long-term function of business management. Excess liquidity is generally invested in short- federal funds and interest-bearing deposits. If the Bank requires funds beyond its ability to generate them internally, borrowing agreer FHLB-NY, which provide an additional source of funds. At December 31, 2008 and 2007, advances from the FHLB-NY amounted to million, respectively.

The Bank anticipates that it will have sufficient funds available to meet its current loan commitments. At December 31, 2008, the Ban commitments to originate loans and fund unused credit lines of $17.0 million. Certificates of deposit scheduled to mature in one year 2008, totaled $207.2 million. Management believes that, based upon historical experience, a significant portion of such deposits will r

At December 31, 2008, the Bank exceeded each of the three OTS capital requirements. The Bank s tangible, core and total risk-based 9.14% and 15.25%, respectively. The Bank was categorized as well-capitalized under the prompt corrective action regulations of t

Pamrapo Bancorp, Inc. & Subsidiaries

Management s Discussion and Analysis of Financial Conditions and Results of Operations

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth our contractual obligations and commercial commitments at December 31, 2008. This does not include FHLB-NY advances and the certificates of deposit which the Bank expects to pay at weighted average rates of 4.02% and 3.47%, resp Bank expects to make a pension plan contribution of approximately $800,000 in 2009.

			Payment Due By Period
Contractual Obligations	**Total**	**Less Than One Year**	**More Than One Year Through Three Years**
FHLB-NY Advances	$ 89,500,000	$ 38,500,000	$ 33,000,000
Certificates of deposit	225,731,000	207,167,000	16,385,000
Lease Obligations	2,788,121	492,191	949,425
Benefit plans	7,231,761	693,093	1,398,261
Total	$ 325,250,882	$ 246,852,284	$ 51,732,686

In the normal course of business, the Bank enters into off-balance sheet arrangements consisting of commitments to fund mortgage lo secured by real estate. The following table presents these off-balance sheet arrangements at December 31, 2008. For more informatio commitments, see Note 13 of the Notes to Consolidated Financial Statements.

			Payment Due By Period
Off-Balance Sheet Arrangements	**Total**	**Less Than One Year**	**More Than One Year Through Three Years**
To originate loans	$ 5,353,000	$ 5,353,000	$
Unused lines of credit	11,599,000	11,599,000	
Letters of credit	1,796,000	1,786,000	10,000
Total	$ 18,748,000	$ 18,738,000	$ 10,000

Management of Interest Rate Risk

The Bank, like other financial institutions, is subject to market risk. Market risk is the type of risk that occurs when an institution suff changes in the market value of various types of assets or liabilities. As a financial institution, the Bank makes a profit by accepting an such as credit risk and interest rate risk. Interest rate risk is the Bank s primary market risk.

The ability to maximize net interest income is largely dependent upon the achievement of a positive interest rate spread that can be su in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and intere either reprice or mature within a given period of time. The difference, or the interest rate repricing gap, provides an indication of th institution s interest rate spread will be affected by changes in interest rates. A gap is considered positive when the amount of interest the amount of interest-rate sensitive liabilities, and is considered negative when the amount of interest-rate sensitive liabilities exceed sensitive assets. Generally, during a period of rising interest rates, a negative gap within shorter maturities would adversely affect net positive gap within shorter maturities would result in an increase in net interest income. During a period of falling interest rates, a neg maturities would result in an increase in net interest income while a positive gap within shorter maturities would result in a decrease i

Because the Bank s interest-bearing liabilities, which mature or reprice within short periods, exceed its interest-earning assets with si and prolonged increases in interest rates generally would adversely affect net interest income, while material and prolonged decreases in interest rates generally would have a positive effect on net interest income.

The Bank s current investment strategy is to maintain an overall securities portfolio that provides a source of liquidity and that contri profitability and asset mix within given quality and maturity considerations. Securities classified as available for sale provide manage make adjustments to the portfolio given changes in the economic or interest rate environment, to fulfill unanticipated liquidity needs, alternative investment opportunities.

Net Portfolio Value

The Bank s interest rate sensitivity is monitored by management through the use of the OTS model which estimates the change in the (NPV) over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities, and off-balar ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenaric analysis based upon data submitted on the Bank s quarterly Thrift Financial Reports. The following table, which sets forth the Bank 2008, was calculated by the OTS:

	Net Portfolio Value		
Change in Interest Rates In Basis Points (Rate Shock)	Amount	Dollar Change	Percent Change
	(Dollars in Thousands)		
+300bp	$ 39,487	$ -37,135	-48%
+200bp	$ 54,127	$ -22,495	-29%
+100bp	$ 66,952	$ -9,670	-13%
+50bp	$ 72,010	$ -4,611	-6%
0	$ 76,621	$	
-50bp	$ 79,819	$ 3,197	+4%
-100bp	$ 82,538	$ 5,916	+8%

Certain shortcomings are inherent in the methodology used in interest rate risk measurements. Modeling changes in NPV require the r assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In presented assumes that the composition of the Bank s interest sensitive assets and liabilities existing at the beginning of a period rem being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of th repricing of specific assets and liabilities. Accordingly, although the NPV measurements and net interest income models provide an in interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of market interest rates on the Bank s net interest income and will differ from actual results.

Impact of Inflation and Changing Prices

The consolidated financial statements and the related data presented herein have been prepared in accordance with accounting princip United States of America, which require the measurement of financial position and operating results in terms of historical dollars, wit the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, virtually all of the assets and liabilities of the Bank are monetary in nature. As a result, interest rate impact on the Bank s performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same di magnitude as the prices of goods and services because such prices are affected by inflation to a larger extent than interest rates.

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PAMRAPO BANCORP, INC. & SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS

PAMRAPO BANCORP, INC.

We have audited the accompanying consolidated statements of financial condition of Pamrapo Bancorp, Inc. and subsidiaries (the C
2008 and 2007, and the related statements of income, changes in stockholders equity and cash flows for each of the years in the thre
December 31, 2008. The Company s management is responsible for these consolidated financial statements. Our responsibility is to e
consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Thos
plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. A
on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the acco
significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our aud
basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of
subsidiaries as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-y
December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for Defined Benefit P
Post-retirement Plans in 2006.

As further discussed in Note 19 to the consolidated financial statements, the Company stipulated and consented to a Cease and Desist
of Thrift Supervision on September 26, 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pamrapo
subsidiaries internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Inte*
the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2009 expressed a

Beard Miller Company LLP

Clark, New Jersey

March 12, 2009

Consolidated Statements of Financial Condition

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ASSETS	
Cash and amounts due from depository institutions	**$ 4,**
Interest-bearing deposits in other banks	**9,4**
Cash and Cash Equivalents	**13,**
Securities available for sale	
Investment securities held to maturity (estimated fair value of $10,831,410 and $10,650,452, respectively)	**11,**
Mortgage-backed securities held to maturity (estimated fair value of $119,920,146 and $121,422,424, respectively)	**117,4**
Loans receivable (net of allowance for loan losses of $4,660,705 and $3,154,977, respectively)	**437,**
Foreclosed real estate	
Premises and equipment	**2,9**
Federal Home Loan Bank of New York stock	**5,**
Interest receivable	**2,8**
Deferred tax asset	**4,**
Other assets	**1,**
Total Assets	**$ 598,**
LIABILITIES AND STOCKHOLDERS EQUITY	
Liabilities	
Deposits	**$ 443,9**
Advances from Federal Home Loan Bank of New York	**89,**
Advance payments by borrowers for taxes and insurance	**3,**
Other liabilities	**6,**
Total Liabilities	**543,**
Commitments and Contingencies	
Stockholders Equity	
Preferred stock; 3,000,000 shares authorized; none issued and outstanding	
Common stock; $0.01 par value; 25,000,000 shares authorized; 6,900,000 shares issued; 4,935,542 shares (2008) and 4,975,542 shares (2007) outstanding	
Paid-in capital	**19,**
Retained earnings	**61,9**
Accumulated other comprehensive loss	**(3,**
Treasury stock, at cost, 1,964,458 shares (2008) and 1,924,458 shares (2007)	**(23,**
Total Stockholders Equity	**54,**
Total Liabilities and Stockholders Equity	**$ 598,**

See Notes to Consolidated Financial Statements

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Pamrapo Bancorp, Inc. & Subsidiaries

Consolidated Statements of Income

	Years E
	2008
Interest Income	
Loans	**$ 27,746,334**
Mortgage-backed securities	**5,646,999**
Investments, taxable	**795,710**
Investments, non-taxable	**55,562**
Other interest-earning assets	**970,477**
Total Interest Income	**35,215,082**
Interest Expense	
Deposits	**11,512,007**
Advances and other borrowed money:	**3,893,107**
Overnight borrowings	**44,726**
Term advances	**3,848,381**
Total Interest Expense	**15,405,114**
Net Interest Income	**19,809,968**
Provision for Loan Losses	**1,630,000**
Net Interest Income after Provision for Loan Losses	**18,179,968**
Non-Interest Income	
Fees and service charges	**1,239,937**
Gain on sale of securities available for sale	
Commissions from sale of financial products	**858,630**
Other	**324,698**
Total Non-Interest Income	**2,423,265**
Non-Interest Expenses	
Salaries and employee benefits	**7,910,365**
Net occupancy expense of premises	**1,292,270**
Equipment	**1,357,782**
Advertising	**243,212**
Professional fees	**2,798,347**
Loss on foreclosed real estate	**91,647**
Other	**2,726,048**
Total Non-Interest Expenses	**16,419,671**
Income before Income Taxes	**4,183,562**
Income Taxes	**1,724,244**
Net Income	**$ 2,459,318**
Net Income per Common Share	

Basic	$	**0.49**	$
Diluted	$	**0.49**	$
Weighted Average Number of Common Shares Outstanding			
Basic		**4,970,788**	
Diluted		**4,970,788**	
Dividends per Common Share	$	**0.84**	$

See Notes to Consolidated Financial Statements

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Consolidated Statements of Changes in Stockholders Equity

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Tr
Balance - January 1, 2006	$ 69,000	$ 19,158,343	$ 61,972,334	$ 284,603	$ (22
Comprehensive income:					
Net income			6,541,867		
Unrealized loss on securities available for sale, net of income taxes of $14,214				(21,977)	
Realized gain on securities available for sale, net of income taxes of $171,778				(258,311)	
Total Comprehensive Income					
Adjustment to initially apply FASB Statement No. 158, net of income taxes of $1,068,789				(1,603,182)	
Purchase of treasury stock					
Sale of treasury stock		181,272			
Cash dividends			(4,577,499)		
Balance - December 31, 2006	69,000	19,339,615	63,936,702	(1,598,867)	(23
Comprehensive income:					
Net income			4,352,248		
Unrealized loss on securities available for sale, net of income taxes of $2,700				(4,029)	
Benefit plans, net of income taxes of $200,675				301,008	
Total Comprehensive Income					
Cash dividends			(4,577,499)		
Balance - December 31, 2007	69,000	19,339,615	63,711,451	(1,301,888)	(23
Comprehensive income:					
Net income			**2,459,318**		
Unrealized loss on securities available for sale, net of income taxes of $19,500				**(29,171)**	
Benefit plans, net of income taxes of $1,191,861				**(1,787,790)**	
Total Comprehensive Income					
Implementation of change in measurement date of benefit plans, net of income taxes of $46,017			**(69,025)**		
Purchase of treasury stock					
Cash dividends			**(4,173,455)**		
Balance - December 31, 2008	**$ 69,000**	**$ 19,339,615**	**$ 61,928,289**	**$ (3,118,849)**	**$ (23**

See Notes to Consolidated Financial Statements

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Pamrapo Bancorp, Inc. & Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended	
	2008	**20**
Cash Flows from Operating Activities		
Net income	**$ 2,459,318**	$ 4,3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	**486,951**	5
Amortization of deferred fees, premiums and discounts, net	**426,108**	5
Provision for loan losses	**1,630,000**	6
Provision for loss on foreclosed real estate	**69,873**	
Originations of loans held for sale		(1,4
Proceeds from loan sales		1,5
Gain on sale of loans sold		(
Gain on sale of securities available for sale		
Deferred income tax (benefit) expense	**(619,821)**	(4
(Increase) decrease in interest receivable	**(146,006)**	1
Decrease (increase) in other assets	**673,523**	1
Increase in other liabilities	**188,332**	3
Net Cash Provided by Operating Activities	**5,168,278**	6,3
Cash Flows from Investing Activities		
Principal repayments on securities available for sale	**97,624**	2
Purchases of securities available for sale		
Proceeds from sale of securities available for sale		
Purchases of investment securities held to maturity	**(1,020,759)**	(1,3
Proceeds from maturity of investment securities held to maturity		
Principal repayments on mortgage-backed securities held to maturity	**21,242,677**	20,7
Purchases of mortgage-backed securities held to maturity	**(14,994,187)**	(3,9
Net change in loans receivable	**(279,183)**	14,5
Capital improvement to foreclosed real estate	**(10,226)**	
Additions to premises and equipment	**(76,088)**	(1
(Purchase) redemption of Federal Home Loan Bank of New York stock	**(164,100)**	7
Net Cash Provided by Investing Activities	**4,795,758**	30,8

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Consolidated Statements of Cash Flows

		Years Ended
	2008	**20**
Cash Flows from Financing Activities		
Net (decrease) increase in deposits	**(63,962,420)**	38,0
Advances from Federal Home Loan Bank of New York		
Repayment of advances from Federal Home Loan Bank of New York	**(15,000,000)**	(17,0
Advances (repayment) in Federal Home Loan Bank overnight borrowing	**20,500,000**	
Net decrease in other borrowed money		
Net decrease in payments by borrowers for taxes and insurance	**(275,777)**	(
Cash dividends paid	**(4,173,455)**	(4,5
Sale of treasury stock		
Purchase of treasury stock	**(361,101)**	
Net Cash (Used in) Provided by Financing Activities	**(63,272,753)**	16,3
Net (Decrease) Increase in Cash and Cash Equivalents	**(53,308,717)**	53,5
Cash and Cash Equivalents - Beginning	**66,896,019**	13,3
Cash and Cash Equivalents - Ending	**$ 13,587,302**	$ 66,8
Supplementary Information		
Income taxes paid, net of refunds	**$ 2,150,084**	$ 2,4
Interest paid	**$ 15,470,528**	$ 18,1
Loans transferred to foreclosed real estate	**$**	$ 4
Implementation of change in measurement date of benefit plans	**$ 69,025**	$

PAMRAPO BANCORP, INC. & SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION

The consolidated financial statements include the accounts of Pamrapo Bancorp, Inc. (the Company), its wholly owned subsidiary,
(the Bank) and the Bank s wholly-owned subsidiaries, Pamrapo Service Corp., Inc. (the Service Corp.) and Pamrapo Investmer
Company). The Company s business is conducted principally through the Bank. All significant inter-company accounts and transac
consolidation.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United S
In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported
liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the period then ended. Actu
significantly from those estimates. Material estimates that are particularly susceptible to significant changes relate to the determinatio
losses, the assessment of prepayment risks associated with mortgage-backed securities and the determination of the amount of deferre
likely than not to be realized. Management believes that the allowance for loan losses is adequate, prepayment risks associated with m
are properly recognized and all deferred tax assets are more likely than not to be recognized. While management uses available inform
loans, future additions to the allowance for loan losses may be necessary based on changes in economic conditions in the market area.
of prepayment risks related to mortgage-backed securities are based upon current market conditions, which are subject to frequent cha
determination of the amount of deferred tax assets more likely than not to be realized is dependent on projections of future earnings, v
change.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank s allowance fo
may require the Bank to recognize additions to the allowance for loan losses based on their judgments about information available to t
examination.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and amounts due from depository institutions and interest-bearing deposits in other banks hav
three months or less.

INVESTMENT AND MORTGAGE-BACKED SECURITIES

Investments in debt securities that the Bank has the positive intent and ability to hold to maturity are classified as held to maturity secu
amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are clas
and reported at fair value, with unrealized holding gains and losses included in earnings. Debt and equity securities not classified as tr
to maturity securities are classified as available for sale securities and reported at fair value, with unrealized holding gains or losses, n
reported in a separate component of stockholders equity.

On a quarterly basis, management makes an assessment to determine whether there have been any events or economic circumstances
which there is an unrealized loss is impaired on an other-than-temporary basis. Management considers many factors including the sev
impairment; the intent and ability of the Bank to hold the security for a period of time sufficient for a recovery in value; recent events
industry; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is d
other-than-temporary are written down to fair value with the write-down recorded as a realized loss.

Premiums and discounts on all securities are amortized/ accreted using the interest method. Interest and dividend income on securities
amortization of premiums and accretion of discounts, is recognized in the consolidated financial statements when earned. The adjuste
security sold or called is used for determining security gains and losses recognized in the consolidated statements of income.

LOANS RECEIVABLE

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan origination fees and d

The Bank defers loan origination fees and certain direct loan origination costs and amortizes/accretes such amounts as an adjustment of yield over the contractual lives of the related loans.

The accrual of interest on loans is discontinued at the time of the loan being 120 days past due unless the credit is well secured and in Uncollectible interest on loans is charged off, or an allowance is established based on management s evaluation. An allowance is esta income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are recei judgment, the borrower s ability to make periodic interest and principal payments is probable, in which case the loan is returned to ar

Allowance for Loan Losses

An allowance for loan losses is maintained at a level considered adequate to absorb loan losses. Management of the Bank, in determin losses, considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the gene market conditions.

The Bank utilizes a two tier approach: (1) identification of impaired loans and the establishment of specific loss allowances, if necess establishment of general valuation allowances on the remainder of its loan portfolio. The Bank maintains a loan review system which of its loan portfolio and the early identification of potential impaired loans. Such system takes into consideration, among other things, loans, type of collateral and financial condition of the borrowers. Specific loan loss allowances are established for identified loans bas information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a combination of factors inclu actual loan loss experience, composition of loan portfolio, current economic conditions and management s judgment.

Although management believes that adequate specific and general loan loss allowances are established, actual losses are dependent up such, further additions to the allowance for loan losses may be necessary.

An impaired loan is evaluated based on the present value of expected future cash flows discounted at the loan s effective interest rate the loan s observable market price or the fair value of the collateral if the loan is collateral dependent. A loan evaluated for impairme when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the agreement. An insignificant payment delay, which is defined as up to ninety days by the Bank, will not cause a loan to be classified as impaired during a period of delay in payment if the Bank expects to collect all amounts due, including interest accrued at the contract period of delay. Thus, a demand loan or other loan with no stated maturity is not impaired if the Bank expects to collect all amounts d accrued at the contractual interest rate, during the period the loan is outstanding. All loans identified as impaired are evaluated indepe aggregate such loans for evaluation purposes. Payments received on impaired loans are applied first to accrued interest receivable and

Foreclosed Real Estate

Real estate acquired by foreclosure or deed in lieu of foreclosure is initially recorded at estimated fair value at date of acquisition, esta and subsequently carried at the lower of such initially recorded amount or estimated fair value less estimated costs to sell. Costs incur preparing properties for sale are capitalized. Expenses of holding properties and income from operating properties are recorded in ope earned. Gains and losses from sales of such properties are recognized as incurred.

Advertising

Advertising expense is recorded when occurred.

Benefit Plans

The Company has a non-contributory defined benefit pension plan covering all eligible employees. The benefits are based on years of compensation. The defined benefit plan is funded in conformity with funding requirements of applicable government regulations. Pric defined benefit plan generally are amortized over the estimated remaining service periods of employees.

Certain employees are covered under a Supplemental Executive Retirement Plan (SERP). The SERP is an unfunded non-qualified certain employees. A participant who retires at the age of 65 (the Normal Retirement Age), is entitled to an annual retirement bene compensation reduced by his retirement plan annual benefits. Participants retiring before the Normal Retirement Age receive the same percentage based on years of service to the Company and the number of years prior to the Normal Retirement Age that participants re

PAMRAPO BANCORP, INC. & SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company uses the corridor approach in the valuation of the defined benefit plan and SERP. The corridor approach defers all actu resulting from variances between actual results and economic estimates or actuarial assumptions. For a defined benefit plan, these unr are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected bene beginning of the year. For SERP, amortization occurs when the net gains or losses exceed 10% of the accumulated SERP benefit obli the year. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants, the average remaining life expectancy.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SF Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of FASB Statements No. 87, 88, 106 and 1 two major changes to accounting for defined benefit and postretirement plans, with two different effective dates. The first requiremen the Company adopted as of December 31, 2006, requires the recognition of the over-funded and under-funded status of a defined bene asset or liability in the consolidated statement of financial condition, with changes in the funded status recorded through other compre in which those changes occur. The effect of implementations of SFAS No. 158, was to increase Accumulated Other Comprehensive L related deferred tax benefit of $1,068,789).

The second requirement of SFAS No. 158, which is effective for the Company as of January 1, 2008, requires that the funded status b fiscal year-end rather than as of an earlier date currently permitted. As a result of changing the measurement date from October 1 to D plans, the Company recorded an adjustment of $69,025 (net of related deferred tax benefit of $46,017) to retained earnings.

PREMISES AND EQUIPMENT

Premises and equipment are comprised of land, at cost, and buildings, building improvements, leaseholds and furnishings and equipm accumulated depreciation and amortization. Significant renewals and betterments are charged to the property and equipment account. expensed in the year incurred. Rental income is netted against occupancy expense in the consolidated statements of income.

INCOME TAXES

The Company, Bank, Service Corp. and Investment Company file a consolidated federal income tax return. Income taxes are allocate Service Corp. and Investment Company based on their respective income or loss included in the consolidated income tax return. Sepa are filed by the Company, Bank, Service Corp. and Investment Company.

Federal and state income taxes have been provided on the basis of reported income. The amounts reflected on the Company s and sub from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax

Deferred income tax expense or benefit is determined by recognizing deferred tax assets and liabilities for the estimated future tax co differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactm deferred tax assets is assessed and a valuation allowance provided, when necessary, for that portion of the asset which is not likely to believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize t

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation (FIN) No. 48, Accounting for Uncertaint Interpretation provides clarification on accounting for uncertainty in income taxes recognized in an enterprise s financial statements i No. 109, Accounting for Income Taxes. The Interpretation prescribes a recognition threshold and measurement attribute for the fin and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classific accounting in interim periods, disclosure and transition. As a result of the Company s evaluation of the implementation of FIN 48, n uncertainties were identified. Therefore, the Company recognized no adjustment for unrecognized tax benefits for the year ended Dec Company s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the Consolidated State of interest and penalties for the year ended December

31, 2007 was immaterial. The tax years subject to examination by the taxing authorities are the years ended December 31, 2007, 2006

In May 2007, the FASB issued FASB Staff Position (FSP) FIN 48-1, Definition of Settlement in FASB Interpretation No. 48 (F provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecog 48-1 is effective retroactively to January 1, 2007. The implementation of this standard did not have a material impact on our consolida results of operations.

Federal Home Loan

Bank of New York Stock

Federal Home Loan Bank of New York (FHLB) Stock, which represents required investment in the common stock of a correspond as of December 31, 2008 and 2007, consists of the common stock of FHLB.

Management evaluates the restricted stock for impairment in accordance with Statement of Position (SOP) 01-6, Accounting by Ce Entities With Trade Receivables) That Lend to or Finance the Activities of Others. Management s determination of whether these inv based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The deter decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets the capital stock amount for the FHLB and the length of time this situation has persisted; (2) commitments by the FHLB to make payı regulation and the level of such payments in relation to the operating performance of the FHLB; and (3) the impact of legislative and ı institutions and, accordingly, on the customer base of the FHLB.

Management believes no impairment charge is necessary related to the FHLB Stock as of December 31, 2008.

Interest Rate Risk

The Bank is principally engaged in the business of attracting deposits from the general public and using these deposits, together with l to invest in securities, to make loans secured by real estate and, to a lesser extent, make consumer loans. The potential for interest-rate generally shorter duration of the Bank s interest-sensitive liabilities compared to the generally longer duration of its interest-sensitive environment, liabilities will reprice faster than assets, thereby reducing net interest income. For this reason, management regularly mo of the Bank s assets and liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

Stock-Based Compensation

The Company, under a plan approved by its stockholders in 2003, has granted stock options to certain employees. Prior to 2006, the C options granted using the intrinsic value method, in accordance with Accounting Principles Board Opinion No. 25, Accounting for S and related interpretations. No compensation expense had been reflected in net income for the options granted as all such grants have the market price of the underlying stock at the date of grant.

The Company adopted SFAS No. 123(R) on January 1, 2006 under the modified prospective method. Since all of the Company s sto to 2006, the adoption of SFAS No. 123(R) had no impact on the consolidated financial statements.

Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares actually outstanding. Diluted net inc by adjusting the weighted average number of shares of common stock outstanding to include the effect of outstanding stock options, i stock method.

Reclassification

Certain amounts for prior periods have been reclassified to conform to the current period s presentation.

Recent Accounting Pronouncements

In December 2008, the FASB issued FSP SFAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers Interests in Variable Interest Entities (FSP SFAS 140-4 and FIN 46(R)-8). FSP SFAS 140-4 and FIN 46(R)-8 amends FASB SFAS and Servicing of Financial Assets and Extinguishments of Liabilities, to require public entities to provide additional disclosures abou It also amends FIN 46(R), Consolidation of Variable Interest Entities, to require public enterprises, including sponsors that have a interest entity, to provide additional disclosures about their involvement with variable interest entities. Additionally, this FSP requires provided by a public enterprise that is: (a) a sponsor of a qualifying special purpose entity (SPE) that holds a variable interest in the q the transferor of financial assets to the qualifying

Pamrapo Bancorp, Inc. & Subsidiaries

Notes to Consolidated Financial Statements

SPE; and (b) a servicer of a qualifying SPE that holds a significant variable interest in the qualifying SPE but was not the transferor of qualifying SPE. The disclosures required by FSP SFAS 140-4 and FIN 46(R)-8 are intended to provide greater transparency to financ transferor s continuing involvement with transferred financial assets and an enterprise s involvement with variable interest entities a 140-4 and FIN 46(R) is effective for reporting periods (annual or interim) ending after December 15, 2008. The Company is currently new pronouncement will have on its consolidated financial statements.

In January 2009, the FASB issued FSP Emerging Issues Task Force (EITF) 99-20-1, Amendments to the Impairment of Guidance EITF 99-20-1). FSP EITF 99-20-1 amends the impairment guidance in EITF Issue No. 99-20, Recognition of Interest Income and In Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets, to achieve mo whether an other-than-temporary impairment has occurred. FSP EITF 99-20-1 also retains and emphasizes the objective of an other-th assessment and the related disclosure requirements in SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securi guidance. FSP EITF 99-20-1 is effective for interim and annual reporting periods ending after December 15, 2008, and shall be applie Retrospective application to a prior interim or annual reporting period is not permitted. The Company is currently reviewing the effect will have on its consolidated financial statements.

In November 2008, the SEC released a proposed roadmap regarding the potential use by U.S. issuers of financial statements prepared International Financial Reporting Standards (IFRS). IFRS is a comprehensive series of accounting standards published by the Internat Board (IASB). Under the proposed roadmap, the Company may be required to prepare financial statements in accordance with IFR will make a determination in 2011 regarding the mandatory adoption of IFRS. The Company is currently assessing the impact that thi have on its consolidated financial statements, and it will continue to monitor the development of the potential implementation of IFRS

In December 2008, the FASB issued FSP FAS 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets. This F Employers Disclosures about Pensions and Other Postretirement Benefits, to provide guidance on an employer s disclosures abo pension or other postretirement plan. The disclosures about plan assets required by this FSP shall be provided for fiscal years ending a The Company is currently reviewing the effect this new pronouncement will have on its consolidated financial statements.

In November 2008, the FASB ratified EITF Issue No. 08-6, Equity Method Investment Accounting Considerations. EITF 08-6 clar transactions and impairment considerations involving equity method investments. EITF 08-6 is effective for fiscal years beginning aft early adoption prohibited. The Company is currently reviewing the effect this new pronouncement will have on its consolidated financ

In September 2008, the FASB issued FSP 133-1 and FIN 45-4, Disclosures about Credit Derivatives and Certain Guarantees: An Am No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161 (FSP 133-1 and FIN 4 amends and enhances disclosure requirements for sellers of credit derivatives and financial guarantees. It also clarifies that the disclos No. 161 are effective for quarterly periods beginning after November 15, 2008, and fiscal years that include those periods. FSP 133-1 for reporting periods (annual or interim) ending after November 15, 2008. The implementation of this standard will not have a materia consolidated financial position and results of operations.

In September 2008, the FASB ratified EITF Issue No. 08-5, Issuer s Accounting for Liabilities Measured at Fair Value With a Third (EITF 08-5). EITF 08-5 provides guidance for measuring liabilities issued with an attached third-party credit enhancement (such as a the issuer of a liability with a third-party credit enhancement should not include the effect of the credit enhancement in the fair value m EITF 08-5 is effective for the first reporting period beginning after December 15, 2008. The Company is currently assessing the impac consolidated financial position and results of operations.

In March 2008, the FASB issued Statement No. 161, Disclosures about Derivative Instruments and

Hedging Activities an amendment of FASB Statement No. 133 (Statement 161). Statement 161 requires entities that utilize derivati
qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related con
within derivatives. Statement 161 also requires entities to disclose additional information about the amounts and location of derivative
financial statements, how the provisions of SFAS 133 have been applied, and the impact that hedges have on an entity s financial pos
and cash flows. Statement 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early applicat
Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In February 2008, the FASB issued a FASB Staff Position (FSP) FAS 140-3, Accounting for Transfers of Financial Assets and Repu
Transactions. This FSP addresses the issue of whether or not these transactions should be viewed as two separate transactions or as one linked transaction. The FSP includes a rebuttable presumption that presumes linkage of the two t
can be overcome by meeting certain criteria. The FSP will be effective for fiscal years beginning after November 15, 2008 and will ap
transfers made after that date; early adoption will not be allowed. The Company is currently evaluating the potential impact the new p
its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles. This Statement identi
principles and the framework for selecting the principles used in the preparation of financial statements. This Statement is effective 60
Securities and Exchange Commission s approval of the Public Company Accounting Oversight Board amendments to AU Section 41
Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the potential impact the
have on its consolidated financial statements.

Pamrapo Bancorp, Inc. & Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Securities Available for Sale

	Amortized Cost	Gross Unrealized Gains	Gr
December 31, 2008:			
Mortgage-backed securities	**$ 418,937**	**$ 792**	**$**
Trust originated preferred security, maturing after twenty years	**400,000**		
	$ 818,937	**$ 792**	**$**
December 31, 2007:			
Mortgage-backed securities	$ 516,561	$ 4,486	$
Trust originated preferred security, maturing after twenty years	400,000		
	$ 916,561	$ 4,486	$

The unrealized loss, categorized by the length of time of continuous loss position, and the fair value of the related security available fo

	Less than 12 Months		More than 12 Month	
	Fair Value	Unrealized Losses	Fair Value	Unrealiz Losses
December 31, 2008:				
Mortgage-backed securities	**$ 207,724**	**$ 977**	**$**	**$**
Trust originated preferred security, maturing after twenty years			**352,000**	**48,0**
	$ 207,724	**$ 977**	**$ 352,000**	**$ 48,0**
December 31, 2007:				
Trust originated preferred security, maturing after twenty years	$ 396,000	$ 4,000	$	$

During the year ended December 31, 2007, trust originated preferred securities with a face value of $100,000 were called at par.

During the year ended December 31, 2006, a mutual fund with a book value of $1,588,112 was redeemed and a loss of $43,825 was re security with a book value of $7,020 was sold and a profit of $473,914 was realized. There were no sales of securities available for sa December 31, 2008 and 2007.

Management does not believe that any of the unrealized losses at December 31, 3008 represent an other-than-temporary impairment. subordinated notes and mortgage-backed securities that earn interest at a fixed rate. Such losses are due to changes in market interest investments are at a fixed rate. The Bank has the intent and ability to hold these investments for a time necessary to recover the amort 2008 unrealized losses were on three mortgage-backed securities and one trust-originated preferred security.

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Note 3. Investment Securities Held to Maturity

	Amortized	Gross Unrealized	Gross
	Cost	Gains	L
December 31, 2008:			
Subordinated notes:			
Due after one within five years	**$ 10,016,420**	**$**	**$**
Municipal Obligations:			
Due after ten years through fifteen years	**1,333,745**	**17,330**	
	$ 11,350,165	**$ 17,330**	**$**
December 31, 2007:			
Subordinated notes:			
Due after one within five years	$ 9,043,236	$ 262,464	$
Municipal Obligations:			
Due after ten years through fifteen years	374,786	4,189	
Due after fifteen years	958,898	6,879	
	$ 10,376,920	$ 273,532	$

The unrealized losses, categorized by the length of time of continuous loss position, and fair value of related investment securities hel

	Less than 12 Months		More than 12 Months	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2008:				
Subordinated notes:				
Due after one within five years	**$ 9,500,000**	**$ 516,420**	**$**	**$**
Municipal obligations:				
Due after ten years through fifteen years	**575,000**	**19,665**		
	$ 10,075,000	**$ 536,085**	**$**	**$**

Management does not believe that any of the unrealized losses at December 31, 2008 represent an other-than-temporary impairment. T subordinated notes and municipal securities that earn interest at a fixed rate. Such unrealized losses are due to changes in market inter investments are at a fixed rate. The Bank has the intent and ability to hold these investments for a time necessary to recover the amort 2008 the unrealized losses included seven subordinated notes and one municipal obligation.

There were no sales of investment securities held to maturity during the years ended December 31, 2008, 2007 and 2006.

PAMRAPO BANCORP, INC. & SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4 - Mortgage-Backed Securities Held to Maturity

	Amortized	**Gross Unrealized**	**Gross**
	Cost	**Gains**	**L**
December 31, 2008:			
Federal Home Loan Mortgage Corporation	**$ 81,256,914**	**$ 2,086,447**	**$**
Federal National Mortgage Association	**20,776,291**	**413,077**	
Government National Mortgage Association	**103,057**	**6,538**	
Collateralized mortgage obligations	**15,291,390**	**61,461**	
	$ 117,427,652	**$ 2,567,523**	**$**
December 31, 2007:			
Federal Home Loan Mortgage Corporation	$ 86,886,817	$ 171,847	$
Federal National Mortgage Association	24,893,450	111,579	
Government National Mortgage Association	126,593	9,223	
Collateralized mortgage obligations	11,999,772	2	
	$ 123,906,632	$ 292,651	$

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related mortgage-backed sec as follows:

	Less than 12 Months		**More than 12 Months**		
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	
December 31, 2008:					
Federal Home Loan Mortgage Corporation	**$ 108,226**	**$ 794**	**$**	**$**	**$**
Federal National Mortgage Corporation	**28,955**	**231**	**5,334,274**	**24,225**	
Collateralized mortgage obligations			**8,088,817**	**49,779**	
	$ 137,181	**$ 1,025**	**$ 13,423,091**	**$ 74,004**	**$**
December 31, 2007:					
Federal Home Loan Mortgage Corporation	$	$	$ 68,827,391	$ 1,433,276	$
Federal National Mortgage Corporation			20,207,295	745,823	
Collateralized mortgage obligations			11,401,045	597,760	
	$	$	$ 100,435,731	$ 2,776,859	$

Management does not believe that any of the unrealized losses at December 31, 2008 and 2007, represent an other-than-temporary impairment. The unrealized losses on the mortgage-backed securities portfolio are due primarily to increases in market interest rates.

The securities with unrealized losses are primarily at fixed interest rates. The Bank has the intent and ability to hold these securities fo
recover the amortized cost. At December 31, 2008 the unrealized losses included three Federal Home Loan Mortgage Corporation sec
National Mortgage Corporation securities and three collateralized mortgage obligations.

There were no sales of mortgage-backed securities held to maturity during the years ended December 31, 2008, 2007 and 2006.

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Note 5. Loans Receivable

	20
Real estate mortgage:	
One-to-four family	**$ 229,**
Multi-family	**53,**
Commercial	**65,**
	348,
Real estate construction	**12,**
Land	
Commercial	**13,**
Consumer:	
Passbook or certificate	
Home improvement	
Equity and second mortgage	**66,**
Automobile	
Personal	
	68,
Total Loans	**442,**
Loans in process	**1,**
Allowance for loan losses	**4,**
Deferred loan fees	**(1,**
	5,
	$ 437,

At December 31, 2008, 2007 and 2006, loans serviced by the Bank for the benefit of others totaled approximately $1,301,000, $1,708
respectively.

The following is an analysis of the allowance for loan losses:

	Years En	
	2008	
Balance, beginning	**$ 3,154,977**	$
Provisions charged to operations	**1,630,000**	
Recoveries credited to allowance		
Loan losses charged to allowance	**(124,272)**	
Balance, ending	**$ 4,660,705**	$

Impaired loans and related amounts recorded in the allowance for loan losses are summarized as follows:

Recorded investment in impaired loans:
With recorded allowances
Related allowance for loan losses
Net Impaired Loans
Average balance of total impaired loans

At December 31, 2008, 2007 and 2006, non-accrual loans for which interest has been discontinued totaled approximately $5,553,000,
respectively. During the years ended December 31, 2008, 2007 and 2006, the Bank recognized interest income of approximately $103
respectively, on these loans. Interest income that would have been recorded, had the loans been on the accrual status, would have amo
$363,000, $261,000, and $67,000 for the years ended December 31, 2008, 2007 and 2006, respectively. The Bank is not committed to
borrowers whose loans have been placed on non-accrual status. The activity with respect to loans to directors, officers and associates
follows:

Balance, beginning	$
Loans originated [1]	
Persons no longer associated	
Collection of principal	
Balance, ending	$

[1] Includes net change in line of credit loans.

Pamrapo Bancorp, Inc. & Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Premises and Equipment

	2
Land	**$**
Buildings and improvements	**4,**
Accumulated depreciation	**(2,**
	1,
Leasehold improvements	**1,**
Accumulated amortization	**(1,**
Furnishings and equipment	**6,**
Accumulated depreciation	**(6,**
	$ 2,

Depreciation expense for the years ended December 31, 2008, 2007, and 2006 totaled $486,951, $588,233, and $568,252, respectively computed on the straight-line method over the following estimated useful lives:

Buildings and improvements
Leasehold improvements
Furnishings and equipment

Note 7. Interest Receivable

Loans
Mortgage-backed securities
Investment securities

Note 8. Deposits

	December 31,			
	2008			
	Weighted Average Rate	Amount	Percent	Weighted Average Rate
Demand:				
Non-interest bearing	**0.00%**	**$ 40,681,753**	**9.16%**	0.00%
NOW	**0.92%**	**36,045,882**	**8.12%**	1.52%
	0.41%	**76,727,635**	**17.28%**	1.04%
Money market	**2.26%**	**25,821,557**	**5.82%**	2.87%
Savings and club	**1.12%**	**115,718,832**	**26.06%**	1.13%
Certificates of deposit	**3.47%**	**225,730,733**	**50.84%**	4.57%
	2.24%	**$ 443,998,757**	**100.00%**	2.81%

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The scheduled maturities of certificates of deposit are as follows:

Maturing in:
One year or less
After one to two years
After two to three years
After three to four years
After four to five years
After five years

Certificates of deposit of $100,000 or more by the time remaining until maturity are as follows:

Three months or less
After three months through six months
After six months through twelve months
After twelve months

A summary of interest on deposits follows:

	Years E
	2008
Demand	$ 1,196,743
Savings, club and money market	1,358,323
Certificates of deposit	8,956,941
	$ 11,512,007

Note 9. Advances from Federal Home Loan Bank of New York

	December 3	
	2008	
	Weighted Average Rate	Amount
Overnight Borrowings:	0.44%	$ 20,500,000
Maturing by December 31,		
2008	%	$

2009	**5.25%**	**18,000,000**
2010	**5.59%**	**23,000,000**
2011	**5.24%**	**10,000,000**
2015	**4.80%**	**3,000,000**
2016	**4.05%**	**15,000,000**
	4.02%	**$ 89,500,000**

At December 31, 2008 and 2007, all the advances were fixed interest rate advances.

At December 31, 2008 and 2007, the advances were secured by pledges of the Bank s investment in the capital stock of the Federal H York (the FHLB) totaling $5,160,100 and $4,996,000, respectively, and a blanket assignment of the Bank s unpledged qualifying mortgage-backed securities and investment securities portfolios.

At December 31, 2008, the Company also had available to it $65,350,000 under a revolving overnight line of credit, expiring July 31, line of credit is secured by a specific pledge of mortgage-backed securities with carrying values and fair values of approximately $36, respectively. Borrowings are at the lender s cost of funds plus 0.25%. There was $20,500,000 outstanding under the overnight line of and no outstanding borrowings under the line of credit at December 31, 2007. At December 31, 2008, the Company also had a compa with the Federal

Home Loan Bank of New York for $65,350,000 expiring July 31, 2009. There were no outstanding borrowings at December 31, 2008 under the companion (DRA) commitment.

Note 10 - Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the banking agencies. Failure to meet minimum capita certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect or adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that ir of the Bank s assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank s c classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to adjusted total assets (as defined). The follo reconciliation of capital per GAAP and regulatory capital and information as to the Bank s capital levels at the dates presented:

Pamrapo Bancorp, Inc. & Subsidiaries

Notes to Consolidated Financial Statements

GAAP capital
Unrealized loss on securities available for sale
Benefit plans adjustment
Core and tangible capital
General valuation allowance
Total Regulatory Capital

As of March 31, 2008, the most recent notification from the Office of Thrift Supervision (OTS), the Bank was categorized as well framework for prompt corrective action. There are no conditions existing or events which have

occurred since notification that management believes have changed the institution s category.

			For Capital		To be We
			Adequacy		Corr
	Actual		Purposes		
	Amount	Ratio	Amount	Ratio	A
			(Dollars in Thousands)		
December 31, 2008:					
Total capital (to risk-weighted assets)	**$ 58,154**	**15.25%**	**$ ³30,515**	**³ 8.00%**	**$**
Tier 1 capital (to risk-weighted assets)	**54,578**	**14.31%**	**³**	**³**	
Core (Tier 1) capital (to adjusted total assets)	**54,578**	**9.14%**	**³23,894**	**³ 4.00%**	
Tangible capital (to adjusted total assets)	**54,578**	**9.14%**	**³ 8,960**	**³ 1.50%**	
December 31, 2007:					
Total capital (to risk-weighted assets)	$ 57,902	15.82%	$ ³29,279	³ 8.00%	$
Tier 1 capital (to risk-weighted assets)	55,449	15.15%	³	³	
Core (Tier 1) capital (to adjusted total assets)	55,449	8.43%	³26,295	³ 4.00%	
Tangible capital (to adjusted total assets)	55,449	8.43%	³ 9,861	³ 1.50%	

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Note 11. Benefits Plans

Pension Plan (Plan)

The following tables set forth the Plan s funded status and components of net periodic pension cost:

Measurement Date	2008 October 2008
Change in Benefit Obligation	
Benefit obligation, beginning	$ 7,933,
Adjustment for measurement date change	192,
Service cost	236,
Interest cost	534,
Actuarial loss	748,
Benefits paid	(844,
Benefit obligation, ending	$ 8,801,
Change in Plan Assets	
Fair value of assets, beginning	$ 7,357,
Actual return on plan assets	(2,014,
Employer contributions	517,
Benefits paid	(844,
Fair value of assets, ending	$ 5,015,
Reconciliation of Funded Status	
Accumulated benefit obligation	$ 7,735,
Projected benefit obligation	$ 8,801,
Fair value of assets	(5,015,
Funded status at end of year	$ (3,786,
Assumptions Used Discount rate	6.
Rate of increase in compensation	3

	Years Ended	
	2008	2
Net Periodic Pension Expense		
Service cost	$ 236,848	$ 2
Interest cost	534,984	48
Expected return on assets	(585,136)	(59
Amortization of unrecognized loss	192,212	18
Settlement Charge		28
Unrecognized past service liability	17,772	1
Net Periodic Pension Expense	$ 396,680	$ 63

Assumptions Used	
Discount rate	**6.625%**
Rate of increase in compensation	**4.00%**
Long-term rate of return on plan assets	**8.00%**

At December 31, 2008 and 2007, unrecognized net loss of $5,663,895 and $2,409,792, respectively, and unrecognized prior service co
respectively, were included in accumulated other comprehensive loss in accordance with SFAS No. 158. For the year ended Decembe
loss and $17,772 of prior service cost are expected to be recognized in pension expense.

Plan Assets

For 2008 and 2007, the Plan s assets realized an annual return (loss) of (26.3%) and 2.3%, respectively. The weighted-average alloca
follows:

Certificates of deposit	
Mutual fund	
Mortgage-backed securities	
Equity securities	

For 2009, the Company intends to maintain the current asset mix and seeks to achieve an optimal risk/reward profile by limiting mark
levels. Based on an analysis of the current market environment, we project a 3% return from cash, a 5% return from fixed income and
for an overall expected return of approximately 5%.

The long-term rate of return on assets assumption is set based on historical returns earned by equities and fixed income securities, adju
of future returns as applied to the Plan s actual target allocation of asset classes. Equities and fixed income securities are assumed to e
ranges of 5.0% to 8.0% and 1.0% to 5.0%, respectively. Additionally, the long-term inflation rate is projected to be 3%. When these o
are applied to a typical plan s target allocation, the result is an expected return of 5% to 8%.

Equity securities include Pamrapo Bancorp, Inc. common stock in the amounts of $369,000 (7.36% of total plan assets) and $828,000
assets) at December 31, 2008 and 2007, respectively.

Pamrapo Bancorp, Inc. & Subsidiaries

Notes to Consolidated Financial Statements

Contributions

The Company expects to contribute, based upon actuarial estimates, approximately $800,000 to the pension plan in 2009.

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years ended December 31 as fo

2009	**$ 482,6**
2010	**486,5**
2011	**492,5**
2012	**518,7**
2013	**549,0**
2014-2018	**3,125,5**
	$ 5,655,1

Savings and Investment Plan (SIP)

The Bank sponsors a SIP pursuant to Section 401(k) of the Internal Revenue Code of 1986, as amended, for all eligible employees. Er up to 25% of their compensation of which the Bank will match 25% of the first 10% of the employee s contribution up to a maximun The SIP expense amounted to approximately $52,000, $52,000, and $72,000 for the years ended December 31, 2008, 2007 and 2006,

Supplemental Executive Retirement Plan (SERP)

The following tables set forth the SERP s funded status and components of net periodic SERP cost:

Measurement Date	**20** **Decem** **20**
Projected benefit obligation, beginning	**$ 1,76**
Adjustment for measurement date change	**2**
Interest cost	**9**
Actuarial gain	**(29**
Benefit payments	**(13**
Projected benefit obligation, ending	**1,45**
Plan assets at fair value	
Projected benefit obligation in excess of plan assets	**$ 1,45**
Assumptions:	
Discount rate	

Rate of increase in compensation

At December 31, 2008 and 2007, unrecognized net gain of $662,401 and $470,318, respectively and unrecognized prior service cost c respectively, were included in accumulated other comprehensive loss in accordance with SFAS No. 158. For the year ended Decembe gain and $48,124 of prior service cost are expected to be recognized in SERP expense.

Net periodic SERP cost includes the following components:

	Years Enc	
	2008	
Service cost	**$**	$
Interest cost	**94,604**	
Amortization of prior service cost	**48,124**	
Amortization of unrecognized (gain)	**(79,240)**	
Net periodic SERP cost	**$ 63,488**	$
Benefit payments	**$ 131,708**	$
Contributions made	**$ 131,708**	$
Assumptions Used		
Discount rate	**6.125%**	
Rate of increase in compensation	**3.50%**	
Amortization period (in years)	**7.20**	

Contributions

The Company expects to contribute, based upon actuarial estimates, approximately $210,000 to the SERP plan in 2009.

Estimated Future Benefit Payments

Benefit payments, which reflect expected future service as appropriate, are expected to be paid for the years ended December 31 as fo

2009	**$ 210,4**
2010	**210,4**
2011	**208,7**
2012	**143,8**
2013	**143,8**
2014-2018	**659,3**
	$ 1,576,6

Stock Options

Stock options granted under a stockholder approved stock option plan may be either options that qualify as incentive stock options as the Internal Revenue Code of 1986, as amended, or non-statutory options. Options vest in accordance with the plan and may be exerci date of grant or within one year after retirement. All options granted will be exercisable in the event the optionee terminates his emplo disability. A summary of stock option activities, all of which are vested, follows:

	Number of Options Shares	**Range Exercise**
January 1, 2006	101,000	$ 18.41-2
Forfeitures	(6,000)	2
Exercised	(28,000)	1
December 31, 2006	67,000	18.41-2
Forfeitures	(3,000)	2
Exercised		
December 31, 2007	64,000	18.41-2
Forfeitures	(18,000)	18.41-2
Exercised		
December 31, 2008	46,000	$ 18.41-2

As of December 31, 2008, the intrinsic value of options outstanding was $0.

At December 31, 2008 and 2007, the weighted average remaining contractual life of the stock options granted was approximately 4.9 respectively, and stock options for up to 22,380 additional shares of common stock were available for future grants.

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Note 12. Income Taxes

The Bank qualifies as a savings institution under the provisions of the Internal Revenue Code and was therefore, prior to January 1, 19
from taxable income an allowance for bad debts based upon eight percent of taxable income before such deduction, less certain adjust
December 31, 2008 and 2007, include approximately $6.9 million of such bad debt, which, in accordance with SFAS No. 109,   Acco
considered a permanent difference between the book and income tax basis of loans receivable, and for which income taxes have not b
amount is used for purposes other than for bad debt losses, including distributions in liquidation, it will be subject to income tax at the

The tax effects of existing temporary differences which give rise to significant portions of deferred tax assets and deferred tax liabiliti

Deferred tax assets:
Allowance for loan losses
Benefit plans
Deferred loan fees
Depreciation
Reserve for uncollected interest
Unrealized loss on securities available for sale
Deferred tax liabilities:
Unrealized gain on securities available for sale
Net Deferred Tax Assets

The components of income taxes are summarized as follows:

	Years I
	2008
Current expense:	
Federal	**$ 2,052,644**
State	**291,421**
	2,344,065
Deferred tax expense (benefit):	
Federal	**(470,526)**
State	**(149,295)**
	(619,821)
	$ 1,724,244

The following table presents a reconciliation between the reported income taxes and the income taxes which would be computed by a
income tax rate of 34% to income before income taxes:

	Years Ended	
	2008	**20**
Federal income tax	**$ 1,422,411**	$ 2,3
Increases in income taxes resulting from		
New Jersey income tax, net of federal income tax effect	**93,803**	1.
Other items, net	**208,030**	
Effective Income Tax	**$ 1,724,244**	$ 2,5
Effective Income Tax Rate	**41.21%**	

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Note 13. Commitments and Contingencies

The Bank is party to financial instruments with off-balance sheet risk in the normal course of business primarily to meet the financing These financial instruments include commitments to originate loans and fund lines of credit secured by real estate. The commitments elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The B in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the c of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments.

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in th generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments may expire v the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer s creditwort basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit is based on management s credit counterparty. Collateral held varies but primarily includes residential real estate and income-producing commercial properties.

The Bank had the following off-balance sheet arrangements at December 31, 2008 and 2007:

Commitments to originate loans	$
Unused lines of credit	$
Letters of credit	$

At December 31, 2008, the outstanding commitments to originate fixed rate loans were $5,168,000 with interest rates ranging from 6. outstanding commitments to originate adjustable rate loans were $185,000 with interest rates ranging from 3.25% to 4.00%. All comn within ninety days.

At December 31, 2008, undisbursed funds from approved lines of credit under a homeowners equity and a commercial equity lendin approximately $9,601,000 and $1,998,000, respectively. Unless they are specifically cancelled by notice from the Bank, these funds r available to the respective borrowers on demand. The interest rates charged for any month on funds disbursed under these programs r above the prime rate.

Rental expenses related to the occupancy of premises totaled $585,000, $468,000, and $457,000 for the years ended December 31, 20 respectively. At December 31, 2008, minimum noncancelable obligations under lease agreements with original terms of more than on

December 31,	
2009	**492,0**
2010	**470,0**
2011	**479,0**
2012	**488,0**
2013	**324,0**
Thereafter	**535,0**
	$ 2,788,0

At December 31, 2008 and 2007, the Bank s loan portfolio included loans totaling $10.8 million and $5.5 million, respectively, whic or more. Included in the December 31, 2008 and 2007 total delinquent loans, is the Bank s largest non-accruing commercial loan of $ hospital. The loan was originally for $3.0 million with a maturity date of November 15, 2006, which was extended to June 1, 2007. In of the loan was paid and the remaining balance of approximately $1.9 million was secured by a mortgage on real estate. As of Decem million loan balance had not been paid. The repayment of the loan is subject to bankruptcy proceedings. In September 2008, the credi hospital filed a complaint against the Bank seeking to recover the $1.0 million previously paid on the loan and to set aside the mortgag still owed to the Bank. The methodology used to determine the collectability of the hospital loan was based on the fair value of the co value of the physical collateral was valued on December 15, 2006 at $2.04 million, which was greater than the hospital loan. While m mortgage on the property is valid, the unsecured creditors in the bankruptcy proceedings

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have brought suit against the Bank charging that the mortgage is a voidable preference. Litigation is in the discovery phase. At this
based on discussions with its litigation counsel, that the Bank will likely prevail in its defense. However, due to the normal uncertainti
$1.9 million has been deemed impaired and is included in the recorded investments in impaired loans with recorded allowances total o
million at December 31, 2008 and 2007, respectively, as reflected in Note 5 to the Notes to Consolidated Financial Statements. The ho
proximity to the Bank and is routinely observed by management. Given the proximity of the property, management s knowledge of th
the appraisal of the property is higher than the carrying value of the loan, the management does not believe that a new appraisal is nee
Company has not charged off this loan against the allowance for loan losses based on the fact that the loan is collateralized by propert
than the carrying amount of the loan. However, due to the uncertainty of any litigation, the Bank decided to establish an allowance for
continue to monitor this loan and evaluate its collectibility as necessary.

The Company, Bank, Service Corp., and Investment Company are also parties to litigation which arises primarily in the ordinary cour
opinion of management, the ultimate disposition of such litigation should not have a material effect on the consolidated financial posi

Note 14. Comprehensive Income (Loss)

The components of accumulated other comprehensive (loss) included in stockholders equity are as follows:

Net unrealized gain (loss) on securities available for sale	**$**
Tax effect	
Net of tax amount	
Benefit plans adjustments	**(5**
Tax effect	**2**
Net of tax amount	**(3**
Accumulated other comprehensive (loss)	**$ (3**

The components of other comprehensive income (loss) and related tax effects are presented in the following table:

	Years E	
	2008	
Unrealized holding losses on securities available for sale:		
Unrealized holding losses arising during the year	**$**	**(48,671)**
Reclassification adjustment for gains included in net income		
Net unrealized losses on securities available for sale		**(48,671)**
Defined benefit pension plan:		
Pension losses		**2,913,754**
Prior service cost		**(65,896)**
Settlement accounting		

Net change in defined benefit pension plan accrued expense	**2,979,650**
Other comprehensive income (loss) before taxes	**(3,028,321)**
Tax effect	**1,211,360**
Other comprehensive income (loss)	**$ (1,816,961)**

Note 15. Earnings Per Common Share

The following is a summary of the calculation of earnings per share (EPS):

	Years
	2008
Net income	$ 2,459,318
Weighted average common shares outstanding for computation of basic EPS	4,970,788
Dilutive common-equivalent shares	
Weighted average common shares for computation of diluted EPS	4,970,788
Earnings per common share:	
Basic	$ 0.49
Diluted	$ 0.49

Note 16. Fair Values of Financial Instruments

The carrying amounts and fair value of the financial instruments are as follows:

		Dece
	2008	
	Carrying Value	Estimated Fair Value
		(In Th
Financial assets:		
Cash and cash equivalents	$ 13,587	$ 13,587
Securities available for sale	771	771
Investment securities held to maturity	11,350	10,831
Mortgage-backed securities held to maturity	117,428	119,920
FHLB stock	5,160	5,160
Loans receivable	437,554	454,149
Interest receivable	2,884	2,884
Financial liabilities:		
Deposits	443,999	447,734
Advances	89,500	94,830
Interest payable	359	359

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Notes to Consolidated Financial Statements

For financial instruments with off-balance sheet risk (primarily loan commitments), the carrying value (deferred loan fees and costs) a deemed material.

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of vario other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, ca precision. Changes in assumptions could significantly affect the estimates. Further, the foregoing estimates may not reflect the actual realized if all or substantially all of the financial instruments were offered for sale.

In addition, the fair value estimates were based on existing on-and-off balance sheet financial instruments without attempting to value and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not c and liabilities include mortgage servicing rights, premises and equipment and advances from borrowers for taxes and insurance. In ad related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been cons estimates.

Finally, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techni which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuat introduces a greater degree of subjectivity to these estimated fair values.

DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used in estimating the fair value of financial instruments:

Cash and cash equivalents and interest receivable and payable: The carrying amounts reported in the consolidated financial statement equivalents and interest receivable and payable approximate their fair values.

Securities: The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are dete market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather by relying on the sec benchmark quoted prices. For certain securities which are not traded in active markets are subject to transfer restrictions, valuations a illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence management s best estimate is used. Management s best estimate consists of both internal and external support on certain Level 3 in models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtai (where available) were used to support fair values of certain Level 3 investments.

FHLB stock: The estimated fair value of the Bank s investment in FHLB stock is deemed equal to its carrying value, which represent redeemed.

Loans receivable (carried at cost): The fair values of loans are estimated using discounted cash flow analyses, using market rates at th reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change to c based on carrying values.

Deposit liabilities (carried at cost): The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook sa accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values fo deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certi aggregated expected monthly maturities on time deposits.

Advances from Federal Home Loan Bank of New York: Fair value is estimated using rates currently offered for liabilities of similar r
when available, quoted market prices.

Commitments to extend credit: The fair value of commitments is estimated using the fees currently charged to enter into similar agree
the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair va
difference between current levels of interest rates and the committed rates.

In September 2006, the FASB issued SFAS Statement No. 157,   Fair Value Measurements,   which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SF accounting pronouncements that require or permit fair value measurements. The primary effect of SFAS 157 on the Company was to c disclosures pertaining to the methods used to determine fair values upon adoption on January 1, 2008.

In December 2007, the FASB issued FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157* (FSP 157-2). FSP 157- SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at years beginning after November 15, 2008 and interim periods within those fiscal years. As such, the Corporation only partially adopte 157, and will begin to account and report for non-financial assets and liabilities in 2009. In October 2008, the FASB issued FASB Sta *Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active* (FSP 157-3), to clarify the applicatio 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately and December 31, 2008 consolidated financial statements. The adoption of SFAS 157 and FSP 157-3 had no impact on the amounts repor financial statements.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobser measurements). The three levels of the fair value hierarchy under SFAS 157 are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or lia

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the ful liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e market activity).

An asset or liability s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value mea

For assets measured at fair value on a recurring and non-recurring basis, the Company s fair value measurements by level within the December 31, 2008 are as follows:

Description	**December 31, 2008**	**(Level 1) Quoted Prices in Active Markets for Identical Assets**	**(Level 2) Significant Othe Observable Inpu**
		(In Thousands)	
Recurring:			
Securities available for sale	$ 771	$	$ 771
Non-recurring:			
Impaired loans	1,501		
Foreclosed assets	426		
Total	$ 2,698	$	$ 771

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The following valuation techniques were used to measure fair value of assets in the table above not previously disclosed.

Impaired loans Loans included in the above table are those that are accounted for under SFAS 114, Accounting by Creditors for I the Company has measured impairment generally based on the fair value of the loan s collateral. Fair value is generally determined b third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Leve the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances less valuation a under SFAS 114. The fair value consists of loan balances of $1,501,00, net of valuation allowances of $1,086,000. During the year en additional provision for loan losses of $405,000 were recorded.

Foreclosed assets Fair value of foreclosed assets was based on independent third party appraisals of the properties. These values we sales prices of similar properties in the proximate vicinity. Foreclosed assets were written down by $70,000 and cost capitalized were ended December 31, 2008.

Note 17. Parent Company Financial Information

Statements of Financial Condition

		20
Assets		
Cash and cash equivalents	**$**	**3,0**
Investment in subsidiary		**51,4**
Refundable income taxes		**2**
Other assets		
Total Assets	**$**	**54,7**
Liabilities and Stockholders Equity		
Liabilities, other	**$**	
Stockholders equity		
Common stock		
Paid-in capital		**19,3**
Retained earnings		**61,9**
Accumulated other comprehensive loss		**(3,1**
Treasury stock, at cost		**(23,5**
Total Stockholders Equity		**54,6**
Total Liabilities and Stockholders Equity	**$**	**54,7**

Statements of Income

	Years Ende	
	2008	2
Dividends from subsidiary	$ 3,800,000	$ 3,
Interest income	2,592	
Income before Expenses	3,802,592	3,
Non-interest expenses	818,026	
Income before Equity in Undistributed Earnings of Subsidiary and Income Tax Benefit	2,984,566	3,
Equity in undistributed earnings of subsidiary	(801,123)	
Income before Income Tax Benefit	2,183,443	4,
Income Tax Benefit	(275,875)	(
Net Income	$ 2,459,318	$ 4,

Statements of Cash Flows

	Years Ende	
	2008	2
Cash Flows from Operating Activities		
Net income	$ 2,459,318	$ 4,
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings (loss) of subsidiary	801,123	(
(Increase) in other assets	(5,963)	
(Increase) decrease in refundable income taxes	(137,360)	
Increase (decrease) in other liabilities	32,595	
Net Cash Provided by Operating Activities	3,149,713	3,
Cash Flows from Financing Activities		
Cash dividends paid	(4,173,455)	(4,
Sale of treasury stock		
Purchase of treasury stock	(361,101)	
Net Cash Used in Financing Activities	(4,534,556)	(4,
Net (Decrease) Increase in Cash and Cash Equivalents	(1,384,843)	(1,
Cash and Cash Equivalents Beginning	4,413,918	5,
Cash and Cash Equivalents Ending	$ 3,029,075	$ 4,

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Notes to Consolidated Financial Statements

Note 18. Quarterly Financial Data (Unaudited)

		Year Ended December 31	
	First Quarter	**Second Quarter**	**Third Qu**
		(In Thousands, Except Per Shar	
Interest income	**$ 9,121**	**$ 8,764**	**$ 8**
Interest expense	**4,436**	**4,016**	**3**
Net Interest Income	**4,685**	**4,748**	**5**
Provision for loan losses	**78**	**151**	
Net Interest Income after Provision for loan losses	**4,607**	**4,597**	**4**
Non-interest income	**538**	**555**	
Non-interest expenses	**3,544**	**3,625**	**4**
Income before Income Taxes	**1,601**	**1,527**	**1**
Income taxes	**591**	**564**	
Net Income (Loss)	**$ 1,010**	**$ 963**	**$**
Net income per common share:			
Basic	**$ 0.20**	**$ 0.20**	**$**
Diluted	**$ 0.20**	**$ 0.20**	**$**
Dividends per common share	**$ 0.23**	**$ 0.23**	**$**

		Year Ended December 31	
	First Quarter	**Second Quarter**	**Thir Quar**
		(In Thousands, Except Per Shar	
Interest income	$ 9,330	$ 9,276	$ 9
Interest expense	4,409	4,540	4
Net Interest Income	4,921	4,736	4
Provision for loan losses	195	175	
Net Interest Income after Provision for loan losses	4,726	4,561	4
Non-interest income	664	643	
Non-interest expenses	3,441	3,388	3
Income before Income Taxes	1,949	1,816	1
Income taxes	723	663	
Net Income	$ 1,226	$ 1,153	$ 1

Net income per common share:					
Basic	$	0.25	$	0.23	$
Diluted	$	0.25	$	0.23	$
Dividends per common share	$	0.23	$	0.23	$

See also Note 22 to Consolidated Financial Statements for discussion on non-interest income.

Note 19 Regulatory Update

The Bank is subject to a range of bank regulatory compliance obligations. In connection with a routine compliance examination by th Supervision (OTS), certain deficiencies were identified. The Bank has and continues to take steps to remediate these deficiencies a overall compliance programs. The Bank agreed to a cease and desist order (the Order) issued by the OTS on September 26, 2008 a the Bank s compliance with certain laws and regulations, including the Bank Secrecy Act and Anti-Money Laundering (BSA/AML relate to any issues regarding the safety and soundness of the Bank.

The Order requires the Bank to strengthen its BSA/AML Program, to strengthen its Compliance Maintenance Program and internal co matters, and to take certain other actions identified by the OTS in the Order. The Bank has implemented initiatives to enhance, among Program and its Compliance Management Program in accordance with the requirements of the Order.

Note 20 Sale of Branch Office

On March 6, 2009, the Bank completed its transaction for the sale of assets and transfer of liabilities of the Bank s Fort Lee, New Jer assignment of the lease for that office, to NewBank, a New York chartered commercial bank located in Flushing, New York. As of th Bank s Fort Lee branch were approximately $14.5 million. The purchase price for the assets of the branch, which was offset against t for assuming the branch s deposits, was $500,000 and a cash payment for the loans being purchased, which had a net book value of $ The Bank recorded a gain of approximately $492,000 as a result of the sale.

Note 21 Stock Repurchase Program

In the fourth quarter of 2008, Pamrapo Bancorp, Inc. repurchased 40,000 shares under its previous share repurchase program that was 2000, at an average price of $9.00, leaving only 1,465 shares remaining that may be repurchased under that program as of December 3 Inc. announced on February 3, 2009 that its Board of Directors has authorized the repurchase of up to 5% of its outstanding common s 246,700 shares.

Note 22: Commissions from Sale of Financial Products

Commissions from sale of financial products includes commissions received by Pamrapo Service Corporation (Corporation), a wh Bank, due to the sale of products such as securities, life insurance, and annuities. Commissions received related to securities are recei dealer. Pursuant to the Corporation s policies, such commissions are to be paid directly to the Corporation, which, in conjunction wit the amount of commission payments to be made to the Corporation s employees and agents.

As of March 12, 2009, the Company and the Bank were aware of the following information relating to certain commission payments Corporation (the Manager). The information presented below is based upon the knowledge and understanding of the individuals w into this matter. The Bank has hired an independent auditor to conduct a forensic audit of the Corporation s business records, the out determined at this time. Subsequent to March 12, 2009, additional information may be discovered, or may come to light, that could af following information relating to the commissions.

In August 2008, the Bank discovered that 100% of certain commissions from a third-party broker were paid directly to the Manager. constituted a change in commission structure, which was made without the approval of the board of directors of the Corporation, as re procedures. Based upon the Corporation s policies in effect at the time, 100% of these commissions were to be paid directly to the C to be distributed by the Corporation to the Manager. Following such internal inquiries, the Bank determined that $270,357 was owed Corporation for commissions paid directly to the Manager for the period from August 2007 to December 2008.

The $270,357 was calculated as follows. For the period from August 2007 to August 2008, the Bank determined that the Manager ow the Corporation s 50% share of the commissions had the Corporation directly received the payment from the third-party broker and t 50% share of the commissions. For the period from September 2008 to December 2008, the Bank determined that the Manager owed represented 100% of the commissions the Manager received from the third-party broker for this period. The Bank sought repayment c following reason. During the internal inquiry, the Bank discovered that the Manager received commissions from September 2008 to D the third-party broker. Additionally, on December 10, 2008, the Manager received $91,667 as a salary payment for the period from Se 2008, based upon an annual salary of $275,000 pursuant to an arrangement established in November 2008.

The $270,357 was paid to the Corporation as follows. On December 3, 2008, the Manager paid $160,000 of the amount owed to the C 10, 2008, the Manager paid $50,000 of the amount owed to the Corporation. On February 4, 2009, the Manager paid the remaining $6 to the Corporation.

The Company and the Bank have determined that a restatement of previously issued financial statements is not necessary with respec income statement effect was not deemed to be material to any given period. Specifically, the income before income taxes, related inc and earnings per common share were deemed not material to any of the quarters ended September 30, 2007, December 31, 2007, Ma September 30, 2008 and December 31, 2008. The Company and the Bank determined to record the amount of $270,357 in the fourth upon the result of the forensic audit, the Company and the Bank may need to record additional amounts and reevaluate whether a rest statements is necessary.

During February 2009, the Corporation discovered additional commissions in the amount of $52,647 that may be owed to the Corpor related to the periods from August 2007 to October 2007 and November 2008. This additional amount was not recorded in the 2008 C Statements.

Selected Consolidated Financial Condition and Operating Data of the Company

Financial condition data:	2004	2005	At December 31, 2006 (In Thousands)	
Total amount of:				
Assets	$ 639,899	$ 646,086	$ 636,560	$
Loans receivable	395,800	438,250	454,859	
Securities available for sale	3,639	3,321	1,170	
Mortgage-backed securities	200,077	167,009	141,053	
Investment securities	9,309	10,287	9,168	
Deposits	489,350	474,003	469,941	
Advances and other borrowed money	89,000	106,400	101,000	
Stockholders equity	55,114	58,616	58,568	

Operating data:	2004	2005	Year Ended December 31, 2006 (In Thousands)	
Interest income	$ 35,983	$ 36,517	$ 37,537	$
Interest expense	11,391	12,430	15,981	
Net interest income	24,592	24,087	21,556	
Provision for loan losses	82	110		
Non-interest income	2,599	2,541	2,798	
Non-interest expenses	13,792	13,543	13,884	
Income taxes	5,373	5,011	3,928	
Net income	$ 7,944	$ 7,964	$ 6,542	$
Net income per share				
Basic	$ 1.60	$ 1.60	$ 1.31	$
Diluted	1.59	1.60	1.31	
Dividends per share	$ 0.84	$ 0.88	$ 0.92	$
Dividend payout ratio	52.60%	54.97%	69.97%	

PAMRAPO BANCORP, INC. & SUBSIDIARIES

Selected Consolidated Financial Condition and Operating Data of the Company

	As of or For Year Enc		
Selected Financial Ratios:	**2004**	**2005**	**200**
Return on average assets	1.24%	1.24%	1.0
Return on average equity	15.00%	14.06%	10.9
Average equity/average assets	8.26%	8.82%	9.2
Interest rate spread	3.66%	3.52%	3.0
Net yield on average interest-earning assets	3.92%	3.84%	3.4
Non-interest expenses to average assets	2.15%	2.11%	2.
Equity/total assets	8.61%	9.07%	9.2
Capital ratios:			
Tangible	7.92%	8.18%	8.5
Core	7.92%	8.18%	8.5
Risk-based	15.89%	15.25%	15.0
Non-performing loans to total assets	0.41%	0.30%	0.
Non-performing loans to loans receivable	0.67%	0.44%	0.
Non-performing assets to total assets	0.41%	0.30%	0.
Allowance for loan losses to non-performing loans	96.44%	139.93%	116.
Average interest-earning assets/average interest-bearing liabilities	1.14x	1.16x	1.1
Net interest income after provision for loan losses to non-interest expenses	1.79x	1.77x	1.5

Stockholder Information

Market for Common Stock and Related Matters

Pamrapo Bancorp, Inc. s common stock is presently quoted on The NASDAQ GM under the symbol PBCI. At March 9, 2009, the
outstanding shares of common stock were held by approximately 1,600 persons or entities.

The following table sets forth the high and low closing sales price per common share for the periods indicated.

Quarter Ended
March 31, 2007
June 30, 2007
September 30, 2007
December 31, 2007
March 31, 2008
June 30, 2008
September 30, 2008
December 31, 2008

Dividends were paid as follows:
March, 2007
June, 2007
September, 2007
December, 2007
March, 2008
June, 2008
September, 2008
December, 2008

Future dividend policy will be determined by the Board of Directors after giving consideration to the Company s financial condition,
status, industry standards, economic conditions and other factors. Dividends will also depend upon dividend payments by the Bank to
primary source of income. The Board may also consider the payment of stock dividends from time to time, in addition to, or in lieu of

Under federal regulations, the Bank may not declare or pay a cash dividend on any of its common stock if the effect thereof would ca
capital to be reduced below the amount required for the liquidation account or the regulatory capital requirements imposed by the Off
(OTS). The Bank must provide at least 60 days advance notice to the OTS before declaring a dividend.

PAMRAPO BANCORP, INC. & SUBSIDIARIES

Stock Performance Chart

The following graph shows a five year comparison of shareholder return on the Company s Common Stock with the cumulative total
Russell 2000 Index and the SNL NASDAQ Thrift Index. Total return assumes the reinvestment of all dividends. The graph assumes $
December 31, 2003.

COMPARATIVE FIVE-YEAR TOTAL RETURNS

Pamrapo Bancorp, Inc., Russell 2000 Index, SNL NASDAQ Thrift Index

(Performance Results Through 12/31/08)

			Period
Index	**12/31/03**	**12/31/04**	**12/31/05**
Pamrapo Bancorp, Inc.	100.00	100.92	91.05
Russell 2000	100.00	118.33	123.72
SNL Thrift NASDAQ	100.00	112.60	112.12

Source: SNL Financial LC, Charlottesville, VA (434) 97

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-106574) of Pamrapo Bancor
March 12, 2009, relating to the consolidated financial statements, which appears in the Annual Report to the Shareholders, which is in
this Annual Report on Form 10-K and the effectiveness of the Pamrapo Bancorp, Inc. internal control over financial reporting, which

/s/ BEARD MILLER COMPANY LLP

Beard Miller Company LLP

Clark, New Jersey

March 12, 2009

CERTIFICATION

I, Kenneth D. Walter, certify that:

1. I have reviewed this Annual Report on Form 10-K of Pamrapo Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fa statements made, in light of the circumstances under which such statements were made, not misleading with respect to th report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this repor

4. The registrant s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act R 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be desig to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made kno those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting t supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation o external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant s disclosure controls and procedures and presented in this report ou effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based o

   d. Disclosed in this report any change in the registrant s internal control over financial reporting that occurred duri fiscal quarter (the registrant s fourth fiscal quarter in the case of an annual report) that has materially affected, o materially affect, the registrant s internal control over financial reporting; and

5. The registrant s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control o registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial r reasonably likely to adversely affect the registrant s ability to record, process, summarize and report financial in

   b.

Any fraud, whether or not material, that involves management or other employees who have a significant role in control over financial reporting.

Date: March 16, 2009

/s/ KENNETH D. WALTER
Kenneth D. Walter

Chief Financial Officer and
Interim Chief Executive Officer

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pamrapo Bancorp, Inc. (the Company) on Form 10-K for the year ended December 31, 20 and Exchange Commission on the date hereof (the Report), I, Kenneth D. Walter, Chief Financial Officer and Interim Chief Execu certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as am

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of oper

/s/ KENNETH D. WALTER

Kenneth D. Walter

Chief Financial Officer and

Interim Chief Executive Officer

March 16, 2009

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Pamrapo Bancorp, Inc.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amou calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:
Total proposed maximum aggregate value of the transaction:

(5) Total fee paid:

¨ 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 offs previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form Schedule or Registration No.:

(3) Filing Party:

(4) Date Filed:

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PAMRAPO BANCORP, INC.

611 Avenue C

Bayonne, New Jersey 07002

(201) 339-4600

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Pamrapo Bancorp, Inc. (the Company), the holding com Bank, S.L.A. (the Bank) that will be held on April 29, 2009, at 11:00 a.m., at Chandelier Restaurant, 1081 Broadway, Bayonne, Ne

The attached Notice of Annual Meeting of Shareholders and the Proxy Statement describe the formal business to be transacted at the and officers of the Company as well as representatives of Beard Miller Company LLP, the Company s independent auditors, will be to make a statement if they desire to do so and to respond to any questions that our shareholders may have regarding the business to b

The Board of Directors of the Company has determined that the matters to be considered at the Annual Meeting are in the best interes shareholders. For the reasons set forth in the proxy statement, the Board unanimously recommends a vote FOR each of the nomine Proposal I, and FOR Proposal II, the ratification of Beard Miller Company LLP as the Company s auditors.

Please sign and return the enclosed proxy card promptly. Your cooperation is appreciated since a majority of the common sto either in person or by proxy, to constitute a quorum for the conduct of business.

On behalf of the Board of Directors and all the employees of the Company and the Bank, I wish to thank you for your continued supp interest.

Sincerely,

Kenneth D. Walter
Vice President, Treasurer

and Chief Financial Officer,

and Interim President and
Chief Executive Officer

PAMRAPO BANCORP, INC.

611 Avenue C

Bayonne, New Jersey 07002

(201) 339-4600

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on April 29, 2009

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders (the Annual Meeting) of Pamrapo Bancorp, Inc. (the Co
2009 at 11:00 a.m., at Chandelier Restaurant, 1081 Broadway, Bayonne, New Jersey.

A proxy statement and proxy card for the Annual Meeting are enclosed herewith. The Annual Meeting is for the purpose of consideri
following matters:

I. The election of three (3) directors;

II. The ratification of Beard Miller Company LLP as independent auditors of the Company for the fiscal year endin
In addition, such other matters as may properly come before the Annual Meeting or any adjournments thereof will be considered and
Meeting.

The Board of Directors has established March 9, 2009, as the record date for the determination of shareholders entitled to notice of an
Meeting and at any adjournments thereof. Only recordholders of the common stock of the Company as of the close of business on tha
at the Annual Meeting or any adjournments thereof. In the event there are not sufficient votes for a quorum or to approve or ratify any
at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Com
entitled to vote at the Annual Meeting will be available at Pamrapo Bancorp, Inc., 611 Avenue C, Bayonne, New Jersey 07002, for a
to the Annual Meeting and also will be available for inspection at the Annual Meeting itself. For directions to attend the Annual Meet
please call Investor Relations at (201) 339-4600.

By Order of the Board of Directors

Margaret Russo
Secretary

Bayonne, New Jersey

March 31, 2009

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

To Be Held on April 29, 2009

The Proxy Statement and 2008 Annual Report are available at www.pamrapo.com.

PAMRAPO BANCORP, INC.

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 29, 2009

Solicitation and Voting of Proxies

This proxy statement is being furnished to shareholders of Pamrapo Bancorp, Inc. (Pamrapo Bancorp or the Company) in conne
Company s board of directors (the Board of Directors or the Board) of proxies to be used at the Annual Meeting of Shareholder
on April 29, 2009 at 11:00 a.m., at Chandelier Restaurant, 1081 Broadway, Bayonne, New Jersey, and at any adjournments thereof. T
Shareholders, including financial statements for the fiscal year ended December 31, 2008, accompanies this proxy statement, which is
shareholders on or about March 31, 2009.

Regardless of the number of shares of common stock of Pamrapo Bancorp (Common Stock) owned, it is important that shareholde
present in person at the Annual Meeting. Shareholders are requested to vote by completing the enclosed proxy card and returning it si
enclosed postage-paid envelope. Shareholders are urged to indicate their vote in the spaces provided on the proxy card. **Proxies solici
Directors of Pamrapo Bancorp will be voted in accordance with the directions given therein. Where no instructions are indica
voted FOR each of the nominees as directors specified under Proposal I, and FOR Proposal II, the ratification of audito**

Other than the matters listed on the attached Notice of Annual Meeting of Shareholders, the Board of Directors knows of no additiona
presented for consideration at the Annual Meeting. **Execution of a proxy card, however, confers on the designated proxyholders d
vote the shares of Common Stock in accordance with their best judgment on such other business, if any, that may properly co
Meeting or any adjournments thereof.**

A proxy may be revoked at any time prior to its exercise by the filing of written notice of revocation with the Secretary of the Compa
Company a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. **However, if you are a
are not registered in your own name, you will need additional documentation from your recordholder to vote personally at th**

The cost of solicitation of proxies on behalf of management will be borne by Pamrapo Bancorp. In addition to the solicitation of proxi
Associates, Inc., a proxy solicitation firm, will assist the Company in soliciting proxies for the Annual Meeting and will be paid a fee
including reasonable out-of-pocket expenses. Proxies may also be solicited personally or by telephone by directors, officers and regul
Company and Pamrapo Savings Bank, S.L.A. (the Bank), without additional compensation therefore. Pamrapo Bancorp will also r
corporations holding shares in their names, or in the name of their nominees, which are beneficially owned by others, to send proxy m
proxies from such beneficial owners, and will reimburse such holders for their reasonable expenses in doing so.

Voting Securities

The securities that may be voted at the Annual Meeting consist of shares of Common Stock, with each share entitling its owner to one
voted on at the Annual Meeting except as described below. The close of business on March 9, 2009 has been established by the Board
date (the Record Date) for the determination of shareholders entitled to notice of and to vote at this Annual Meeting and any adjour
number of shares of Common Stock outstanding on the Record Date was 4,935,542 shares.

In accordance with the provisions of the Company s certificate of incorporation as of the Record Date, record holders of Common St
excess of ten percent (10%) of the outstanding shares of Common Stock (the Limit) are not entitled to any vote with respect to the
Limit. A person or entity is deemed to beneficially own shares owned by an affiliate of, as well as by persons acting in concert with, s
Company s certificate of incorporation, as of the Record Date, authorizes the Board of Directors (i) to make all determinations neces
the Limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonab
own stock in excess of the Limit supply information to the Company to enable the Board of Directors to implement and apply the Lim

The presence, in person or by proxy, of at least a majority of the total number of shares of Common Stock entitled to vote (after givin
described above, if applicable) is necessary to constitute a quorum at the Annual Meeting. If you return valid proxy instructions or att
your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes
purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee or a beneficial ov
Annual Meeting does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting
item and has not received voting instructions from the beneficial owner. In the event there are not sufficient votes for a quorum or to a
proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxie

As to the election of directors, the proxy card being provided by the Board of Directors enables a shareholder to vote FOR the elec
by the Board, or to WITHHOLD AUTHORITY to vote for one or more of the nominees being proposed. Under applicable law and
incorporation and bylaws, directors are elected by a plurality of votes cast, meaning the nominees receiving the greatest number of vo
non-votes and proxies as to which authority to vote for one or more of the nominees being proposed is withheld will have no effect on

As to the ratification of independent auditors and all other matters that may properly come before the Annual Meeting, by checking th
shareholder may: (i) vote FOR the item; (ii) vote AGAINST the item; or (iii) ABSTAIN from voting on such item. Under the
incorporation and bylaws, unless otherwise required by law, such matters shall be determined by a majority of votes cast. Broker non-
not be counted as votes cast and will have no effect on these matters.

If you participate in the Pamrapo Savings Bank, S.L.A. Employee Stock Ownership Plan and Trust (the ESOP), you will receive a
reflects all shares you may vote under the ESOP. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, b

ESOP participant may direct the trustee how to vote the shares of Common Stock allocated to his or her account. The ESOP trustee, s fiduciary duties, will vote allocated shares for which no voting instructions are received in the same proportion as shares for which it l instructions. The deadline for returning your voting instructions to the ESOP trustee is April 17, 2009.

Proxies solicited hereby will be returned to the proxy solicitors or the Company s transfer agent, and will be tabulated by inspectors c Company, who will not be employed by, or be a director of, the Company or any of its affiliates. After the final adjournment of the Ar will be returned to the Company for safekeeping.

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information as to those persons known by management to be beneficial owners of more than 5% Common Stock outstanding on the Record Date. Persons and groups owning in excess of 5% of the Company s Common Stock are r regarding such ownership with the Company and with the Securities and Exchange Commission (SEC), in accordance with Sectior Securities Exchange Act of 1934, as amended (Exchange Act). Other than those persons listed below, the Company is not aware of more than 5% of the Company s Common Stock as of the Record Date.

Title of Class	Name and Address of Beneficial Owner	Amount an Nature of Beneficial Ownershi
Common Stock	William J. Campbell 11030 Gulfshore Drive Apt. 704 Naples, FL 33963	601,07

(1) Includes 15,301 shares held in Mr. Campbell s 401(k) Plan account, 25 shares allocated to Mr. Campbell s ESOP account and Mr. Campbell s IRA. Also includes 164,569 shares held by the William J. Campbell Grantor Retained Annuity Trust over whic voting and investment power.

PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING

PROPOSAL I. ELECTION OF DIRECTORS

The number of directors of Pamrapo Bancorp is currently set at six (6) as of the date of the Annual Meeting. Each of the six (6) memb Directors of Pamrapo Bancorp also serves as a director of the Bank. Directors are generally elected for staggered terms of three years of one class of directors expiring in each year. Directors serve until their successors are elected and qualified.

Three (3) directors have been nominated to stand for election at this year s Annual Meeting: John A. Morecraft, Patrick D. Conaghan Messrs. Morecraft and Conaghan have been nominated to serve for a three-year term expiring at the 2012 Annual Meeting or until the successors are elected and qualified. Mr. Brockman has been nominated to serve for a two-year term expiring at the 2011 Annual Mee elected and qualified. Mr. Brockman was elected as director at last year s Annual Meeting of Shareholders for a term that was to end Pamrapo Savings Bank, S.L.A. Directors Consultation and Retirement Plan (the Retirement Plan), on December 23, 2008 when h retirement age of 75. On December 16, 2008, the Retirement Plan was amended and the Board of Directors unanimously voted to hav serving as a director until this Annual Meeting or until his successor is elected and qualified. In order to keep the three classes of direc number as possible, as required by the Company s Certificate of Incorporation, Mr. Brockman has been kept in his original class and the 2011 Annual Meeting or until his successor is elected and qualified.

The nominees named are presently directors of the Company and the Bank. No person being nominated by the Board of Directors as a for election pursuant to any agreement or understanding between any person and the Company. **Unless authority to vote for the dire represented by the enclosed proxy card will be voted FOR the election of the nominees. Additionally, if you sign, date and retu giving voting instructions, your shares will be voted FOR the election of the nominees.**

In the event that any nominee is unable or declines to serve for any reason, it is intended that proxies will be voted for the election of t and for such other person as may be designated by the present Board of Directors. The Board of Directors has no reason to believe tha will be unable or unwilling to serve.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION

OF THE NOMINEES NAMED IN THIS PROPOSAL I.

Information With Respect to Nominees, Continuing Directors and Executive Officers

On February 13, 2009, William J. Campbell retired as President, Chief Executive Officer and a director of the Company and the Bank with the Company and the Bank for over 40 years and had served as President and Chief Executive Officer since 1970. The Board of search committee that is in the process of seeking a permanent candidate to fill the position. In the interim, Kenneth D. Walter, Vice P Chief Financial Officer of the Company and the Bank, has been appointed as Interim President and Chief Executive Officer of the Co

The following table sets forth, as of the Record Date, the names of the nominees, continuing directors and Named Executive Officer a brief description of their recent business experience, including present occupations and employment, as well as the year in which ea director of the Bank and the year in which his term (or in the case of a nominee, his proposed term) as director of the Company expire the number of shares of Common Stock and the percentage thereof beneficially owned by each director and Named Executive Officer executive officers as a group. Ownership information is based upon information furnished by the respective individuals. Each of the d for John A. Morecraft and Daniel J. Massarelli, are independent as currently defined in Rule 4200 of The NASDAQ Stock Market

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Name and Principal Occupation at Present and for the Past Five Years	Age	Director Since [1]	Expiration of Term
Nominees:			
John A. Morecraft Vice Chairman of the Board of the Bank since 1987; Retired President of John A. Morecraft, Inc., a construction firm	87	1982	2012
Patrick D. Conaghan Practicing attorney for law firm of Conaghan & Conaghan since 1971; Retired municipal court judge	71	2002	2012
Herman L. Brockman Employee and former owner of Brockmans Pharmacy since 1958	75	2005	2011
Continuing Directors:			
Daniel J. Massarelli Chairman of the Board of the Company; Chairman of the Board of the Bank since February 1987; Registered pharmacist and former owner of Massarelli Pharmacy, Inc.	77	1960	2011
Kenneth R. Poesl President, Treasurer and owner of Ken s Marine Service, Inc., an environmental remediation company, since 1977	58	2005	2010
Robert G. Doria Certified Public Accountant; Partner in the firm of Donohue, Gironda & Doria, Certified Public Accountants since 1987; Tax Commissioner for the State of New Jersey Hudson County Board of Taxation since 1989	57	2005	2010

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Name and Principal Occupation at Present and for the Past Five Years	Age	S Com Be O
Named Executive Officers (who are not also directors):		
Kenneth D. Walter [(4)] Vice President, Treasurer and Chief Financial Officer of the Company and the Bank since 2001; Controller from 2000 to 2001; Internal Auditor from 1988 to 2000 and Interim President and Chief Executive Officer of the Company and the Bank since 2009	45	
William J. Campbell [(6)] Former President and Chief Executive Officer of the Company and the Bank from 1970 to 2009	71	
Stock ownership of all directors and executive officers as a group (7 persons)		

* Does not exceed 1.0% of the Company s voting securities.

(1) Includes years of service as a director of the Bank.

(2) Shares of Common Stock beneficially owned, as determined in accordance with applicable SEC Rules, include shares as to whi directly or indirectly has or shares voting power (which includes the power to vote or to direct the voting of the shares) and/or i includes the power to dispose or direct the disposition of the shares).

(3) Includes 91,156 shares held by the John A. Morecraft Inc. Profit Sharing Plan.

(4) Mr. Walter was appointed Interim President and Chief Executive Officer following Mr. Campbell s retirement effective Febru

(5) Includes 30,132 shares held in Mr. Walter s 401(k) Plan account and 18,238 shares allocated to Mr. Walter s ESOP account. underlying stock options that are currently exercisable.

(6) Mr. Campbell retired effective February 13, 2009.

(7) Includes 15,301 shares held in Mr. Campbell s 401(k) Plan account, 25 shares allocated to Mr. Campbell s ESOP account and Mr. Campbell s IRA. Also includes 164,569 shares held by the William J. Campbell Grantor Retained Annuity Trust over whi voting and investment power.

(8) Does not include shares beneficially owned by Mr. Campbell, who retired on February 13, 2009.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company s officers (as defined in regulations promulgated by the SEC thereunder) ar own more than ten percent (10%) of a registered class of the Company s equity securities, to file reports of ownership and changes in Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all file.

Based solely on a review of copies of reports of ownership furnished to the Company, or written representations that no forms were n believes that during the past fiscal year all of its officers, directors and greater than ten percent beneficial owners complied with appli except that: Robert G. Doria filed a late Form 4 on February 13, 2008 to report a purchase of Common Stock by his children on Augu on November 10, 2008 to report a purchase of Common Stock on November 6, 2008; John A. Morecraft filed a late Form 4 on June 1 of Common Stock on March 7, 2008; and William J. Campbell filed a late Form 4 on March 11, 2009 to report a purchase of Commo Campbell Grantor Retained Annuity Trust (Trust) and the corresponding sale by the Trust on February 2, 2009.

Meetings of the Board and Committees of the Board

The Board of Directors of the Company held six (6) meetings in 2008. The Board of Directors of the Bank held 13 meetings in 2008. the Bank maintains an Executive Committee and jointly maintains an Audit Committee with the Company. No director of the Compa seventy-five percent (75%) of the aggregate of the total number of Board meetings held and the total number of committee meetings o served during 2008.

Audit Committee

The Audit Committee of the Company and the Bank consists of Patrick D. Conaghan (Chairman), Herman L. Brockman and Robert G Board of Directors has determined that all of the members of the Audit Committee are independent directors as currently defined i Rules and that Robert G. Doria is the audit committee financial expert as that term is defined in Item 407(d)(5) of Regulation S-K. Company met 12 times during 2008. The Audit Committee of the Bank met 13 times during 2008. These committees are responsible the general financial condition of the Company and the Bank and the results of the annual audit, and are responsible for ensuring that Bank s activities are conducted in accordance with applicable laws and regulations.

The Audit Committee operates under a written charter, a copy of which was included as Appendix A to the Company s 2008 annual Audit Committee will reassess the adequacy of the Audit Committee charter on at least an annual basis.

Report of the Audit Committee

The following Report of the Audit Committee shall not be deemed incorporated by reference by any general statement incorporating b statement into any filing under the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act, except as to the ext specifically incorporates this information by reference and shall not otherwise be deemed filed under such Acts.

In accordance with its written charter, the Audit Committee of the Board of Directors (the Committee) assists the Board of Directo for overseeing the quality and integrity of the accounting, auditing and financial reporting practices of the Company and the Bank and controls.

The Committee received from its independent accountants the written disclosures and the letter required by applicable requirements o Accounting Oversight Board regarding the independent accountant s communications with the Committee concerning independence, accountants any relationships that may impact their objectivity and independence, and satisfied itself as to the accountants independe

The Committee reviewed with the Company s internal auditors and independent accountants the overall scope and plans for their resp of internal audit examinations. The Committee also discussed with management, the internal auditors and the independent accountants of the Company s internal controls and the overall quality of the Company s financial reporting process.

The Committee discussed and reviewed with its independent accountants communications required by generally accepted auditing sta described in Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees and discussed and revi independent accountants examination of the consolidated financial statements. In addition, the Committee considered the compatibil provided to the Company and the Bank with the accountants independence in performing their auditing functions.

The Committee reviewed and discussed interim financial information contained in each quarterly report and earnings announcement v independent accountants prior to public release as necessary. The Committee reviewed and discussed the audited consolidated financi Company as of and for the year ended December 31, 2008, with management and the independent accountants. Management has the r preparation of the Company s consolidated financial statements and the independent accountants have the responsibility for the audit

Based on the above mentioned reviews and discussions with management and the independent accountants, the Committee recommen Company s audited consolidated financial statements be included in its Annual Report on Form 10-K for the year ended December 3 SEC. The Committee also recommended the reappointment, subject to shareholder ratification, of the independent accountants, and th concurs with such recommendation.

The Audit Committee

Patrick D. Conaghan (Chairman)	**Herman L. Brockman**	**Robert G. Doria**

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Director Nominations

The Company does not have a standing nominating committee. In accordance with Rule 4350 of the NASDAQ Rules, director nomin
recommended for the Board s selection, by a majority of the independent members of the Board of Directors. The Board of Directors
members of the Board of Directors can satisfactorily carry out the responsibility of properly selecting or approving nominees for the B
the formation of a standing nominating committee. The members of the Board of Directors who participate in the consideration of dir
D. Conaghan, Herman L. Brockman, Robert G. Doria and Kenneth R. Poesl. In accordance with Rule 4200 of the NASDAQ Rules, al
independent. As there is no standing nominating committee, the Company does not have a nominating committee charter in place.

The Company does not have a policy with regard to the consideration of any director candidates recommended by shareholders. The B
policy specific to candidates recommended by shareholders is not necessary because the Board follows the same evaluation procedure
recommended by directors or shareholders. While the Board of Directors will consider nominees recommended by shareholders, it ha
recommendations from shareholders for nominees.

Nominations by shareholders must comply with certain procedural and informational requirements set forth in the Company s bylaws
nominations for election to the Board of Directors to be made at a meeting of shareholders at which directors are to be elected and onl
complied with the notice procedures set forth in the bylaws. Nominations for directors by shareholders must be made in writing and re
the Company not less than 30 days prior to the date of the meeting; provided, however, that if less than 40 days notice or prior publi
given to shareholders, notice by the shareholder to be timely must be received not later than the close of business on the tenth day foll
notice of the annual meeting was mailed or public disclosure was made. The shareholder s written notice must set forth certain inforn
Company s bylaws. The Company did not receive any shareholder nominations with respect to this Annual Meeting.

In identifying and evaluating nominees for director, the Board considers whether the candidate has the highest ethical standards and in
education, experience and skills necessary to understand and wisely act upon the complex issues that arise in managing a publicly-hel
the Board does not have enough information to evaluate a candidate, the Board may send a questionnaire to the candidate for complet
Board consideration. The Board will annually assess the qualifications, expertise, performance and willingness to serve of existing dir
any other time during the year the Board of Directors determines a need to add a new director with specific qualifications or to fill a v
independent director, within the meaning of the NASDAQ Rules, designated by the Board will then initiate the search, working wi
input from other directors and senior management, and considering nominees previously submitted by shareholders. An initial slate o
qualifications set forth above will then be identified and presented to the independent directors. The independent directors will then p
determine if other directors or senior management have relationships with the preferred candidates and can initiate contacts. To the ex
independent members of the board of directors will interview the prospective candidates. Evaluations and recommendations of the int
to the whole Board for final evaluation.

The Board will meet to consider such information and to select candidates for appointment to the Board at the annual meeting. The Bo during the past fiscal year in its nominating capacity.

Directors are encouraged to attend the annual meetings of shareholders. All the members of the Board of Directors attended the prior

Security Holder Communications with the Board of Directors

The Company has established procedures for security holders to communicate directly with the Board of Directors on a confidential b wish to communicate with the Board or with a particular director may send a letter to the Secretary of the Company at 611 Avenue C, 07002. The mailing envelope must contain a clear notation indicating that the enclosed letter is a Shareholder-Board Communicatio Communication. All such letters must identify the author as a shareholder and clearly state whether the intended recipients are all m certain specified individual directors. The Secretary will make copies of all such letters and circulate them to the directors addressed. the communication to be confidential, such shareholder must clearly indicate on the envelope that the communication is confidential forward such communication, unopened, to the Chairman of the Board of Directors.

Directors Compensation

Directors Fees. The Company is the parent company of the Bank. It is responsible for establishing and paying the fees to the directo Bank. During fiscal 2008, directors of the Bank received an annual retainer of $20,000. Directors of the Company receive $500 for ea meeting of the Company attended. Directors of the Bank receive $650 for each Board meeting attended and $550 for each committee the Chairman of the Board, who receives $750 for each Board meeting attended and $650 for each committee meeting attended. The Committee receives $1,000 for each meeting attended and the members of the Audit Committee receive $650 for each Audit Committ Directors who are also full time employees of the Bank receive no fees for attending meetings or other compensation in their capacity

Other Compensation. In addition to their directors fees, Messrs. Massarelli and Morecraft, who participate in inspections made in th application process of the Bank, are compensated $150 for every inspection made in Bayonne, New Jersey and $250 for every inspect Bayonne area, plus a mileage allowance. Each received $32,875 for inspections during fiscal 2008.

Directors Consultation and Retirement Plan. The Pamrapo Savings Bank, S.L.A. Directors Consultation and Retirement Plan (the amended and restated on December 16, 2008. Under the amended and restated Retirement Plan, a director who is not an officer or em has served as a director for at least ten years will be eligible, upon retirement, to receive $13,900 annually for a period of five years. N foregoing, in the event of death of the retired director, payments will cease immediately. In the event of a change in control of the Ba Section 409A of the Internal Revenue Code of 1986, as amended (the Code), and the regulations promulgated thereunder, each reti under the Retirement Plan will receive a single lump sum payment of $13,900 within seven (7) days following the change in control.

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Director Compensation Table

The following table provides information regarding director compensation in 2008.

Director Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings
Herman L. Brockman	48,600				
William J. Campbell [(1)]					
Patrick D. Conaghan	56,500				
Robert G. Doria	52,700				
Daniel J. Massarelli	56,800				
John A. Morecraft	39,050				
Francis J. O Donnell	21,150				
Kenneth R. Poesl	35,300				

(1) Mr. Campbell retired effective February 13, 2009. During 2008, Mr. Campbell was the only employee director on the board. N Mr. Campbell for his service as a director. Mr. Campbell s compensation for his role as President and Chief Executive Officer the Summary Compensation Table and related disclosure with respect to Named Executive Officer compensation, which is incl statement.

(2) Messrs. Massarelli and Morecraft, who participate in inspections made in the course of the loan application process of the Bank every inspection made in Bayonne, New Jersey and $250 for every inspection made outside of the Bayonne area, plus a mileag $32,875 for inspections during fiscal 2008.

Executive Compensation and Related Information

Personnel Committee. The Company is the parent company of the Bank. It does not pay any cash compensation to the executive offi Therefore, the Company does not maintain a compensation committee.

Authority, Processes and Procedures. The Personnel Committee (the Personnel Committee) consists of Patrick D. Conaghan (Cha Kenneth R. Poesl. Each member of the Personnel Committee is independent as defined by the NASDAQ Rules. The Personnel Co during 2008. The Personnel Committee operates without a charter. The Personnel Committee of the Board of Directors of the Bank is the compensation levels

and benefits for executive officers of the Bank who also serve as executive officers of the Company and for reviewing recommendatio
compensation and benefits for other officers and employees of the Bank.

Report of the Personnel Committee

The following Report of the Personnel Committee shall not be deemed to be soliciting material or filed with the Securities and Exchar incorporated by reference into any of the Company s previous or future filings with the Securities and Exchange Commission, except specified by the Company in any such filing.

The Personnel Committee has reviewed and discussed with management the Compensation Discussion and Analysis. Based on that re the Personnel Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in the C Form 10-K for the fiscal year ended December 31, 2008 and this proxy statement.

Personnel Committee

Patrick D. Conaghan (Chairman)	**Herman L. Brockman**	**Kenneth R. Poesl**

Compensation Discussion and Analysis

Under rules established by the SEC, the Company is required to provide certain data and information in regard to the compensation ar Company s principal executive officer, the principal financial officer, and the other three most highly compensated executive officers disclosure requirements for these Named Executive Officers include the use of tables and a report explaining the rationale and conside fundamental compensation decisions affecting those individuals. In fulfillment of this requirement, the Personnel Committee of the Ba Board of Directors has prepared the following report for inclusion in this proxy statement.

Introduction. In this Compensation Disclosure and Analysis (CD&A), we outline our policies relative to executive compensation. heading Executive Compensation Tables contains specific information about the compensation earned or paid in 2008 to William J former President and Chief Executive Officer, and Kenneth D. Walter, the Company s Vice President, Treasurer and Chief Financial President and Chief Executive Officer, referred to as Named Executive Officers.

Our Compensation Objectives and the Focus of Our Compensation Rewards. The Company has the following goals for compensatio executive officers of the Company and the Bank:

Reward and retain executives with the ability to perform at a high level thereby enhancing stockholder value; and

Provide a competitive compensation package relative to the Company s industry peers.

The basic elements of compensation the committee determines are salary, bonuses and long-term incentive compensatio

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Determination of Compensation

Base Salary. In setting Executive Officers salaries for 2008, consideration was given to the overall performance of the Company lea
return on assets, return on equity, the efficiency ratio and bottom line results. Consideration was given to the competitive environmen
institutions in our geographic area.

Incentive Compensation. Bonuses are discretionary, subjective in nature and are not based upon a specific formula. Bonuses are gene
Executive Officers based on the annual financial performance of the Bank and the individual performance of the executive. 2008 year
Executive Officers were determined after giving consideration to the Company s operating results for the year. Bonuses were determ
Committee in November 2008. Mr. Campbell and Mr. Walter were awarded bonuses of $59,600 and $23,800, respectively. These am
bonuses awarded in 2007.

Stock Options and Stock Awards. The Company believes that the granting of options and stock awards, under the Pamrapo Bancorp,
Incentive Plan, is the most appropriate form of long-term compensation to executive officers, since it believes that equity interests in t
executive officers aligns the interests of shareholders and management. Stock options and stock awards are discretionary and are limi
conditions of the Plan. There were no options or awards granted in 2008 to either Mr. Campbell or Mr. Walter. The Company has not
Named Executive Officers since 2004. The decision not to award options and stock awards has primarily related to the thin liquidity c
which limits the value of the incentive represented by awards, while incurring significant compensation accounting expense.

All Other Compensation. All other compensation for the Named Executive Officers includes 401(k) matching contributions, country
use of a company car. The 401(k) matching contribution for all eligible employees of the Company is 25% of the first 10% of compe
company car and country club membership is similar to benefits provided by other companies in the industry. These amounts for Mr.
follows: $3,240 401(k) matching contributions, $19,268 car allowance and $6,033 country club membership. These amounts for Mr.
follows: $3,239 401(k) matching contributions and $10,881 country club membership.

Summary of Cash and Certain Other Compensation

The following table provides information regarding the compensation, for the years ending December 31, 2008, 2007, and 2006, paid to the Named Executive Officers.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)
Kenneth D. Walter	2008	137,597	23,822				16,365
Vice President, Treasurer and Chief Financial Officer, and Interim President and Chief Executive Officer	2007	135,000	27,071				14,235
	2006	120,866	27,071				15,193
William J. Campbell [2]	2008	448,462	59,556				(47,739)
Former President and Chief Executive Officer	2007	440,000	75,798				(34,115)
	2006	423,846	75,798				(23,667)

(1) Figure given includes 401(k) match of $3,239, country club dues of $10,881, and $1,500 for services rendered to the Company.

(2) Mr. Campbell retired effective February 13, 2009.

(3) Figure given includes 401(k) match of $3,240, a car allowance of $19,268, country club dues of $6,033 and $2,500 for services

In addition, executive officers participate in other benefit plans available to all employees including the ESOP and the 401(k) Plan.

Employment Agreements

During fiscal 2008, the Company and the Bank had employment agreements with William J. Campbell, former President, Chief Execu the Company and the Bank. Mr. Campbell retired effective February 13, 2009.

On October 23, 2007, the Company and the Bank entered into amended and restated employment agreements with William J. Campbe Chief Executive Officer of the Company and the Bank (Employment Agreements). The Employment Agreements amended and res agreements by and between the Company and the Bank and Mr. Campbell dated November 10, 1989. The Employment Agreements e 36 full calendar months. On each anniversary date of the Employment Agreements, the Employment Agreements automatically renew unless written notice of non-renewal was provided to Mr. Campbell that his employment would end at the end of 36 months following

Under the terms of the Employment Agreements, if Mr. Campbell had been terminated for cause, the Company and the Bank would h
him, and his right to receive compensation or other benefits would cease. If the Company or the Bank had terminated Mr. Campbell s
other than for cause, as defined in the Employment Agreements, or if Mr. Campbell resigned upon a material lessening of his function
or a breach of the Employment Agreements by the Company or the Bank, Mr. Campbell or, in the event of his death, his beneficiary a
have been entitled to a severance payment equal to the greater of (i) three times Mr. Campbell s average annual compensation over th
(ii) the payments owed for the remaining term of the Employment Agreements (Severance Payment). The Company and the Bank
life, health and disability coverage for the remaining term of the Employment Agreements or, if earlier, until he was employed by ano
in such event, Mr. Campbell would have been entitled to a gross-up payment to cover applicable excise taxes if any of the benefits we
parachute payments under Sections 280G and 4999 of the Code such that the net amount retained by Mr. Campbell after deduction c
applicable taxes would have been equal to the amount of benefits due to Mr. Campbell under the Employment Agreements (Gross-u

In the event a change in control of the Company or the Bank, as defined in the Employment Agreements, occurred prior to Mr. Campl
Mr. Campbell would have been entitled to (i) a payment equal to three times his average annual compensation over the previous three
Employment Agreements (Change in Control Payment), and (ii) a Gross-up Payment as described above.

In the event of an event triggering either a Severance Payment or a Change in Control Payment prior to Mr. Campbell s retirement, b
compensation as of December 31, 2008, Mr. Campbell would have received a payment of approximately $1,626,062. Based on his an
December 31, 2008, Mr. Campbell also would have received a Gross-up Payment of approximately $567,599. Under the Employmen
Company, any payments or benefits paid under the Employment Agreement with the Bank would have been deemed to satisfy the co
the Company under the Employment Agreement with the Company.

As noted above, on February 13, 2009, Mr. Campbell retired as President, Chief Executive Officer and a director of the Company and
the Employment Agreements provide Mr. Campbell with continued life and health coverage for the remainder of his life. In addition,
Agreements provide that upon retirement Mr. Campbell shall be entitled to all benefits under any retirement plan of the Company and
Pamrapo Savings Bank, S.L.A. Pension Plan, the Supplemental Executive Retirement Plan, the ESOP and the 401(k) Plan. Such bene
conditioned on Mr. Campbell s compliance with plan terms that require that Mr. Campbell, for a full year after the termination of the
upon reasonable notice, furnish information and assistance to the Bank as may reasonably be required by the Bank in connection with
any of its subsidiaries or affiliates is, or may become, a party.

Change in Control Agreement

On October 23, 2007, the Company entered into an amended and restated change in control agreement with Kenneth D. Walter, Chief
Vice-President and Treasurer, and Interim President and Chief Executive Officer of the Company (Change in Control Agreement).
Agreement amends and restates the change in control agreement by and between the Company and Mr. Walter dated January 1, 2002.
Agreement is for a term of 36 full calendar months, which term is extended for one day each day until either the board of directors or

elects not to extend the term by providing written notice, in which case the term of the Change in Control Agreement will end on the t of such notice.

Mr. Walter s Change in Control Agreement provides that if there is a change in control of the Company or the Bank, as defined in the Agreement, Mr. Walter, or in the event of his subsequent death his beneficiary, as the case may be, will be entitled to receive a payme three times his respective average annual compensation for the three previous years of his employment with the Company and the Ba coverage maintained by the Bank at the time of any such termination would be continued for a three-year period. If a change in contro his current annual compensation, the amount payable to Mr. Walter would be approximately $517,230. As noted above, in such event entitled to a gross-up payment to cover applicable excise taxes if any of the termination benefits were considered excess parachute p and 4999 of the Code, such that the net amount retained by Mr. Walter after deduction of the excise and other applicable taxes would benefits due to Mr. Walter under the Change in Control Agreement. Based on his current annual compensation, Mr. Walter would rec approximately $162,764.

2003 Stock-Based Incentive Plan

In 2003, the Company adopted and shareholders approved the Pamrapo Bancorp, Inc. 2003 Stock-Based Incentive Plan (the 2003 Pl stock-based benefits both to attract people of experience and ability and to retain existing officers and employees. The granting of stoc officers and employees with additional incentive in the form of a proprietary interest in the Company and is an important component compensation strategy. The Company did not make any awards under the 2003 Plan during 2008.

Grants of Plan Based Awards

During 2008, our Named Executive Officers did not receive any awards under any equity incentive plan or non-equity incentive plan.

Options Exercises and Stock Vested in 2008

During 2008, none of our Named Executive Officers exercised any stock options. In addition, none of the Named Executive Officers vested during 2008.

Outstanding Equity Awards at 2008 Fiscal Year-End

The following table provides information on the current holdings of stock options and stock awards by the Named Executive Officers

Outstanding Equity Awards at 2008 Fiscal Year-End

	Option Awards						Stock Av
Name	**Number of Securities Underlying Unexercised Options(#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**
Kenneth D. Walter	5,431			$ 18.41	6/24/13		
	4,569			$ 18.41	6/24/14		
	3,000			$ 29.25	3/23/15		
William J. Campbell[(1)]							

(1) Mr. Campbell retired effective February 13, 2009.

Pension Benefits in Fiscal 2008

Pension Plan

The Bank maintains the Pamrapo Savings Bank, S.L.A. Pension Plan (the Pension Plan), which is a defined benefit pension plan, f
employees employed by the Bank who have attained age 21 and completed one thousand hours of service during the plan year or the
the commencement of the employee s employment. A participant s right to benefits under the Pension Plan is fully vested at age 65
The annual normal retirement benefit is equal to the sum of (i) 1.1% of the participant s average annual earnings not in excess of his
multiplied by the participant s credited service and (ii) 1.5% of the participant s average annual earnings in excess of his or her cove
by the participant s credited service. Under the Pension Plan s funding method, the actuarial present value of projected benefits of ea
level basis over the expected future earnings period through the assumed retirement date.

Mr. Campbell retired effective February 13, 2009 and, as a result, is entitled under the Pension Plan to either a single lump sum payme $2,838,190 or one of the following actuarially equivalent monthly benefits: (i) straight life annuity payments of approximately $22,36 (ii) joint and survivor annuity payments of approximately $19,299, $18,047 or $16,951, depending on the election; or (iii) period certa approximately $21,267, $18,903 or $16,504, depending on the election.

Supplemental Executive Retirement Plan

The Bank has a Supplemental Executive Retirement Plan (SERP) for the benefit of key employees of the Bank. This plan is intende deferred retirement plan. Persons eligible to participate are designated by the Board of Directors from time to time and upon terms an Directors shall agree upon. A participant who retires at age 65 (the Normal Retirement Age) is entitled to an annual retirement ben percent (75%) of his compensation, at the effective date of retirement, reduced by his Pension Plan annual benefit plus an amount equ Company contributions on behalf of the participant resulting from limitations mandated by the Code. Participants retiring before the N receive the same benefits reduced by a percentage based on years of service to the Bank and the number of years prior to the Normal participant retires. If, after commencement of benefits, it is determined that any participant in the SERP has committed an act or acts proven dishonesty, the participant s benefits shall be terminated.

In 1997, the SERP was amended so that should Mr. Campbell receive benefits under the SERP, such benefits would be payable to hin (15) years certain. Mr. Campbell retired effective February 13, 2009 and, as a result, he or, in the event of his death, his beneficiary is payment of approximately $31,647, pursuant to the SERP, beginning on March 1, 2009 until the year 2024. This amount is based on retirement benefit, pursuant to the SERP, in the amount of $300,000 reduced by the amount of his Pension Plan annual benefit.

The table below sets forth information on the pension benefits for Named Executive Officers under each of the following plans:

Pension Benefits in Fiscal 2008

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)
Kenneth D. Walter	Pamrapo Savings Bank, S.L.A. Pension Plan	22	89,062
William J. Campbell [1]	Pamrapo Savings Bank, S.L.A. Pension Plan	45	2,193,836
William J. Campbell [1]	Pamrapo Savings Bank, S.L.A. SERP	45	387,311

(1) Mr. Campbell retired effective February 13, 2009.

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Indebtedness of Management and Transactions With Certain Related Persons

In the ordinary course of business, the Bank has made loans, and may continue to make loans in the future, to its officers, directors an executive officers and directors are made in the ordinary course of business, on substantially the same terms including interest rate an prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectibility or features.

PROPOSAL II. RATIFICATION OF INDEPENDENT AUDITORS

The Company s independent auditors for the fiscal year ended December 31, 2008 were the registered public accounting firm Beard Miller). The Audit Committee of the Company s Board of Directors has reappointed Beard Miller as the Company s independent a December 31, 2009.

Although the Company s bylaws do not require the submission of the selection of independent auditors to the shareholders for appro believes it is appropriate to give shareholders the opportunity to ratify the decision of the Audit Committee. Neither the Audit Commi bound by the shareholders vote at the meeting, but if the shareholders fail to ratify the independent auditors selected by the Audit Co Committee may reconsider its selection.

Representatives of Beard Miller are expected to attend the Annual Meeting. They will have an opportunity to make a statement if they available to respond to appropriate questions from shareholders present at the Annual Meeting.

The aggregate fees billed by Beard Miller for the last two fiscal years ended December 31, 2008 and 2007 were as follows:

	2008
Audit Fees:	$ 158,50
Audit-Related Fees:[1]	$ 26,00
Tax Fees:[2]	$ 15,00
All Other Fees:	$

-

(1) Includes professional services rendered for the audit of the Company s annual consolidated financial statements and rev included in Forms 10-Q and services normally provided in connection with statutory and regulatory filings, i.e. attest ser Section 404 of the Sarbanes-Oxley Act, including out-of-pocket expenses.

(2) Tax fees include the preparation of state and federal tax returns.

All audit, audit-related, tax and other non-audit services were pre-approved by the Audit Committee, which concluded that the provisi Beard Miller was compatible with the maintenance of that firm s independence in the conduct of its auditing functions.

The Audit Committee charter requires that the Audit Committee pre-approve all audit and non-audit engagement fees, and terms and consistent with the Sarbanes-Oxley Act of 2002. On an ongoing basis, management communicates specific projects and categories of

which advance approval of the Audit Committee is required. The Audit Committee reviews these requests and advises management ar
if the Audit Committee pre-approves the engagement of the independent auditors for such projects and services. On a periodic basis, t
report to the Audit Committee the actual spending for such projects and services compared to the approved amounts. The Audit Comm
authority to grant any pre-approvals to one or more members of the Audit Committee, provided that such member reports any pre-app
Committee at its next scheduled meeting. The Audit Committee has delegated pre-approval authority to Patrick D. Conaghan, the Cha
Committee.

Unless marked to the contrary or properly executed but returned blank, the shares represented by the enclosed proxy card wi ratification of the appointment of Beard Miller Company LLP as the independent auditors of the Company.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS RECOMMENDS A VOTE

FOR RATIFICATION OF THE APPOINTMENT OF BEARD MILLER COMPANY LLP

AS THE INDEPENDENT AUDITORS OF THE COMPANY.

ADDITIONAL INFORMATION

Shareholder Proposals For Annual Meeting Held in 2010

To be included in the proxy statement and form of proxy for the annual meeting of shareholders to be held in 2010 a shareholder prop
Secretary of the Company at the address set forth on the attached Notice of Annual Meeting of Shareholders, not later than December
will be subject to Rule 14a-8 of the rules and regulations of the SEC.

The bylaws of the Company provide an advance notice procedure for certain business to be brought before the Annual Meeting. In ord
properly bring business before the Annual Meeting, the shareholder must give written notice to the Secretary of the Company not less
the time originally fixed for such meeting; provided, however, that in the event that less than forty (40) days notice or prior public di
meeting is given or made to shareholders, notice by the shareholder to be timely must be received not later than the close of business c
the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made. The notice must inclu
record address and the class and number of shares owned by the shareholder, and describe briefly the proposed business, the reasons f
before the Annual Meeting, and any material interest of the shareholder in the proposed business. In the case of nominations to the Bo
regarding the nominee must be provided.

Although the bylaw provisions do not give the Board of Directors any power to approve or disapprove of shareholder nominations for
any other business desired by a shareholder to be conducted at the Annual Meeting, the bylaw provisions may have the effect of precl
election of directors or precluding the conduct of business at a particular meeting if the proper procedures are not followed, and may c
party from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempt to obtain control of the Company
such business or such attempt might be beneficial to the Company and its shareholders.

Other Matters Which May Properly Come Before the Meeting

The Board of Directors knows of no business that will be presented for consideration at the Annual Meeting other than as stated in the of Shareholders. If, however, other matters are properly brought before the Annual Meeting, it is the intention of the persons named ir vote the shares represented thereby on such matters in accordance with their best judgment.

Whether or not you intend to be present at the Annual Meeting, you are urged to return your proxy promptly. If you are present at the vote your shares in person, your proxy may be revoked upon request.

A COPY OF THE FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2008, AS FILED WITH THE SEC WILL BE FU CHARGE TO SHAREHOLDERS AS OF THE RECORD DATE UPON WRITTEN REQUEST TO THE SECRETARY, PAI INC., 611 AVENUE C, BAYONNE, NEW JERSEY 07002.

By Order of the Board of Directors

Margaret Russo
Secretary

Bayonne, New Jersey

March 31, 2009

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU HAD PLA ANNUAL MEETING, YOU ARE REQUESTED TO SIGN AND PROMPTLY RETURN THE ACCOMPANYING PROXY IN TH POSTAGE-PAID ENVELOPE.

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X **PLEASE MARK VOTES AS IN THIS EXAMPLE**

REVOCABLE PROXY

PAMRAPO BANCORP, INC.

PROXY FOR ANNUAL MEETING TO BE HELD ON APRIL 29, 2009

THIS PROXY IS BEING SOLICITED ON

BEHALF OF THE BOARD OF DIRECTORS

The undersigned shareholder(s) of PAMRAPO BANCORP, INC., a New Jersey corporation (the Company), hereby constitute(s) and appoint(s) the Board of Directors, and each of them, with full power of substitution in each, as the agent, attorneys and proxies of the undersigned, for and in the name, place and stead of the undersigned, to vote at the Annual Meeting of Shareholders of the Company to be held at Chandelier Restaurant, 1081 Broadway, Bayonne, New Jersey, on April 29, 2009 at 11 a.m. (local time), and any adjournment(s) thereof, all of the shares of stock which the undersigned would be entitled to vote if then personally present at such meeting in the manner specified and on any other business as may properly come before the meeting.

Please be sure to date and sign Date

this proxy card in the box below.

Sign above

1. Election of directors of both nominees listed (except as marked to the contrary below):

John A. Morecraft, Patrick D. Conaghan

and Herman L. Brockman

INSTRUCTION: To withhold authority nominee, mark For All Except and wr the space provided below.

2. Ratification of Beard Miller Company LLP as the Company s independent auditors for the fiscal year ending December 31, 2009.

In their discretion, the proxies are authorized to as may properly come before the meeting and a

The Board of Directors recommends a vot nominees in Proposal 1 and FOR Proposa

THIS PROXY WILL BE VOTED IN AC INSTRUCTIONS GIVEN HEREON. IF NO GIVEN,THIS PROXY WILL BE VOTED F NOMINEES AS DIRECTORS UNDER PRO 2, AND AT THE PROXIES DISCRETION MATTERS THAT MAY PROPERLY COM AND ANY ADJOURNMENT(S) THEREOF

Important Notice Regarding the Availabil Annual Meeting:

The Proxy Statement and 2008 Annual Re

www.pamrapo.c

Detach above card, sign, date and mail in postage paid envelope provided.
PAMRAPO BANCORP, INC.

The above signed acknowledges receipt from the Company, prior to the execution of this Proxy, of a Notice of Annual Meeting and a Proxy Statement

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrato give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partne person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETU THE PROXY IN THE ENVELOPE PROVIDED.