BCB BANCORP INC
Form 10-Q
May 14, 2007

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 EXCHANGE ACT OF 1934 For the quarterly period ended March 31, 2007.

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from ____________ to ______________

Commission File Number: 0-50275

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

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

(201) 823-0700
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

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

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).

[ ] Yes [X] No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by the court.

[ ] 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 May 10, 2007, BCB Bancorp, Inc., had 4,791,197 shares of common stock, no par value, issued and outstanding.

BCB BANCORP INC., AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENT

BCB BANCORP INC. AND SUBSIDIARY
Consolidated Statements of Financial Condition at
March 31, 2007 and December 31, 2006
(Unaudited)
(in thousands except for share data)

	At 31-Mar-07	At 31-Dec-06
ASSETS		
Cash and amounts due from depository institutions	$ 2,846	$ 3,400
Interest-earning deposits	32,850	22,437
Total cash and cash equivalents	35,696	25,837
Securities held to maturity	147,737	148,672
Loans held for sale	3,003	2,976
Loans receivable, net	316,187	318,130
Premises and equipment	6,104	5,885
Federal Home Loan Bank of New York stock	3,724	3,724
Interest receivable, net	3,120	3,697
Deferred income taxes	1,239	1,238
Other assets	775	676
Total assets	517,585	510,835
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	388,487	382,747
Long-term Debt	74,124	74,124
Other Liabilities	2,514	2,001
Total Liabilities	465,125	458,872
STOCKHOLDERS' EQUITY		
Common stock, stated value $0.06 10,000,000 shares authorized; 5,068,331 and 5,063,432 shares, respectively, issued	324	324
Additional paid-in capital	45,674	45,632
Treasury stock, at cost, 81,731 and 55,293 shares, respectively	(1,316)	(859)
Retained Earnings	7,778	6,866
Total stockholders' equity	52,460	51,963
Total liabilities and stockholders' equity	$ 517,585	$ 510,835

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARY
Consolidated Statements of Income
For the three months ended
March 31, 2007 and 2006
(Unaudited)
(in thousands except for per share data)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Interest income:		
Loans	$ 5,756	$ 5,342
Securities	2,044	1,816
Other interest-earning assets	288	175
Total interest income	8,088	7,333
Interest expense:		
Deposits:		
Demand	183	82
Savings and club	520	813
Certificates of deposit	2,361	1,515
	3,064	2,410
Borrowed money	832	492
Total interest expense	3,896	2,902
Net interest income	4,192	4,431
Provision for loan losses	--	250
Net interest income, after provision for loan losses	4,192	4,181
Non-interest income:		
Fees and service charges	141	155
Gain on sales of loans originated for sale	121	136
Other	8	7
Total non-interest income	270	298
Non-interest expense:		
Salaries and employee benefits	1,334	1,299
Occupancy expense of premises	235	218
Equipment	433	450

Advertising	95	61
Other	380	333
Total non-interest expense	2,477	2,361
Income before income tax provision	1,985	2,118
Income tax provision	722	789
Net Income	$ 1,263	$ 1,329
Net Income per common share		
basic	$ 0.25	$ 0.27
diluted	$ 0.25	$ 0.26
Weighted average number of common shares outstanding		
basic	5,006	5,002
diluted	5,136	5,159

See accompanying notes to consolidated financial statements.

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BCB BANCORP INC. AND SUBSIDIARY
Consolidated Statement of Changes in Stockholders' Equity
For the three months ended March 31, 2007

(Unaudited)
(in thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Re Ea
Balance, December 31, 2006	$ 324	$ 45,632	$ (859)	$
Exercise of Stock Options (4,899 shares)	--	42	--	
Treasury Stock Purchases (26,438 shares)	--		(457)	
Cash dividend ($0.07per share) declared	--	--		
Net income for the three months ended March 31, 2007	--	--	--	
Balance, March 31, 2007	$ 324	$ 45,674	$ (1,316)	$

See accompanying notes to consolidated financial statements.

BCB BANCORP INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the three months ended
March 31, 2007 and 2006
(Unaudited)
(in thousands)

	Three Months Ended March 31, 2007	2006
Cash flows from operating activities:		
Net Income	$ 1,263	$ 1,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	88	85
Amortization and accretion, net	(168)	(145)
Provision for loan losses	--	250
Stock-based compensation	--	20
Deferred income tax	(1)	(54)
Loans originated for sale	(6,014)	(6,818)
Proceeds from sale of loans originated for sale	6,108	6,510
(Gain) on sale of loans originated for sale	(121)	(136)
Decrease in interest receivable	577	160
Decrease in subscriptions receivable	--	2,353
(Increase) Decrease in other assets	(99)	476
(Decrease) Increase in accrued interest payable	(2)	61
Increase in other liabilities	515	346
Net cash provided by operating activities	2,146	4,437
Cash flows from investing activities:		
Proceeds from maturation of security held to maturity	--	5,000
Purchases of security held to maturity	--	(7,500)
Proceeds from repayments on securities held to maturity	938	1,311
Net decrease(increase) in loans receivable	2,108	(24,227)
Additions to premises and equipment	(307)	(19)
Net cash provided by (used in) investing activities	2,739	(25,435)
Cash flows from financing activities:		
Net increase in deposits	5,740	14,741
Purchases of treasury stock	(457)	(24)
Cash dividend paid	(351)	--
Exercise of stock options	42	40
Stock Issuance costs	--	(9)

Net cash provided by financing activities	4,974	14,748
Net increase (decrease) in cash and cash equivalents	9,859	(6,250)
Cash and cash equivalents-begininng	25,837	25,147
Cash and cash equivalents-ending	$ 35,696	$ 18,897
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	$ 138	$ --
Interest	3,898	2,841

See accompanying notes to consolidated financial statements.

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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 Company's wholly owned subsidiaries, BCB Community Bank (the "Bank") and BCB Holding Company Investment Company. The Company's business is conducted principally through the 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 and, therefore, do not necessarily include all information that would be included in audited financial statements. The information furnished reflects all adjustments that are, in the opinion of management, necessary for a fair presentation of consolidated financial condition and results of operations. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the fiscal year ended December 31, 2007 or any other future interim period.

These statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2006, which are included in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

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

New Accounting Pronouncements

In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value under U. S. GAAP, and expands disclosures about fair value measurements. Statement No. 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for our Company January 1, 2008. We are currently evaluating the potential impact, if any, of the adoption of FASB Statement No. 157 on our consolidated financial position, results of operations and cash flows.

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In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for our Company January 1, 2008. The Company is evaluating the impact that the adoption of SFAS No. 159 will have on our consolidated financial statements.

In March 2007, the FASB ratified Emerging Issues Task Force (EITF) Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for nonvested equity-classified employee share-based payment awards as an increase to additional paid-in capital. EITF 06-11 is effective for fiscal years beginning after September 15, 2007. The Company does not expect EITF 06-11 will have a material impact on its financial position, results of operations or cash flows.

In March 2007, the FASB ratified EITF Issue No. 06-10 "Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements". EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Company is currently assessing the impact of EITF 06-10 on its consolidated financial position and results of operations.

On September 7, 2006, the Task Force reached a conclusion on EITF Issue No. 06-5, "Accounting for Purchases of Life Insurance - Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance". The scope of EITF 06-5 consists of six separate issues relating to accounting for life insurance policies purchased by entities protecting against the loss of "key persons." The six issues are clarifications of previously issued guidance on FASB Technical Bulletin No. 85-4. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. Adoption of EITF 06-5 did not have a material impact on the financial position, results of operations or cash flows of the Company.

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ITEM 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Total assets increased by $6.8 million or 1.3% to $517.6 million at March 31, 2007 from $510.8 million at December 31, 2006. The Bank continued to grow assets, funded primarily through cash flow provided by retail deposit growth, and repayments and prepayments of loans and mortgage backed securities. During the first quarter the Company increased its interest earning deposits in an effort to increase liquid assets in anticipation of higher loan originations later in the year. Asset growth stabilized as management is concentrating on controlled loan growth and maintaining adequate liquidity in the anticipation of funding loans in the loan pipeline. The composition of the Bank's assets will shift more significantly to loans as compared to investments reflecting management's desire to obtain higher yields from loan products than are obtainable from investments. 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 $9.9 million or 38.4% to $35.7 million at March 31, 2007 from $25.8 million at December 31, 2006. Investment securities classified as held-to-maturity decreased by $1.0 million or 0.7% to $147.7 million at March 31, 2007 from $148.7 million at December 31, 2006. This decrease was primarily attributable to repayments and prepayments in the mortgage backed security portfolio during the three months ended March 31, 2007.

Loans receivable decreased by $1.9 million or 0.6% to $316.2 million at March 31, 2007 from $318.1 million at December 31, 2006. The decrease resulted primarily from a $3.4 million decrease in commercial loans comprising business loans and commercial lines of credit, net of amortization, partially offset by a $783,000 increase in real estate mortgages comprising residential, commercial, construction and participation loans with other financial institutions, net of amortization, and an $801,000 increase in consumer loans, net of amortization. The balance in the loan pipeline as of March 31, 2007 stood at $40.5 million. In the absence of significant asset quality issues and in addition to the aforementioned limited loan balance decrease, the allowance for loan loss balance remained static for the three months ended March 31, 2007. At March 31, 2007, the allowance for loan losses was $3.7 million or 224.52% of non-performing assets.

Deposit liabilities increased by $5.8 million or 1.5% to $388.5 million at March 31, 2007 from $382.7 million at December 31, 2006. The increase resulted primarily from an increase of $1.9 million in time deposit accounts and a $6.1 million increase in transaction accounts, partially offset by a $2.3 million decrease in savings and club accounts as the Bank has experienced a change in the composition of deposits with savings and club balances being reduced in favor of higher cost time deposits. Short term time deposit rates continue to be much more competitive than core deposit rates as the

yield curve continues to remain inverted and the Federal Open Market Committee persists in its posture of keeping short term rates unchanged since June 2006.

The balance of borrowed money remained constant at $74.1 million during the three months ended March 31, 2007. The purpose of the borrowings reflects the use of long term Federal Home Loan Bank advances to augment deposits as the Bank's funding source for originating loans and investing in Government Sponsored Enterprise, (GSE) investment securities.

Stockholders' equity increased by $497,000 or 1.0% to $52.5 million at March 31, 2007 from $52.0 million at December 31, 2006. The increase in stockholders' equity is primarily attributable to net income of the Company for the three months ended March 31, 2007 of $1.26 million and $42,000 from the exercise of stock options, partially offset by $457,000 paid to repurchase 26,438 shares of common stock and the payment of a quarterly cash dividend totaling $351,000 representing a $0.07/share payment during the three months ended March 31, 2007. At March 31, 2007 the Company's Tier 1, Tier 1 Risk-Based and Total Risk Based

Capital Ratios were 10.74%, 15.66% and 16.73% respectively.

Results of Operations

Net income decreased by $66,000 or 5.0% to $1.26 million for the three months ended March 31, 2007 from $1.33 million for the three months ended March 31, 2006. The decrease in net income primarily reflects decreases in net interest income, and non-interest income, and an increase in non-interest expense, partially offset by decreases in the provision for loan losses and income taxes. Net interest income decreased by $239,000 or 5.4% to $4.2 million for the three months ended March 31, 2007 from $4.4 million for the three months ended March 31, 2006. This decrease resulted primarily from a decrease in the net interest margin to 3.35% for the three months ended March 31, 2007 from 3.82% for the three months ended March 31, 2006, as the cost of interest bearing liabilities increased at a more rapid pace than the yield on interest earning assets. The cost of interest bearing liabilities increased by seventy-six basis points to 3.69% for the three months ended March 31, 2007 from 2.93% for the three months ended March 31, 2006, reflecting the shift in the composition of deposits to higher cost time deposits. This was partially offset by an increase in average interest earning assets of $36.3 million or 7.8% to $500.3 million for the three months ended March 31, 2007 from $464.0 million for the three months ended March 31, 2006, and an increase in the yield on interest earning assets to 6.47% for the three months ended March 31, 2007 from 6.32% for the three months ended March 31, 2006.

Interest income on loans receivable increased by $414,000 or 7.7% to $5.76 million for the three months ended March 31, 2007 from $5.34 million for the three months ended March 31, 2006. The increase was primarily attributable to an increase in the balance of average loans receivable of $20.1 million or 6.7% to $320.8 million for the three months ended March 31, 2007 from $300.7 million for the three months ended March 31, 2006, and an increase in the average yield on loans receivable to 7.13% for the three months

ended March 31, 2007 from 7.07% for the three months ended March 31, 2006. The increase in average loans reflects management's philosophy to deploy funds in higher yielding assets, specifically commercial real estate loans in an effort to achieve higher returns. The increase in average yield reflects the increase in loan yields tied to the prime lending rate which was higher during the three months ended March 31, 2007 than during the three months ended March 31, 2006.

Interest income on securities held-to-maturity increased by $228,000 or 12.6% to $2.0 million for the three months ended March 31, 2007 from $1.8 million for the three months ended March 31, 2006. The increase was primarily attributable to an increase in the average balance of securities held-to-maturity of $9.6 million or 6.7% to $152.0 million for the three months ended March 31, 2007 from $142.4 million for the three months ended March 31, 2006, and an increase in the average yield on securities to 5.38% for the three months ended March 31, 2007 from 5.10% for the three months ended March 31, 2006. Investments in securities held to maturity are intended to compliment our lending efforts as we seek investments that will result in higher returns.

Interest income on other interest-earning assets increased by $113,000 or 64.6% to $288,000 for the three months ended March 31, 2007 from $175,000 for the three months ended March 31, 2006. The increase was primarily due to an increase in the average balance of other interest-earning assets of $5.7 million or 29.1% to $25.3 million for the three months ended March 31, 2007 from $19.6 million for the three months ended March 31, 2006, and an increase in the average yield on other interest-earning assets to 4.55% for the three months ended March 31, 2007 from 3.57% for the three months ended March 31, 2006. The increase in the average yield reflects the higher short-term interest rate environment for overnight deposits in 2007 as compared to 2006. The increase in the average balance primarily reflects the accumulation of liquidity to facilitate the funding of loan closings in the Bank's loan pipeline.

Total interest expense increased by $994,000 or 34.3% to $3.9 million for the three months ended March 31, 2007 from $2.9 million for the three months ended March 31, 2006. The increase resulted primarily from an increase in average interest bearing liabilities of $26.8 million or 6.8% to $422.7 million for the three months ended March 31, 2007 from $395.9 million for the three months ended March 31, 2006, as well as an increase in the average cost of interest bearing liabilities to 3.69% for the three months ended March 31, 2007 from 2.93% for the three months ended March 31, 2006.

The Company did not record a loan loss provision for the three months ended March 31, 2007 as compared to a $250,000 provision made for the three months ended March 31, 2006. The provision for loan losses is established based upon management's review of the Bank's loans and consideration of a variety of factors including, but not limited to, (1) the risk characteristics of the loan portfolio, (2) current economic conditions, (3) actual losses previously experienced, (4) level of loan growth and (5) the existing level of reserves for loan losses that are probable and estimable. During the three months ended March 31, 2007, the Bank experienced $3,000 in net recoveries (consisting of $5,000 in recoveries and $2,000 in charge-offs). During the three months ended March 31, 2006,

the Bank experienced $67,000 in charge-offs. The Bank had non-performing loans totaling $1.7 million or 0.52% of gross loans at March 31, 2007, $323,000 or 0.10% of gross loans at December 31, 2006 and $1.9 million or 0.58% of gross loans at March 31, 2006. The allowance for loan losses stood at $3.7 million or 1.17% of gross loans at March 31, 2007, $3.7 million or 1.16% of gross loans at December 31, 2006 and $3.3 million or 1.05% of gross loans at March 31, 2006. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates. Management assesses the allowance for loan losses on a quarterly basis and makes provisions for loan losses as necessary in order to maintain the adequacy of the allowance. While management uses available information to recognize losses on loans, future loan loss provisions may be necessary based on changes in the aforementioned criteria. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses and may require the Bank to recognize additional provisions based on their judgment of information available to them at the time of their examination. Management believes that the allowance for loan losses was adequate at March 31, 2007, December 31, 2006 and March 31, 2006.

Total non-interest income decreased by $28,000 or 9.4% to $270,000 for the three months ended March 31, 2007 from $298,000 for the three months ended March 31, 2006. The decrease in non-interest income resulted primarily from a $15,000 decrease in gains on sales of loans originated for sale to $121,000 for the three months ended March 31, 2007 from $136,000 for the three months ended March 31, 2006, and a $14,000 decrease in general fees and service charges to $141,000 for the three months ended March 31, 2007 from $155,000 for the three months ended March 31, 2006.

Total non-interest expense increased by $116,000 or 4.9% to $2.5 million for the three months ended March 31, 2007 from $2.4 million for the three months ended March 31, 2006. Salaries and employee benefits expense increased by $35,000 or 2.7% to $1.33 million for the three months ended March 31, 2007 from $1.30

million for the three months ended March 31, 2006. This increase was primarily attributable to annual salary increases in conjunction with annual reviews as well as an increase in the number of full-time equivalent employees to 94 for the three months ended March 31, 2007 from 82 for the three months ended March 31, 2006. Equipment expense decreased by $17,000 to $433,000 for the three months ended March 31, 2007 from $450,000 for the three months ended March 31, 2006. Occupancy expense increased by $17,000 to $235,000 for the three months ended March 31, 2007 from $218,000 for the three months ended March 31, 2006. Advertising expense increased by $34,000 to $95,000 for the three months ended March 31, 2007 from $61,000 for the three months ended March 31, 2006. The increase in advertising expense relates to advertisements for deposit and loan promotions in an effort to attract additional business during the three months ended March 31, 2007. Other non-interest expense increased by $47,000 to $380,000 for the three months ended March 31, 2007 from $333,000 for the three months ended March 31, 2006. The increase in other non-interest expense is primarily attributable to increases in expenses commensurate with a growing franchise. Other non-interest expense is comprised of directors' fees, stationary, forms and printing, professional fees, legal fees, check

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

Income tax expense decreased $67,000 to $722,000 for the three months ended March 31, 2007 from $789,000 for the three months ended March 31, 2006 reflecting decreased income earned during the three month time period ended March 31, 2007. The consolidated effective income tax rate for the three months ended March 31, 2007 was 36.4% as compared to 37.3% the three months ended March 31, 2006.

Item 3. Quantitative and Qualitative Analysis of Market Risk

Management of Market Risk

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

The following table presents the Company's net portfolio value ("NPV"). These calculations were based upon assumptions believed to be fundamentally sound, although they may vary from assumptions utilized by other financial institutions. The information set forth below is based on data that included all financial instruments as of March 31, 2007. Assumptions have been made by the Company relating to interest rates, loan prepayment rates, core deposit duration, and the market values of certain assets and liabilities under the various interest rate scenarios. Actual maturity dates were used for fixed rate loans and certificate accounts. Investment securities were scheduled at either the maturity date or the next scheduled call date based upon management's judgment of whether the particular security would be called in the current interest rate environment and under assumed interest rate scenarios. Variable rate loans were scheduled as of their next scheduled interest rate repricing date. Additional assumptions made in the preparation of the NPV table include prepayment rates on loans and mortgage-backed securities, core deposits without stated maturity dates were scheduled with an assumed term of 48 months, and money market and noninterest bearing accounts were scheduled with an assumed term of 24 months. The NPV at "PAR" represents the difference between the Company's estimated value of assets and estimated value of liabilities assuming no change in interest rates. The NPV for a decrease of 300 basis points has been excluded since it would not be meaningful, in the interest rate environment as of March 31, 2007. The following sets forth the Company's NPV as of March 31, 2007.

				NPV as a % of Assets	
Change in calculation	Net Portfolio Value	$ Change from PAR	% Change from PAR	NPV Ratio	Change
+300bp	$ 41,265	$ (30,367)	(42.39)%	8.81%	(512)bp
+200bp	51,136	(20,496)	(28.61)	10.60	(333)
+100bp	61,548	(10,084)	(14.08)	12.36	(157)
PAR	71,632	--	--	13.93	--
-100bp	75,322	3,690	5.15	14.38	45
-200bp	71,213	(419)	(0.58)	13.43	(50)

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The table above indicates that at March 31, 2007, in the event of a 100 basis point decrease in interest rates, we would experience a 5.15% increase in NPV. In the event of a 100 basis point increase in interest rates, we would experience a 14.08% decrease in NPV.

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

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ITEM 4.

Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's 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 materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no changes in the Company's risk factors since the filing of the Annual Report on Form 10-K.

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

On June 17, 2004 the Company sold $4.1 million in debentures in connection with its participation in a pooled trust preferred offering. The proceeds of the offering were used to fund asset growth and qualify as regulatory capital.

Other than as stated below, the Company has not sold any securities during the past three years. In connection with the Plan of Acquisition completed on May 1, 2003 the Bank reorganized into the holding company form of ownership and each share of Bank common stock became a share of Company common stock. No new capital was received in the reorganization.

The Company conducted a secondary public stock offering during the fourth quarter of 2005. The Company sold 1,265,000 shares of its common stock for an aggregate offering price of $19.3 million. The Company offered 1,100,000 shares of its common stock, (with an over-allotment option of 165,000 shares) to the public at a price of $15.25. The stock offering was underwritten by Janney Montgomery Scott LLC on a firm commitment basis. The Company's registration statement on Form S-1 (Commission File No. 333-128214) was declared effective by the Securities and Exchange Commission on December 13, 2005. The Company also filed a rule 462 registration statement on Form S-1 (Commission File No. 333-130307) which was effective upon filing December 14, 2005. The sale of 1.1 million shares was completed on December 19, 2005, and the over-allotment was exercised in full on January 5, 2006.

During 2005, the Company announced a stock repurchase plan which provides for the purchase of up to 187,096 shares, adjusted for the 25% stock dividend paid on October 27, 2005. The Company's stock purchases during the last three months are as follows:

Period	Shares Purchased	Average Price	Total Number of Shares Purchased	Maximum Number of Shares That May Yet be Purchased
1/1-1/31	--	--	--	131,803
2/1-2/28	1,538	$ 16.52	1,538	130,265
3/1-3/31	24,900	$ 17.32	26,438	105,365

On April 26, 2007, the Company announced a second stock repurchase plan which provides for the repurchase of 5% or 249,080 shares of the outstanding shares of the Company's common stock. This plan will commence upon the completion of the above mentioned plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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.