

A Message to our Shareholders

Dear Shareholders and Friends,

The Bank's strong performance in 2011 continued through September 30th.

- Assets increased by 14.2% from \$286.6 million as of September 30, 2010 to \$327.2 million as of September 30, 2011
- Net loans increased by 14.5% from \$229.7 million as of September 30, 2010 to \$263.1 million as of September 30, 2011
- Total interest income increased by 10.8% from \$10.7 million as of September 30, 2010 to \$11.9 million as of September 30, 2011
- Stockholder's equity increased by 51.6% from \$19.4 million as of September 30, 2010 to \$29.4 million as of September 30, 2011
- Net income, before taxes and payment of the preferred dividend, increased by 96.5% from \$1.1 million as of September 30, 2010 to \$2.1 million, or \$.48 per share of common stock, as of September 30, 2011

While technically not a third quarter (which ended on September 30th) event, we feel it appropriate, and are pleased, to announce that on October 19th our TARP loan from the US government was repaid in full. The total amount repaid was \$3.9 million. Our successful offering, which raised \$8.0 million in capital and closed on July 15, 2011, enabled us to repay this loan. This concludes our participation in TARP and there are no other loans outstanding from Pascack Community Bank to the U.S. government.

Participation in the TARP program resulted in the Bank being able to make over \$45 million dollars of additional loans. Placing these income generating assets on our books helped lay the groundwork for the Bank's current strong financial performance which in turn enabled us to raise the requisite capital to pay off TARP in full at this time.

As stated in our second quarterly report, we continue to be on target for a first quarter opening of our 7th branch in Waldwick. Our executive offices and entire loan department will be consolidated and relocated at this location as well.

As always, if you have any questions or comments, please do not hesitate to call me at (201) 722-3960 or e-mail me at bmm@meiselpa.com.

Sincerely,



Bruce M. Meisel,
President and CEO

Financial Results
STATEMENT OF CONDITION

Dollars in thousands
(unaudited)

	<u>9/30/11</u>	<u>9/30/10</u>
ASSETS		
Cash and due from banks	\$ 11,758	\$ 9,762
Federal funds sold	<u>15,063</u>	<u>5,979</u>
Cash and Cash Equivalents	<u>26,821</u>	<u>15,741</u>
Securities	17,933	27,184
Loans, net of allowance for loan losses of \$3,503 and \$ 3,179, respectively	263,062	229,713
Premises and equipment, net	15,760	11,522
Accrued interest receivable	1,306	1,219
Other assets	<u>2,348</u>	<u>1,211</u>
TOTAL ASSETS	<u>327,230</u>	<u>286,590</u>
LIABILITIES & EQUITY		
LIABILITIES		
Deposits: non-interest bearing	40,939	36,872
Deposits: interest bearing	<u>226,879</u>	<u>200,779</u>
Total Deposits	<u>267,818</u>	<u>237,651</u>
Borrowings, FHLB	24,000	24,000
Accrued interest payable	321	214
Other liabilities	<u>5,720</u>	<u>5,348</u>
Total Liabilities	<u>297,859</u>	<u>267,213</u>
STOCKHOLDERS' EQUITY		
Preferred stock, Series 2009A, 2009B and 2011C liquidation preference \$1,000 per share; authorized 1,000,000 shares; issued and outstanding 4,344 shares	11,852	3,817
Common stock, no par value; authorized 10,000,000 shares; 2011 issued and outstanding 2,264,310 shares; 2010 issued and outstanding 2,156,350 shares	11,321	10,782
Surplus	6,914	7,434
Accumulated deficit	(716)	(2,414)
Accumulated other comprehensive loss	<u>-</u>	<u>(242)</u>
Total Stockholders' Equity	<u>29,371</u>	<u>19,377</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 327,230</u>	<u>\$ 286,590</u>
BOOK VALUE	<u>\$ 8.01</u>	<u>\$ 7.22</u>

INCOME STATEMENT

Dollars in thousands
(unaudited)

	<u>9/30/11</u>	<u>9/30/10</u>
INTEREST INCOME		
Loans receivable, including fees	\$ 11,373	\$ 9,570
Securities	<u>532</u>	<u>1,170</u>
Total Interest Income	<u>11,905</u>	<u>10,740</u>
INTEREST EXPENSE		
Deposits	2,035	2,512
Borrowings	<u>947</u>	<u>784</u>
Total Interest Expense	<u>2,982</u>	<u>3,296</u>
Net interest income	<u>8,923</u>	<u>7,444</u>
Provision for loan losses	<u>740</u>	<u>875</u>
Net interest income after provision for loan losses	<u>8,183</u>	<u>6,569</u>
NON-INTEREST INCOME		
Service charges on deposit accounts	81	83
Service charges on loans	62	104
Other income	<u>56</u>	<u>254</u>
Total non-interest income	<u>199</u>	<u>441</u>
OTHER EXPENSES		
Salary and employee benefits	2,604	2,473
Occupancy	1,565	1,408
Data processing	428	345
Furniture, fixtures and equipment	325	284
FDIC insurance	214	228
Advertising and public relations	153	255
Other operating expenses	<u>946</u>	<u>924</u>
Total other expenses	<u>6,235</u>	<u>5,917</u>
Income before income tax expense	<u>2,147</u>	<u>1,093</u>
Provision for income taxes	<u>868</u>	<u>-</u>
NET INCOME	<u>1,279</u>	<u>1,093</u>
Preferred stock dividends and accretions	<u>(283)</u>	<u>(182)</u>
NET INCOME ATTRIBUTED TO COMMON STOCKHOLDERS	<u>\$ 996</u>	<u>\$ 911</u>
EARNINGS PER SHARE (BASIC)	<u>\$ 0.46</u>	<u>\$ 0.42</u>