

ANNUAL REPORT

2012

CERTAINTY IN UNCERTAIN TIMES



12027822



FINANCIAL HIGHLIGHTS

NET LOANS RECEIVABLE

(In thousands)

\$436,833	\$441,746	\$477,516	\$468,500	\$420,619
2012	2011	2010	2009	2008

DEPOSITS

(In thousands)

\$826,275	\$837,385	\$758,152	\$633,582	\$576,722
2012	2011	2010	2009	2008

TOTAL EQUITY

(In thousands)

\$186,461	\$179,966	\$175,992	\$173,164	\$172,355
2012	2011	2010	2009	2008

TOTAL ASSETS

(In thousands)

\$1,101,440	\$1,122,633	\$1,067,707	\$959,770	\$899,056
2012	2011	2010	2009	2008

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CLIFTON SAVINGS BANCORP, INC.

Clifton Savings Bancorp, Inc., headquartered in Clifton, New Jersey, is the holding company for Clifton Savings Bank. A majority of the outstanding shares of Clifton Savings Bancorp's common stock is owned by Clifton MHC, the mutual holding company of Clifton Savings Bank. Clifton Savings Bank operates as a community-oriented financial institution, dedicated to serving the financial service needs of consumers and businesses with a variety of deposit and loan products from its main office and eleven full-service banking offices in northeast New Jersey. Clifton Savings Bank has one wholly owned subsidiary, Botany Inc., a New Jersey corporation which serves as an investment company.

TO OUR SHAREHOLDERS

A year ago, we reported that our record-setting results in core areas of our business reflected the trademark common sense that has marked our Bank since we were founded in 1928. That still holds true. This year's performance, while not matching all of those earlier results, continues to validate our steadfast, long-term approach to banking. Specifically, for our year ended March 31, 2012:

- Net income was \$7.88 million;
- Net interest income was \$24.93 million;
- Total assets were \$1.10 billion;
- Deposits totaled \$826.3 million;
- Basic and diluted earnings per common share totaled \$0.31;
- Cash dividends paid remained steady at \$0.24;
- Interest-earning assets totaled \$1.06 billion; and
- Shareholders' equity increased \$6.5 million, or 3.6%.

Such steady and unswerving results provide a comfort to shareholders who seek certainty in uncertain times.

Proof that our fiscal economy pays off was reflected in our loan quality at the end of the fiscal year. Our ratio of nonperforming loans to total gross loans was 0.86%, among the lowest of any publicly traded, billion-dollar financial institution in New Jersey. As reported by Sterne Agee in a study of publicly traded New Jersey depository institutions released in April 2012, the New Jersey average for nonperforming loans to total loans was 3.31% and the New Jersey median was 2.76%. Moreover, our ratio of nonperforming assets to total assets was 0.36%. In the Sterne Agee report, the New Jersey average for nonperforming assets to total assets was 2.80% and the median was 1.93%.

Another important indicator of our performance is that, in statistics dated April 2012 by Boenning & Scattergood, our total risk-based capital of 38.31% as of March 31, 2012, exceeded that of all public banks and all public thrifts in New Jersey.

SEEKING CERTAINTY IN UNCERTAIN TIMES

Our mission from the beginning in 1928 has been to accumulate a fund from depositors and assist them and their associates to acquire and improve real estate. We

never looked at banking as a place to take inordinate risks with depositors' hard-earned monies. We also knew we were not immune to economic tumbling cycles and we saved for rainy days.

Recent months have been filled with such rainy days. There has been a paucity of home buyers and a concomitant lack of interest in purchase-money mortgages. The lending activity that did exist was dominated by refinancings.

True to our conservative principles, we have kept a tight rein on both deposits and assets. And, we are pleased to report, we continued to make money and pay dividends as we have done consistently since becoming a public institution in 2004.

DEPENDABLE SHAREHOLDER VALUE

At March 31, 2012, there were approximately 26.1 million shares of common stock outstanding. As of that date, we have paid 32 consecutive dividends since becoming public in March of 2004.

A SECURE LOAN PORTFOLIO

Marking the confidence we have in the loans we originate is the fact that we haven't sold any. We keep all of the loans we originate or buy; we don't package them for sale. In this way, buyers are assured of our Bank's personal service. We, in turn, are active in the community, evaluating prospective real estate properties to ensure that investments meet our safe and sound lending standards.

We have approximately 2,200 loans in our portfolio. Reflecting the slowdown in real estate sales regionally as well as nationally, our net loans decreased by 1.1%, to \$436.8 million as of March 31, 2012.

We ensure that we maintain a healthy base of residential loans through our community reinvestment area, which extends to six New Jersey counties. Under this program, we offer reduced-interest mortgage rates and favorable terms to first-time home buyers and to low- and moderate-income buyers.

INVESTING IN QUALITY

The quality of our investments is strong. We have invested prudently in quality securities to fill the gap caused by the drop in loans to purchasers over the last

several years. The Bank's investment portfolio consists mainly of U.S. Government agency securities and mortgage-based securities guaranteed by the public government-sponsored enterprises (GSEs). We have also invested \$49.9 million in corporate bonds, A or better investment-grade quality, to enhance our returns and to diversify our portfolio. We have no "private label" securities in our portfolio.

OUR BRANCHES

We operate a network of 12 modern, well-situated branches, all within our core market area. Each of these branches is personally oriented and efficient. In addition to standard conveniences such as ATMs and drive-up window service at many of our branches, we also offer extended hours.

We believe our community-based focus is attractive to our customers and distinguishes us from the large regional banks that operate in our market area. Our approach continues to earn us favorable public responses and validation of our Bank by others. And we intend to maintain this focus as we grow.

SERVING OUR COMMUNITY

At Clifton Savings, personal banking is still personal. When you call during business hours, you will discover that a real person answers our phones and helps you get the banking information you want. And at the end of the business day, you can still reach us through our 24-hour *FastBanking* service. We also provide small-business checking accounts, specifically designed to give business customers low-cost, unlimited check writing coupled with our friendly neighborhood service and convenience.

And we provide 24-hour Internet banking, which enables you to review your balance and transaction history, transfer funds between accounts, and stop payments on checks—and it's free! You'll find that paying bills online is simple and convenient. Our Bill Pay option offers services such as scheduling automatic payments for recurring bills and reviewing and editing upcoming scheduled payments. And it, too, is free.

BUILDING A STRONG FUTURE

In last year's letter, we reported on a regulatory setback. When we applied to become fully public, the Office of Thrift Supervision notified us that we first needed to improve our lending to low- and moderate-income borrowers and neighborhoods. At that time, we were convinced that our record of lending to low- and moderate-income borrowers and neighborhoods was consistent with our fair, safe and sound lending practices. We are even more convinced today. And, since then, we have increased our lending to low- and moderate-income borrowers and neighborhoods in a safe and sound manner.

Building on this record, we remain firmly committed to take the second step to become totally public. At the appropriate time, we will place a new application before the Office of the Comptroller of the Currency and the Federal Reserve Board, which have regulated Clifton Savings Bank and Clifton Savings Bancorp, Inc., respectively, since the Office of Thrift Supervision ceased operations on July 21, 2011.

MERITING YOUR CONFIDENCE

We are grateful to our shareholders, borrowers, depositors and employees for the confidence they have placed in us. We assure you that our personal, common-sense approach will continue to merit that confidence by delivering steady, consistent results as we move forward.



John A. Celentano, Jr.
Chairman of the Board and Chief Executive Officer



Walter Celuch
President and Corporate Secretary

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

The objective of this section is to help you understand our views on our results of operations and financial condition. You should read this discussion in conjunction with the consolidated financial statements and notes to the consolidated financial statements that appear later in this annual report.

This section contains certain "forward-looking statements" within the meaning of the federal securities laws. These statements are not historical facts, but rather are statements based on Clifton Savings Bancorp, Inc.'s current expectations regarding its business strategies, intended results and future performance. Forward-looking statements are preceded by terms such as "expects," "believes," "anticipates," "intends" and similar expressions.

Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors which could affect actual results include interest rate trends, the general economic climate in the market area in which Clifton Savings Bancorp operates, as well as nationwide, Clifton Savings Bancorp's ability to control costs and expenses, competitive products and pricing, loan delinquency rates and changes in federal and state legislation and regulation. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Clifton Savings Bancorp assumes no obligation to update any forward-looking statements.

Operating Strategy

We are a retail-oriented financial institution dedicated to serving the needs of customers in our primary market area. We have a long tradition of focusing on the needs of consumers in our community and being an active corporate citizen. We deliver personalized service and respond with flexibility to customer needs, and we believe our community orientation is attractive to our customers and distinguishes us from the large regional banks and other financial institutions that operate in our market area. We intend to maintain this focus as we grow.

Retail Products. We seek deposits primarily from our customers in Passaic and Bergen Counties, New Jersey, where our branch offices are located. Our retail deposit products include savings accounts, non-interest and interest-bearing checking accounts, money market accounts and certificates of deposit. We intend to increase our future deposits by continuing to offer exceptional customer service, competitive rates, as well as by enhancing and expanding our branch network.

Lending Products. We primarily originate owner occupied one- to four-family mortgage loans in our market area, which consists of Passaic, Bergen, Essex, Morris, Hudson and Union Counties in New Jersey. To a much lesser extent, we also originate multi-family and commercial real estate loans, second mortgage and home equity loans, construction to permanent loans and passbook consumer loans. We utilize conservative underwriting strategies for all of our lending products. We originate loans solely for our own portfolio, rather than for sale, and we service all of the loans we originate. To a limited extent, we also purchase loans for our portfolio. We review each loan we purchase using the same conservative underwriting procedures we rely on when originating loans.

Cost Control. We are very effective at managing our costs of operations. For the year ended March 31, 2012, our efficiency ratio was 52.4%, meaning that it costs \$0.52 in overhead to produce one dollar of revenue. We have efficiently staffed our branch offices and carefully monitor our operating expenses. In addition, our one- to four-family lending strategy and our effective management of credit risk in our enterprise allows us to service our loan portfolio at efficient levels because it costs less to service a portfolio of performing loans.

Asset Quality. We use underwriting standards that are designed to limit our exposure to credit risk, and we have a loan portfolio that primarily consists of owner-occupied, one- to four-family loans. At March 31, 2012, our nonperforming loans as a percentage of total assets were 0.34%.

Capital. Our capital ratios are well in excess of the well-capitalized standards set by the Office of the Comptroller of the Currency. We believe that maintaining a strong capital position safeguards the long-term interests of Clifton Savings Bank and our stockholders.

Income. We have two primary sources of pre-tax income. The first is net interest income. Net interest income is the difference between interest income (which is the income that we earn on our loans and investments) and interest expense (which is the interest that we pay on our deposits and borrowings).

To a much lesser extent, we also recognize pre-tax income from fee and service charge income – the compensation we receive from providing products and services, and the increase in the cash surrender value of bank owned life insurance. Most of our fee and service charge income comes from service charges on deposit accounts and fees for late loan payments. We also earn fee and service charge income from ATM charges and other fees and charges. The cash surrender value of bank owned life insurance is recorded in the consolidated statement of financial condition as an asset and the change in cash surrender value is recorded as non-interest income.

Expenses. The expenses we incur in operating our business consist of salary and employee benefits expenses, occupancy expenses, equipment expenses, directors' compensation, advertising expenses, legal expenses, federal deposit insurance premiums and other miscellaneous expenses.

Salary and employee benefits expenses consist primarily of the salaries and wages paid to our employees, payroll taxes and expenses for retirement and other employee benefits. Occupancy expenses, which are the fixed and variable costs of building and related equipment, consist primarily of lease payments, real estate taxes, depreciation charges, maintenance and costs of utilities. Equipment expenses include fees paid to our third-party data processing service, telephone expense and expenses and depreciation charges related to premises and banking equipment. Depreciation of premises and banking equipment is computed using the straight-line method based on the useful lives of the related assets. Estimated lives are 5 to 40 years for building and improvements, 5 to 20 years for land improvements and 2 to 10 years for furnishings and equipment. Leasehold improvements are amortized over the shorter of the useful life of the asset or term of the lease.

Other miscellaneous expenses include expenses for accountants and consultants, charitable contributions, insurance, office supplies, printing, postage and other miscellaneous operating expenses.

Critical Accounting Policies

In reviewing and understanding financial information for Clifton Savings Bancorp, you are encouraged to read and understand the significant accounting policies used in preparing our consolidated financial statements included elsewhere in this annual report. These policies are described in Note 1 of the notes to our consolidated financial statements. The accounting and financial reporting policies of Clifton Savings Bancorp conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the consolidated financial statements require certain estimates, judgments, and assumptions, which we believe to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the periods presented.

We consider accounting policies involving significant judgments and assumptions by management that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses, the identification of other-than-temporary impairment on securities, the determination of the liabilities and expenses on our defined benefit plans, the determination of the amount of deferred tax assets which are more likely than not to be realized, and the estimation of fair value measurements of financial instruments.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the need to establish allowances against losses on loans on a monthly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings. An allowance for loan losses is maintained at a level considered necessary to provide for loan losses based upon an evaluation of known and inherent losses in the loan portfolio. In determining the allowance for loan losses, we consider the losses inherent in the loan portfolio and changes in the nature and volume of the loan activities, along with the local economic and real estate market conditions. We utilize a two-tier approach: (1) identification of loans that must be reviewed individually for impairment, and (2) establishment of a general valuation allowance on

the remainder of the loan portfolio. We maintain a loan review system which allows for a periodic review of the loan portfolio and the early identification of impaired loans. One- to four-family mortgage loans and consumer installment loans are considered to be homogeneous and, therefore, are not separately evaluated for impairment unless they are considered troubled debt restructurings. A loan is considered to be a troubled debt restructuring when, to maximize the recovery of the loan we modify the borrower's existing loan terms and conditions in response to financial difficulties experienced by the borrower.

We take into consideration, among other things, delinquency status, size of loans, types of collateral and financial condition of borrowers. A loan is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts when due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated individually. We do not aggregate such loans for evaluation purposes. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Payments received on impaired loans are recognized as interest income and then applied to principal.

General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment. Regardless of the extent of the analysis of customer performance, portfolio evaluations, trends or risk management processes established, certain inherent, but undetected losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their financial condition, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends, and the sensitivity of assumptions utilized to establish allocated allowances for homogeneous groups of loans among other factors. These other risk factors are continually reviewed and revised by management where conditions indicate that the estimates initially applied are different from actual results.

Although we believe that we use the best information available to recognize losses on loans and establish the allowance for loan losses, future additions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, the Office of the Comptroller of the Currency, as an integral part of its examination process, periodically reviews the adequacy of our allowance for loan losses. That agency may require us to recognize additions to the allowance based on its judgments about information available to it at the time of its examination.

Other-than-Temporary Impairment of Securities. If the fair value of a security is less than its amortized cost, the security is deemed to be impaired. We evaluate all securities with unrealized losses quarterly to determine if such impairments are "temporary" or "other-than-temporary" in accordance with Accounting Standards Codification ("ASC") Topic 320, *Investment – Debt and Equity Securities*.

Defined Benefit Plans. The liabilities and expenses for our defined benefit plans are based upon actuarial assumptions of future events, including interest rates, rates of increase in compensation and the length of time we will have to provide those benefits. Actual results may differ from these assumptions. These assumptions are reviewed and updated annually and management believes the estimates are reasonable.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If currently available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. We exercise significant judgment in evaluating the amount and timing of recognition of the resulting tax assets and liabilities. These judgments require us to make projections of future taxable income. The judgments and estimates we make in determining our deferred tax assets are inherently subjective and are reviewed on a continual basis as regulatory and business factors change. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. A valuation allowance that results in additional income tax expense in the period in which it is recognized would negatively affect earnings. Management believes, based upon

current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize the deferred tax assets.

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

Statement of Financial Condition

General. Total assets decreased \$21.2 million, or 1.9%, to \$1.10 billion at March 31, 2012 from \$1.12 billion at March 31, 2011. Loans receivable, net, decreased \$4.9 million, or 1.1%, from \$441.7 million at March 31, 2011 to \$436.8 million at March 31, 2012. The decrease during the year ended March 31, 2012 resulted primarily from repayment levels on loans slightly exceeding origination volume. The largest decrease in the loan portfolio was in one-to four-family loans which decreased \$7.2 million, or 1.8%. Securities increased \$3.1 million, or 0.6%, to \$574.2 million at March 31, 2012 from \$571.1 million at March 31, 2011. Bank owned life insurance increased by \$862,000 to \$27.6 million at March 31, 2012 from \$26.7 million at March 31, 2011. Clifton Savings Bank determined that it is in its best interest to recover and/or offset certain costs associated with employee benefit programs sponsored by Clifton Savings Bank as well as provide selected management with pre-retirement supplemental death benefits, and that bank owned life insurance would be an effective vehicle to accomplish such cost recoveries. The benefit costs to be recovered include Clifton Savings Bank's annual group medical insurance expenses. Management projected the future costs of such benefits on an "after-tax" basis using conservative assumptions regarding future increases. There are regulatory limitations on the amount of bank owned life insurance that can be purchased. Based upon Clifton Savings Bank's Tier 1 regulatory capital at March 31, 2012, Clifton Savings Bank's ownership of \$27.6 million of bank owned life insurance did not exceed its regulatory maximum of \$40.3 million. Other assets decreased approximately \$812,000 for the year ended March 31, 2012 primarily due to decreases of \$469,000 in prepaid FDIC premiums and the write-down of land held for sale of \$156,000. Deposits decreased \$11.1 million, or 1.3%, to \$826.3 million at March 31, 2012 from \$837.4 million at March 31, 2011.

Total assets increased \$54.9 million, or 5.1%, to \$1.12 billion at March 31, 2011 from \$1.07 billion at March 31, 2010. Loans receivable, net, decreased \$35.8 million, or 7.5%, from \$477.5 million at March 31, 2010 to \$441.7 million at March 31, 2011. The decrease during the year ended March 31, 2011 resulted primarily from repayment levels on loans exceeding origination volume. The largest decrease in the loan portfolio was in one-to four-family real estate loans which decreased \$35.4 million, or 8.0%. Securities increased \$63.2 million, or 12.4%, to \$571.1 million at March 31, 2011 from \$507.9 million at March 31, 2010 due to the funds generated from the increase in deposits being primarily invested into these types of products. Bank owned life insurance increased by \$3.9 million to \$26.7 million at March 31, 2011 from \$22.8 million at March 31, 2010. Other assets increased approximately \$1.3 million for the year ended March 31, 2011 primarily due to the transfer from premises and equipment of land held for sale which totaled \$760,000 at March 31, 2011. Deposits increased \$79.2 million, or 10.5%, to \$837.4 million at March 31, 2011 from \$758.2 million at March 31, 2010.

Clifton Savings Bancorp has repurchased 4.9 million shares of its stock in conjunction with its repurchase programs since its initial public offering. All repurchased stock is carried on Clifton Savings Bancorp's statement of financial condition as treasury stock. Clifton Savings Bancorp has repurchased stock because it has had the capital to do so and believed it was a good investment given the price at which Clifton Savings Bancorp's stock has traded.

Loans. Our primary lending activity is the origination of loans secured by real estate. We originate real estate loans secured by one- to four-family homes, and to a much lesser extent, multi-family and commercial real estate and construction loans. At March 31, 2012, real estate mortgage and construction loans totaled \$428.5 million, or 97.4% of total loans, compared to \$432.6 million, or 97.3% of total loans, at March 31, 2011. The

decrease in these loans during the year ended March 31, 2012 was due to repayment levels on loans slightly exceeding origination volume.

At March 31, 2011, real estate mortgage and construction loans totaled \$432.6 million, or 97.3% of total loans, compared to \$466.4 million, or 97.2% of total loans, at March 31, 2010. The decrease in these loans during the year ended March 31, 2011 was due to repayment levels on loans exceeding origination volume.

At March 31, 2012, the outstanding balance of loans which were purchased and are serviced by other institutions totaled \$27.1 million.

The largest segment of our mortgage loan portfolio is one- to four-family loans. At March 31, 2012 and 2011, one- to four-family loans totaled \$398.2 million and \$405.3 million, respectively, and represented 92.9% and 93.7% of total real estate loans and 90.5% and 91.2% of total loans, respectively. One- to four-family mortgage loans decreased \$7.2 million, or 1.8%, during the year ended March 31, 2012 and decreased \$35.6 million, or 8.0%, during the year ended March 31, 2011.

To a much lesser extent, we originate multi-family and commercial real estate loans, which totaled \$28.9 million and \$24.8 million, and represented 6.6% and 5.6% of total loans as of March 31, 2012 and March 31, 2011, respectively. Multi-family and commercial real estate loans increased \$4.1, or 16.5%, during the year ended March 31, 2012 and increased \$259,000, or 1.1%, during the year ended March 31, 2011.

We also originate consumer loans which include second mortgage loans, loans secured by passbook or certificate accounts and home equity lines of credit. Consumer loans totaled \$10.8 million and \$11.5 million and represented 2.5% and 2.6% of total loans at March 31, 2012 and 2011, respectively.

The following table sets forth the composition of our loan portfolio at the dates indicated.

(Dollars in thousands)	At March 31,					
	2012		2011		2010	
	Amount	Percent	Amount	Percent	Amount	Percent
Real estate loans:						
One- to four-family	\$398,174	90.53%	\$405,331	91.15%	\$440,937	91.90%
Multi-family	14,084	3.20	12,708	2.86	12,387	2.58
Commercial	14,844	3.37	12,126	2.73	12,188	2.54
Construction	1,380	0.32	2,454	0.55	863	0.18
Total real estate loans	<u>428,482</u>	<u>97.42</u>	<u>432,619</u>	<u>97.29</u>	<u>466,375</u>	<u>97.20</u>
Consumer loans:						
Second mortgage loans	7,892	1.79	8,602	1.93	10,454	2.18
Passbook or certificate loans	797	0.18	967	0.22	1,004	0.21
Equity lines of credit	2,097	0.48	1,949	0.44	1,684	0.35
Total consumer loans	<u>10,786</u>	<u>2.45</u>	<u>11,518</u>	<u>2.59</u>	<u>13,142</u>	<u>2.74</u>
Other loans	555	0.13	555	0.12	300	0.06
Total gross loans	<u>439,823</u>	<u>100.00%</u>	<u>444,692</u>	<u>100.00%</u>	<u>479,817</u>	<u>100.00%</u>
Loans in process	(744)		(931)		(537)	
Net premiums and discounts and deferred loan fees (costs)	(156)		(135)		286	
Allowance for loan losses	<u>(2,090)</u>		<u>(1,880)</u>		<u>(2,050)</u>	
Total loans receivable, net	<u>\$436,833</u>		<u>\$441,746</u>		<u>\$477,516</u>	

(Dollars in thousands)	At March 31,			
	2009		2008	
	Amount	Percent	Amount	Percent
Real estate loans:				
One- to four-family.....	\$431,055	91.82%	\$388,378	92.15%
Multi-family.....	10,526	2.24	8,655	2.05
Commercial.....	11,360	2.42	7,338	1.74
Construction.....	750	0.16	1,630	0.39
Total real estate loans.....	453,691	96.64	406,001	96.33
Consumer loans:				
Second mortgage loans.....	13,055	2.78	13,458	3.19
Passbook or certificate loans.....	1,149	0.25	1,110	0.26
Equity lines of credit.....	1,259	0.27	617	0.15
Total consumer loans.....	15,463	3.30	15,185	3.60
Other loans.....	295	0.06	295	0.07
Total gross loans.....	469,449	<u>100.00%</u>	421,481	<u>100.00%</u>
Loans in process.....	(143)		(349)	
Net premiums and discounts and deferred loan fees (costs).....	894		927	
Allowance for loan losses.....	(1,700)		(1,440)	
Total loans receivable, net.....	<u>\$468,500</u>		<u>\$420,619</u>	

The following tables set forth certain information at March 31, 2012 regarding the dollar amount of principal repayments becoming due during the periods indicated for loans. The tables do not include any estimate of prepayments which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

(In thousands)	At March 31, 2012						
	One- to Four- Family Real Estate	Multi-Family Real Estate	Commercial Real Estate	Construction	Consumer Loans	Other Loans	Total Loans
	Amounts due in:						
One year or less.....	\$ 197	\$ —	\$ —	\$ 680	\$ 817	\$ 500	\$ 2,194
More than one to three years.....	813	—	—	700	190	55	1,758
More than three to five years.....	2,677	—	—	—	923	—	3,600
More than five to ten years.....	37,353	309	805	—	2,825	—	41,292
More than ten to fifteen years.....	86,294	4,456	5,914	—	2,974	—	99,638
More than fifteen years.....	270,840	9,319	8,125	—	3,057	—	291,341
Total.....	<u>\$ 398,174</u>	<u>\$ 14,084</u>	<u>\$ 14,844</u>	<u>\$ 1,380</u>	<u>\$ 10,786</u>	<u>\$ 555</u>	<u>\$ 439,823</u>

The following table sets forth the dollar amount of all loans at March 31, 2012 that are due after March 31, 2013, respectively, and have either fixed interest rates or floating or adjustable interest rates. The amounts shown below exclude applicable loans in process and net premiums and discounts and deferred loan fees (costs), and includes \$3.8 million of nonperforming loans at March 31, 2012.

(In thousands)	Fixed-Rates	Floating or Adjustable- Rates	Total at March 31, 2012
Real estate loans:			
One- to four-family.....	\$ 321,378	\$ 76,599	\$ 397,977
Multi-family	3,933	10,151	14,084
Commercial	8,172	6,672	14,844
Construction	—	700	700
Consumer loans	7,872	2,097	9,969
Other loans.....	55	—	55
Total.....	<u>\$ 341,410</u>	<u>\$ 96,219</u>	<u>\$ 437,629</u>

The following table sets forth loan origination and purchase and sale activity. There were transfers of \$177,000 and \$186,000 to real estate owned during the years ended March 31, 2012 and 2011, respectively. There were no transfers to real estate owned during any of the other periods presented.

(Dollars in thousands)	Year Ended March 31,				
	2012	2011	2010	2009	2008
Total gross loans at beginning of period.....	\$444,692	\$479,817	\$469,449	\$421,481	\$419,074
Originations:					
Real estate loans:					
One- to four-family.....	54,532	54,571	95,119	93,976	37,212
Multi-family	2,565	1,025	2,650	2,758	3,076
Commercial	4,282	550	1,718	5,281	670
Construction	455	1,985	2,373	750	1,150
Total real estate loans	<u>61,834</u>	<u>58,131</u>	<u>101,860</u>	<u>102,765</u>	<u>42,108</u>
Consumer loans:					
Home equity lines of credit	688	975	1,028	1,115	578
Second mortgage loans.....	1,461	1,025	1,144	2,705	3,776
Passbook or certificate loans	155	293	491	307	759
Total consumer loans.....	<u>2,304</u>	<u>2,293</u>	<u>2,663</u>	<u>4,127</u>	<u>5,113</u>
Other loans	—	275	30	—	5
Total loans originated	<u>64,138</u>	<u>60,699</u>	<u>104,553</u>	<u>106,892</u>	<u>47,226</u>
Loans purchased	20,109	1,774	2,916	4,592	11,091
Principal payments and repayments	<u>(89,116)</u>	<u>(97,598)</u>	<u>(97,101)</u>	<u>(63,516)</u>	<u>(55,910)</u>
Total gross loans at end of period.....	<u>\$439,823</u>	<u>\$444,692</u>	<u>\$479,817</u>	<u>\$469,449</u>	<u>\$421,481</u>

Securities. Our securities portfolio consists primarily of Federal agency debt securities and corporate bonds with maturities of fifteen years or less and mortgage-backed securities with stated final maturities of thirty years or less. At March 31, 2012, securities increased \$3.1 million, or 0.6%, to \$574.2 million from \$571.1 million at March 31, 2011. Securities increased \$63.2 million, or 12.4%, in the year ended March 31, 2011. The increase for 2012 was the result of cash and cash equivalents being invested into these types of securities, and the increase for 2011 was the result of the funds generated from the increase in deposits being mainly invested into these types of securities. All of our mortgage-backed securities were issued by either the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Governmental National Mortgage Association.

The following table sets forth the amortized cost and fair value of our securities portfolio at the dates indicated.

(In thousands)	At March 31,					
	2012		2011		2010	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available-for-sale:						
Debt securities:						
Federal National Mortgage Association.....	\$ 24,994	\$ 25,035	\$ 5,000	\$ 4,996	\$15,000	\$15,062
Federal Home Loan Banks.....	5,000	5,003	—	—	—	—
Federal Farm Credit Banks.....	5,000	5,006	—	—	—	—
Federal Home Loan Mortgage Corporation.....	10,000	10,027	5,000	5,006	—	—
	44,994	45,071	10,000	10,002	15,000	15,062
Mortgage-backed securities:						
Federal National Mortgage Association.....	16,295	17,405	16,069	17,108	30,378	32,121
Federal Home Loan Mortgage Corporation.....	7,118	7,719	10,151	10,829	23,561	24,960
	23,413	25,124	26,220	27,937	53,939	57,081
Total securities available-for-sale	\$ 68,407	\$ 70,195	\$ 36,220	\$37,939	\$68,939	\$72,143
Securities held-to-maturity:						
Debt securities:						
Federal National Mortgage Association.....	\$ 73,982	\$ 73,999	\$114,949	\$112,856	\$76,209	\$76,079
Federal Home Loan Mortgage Corporation.....	23,947	24,041	39,905	39,258	40,000	39,988
Federal Home Loan Banks.....	15,000	15,363	68,574	66,543	43,760	43,444
Federal Farm Credit Banks.....	5,000	5,016	10,000	10,050	—	—
	117,929	118,419	233,428	228,707	159,969	159,511
Corporate Bonds	49,855	49,862	—	—	—	—
	167,784	168,281	233,428	228,707	159,969	159,511
Mortgage-backed securities:						
Federal National Mortgage Association	157,844	165,581	120,439	123,977	104,023	107,229
Federal Home Loan Mortgage Corporation	139,231	145,602	130,980	135,059	112,501	118,054
Governmental National Mortgage Association..	39,155	41,985	48,273	49,925	59,277	60,253
	336,230	353,168	299,692	308,961	275,801	285,536
Total securities held-to-maturity	\$504,014	\$521,449	\$533,120	\$537,668	\$435,770	\$445,047
Total.....	\$572,421	\$591,644	\$569,340	\$575,607	\$504,709	\$517,190

The following table sets forth the contractual maturities and weighted average yields of securities at March 31, 2012. Certain mortgage-backed securities and corporate bonds have interest rates that are adjustable and will reprice periodically within the various maturity ranges. These repricings are not reflected in the table below. We also have federal agency debt securities which "step up" to higher rates at periodic intervals. At March 31, 2012, the amortized cost of these step up securities totaled \$64.9 million. At March 31, 2012, the amortized cost of mortgage-backed securities and corporate bonds with adjustable rates totaled \$12.3 million and \$14.8 million, respectively. We had no tax-exempt securities at March 31, 2012. In addition, at March 31, 2012, we had \$2,000 in securities with maturities of less than one year.

	Less Than One Year		More Than One Year to Five Years		More Than Five Years to Ten Years		More Than Ten Years		Total	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
<u>(Dollars in thousands)</u>										
<u>Securities available for sale:</u>										
Debt securities:										
Federal National Mortgage										
Association	\$ —	—%	\$ 24,994	1.04%	\$ —	—%	\$ —	—%	\$ 24,994	1.04%
Federal Home Loan Banks	—	—	5,000	1.15	—	—	—	—	5,000	1.15
Federal Farm Credit Banks.....	—	—	5,000	1.18	—	—	—	—	5,000	1.18
Federal Home Loan Mortgage										
Corporation.....	—	—	10,000	1.27	—	—	—	—	10,000	1.27
Mortgage-backed securities:										
Federal National Mortgage										
Association	—	—	—	—	3,658	4.51	12,637	4.14	16,295	4.22
Federal Home Loan Mortgage										
Corporation	—	—	—	—	3,717	5.01	3,401	4.92	7,118	4.96
	—	—	44,994	1.12	7,375	4.76	16,038	4.31	68,407	2.26
<u>Securities held to maturity:</u>										
Debt securities:										
Federal National Mortgage										
Association	—	—	19,000	1.98	5,000	2.00	49,982	2.28	73,982	2.18
Federal Home Loan Mortgage										
Corporation.....	—	—	9,000	2.08	5,000	2.50	9,947	2.01	23,947	2.14
Federal Home Loan Banks	—	—	5,000	1.00	10,000	3.13	—	—	15,000	2.42
Federal Farm Credit Banks.....	—	—	5,000	2.50	—	—	—	—	5,000	2.50
Corporate Bonds	—	—	39,852	2.98	10,003	3.40	—	—	49,855	3.06
Mortgage-backed securities:										
Federal National Mortgage										
Association.....	—	—	34	6.34	1,547	5.39	156,263	3.80	157,844	3.82
Federal Home Loan Mortgage										
Corporation	2	6.98	41	7.25	8,069	4.81	131,119	3.98	139,231	4.03
Governmental National Mortgage										
Association.....	—	—	—	—	83	2.38	39,072	4.35	39,155	4.34
	2	6.98	77,927	2.48	39,702	3.40	386,383	3.68	504,014	3.47
Total.....	\$ 2	6.98%	\$ 122,921	1.98%	\$ 47,077	3.62%	\$ 402,421	3.70%	\$ 572,421	3.32%

Deposits. Our primary source of funds is our deposit accounts. The deposit base is comprised of non-interest-bearing demand, NOW accounts, which include high-yield (Crystal) checking, passbook and statement savings, club, money market and certificates of deposit. These deposits are provided primarily by individuals within our market area. We do not use brokered deposits as a source of funding. Deposits decreased \$11.1 million, or 1.3%, to \$826.3 million at March 31, 2012 from \$837.4 million at March 31, 2011. Deposits increased \$79.2 million, or 10.5%, to \$837.4 million at March 31, 2011 from \$758.2 million at March 31, 2010. The decrease in deposits during the year ended March 31, 2012 was primarily the result of the reduction of interest rates on all types of deposit products. The increase in deposits during the year ended March 31, 2011 was primarily the result of competitive pricing and the opening of two new branches in Lyndhurst and Woodland Park, New Jersey during the year.

The following table sets forth the balances of our deposit products at the dates indicated.

(In thousands)	At March 31,					
	2012		2011		2010	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Demand accounts:						
Non-interest-bearing.....	\$ 7,997	0.00%	\$ 8,249	0.00%	\$ 6,828	0.00%
Crystal Checking.....	14,938	0.30	14,881	0.65	12,273	1.15
NOW.....	21,289	0.20	19,728	0.40	18,591	0.50
Super NOW.....	120	0.30	191	0.50	93	0.60
Money market.....	21,085	0.30	20,941	0.50	21,755	1.05
	65,429	0.23	63,990	0.44	59,540	0.78
Savings and club accounts.....	122,852	0.33	119,318	0.51	102,771	1.01
Certificates of deposit.....	637,994	1.69	654,077	1.88	595,841	2.31
Total Deposits.....	\$826,275	1.37%	\$837,385	1.57%	\$758,152	2.01%

The following table sets forth the time deposits classified by rates at the dates indicated.

(Dollars in thousands)	At March 31,		
	2012	2011	2010
0.00 — 1.00%.....	\$ 189,540	\$ 143,634	\$ —
1.01 — 2.00%.....	201,683	202,227	260,010
2.01 — 3.00%.....	181,885	233,629	213,888
3.01 — 4.00%.....	61,526	56,482	81,247
4.01 — 5.00%.....	3,337	15,543	23,627
5.01 — 6.00%.....	23	2,562	17,069
Total.....	\$ 637,994	\$ 654,077	\$595,841

The following table sets forth the amount and maturities of time deposits classified by rates at March 31, 2012.

(Dollars in thousands)	Amount Due				Total	Percent of Total Time Deposit Accounts
	Less	More Than One Year or One Year to Two Years	More Than Two Years to Three Years	More Than Three Years		
	0.00 — 1.00%.....	\$ 178,441	\$ 10,551	\$ 548		
1.01 — 2.00%.....	87,117	82,691	20,706	11,169	201,683	31.61
2.01 — 3.00%.....	69,483	50,539	36,858	25,005	181,885	28.51
3.01 — 4.00%.....	36,098	6,923	8,958	9,547	61,526	9.64
4.01 — 5.00%.....	3,337	—	—	—	3,337	0.52
5.01 — 6.00%.....	—	—	—	23	23	0.01
Total.....	<u>\$ 374,476</u>	<u>\$ 150,704</u>	<u>\$ 67,070</u>	<u>\$ 45,744</u>	<u>\$ 637,994</u>	<u>100.00%</u>

The following table sets forth deposit activity for the periods indicated.

(In thousands)	Year Ended March 31,		
	2012	2011	2010
Beginning balance	\$837,385	\$758,152	\$633,582
(Decrease) Increase before interest credited..	(23,761)	64,450	106,880
Interest credited	12,651	14,783	17,690
Net (decrease) increase in deposits.....	(11,110)	79,233	124,570
Ending balance	<u>\$826,275</u>	<u>\$837,385</u>	<u>\$758,152</u>

The following table indicates the amount of jumbo certificates of deposit by time remaining until maturity as of March 31, 2012. Jumbo certificates of deposit require minimum deposits of \$100,000.

Maturity Period at March 31, 2012	Jumbo Certificates of Deposit (In thousands)
Three months or less.....	\$ 53,459
Over three through six months	23,470
Over six through twelve months.....	51,017
Over twelve months.....	109,352
Total.....	<u>\$ 237,298</u>

Borrowings. To supplement deposits as a source for lending and investment activities, Clifton Savings Bank may borrow funds from the Federal Home Loan Bank of New York, Bank of America or PNC Capital Markets. Historically, the cash flows from deposit and other daily activities have been sufficient to meet day-to-day funding obligations, with only the occasional need to borrow on a short-term basis from our overnight advance program with the Federal Home Loan Bank. However, as part of our leveraging strategy originally implemented during the year ended March 31, 2005, we again began to borrow from the Federal Home Loan Bank in November 2007 through June 2008 to simultaneously invest into higher yielding mortgage-backed securities. All of the outstanding borrowings as of March 31, 2012 were made in connection with those previous leverage strategies.

The following table presents certain information regarding our Federal Home Loan Bank of New York advances during the periods and at the dates indicated. We had no other outstanding borrowings at any of the dates indicated. For additional information regarding borrowing maturities, see Note 9 of the notes to the consolidated financial statements included in this annual report.

(Dollars in thousands)	Year Ended March 31,		
	2012	2011	2010
Maximum amount of advances outstanding at any month-end during the period	\$ 95,023	\$123,119	\$143,588
Average advances outstanding during the period	\$ 90,502	\$113,746	\$137,965
Weighted average interest rate during the period	3.87%	3.85%	3.83%
Balance outstanding at end of period	\$ 78,679	\$ 95,668	\$123,737
Weighted average interest rate at end of period	3.83%	3.82%	3.86%

Results of Operations for the Years Ended March 31, 2012, 2011 and 2010

Overview.

2012 v. 2011. Net income decreased primarily due to a decrease in net interest income of \$770,000, a decrease of \$872,000 on the gain of the sale of securities, and a decrease of \$336,000 in the net gain on the sale and disposal of premises and equipment, coupled with an increase of \$145,000 in provision for loan losses, partially offset by decreases of \$241,000 in the loss on the write-down of land held for sale, \$275,000 in noninterest expenses and \$701,000 in income tax expense.

2011 v. 2010. Net income increased primarily due to an increase in net interest income of \$3.7 million, a gain of \$872,000 on the sale of securities, a \$327,000 net gain on the sale and disposal of premises and equipment, coupled with a decrease of \$331,000 in provision for loan losses, which was partially offset by a \$397,000 loss on the write-down of land held for sale, an increase of \$564,000 in noninterest expenses and an increase of \$1.7 million in income tax expense.

Net Interest Income.

2012 v. 2011. Net interest income decreased \$770,000, or 3.0%, to \$24.9 million for 2012. The decrease in net interest income for 2012 was attributable to a 7 basis point decrease in the interest rate spread which was due to a decrease of 41 basis points in the yield earned on interest-earning assets, partially offset by a decrease of 34 basis points in the cost of interest-bearing liabilities.

Total interest income decreased \$3.9 million, or 8.6%, to \$41.1 million for 2012, resulting from the decrease in the average yield on these assets partially offset by an increase in the average balance of interest-earning assets. During 2012, the balance of average interest-earning assets increased \$9.6 million, or 0.9%, while the average yield on interest-earning assets decreased 41 basis points to 3.89%. The composition of interest-earning assets generally consists of loans, securities and interest-earning deposits. The increase in average interest-earning assets was primarily due to increases of \$8.3 million in other interest-earning assets and \$23.7 million in investment securities, partially offset by decreases of \$18.9 million in loans and \$3.5 million in mortgage-backed securities. Interest on loans, mortgage-backed securities, investment securities, and other interest-earning assets decreased by 8.6%. Interest on loans and mortgage-backed securities decreased as both the average balances and yields earned on these types of assets decreased. The average balance of investment securities and other interest-bearing assets increased but interest income decreased as the increase in balance was outweighed by the decrease in the average yield earned on these types of assets.

Total interest expense decreased \$3.1 million, or 16.1%, to \$16.1 million for 2012 due to a decrease in the average interest rate paid on interest-bearing liabilities of 34 basis points to 1.76%, partially offset by an increase of \$585,000, or 0.1%, in the balance of average interest-bearing liabilities.

2011 v. 2010. Net interest income increased \$3.7 million, or 16.8%, to \$25.7 million for 2011. The increase in net interest income for 2011 was attributable to a 24 basis point increase in the interest rate spread which was due to a decrease of 66 basis points in the cost of interest-bearing liabilities, partially offset by a decrease of 42 basis points in the yield earned on interest-earning assets.

Total interest income decreased \$16,000, or 0.04%, to \$44.9 million for 2011, resulting from the decrease in the average yield on these assets partially offset by an increase in the average balance of interest-earning assets. During 2011, the balance of average interest-earning assets increased \$93.0 million, or 9.8%, while the average yield on interest-earning assets decreased 42 basis points to 4.30%. The composition of interest-earning assets generally consists of loans, securities and interest-earning deposits. The increase in average interest-earning assets was primarily due to increases of \$4.5 million in mortgage-backed securities, and \$110.2 million in investment securities, partially offset by a decrease of \$20.3 million in loans, and \$1.4 million in other interest-earning assets. Interest on investment securities increased by 95.8% primarily due to the redeployment of funds from the growth in deposits into these types of interest-earning assets. Interest on loans, mortgage-backed securities and other interest-earning assets decreased by 7.0%. Interest on loans and other interest-earning assets decreased as both the average balances and yields earned on these types of assets decreased. The average balance of mortgage-backed securities increased slightly but interest income decreased as the increase in balance was outweighed by the decrease in the average yield earned on these types of assets.

Total interest expense decreased \$3.7 million, or 16.2%, to \$19.2 million for 2011 due to a decrease in the average interest rate paid on interest-bearing liabilities of 66 basis points to 2.10%, partially offset by an increase of \$84.4 million, or 10.1%, in the balance of average interest-bearing liabilities.

Provision for Loan Losses. We review the adequacy of the allowance for loan losses on a monthly basis and establish the provision for loan losses based on changes in the volume and types of lending, delinquency levels, historical loss experience, the balance of classified loans, current economic conditions and other factors related to the collectability of the loan portfolios. Management maintains an allowance level deemed appropriate in light of factors such as the level of nonperforming loans, growth in the loan portfolio and the current economic environment. Management's evaluation of the adequacy of the allowance has resulted in the determination that the allowance for loan losses is reasonably stated as of March 31, 2012 as nonperforming loans have increased from the prior year while loan portfolio balances have decreased. The allowance for loan losses is based on management's evaluation of the risk inherent in our loan portfolio and gives due consideration to the changes in general market conditions and in the nature and volume of our loan activity. For additional information, see "*Critical Accounting Policies—Allowance for Loan Losses.*" Clifton Savings Bank continues to evaluate the need for a provision for loan losses based on the periodic review of the loan portfolio and general market conditions.

2012 v. 2011. We recorded a provision for loan losses of \$247,000 during the year ended March 31, 2012, compared to \$102,000 during the year ended March 31, 2011. The increase in the provision for loan losses was a result of nonperforming loans increasing \$562,000 from March 31, 2011 to March 31, 2012 even though gross loans decreased 1.1% during the year ended March 31, 2012. During the year ended March 31, 2012, the Bank amended its nonaccrual policy to expand the classification of nonaccrual loans to include loans that were previously ninety days or more delinquent until there is a sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of the loan. Included in these nonperforming loans at March 31, 2012 are five loans totaling \$597,000 that are current or less than ninety days delinquent. At March 31, 2011 no loans less than ninety days delinquent were included in nonperforming loans.

Loans are generally placed on nonaccrual status when they become more than 90 days delinquent, or when the collection of principal and/or interest become doubtful. As of March 31, 2012, due to a change in policy, nonaccrual loans differed from the amount of total loans past due greater than 90 days due to some previously delinquent loans that are currently not more than 90 days delinquent which are maintained on nonaccrual status for a minimum of six months or until the borrower has demonstrated the ability to satisfy the loan terms. A loan is returned to accrual status when there is a sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of the loan, or in some circumstances, when the factors indicating doubtful collectability no longer exist and the Bank expects repayment of the remaining contractual amounts due. At March 31, 2012, Clifton Savings Bank's nonperforming loans, all of which were in a nonaccrual status, totaled \$3.8 million, representing 0.86% of total gross loans, and 0.34% of total assets. During the year ended March 31,

2012, the Bank charged off loans totaling \$37,000, which represented partial losses from three one-to four-family troubled debt restructurings and one write-down on a commercial real estate loan which was repossessed during the year. At March 31, 2012, nonperforming loans consisted of twenty loans secured by one- to four-family residential real estate, two second mortgage loans secured by one-to-four family residential real estate, and one second mortgage loan secured by commercial real estate. All nonperforming loans included above are secured by properties located in the state of New Jersey. Impaired loans totaled \$1.2 million at March 31, 2012. The allowance for loan losses amounted to \$2.1 million at March 31, 2012, representing 0.48% of total gross loans.

2011 v. 2010. We recorded a provision for loan losses of \$102,000 during the year ended March 31, 2011, compared to \$433,000 during the year ended March 31, 2010. The decrease in the provision for loan losses was a result of the loan portfolio decreasing while nonperforming loans only increased \$749,000 from March 31, 2010 to 2011. Gross loans decreased 7.3% during the year ended March 31, 2011.

At March 31, 2011 Clifton Savings Bank's nonperforming loans, all of which were delinquent ninety days or more, and all of which were in a nonaccrual status, totaled \$3.2 million, representing 0.72% of total gross loans, and 0.29% of total assets. During the year ended March 31, 2011, the Bank charged off loans totaling \$272,000, which represented a partial loss from a multi-family real estate loan which has been transferred to real estate owned during the period, and a partial loss on a troubled debt restructuring of a one-to four- family real estate loan. At March 31, 2011, nonperforming loans consisted of fourteen loans secured by one- to four-family residential real estate and two loans secured by commercial real estate. All nonperforming loans included above are secured by properties located in the state of New Jersey. Impaired loans totaled \$1.4 million at March 31, 2011. The allowance for loan losses amounted to \$1.9 million at March 31, 2011, representing 0.42% of total gross loans.

An analysis of the changes in the allowance for loan losses is also presented under "*—Risk Management—Analysis of Nonperforming and Classified Assets.*"

Non-interest Income. The following table shows the components of non-interest income and the percentage changes from 2012 versus 2011 and from 2011 versus 2010.

(Dollars in thousands)	2012	2011	2010	% Change 2012/2011	%Change 2011/2010
Fees and service charges	\$ 213	\$ 212	\$ 223	0.47%	(4.93)%
Bank owned life insurance	862	879	887	(1.93)	(0.90)
Gain on sale of securities	—	872	—	100.00	100.00
Net (loss) gain on sale and disposal of premises and equipment	(9)	327	—	(102.75)	100.00
Loss on write-down of land held for sale	(156)	(397)	—	61.71	100.00
Other	3	16	26	(81.25)	38.46
Total	\$ 913	\$1,909	\$1,136	(52.17)%	68.05%

2012 v. 2011. Non-interest income decreased primarily due to a \$872,000 decrease in gain on sale of securities and a decrease of \$336,000 in net gain/loss on the sale and disposal of premises and equipment, partially offset by a decrease of \$241,000 in loss on the write-down of land held for sale during the year ended March 31, 2012.

2011 v. 2010. Non-interest income increased primarily due to a gain of \$872,000 on the sale of securities and a \$327,000 net gain on the sale and disposal of premises and equipment, partially offset by a decrease in fees and service charges on loans and deposits, and a \$397,000 loss on the write-down of land held for sale during the year ended March 31, 2011. There were no realized gains or losses on assets during the year ended March 31, 2010.

Non-interest Expense. The following table shows the components of non-interest expense and the percentage changes from 2012 versus 2011 and from 2011 versus 2010.

(Dollars in thousands)	2012	2011	2010	% Change 2012/2011	%Change 2011/2010
Salaries and employee benefits	\$ 7,055	\$ 6,773	\$ 6,810	4.16%	(0.54)%
Occupancy expense of premises	1,359	1,643	1,249	(17.29)	31.55
Equipment	1,090	1,051	952	3.71	10.40
Directors' compensation	732	760	796	(3.68)	(4.52)
Advertising.....	213	279	253	(23.66)	10.28
Legal	569	494	254	15.18	94.49
Federal insurance premium.....	538	884	1,183	(39.14)	(25.27)
Other	1,983	1,930	1,753	2.75	10.10
Total.....	<u>\$13,539</u>	<u>\$13,814</u>	<u>\$13,250</u>	<u>(1.99)%</u>	<u>4.26%</u>

2012 v. 2011. The components of non-interest expense which experienced the most significant change in fiscal 2012 were salaries and employee benefits, occupancy expense of premises, and federal deposit insurance premiums. The increase in salaries and employee benefits was mainly due to an increase in costs associated with health insurance for all employees and the hiring of an enterprise risk officer and compliance officer in the 2012 period, along with normal annual salary increases. Occupancy expense of premises decreased due to decreases in snow removal and other repair and maintenance items in 2012. The decrease in federal deposit insurance premiums was primarily due to a change in the assessment base for institutions. The Federal Deposit Insurance Corporation adopted a final rule which became effective on April 1, 2011 that changed the assessment base used to calculate an institution's federal deposit insurance premium to average consolidated assets minus average tangible equity, rather than the balance of deposits.

2011 v. 2010. The components of non-interest expense which experienced the most significant change in fiscal 2011 were occupancy expense of premises, legal expenses, federal insurance premiums and other expenses. Occupancy expense of premises increased due to costs associated with the Company's new Fair Lawn, Lyndhurst and Woodland Park branch locations, along with the renovation and repairs of other branch premises. Legal and other expenses increased mainly due to the expensing of \$248,000 and \$141,000, respectively, in costs incurred in connection with the postponement of the Company's second step conversion and related stock offering. The decrease in the federal deposit insurance premiums in 2011 was due to increased Federal Deposit Insurance Corporation's assessments in fiscal 2010 that resulted from a special emergency assessment imposed to increase the Deposit Insurance Fund in order to cover losses incurred from failed financial institutions, as well as anticipated future losses.

Income Taxes.

2012 v. 2011. Income taxes decreased due to lower pre-tax income for 2012. The overall effective tax rate for 2012 was 34.6%, compared to 35.6% for 2011.

2011 v. 2010. Income taxes increased due to an increase in pre-tax income coupled with an increase in the effective income tax rate. The overall effective tax rate for 2011 was 35.6%, compared to 33.3% for 2010.

Average Balances and Yields

The following table presents information regarding average balances of assets and liabilities, as well as the total dollar amounts of interest income and dividends from average interest-earning assets and interest expense on average interest-bearing liabilities and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of this table, average balances have been calculated using the average of month-end balances, and nonaccrual loans are included in average balances; however, accrued interest income has been excluded from these loans. Loan fees (costs) are included in interest income on loans and are insignificant. Yields are not presented on a tax-equivalent basis. Any adjustments necessary to present yields on a tax equivalent basis are insignificant.

	Year Ended March 31,								
	2012			2011			2010		
(Dollars in thousands)	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Assets:									
Interest-earning assets:									
Loans receivable.....	\$ 439,551	\$20,812	4.73%	\$ 458,455	\$22,725	4.96%	\$ 478,740	\$24,550	5.13%
Mortgage-backed securities	336,966	14,141	4.20%	340,492	15,873	4.66%	336,039	16,905	5.03%
Investment securities	246,307	5,838	2.37%	222,617	5,946	2.67%	112,398	3,037	2.70%
Other interest-earning assets	32,743	283	0.86%	24,439	396	1.62%	25,854	464	1.79%
Total interest-earning assets.....	<u>1,055,567</u>	<u>41,074</u>	3.89%	<u>1,046,003</u>	<u>44,940</u>	4.30%	<u>953,031</u>	<u>44,956</u>	4.72%
Noninterest-earning assets	69,901			66,035			69,143		
Total assets	<u>\$1,125,468</u>			<u>\$1,112,038</u>			<u>\$1,022,174</u>		
Liabilities and equity:									
Interest-bearing liabilities:									
Demand accounts	\$ 55,296	195	0.35%	\$ 54,259	375	0.69%	\$50,713	481	0.95%
Savings and club accounts	121,145	518	0.43%	110,690	874	0.79%	96,761	1,009	1.04%
Certificates of deposit.....	650,628	11,932	1.83%	638,291	13,616	2.13%	547,159	16,188	2.96%
Total interest-bearing deposits	827,069	12,645	1.53%	803,240	14,865	1.85%	694,633	17,678	2.54%
FHLB advances	90,502	3,504	3.87%	113,746	4,380	3.85%	137,965	5,288	3.83%
Total interest-bearing liabilities	<u>917,571</u>	<u>16,149</u>	1.76%	<u>916,986</u>	<u>19,245</u>	2.10%	<u>832,598</u>	<u>22,966</u>	2.76%
Noninterest-bearing liabilities:									
Noninterest-bearing deposits.....	7,750			6,690			5,818		
Other noninterest-bearing liabilities.....	16,824			10,918			9,012		
Total noninterest-bearing liabilities	<u>24,574</u>			<u>17,608</u>			<u>14,830</u>		
Total liabilities.....	942,145			934,594			847,428		
Stockholders' equity.....	183,323			177,444			174,746		
Total liabilities and stockholders' equity.....	<u>\$1,125,468</u>			<u>\$1,112,038</u>			<u>\$1,022,174</u>		
Net interest income.....		<u>\$24,925</u>			<u>\$25,695</u>			<u>\$21,990</u>	
Interest rate spread			2.13%			2.20%			1.96%
Net interest margin			2.36%			2.46%			2.31%
Average interest-earning assets to average interest-bearing liabilities.....	1.15x			1.14x			1.14x		

Rate/Volume Analysis

The following table sets forth the effects of changing rates and volumes on our net interest income. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to changes in both rate and volume that cannot be segregated have been allocated proportionately based on the changes due to rate and the changes due to volume.

(In thousands)	Year Ended March 31, 2012 Compared to 2011			Year Ended March 31, 2011 Compared to 2010		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
Interest income:						
Loans receivable	\$ (900)	\$ (1,013)	\$ (1,913)	\$ (1,024)	\$ (801)	\$ (1,825)
Mortgage-backed securities	(164)	(1,568)	(1,732)	222	(1,254)	(1,032)
Investment securities	597	(705)	(108)	2,943	(34)	2,909
Other interest-earning assets	109	(222)	(113)	(25)	(43)	(68)
Total interest income	(358)	(3,508)	(3,866)	2,116	(2,132)	(16)
Interest expense:						
Demand deposits	7	(187)	(180)	32	(138)	(106)
Savings and club accounts	76	(432)	(356)	131	(266)	(135)
Certificates of deposit	259	(1,943)	(1,684)	2,426	(4,998)	(2,572)
Total deposit expense	342	(2,562)	(2,220)	2,589	(5,402)	(2,813)
FHLB advances	(899)	23	(876)	(935)	27	(908)
Total interest expense	(557)	(2,539)	(3,096)	1,654	(5,375)	(3,721)
Net interest income	\$ 199	\$ (969)	\$ (770)	\$ 462	\$ 3,243	\$ 3,705

Risk Management

Overview. Managing risk is an essential part of successfully managing a financial institution. Our most prominent risk exposures are credit risk, interest rate risk and market risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of interest income as a result of changes in interest rates. Market risk arises from fluctuations in interest rates that may result in changes in the values of financial instruments, such as available-for-sale securities that are accounted for at fair value. Other risks that we face are operational risks, liquidity risks and reputation risk. Operational risks include risks related to fraud, regulatory compliance, processing errors, technology and disaster recovery. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue. During the year ended March 31, 2012, the Bank hired an Enterprise Risk Officer to monitor and enhance the quality of the risk management process throughout the Bank.

Credit Risk Management. Our strategy for credit risk management focuses on having well-defined credit policies and uniform underwriting criteria and providing prompt attention to potential problem loans. Our strategy also emphasizes the origination of one- to four-family mortgage loans, which typically have lower default rates than most other types of loans and are secured by collateral that generally tends to appreciate in value.

When a borrower fails to make a required loan payment, we take a number of steps to have the borrower cure the delinquency and restore the loan to current status. The following describes our general collection procedures. We mail a late charge notice when the loan becomes 15 days past due. We make initial contact with the borrower when the loan becomes 30 days past due. If payment is not then received by the 45th day of delinquency, additional letters and phone calls generally are made. Sometime after the 90th day of delinquency, we will send the borrower a final demand for payment and refer the loan to legal counsel to commence foreclosure proceedings. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before

the foreclosure sale, the real property securing the loan generally is sold at foreclosure. We may consider loan workout arrangements with certain borrowers under certain circumstances.

Analysis of Nonperforming and Classified Assets. When a loan becomes 90 days delinquent, or when other factors indicate that the collection of such amounts is doubtful, the loan is placed on nonaccrual status, at which time an allowance for uncollected interest is recorded in the current period for previously accrued and uncollected interest. Interest on such loans, if appropriate, is recognized as income when payments are received. A loan is returned to accrual status when there is a sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of the loan, or in some circumstances, when factors indicating doubtful collectability no longer exist and the Bank expects repayment of the remaining contractual amounts due.

Although we are very careful when purchasing loans and individually underwrite each purchased loan, our loss experience is higher on our purchased loans than on loans we have originated for our portfolio. At March 31, 2012, nonperforming loans included seventeen loans we originated totaling \$2.4 million and six loans we purchased totaling \$1.4 million.

We consider repossessed assets and loans that are 90 days or more past due or on a nonaccrual status to be nonperforming assets. Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When a property is acquired, it is recorded at its fair market value less costs to sell at the date of foreclosure. Holding costs and declines in fair value after acquisition of the property result in charges against income. At March 31, 2012 and 2011, we had \$139,000 and \$136,000, respectively, in real estate owned.

Under current accounting guidelines, a loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. We consider one- to four-family mortgage loans and consumer installment loans to be homogeneous and, therefore, do not individually evaluate them for impairment unless they are considered troubled debt restructurings, as discussed below. All other loans are evaluated for impairment on an individual basis. At March 31, 2012, 2011 and 2010, we had \$1.2 million, \$1.4 million and \$2.2 million, respectively, in loans that were considered impaired.

For economic reasons and to maximize the recovery of a loan, we work with borrowers experiencing financial difficulties. We consider modifying the borrower's existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings. We record an impairment loss, if any, based on the present value of expected future cash flows discounted at the original loan's effective interest rate. Subsequently these loans are individually evaluated for impairment. To be in compliance with its modified terms, a loan that is a troubled debt restructuring must be current or less than 30 days past due on its contractual principal and interest payments under the modified terms. After six months of satisfactory payment history, and if the Bank expects to receive all remaining payments in accordance with the terms of the restructuring, the loan can be placed in an accrual status, and after one year it is no longer reported as a TDR.

The following table provides information with respect to our nonperforming assets at the dates indicated. At March 31, 2012, 2011 and 2010 we had impaired loans of \$1.2 million, \$1.4 million and \$2.2 million, respectively. There were two troubled debt restructured loans with aggregate balances of approximately \$218,000 which were past due 90 days or more and in a nonaccrual status at March 31, 2012. Additionally, we had one other nonaccrual troubled debt restructured loan totaling \$34,000 which was 30-59 days past due at March 31, 2012. Interest income recognized on impaired loans during the period of impairment totaled approximately \$78,000, \$61,000 and \$62,000, respectively, for the years ended March 31, 2012, 2011 and 2010.

(Dollars in thousands)	At March 31,				
	2012	2011	2010	2009	2008
Nonaccrual loans:					
Real estate loans:					
One-to four-family	\$3,671	\$2,802	\$1,890	\$ 858	\$265
Multi-family	—	—	331	—	—
Commercial	—	385	206	—	—
Consumer loans	102	24	35	12	—
Total nonaccrual loans	3,773	3,211	2,462	870	265
Accruing loans past due 90 days or more	—	—	—	—	—
Total of nonaccrual and 90 days or more past due loans	3,773	3,211	2,462	870	265
Real estate owned	139	136	—	—	—
Total nonperforming assets	3,912	3,347	2,462	870	265
Accruing troubled debt restructurings	657	1,138	1,676	432	—
Nonaccrual troubled debt restructurings	252	37	11	—	—
Total troubled debt restructurings	909	1,175	1,687	432	—
Less nonaccrual troubled debt restructurings included in total nonaccrual loans	(252)	(37)	(11)	—	—
Total nonperforming assets and troubled debt restructurings	\$4,569	\$4,485	\$4,138	\$ 1,302	\$265
Total nonperforming loans to total gross loans	0.86%	0.72%	0.51%	0.19%	0.06%
Total nonperforming loans to total assets	0.34%	0.29%	0.23%	0.09%	0.03%
Total nonperforming assets and troubled debt restructurings to total assets	0.41%	0.40%	0.39%	0.14%	0.03%

Nonperforming loans increased from \$3.2 million at March 31, 2011 to \$3.8 million at March 31, 2012. At March 31, 2012, nonperforming loans consisted of twenty loans secured by one-to four-family residential real estate, two second mortgage loans secured by one-to four-family real estate, and one second mortgage loan secured by commercial real estate, while at March 31, 2011, nonperforming loans consisted of fourteen loans secured by one-to four-family residential real estate, and two loans secured by commercial real estate. The percentage of nonperforming loans to total gross loans totaled 0.86% at March 31, 2012 as compared to 0.72% at March 31, 2011. The gross loan portfolio decreased \$4.9 million, or 1.1%, to \$439.8 million at March 31, 2012, from \$444.7 million at March 31, 2011. Nonaccrual loans are in various stages of collection, workout or foreclosure and are secured by New Jersey properties whose values in most instances, at March 31, 2012 are estimated to equal or exceed outstanding balances due on these loans at that date. Of the increase in nonaccrual loans, twelve new loans were included, one loan reported as nonaccrual at March 31, 2011 was still reported as nonaccrual at March 31, 2012 and was also classified as a troubled debt restructuring at March 31, 2012, and five loans were no longer classified, as two loan had paid off, two were current and one loan was classified as real estate owned as of March 31, 2012. Three new loans were restructured during the year ended March 31, 2012, and three reported at March 31, 2011 were no longer considered troubled debt restructurings as the loans performed for twelve consecutive months, in accordance with the terms of the restructuring.

Nonperforming loans increased from \$2.5 million at March 31, 2010 to \$3.2 million at March 31, 2011. At March 31, 2011, nonperforming loans consisted of fourteen loans secured by one- to four-family residential real estate, and two loans secured by commercial real estate, while at March 31, 2010, nonperforming loans consisted of eleven loans secured by one- to four-family residential real estate, one loan secured by commercial real estate, and one loan secured by a multi-family dwelling. The percentage of nonperforming loans to total gross loans totaled 0.72% at March 31, 2011 as compared to 0.51% at March 31, 2010. The gross loan portfolio decreased \$34.9 million, or 7.3%, to \$445.0 million at March 31, 2011, from \$479.9 million at March 31, 2010. Nonaccrual loans are in various stages of collection, workout or foreclosure and are secured by New Jersey properties whose values in most instances, at March 31, 2011 are estimated to equal or exceed outstanding balances due on these loans at that date. Of the increase in nonaccrual loans, seven new loans were included, three loans reported as nonaccrual at

March 31, 2010 were classified as troubled debt restructurings and one was classified as real estate owned at March 31, 2011. Four new loans were restructured during the year ended March 31, 2011, and six reported at March 31, 2010 were no longer considered troubled debt restructurings as the loans performed for twelve consecutive months in accordance with the terms of the restructuring.

Interest income that would have been recorded for the years ended March 31, 2012, 2011 and 2010, had nonaccruing loans been current and accruing interest according to their original terms, amounted to \$206,000, \$167,000, and \$148,000, respectively. The amount of interest related to these loans included in interest income was \$119,000, \$71,000 and \$58,000, respectively, for the years ended March 31, 2012, 2011 and 2010.

Pursuant to federal regulations, we review and classify our assets on a regular basis. In addition, the Office of the Comptroller of the Currency has the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. "Substandard assets" must have one or more defined weaknesses and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. "Doubtful assets" have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified "loss" is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. The regulations also provide for a "special mention" category, described as assets which do not currently expose us to a sufficient degree of risk to warrant classification but do possess credit deficiencies or potential weaknesses deserving our close attention. When we classify an asset as substandard, doubtful, or as a loss, we charge-off the portion of the asset classified loss.

The following table shows the aggregate amounts of our classified assets at the dates indicated.

(In thousands)	At March 31,		
	2012	2011	2010
Special mention assets.....	\$2,358	\$1,257	\$1,652
Substandard assets	4,291	3,450	2,283
Doubtful assets	-	-	225
Loss assets	-	-	-
Total classified assets	<u>\$6,649</u>	<u>\$4,707</u>	<u>\$4,160</u>

At each of the dates in the above table, substandard and doubtful assets consisted of all nonperforming assets and included negative escrow amounts. At March 31, 2012, we had six current loans totaling \$890,000 which were in special mention assets and at March 31, 2011, we had no current loans in special mention assets. Total classified assets increased approximately \$1.9 million, or 41.3%, from March 31, 2011 to March 31, 2012 and increased approximately \$547,000, or 13.2%, from March 31, 2010 to March 31, 2011.

Delinquencies. The following table provides information about delinquencies in our loan portfolio at the dates indicated.

	At March 31,								
	2012			2011			2010		
	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due
(In thousands)									
Real estate loans:									
One-to four-family.....	\$ 3,982	\$ 191	\$ 3,124	\$ 2,250	\$ 74	\$ 2,802	\$ 955	\$ 165	\$ 1,890
Multi-family.....	—	—	—	—	—	—	—	—	331
Commercial.....	—	—	—	261	63	385	458	—	206
Construction.....	—	—	—	—	—	—	—	—	—
Consumer and other loans:									
Second mortgage and equity line of credit.....	102	—	52	103	—	24	247	45	35
Passbook or certificate and other loans...	6	—	—	36	—	—	126	—	—
Total.....	\$ 4,090	\$ 191	\$ 3,176	\$ 2,650	\$ 137	\$ 3,211	\$ 1,786	\$ 210	\$ 2,462

There were two loans delinquent 60 to 89 days at March 31, 2012 as compared to three loans at March 31, 2011 and two loans at March 31, 2010. There were eighteen loans delinquent 90 days or greater at March 31, 2012, sixteen loans delinquent 90 days or greater at March 31, 2011 and thirteen loans delinquent 90 days or greater at March 31, 2010. There were eight loans in the process of foreclosure with a total balance of \$1.7 million at March 31, 2012 as compared to eleven loans with a total balance of \$2.3 million at March 31, 2011 and four loans with a total balance of \$1.0 million at March 31, 2010.

Allowance for Loan Losses. The allowance for loan losses is a valuation allowance for probable losses inherent in the loan portfolio. We evaluate the need to establish allowances against losses on loans on a monthly basis. When additional allowances are necessary, a provision for loan losses is charged to earnings. The allowance for loan losses consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class not considered impaired, as well as smaller balance homogeneous loans, such as one-to-four family real estate, construction real estate, second mortgage loans, home equity lines of credit and passbook loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. The historical loss factor is adjusted by qualitative risk factors which include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
2. National, regional, and local economic and business conditions, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability, and depth of lending management and staff.
5. The quality of the Bank's loan review system.
6. Volume and severity of past due, classified and nonaccrual loans.
7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
8. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The evaluation of the adequacy of the allowance is based on an analysis which categorizes the entire loan portfolio by certain risk characteristics. The loan portfolio segments are further disaggregated into the following loan classes, where the risk level for each type is analyzed when determining the allowance for loan losses.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans are rated pass-watch if the Bank is waiting for documents required for a complete file or if the loan is to be monitored due to previous delinquent status. Loans not classified are rated pass.

The Office of the Comptroller of the Currency, as an integral part of its examination process, periodically reviews the adequacy of our allowance for loan losses. The Office of the Comptroller of the Currency may require us to recognize adjustments to the allowance based on its judgments about information available to it at the time of its examination.

Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while we believe we have established our allowance for loan losses in conformity with accounting principles generally accepted in the United States of America, there can be no assurance that regulators, in reviewing our loan portfolio, will not request us to increase our allowance for loan losses. In addition, because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect our financial condition and results of operations.

Summary of Loan Loss Experience. The following table sets forth an analysis of the allowance for loan losses for the periods indicated. Where specific loan loss allowances have been established, any difference between the loss allowance and the amount of loss realized has been charged or credited to current income.

(Dollars in thousands)	At or For the Year Ended March 31,				
	2012	2011	2010	2009	2008
Allowance at beginning of period.....	\$1,880	\$2,050	\$1,700	\$1,440	\$1,350
Provision for loan losses	247	102	433	260	90
Recoveries.....	-	-	-	-	-
Charge-offs:					
One-to four-family real estate	(31)	(112)	(83)	-	-
Multi-family real estate	-	(160)	-	-	-
Commercial real estate	(6)	-	-	-	-
Net charge-offs	(37)	(272)	(83)	-	-
Allowance at end of period.....	\$2,090	\$1,880	\$2,050	\$1,700	\$1,440
Allowance to nonperforming loans.....	55.38%	58.55%	83.27%	195.40%	543.40%
Allowance to total gross loans outstanding at the end of the period	0.48%	0.42%	0.43%	0.36%	0.34%
Net charge-offs to average outstanding loans during the period.....	0.01%	0.06%	0.02%	0.00%	0.00%

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

(Dollars in thousands)	At March 31,								
	2012			2011			2010		
	Amount	% of Allowance to Total	% of Loans in Category to Total	Amount	% of Allowance to Total	% of Loans in Category to Total	Amount	% of Allowance to Total	% of Loans in Category to Total
One- to four-family	\$1,733	82.92%	90.53%	\$1,601	85.16%	91.15%	\$1,746	85.17%	91.90%
Multi-family real estate.....	193	9.23	3.20	103	5.48	2.86	125	6.10	2.58
Commercial real estate.....	105	5.02	3.37	93	4.94	2.73	111	5.41	2.54
Construction	4	0.19	0.32	11	0.59	0.55	1	0.05	0.18
Consumer and other	43	2.06	2.58	49	2.61	2.71	67	3.27	2.80
Unallocated	12	0.58	—	23	1.22	—	—	—	—
Total allowance for loan losses....	\$2,090	100.00%	100.00%	\$1,880	100.00%	100.00%	\$2,050	100.00%	100.00%

(Dollars in thousands)	At March 31,					
	2009			2008		
	Amount	% of Allowance to Total	% of Loans in Category to Total	Amount	% of Allowance to Total	% of Loans in Category to Total
One- to four-family	\$1,525	89.71%	91.82%	\$1,295	89.93%	92.15%
Multi-family real estate	36	2.12	2.24	23	1.60	2.05
Commercial real estate	74	4.35	2.42	57	3.95	1.74
Construction	1	0.06	0.16	61	4.24	0.39
Consumer and other	64	3.76	3.36	4	0.28	3.67
Unallocated.....	—	—	—	—	—	—
Total allowance for loan losses.....	\$1,700	100.00%	100.00%	\$1,440	100.00%	100.00%

Management of Market Risk.

Qualitative analysis. The majority of Clifton Savings Bank's assets and liabilities are monetary in nature. Consequently, one of our most significant forms of market risk is interest rate risk. The Bank's assets consist primarily of mortgage loans, and investment and mortgage-backed securities which have longer maturities than the Bank's liabilities, which consists primarily of deposits. As a result, a principal part of Clifton Savings Bank's business strategy is to manage interest rate risk and reduce the exposure of net interest income to change in market interest rates. Accordingly, our Board of Directors, through their Enterprise Risk Management Committee, has established an Asset/Liability Management Committee which is responsible for evaluating the interest rate risk inherent in assets and liabilities, for determining the level of risk that is appropriate given Clifton Savings Bank's 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 Management Committee, which consists of senior management and outside directors operate under a policy adopted by the Board of Directors, and meets as needed to review Clifton Savings Bank's asset/liability policies and interest rate risk position.

Clifton Savings Bank retains an independent, nationally recognized consulting firm who specializes in asset and liability management to complete the quarterly interest rate risk reports. This firm uses a combination of analyses to monitor the Bank's exposure to changes in interest rates. The economic value of equity analysis is a model that estimates the change in net portfolio value ("NPV") over a range of instantaneously shocked interest rate scenarios. NPV is the discounted present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. In calculating changes in NPV, assumptions estimating loan prepayment rates, reinvestment rates and deposit decay rates that seem most likely based on historical experience during prior interest rate changes are used.

The net interest income analysis uses data derived from an asset and liability analysis and applies several additional elements, including actual interest rate indices and margins, contractual limitations and the U.S. Treasury yield curve as of the balance sheet date. In addition the model uses consistent parallel yield curve ramps (in both directions) to determine possible changes in net interest income if the theoretical yield curve ramps occurred gradually. Net interest income analysis also adjusts the asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts.

The asset and liability analysis determines the relative balance between the repricing of assets and liabilities over multiple periods of time (ranging from overnight to five years). This asset and liability analysis includes expected cash flows from loans and mortgage-backed securities, applying prepayment rates based on the differential between the current interest rate and the market interest rate for each loan and security type. This analysis identifies mismatches in the timing of asset and liability but does not necessarily provide an accurate indicator of interest rate risk because the assumptions used in the analysis may not reflect the actual response to market changes.

Quantitative analysis. The table below sets forth, as of March 31, 2012, the estimated changes in Clifton Savings Bank's NPV and net interest income that would result from the designated changes in interest rates. Such changes to interest rates are calculated as an immediate and permanent change for the purposes of computing NPV and a gradual change over a one year period for the purposes of computing net interest income. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. We did not estimate changes in NPV or net interest income for an interest rate decrease of greater than 100 basis points or increase of greater than 200 basis points.

Change in Interest Rates Basis Point (bp) (1)	Net Portfolio Value (2)			Net Interest Income		
	Estimated NPV	Estimated Increase (Decrease)		Estimated Net Interest Income (3)	Increase (Decrease) in Estimated Net Interest Income	
		Amount	Percent		Amount	Percent
	(Dollars in Thousands)					
+200 bp	\$ 135,693	(\$42,166)	(23.70) %	\$25,037	\$20	0.08 %
0	177,859	-	-	25,017	-	-
(100)	177,612	(\$247)	(0.10) %	24,497	(\$521)	(2.08) %

(1) Assumes an instantaneous and parallel shift in interest rates at all maturities.

(2) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(3) Assumes a gradual change in interest rates over a one year period at all maturities.

The table set forth above indicates at March 31, 2012, in the event of a 200 basis point increase in interest rates, we would be expected to experience a 23.70% decrease in NPV and a \$20,000 or 0.08%, increase in net interest income. In the event of a 100 basis point decrease in interest rates, we would be expected to experience a 0.10% decrease in NPV and a \$521,000, or 2.08%, decrease in net interest income. Please note that the NPV is a theoretical liquidation calculation which assumes the Bank is no longer a going concern and that the net interest income simulation is built upon a static (no growth or attrition) balance sheet. Accordingly, this data does not reflect any future actions management may take in response to changes in interest rates, such as changing the mix of assets and liabilities, which could change the results of the NPV and net interest income calculations.

Certain shortcomings are inherent in any methodology used in the above interest rate risk measurements. Modeling changes in NPV and net interest income require 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 and net interest income table presented above assumes the composition of Clifton Savings Bank's interest-rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and, accordingly, the data do not reflect any actions we may take in response to changes in interest rates. The table also assumes a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or the repricing characteristics of specific assets and liabilities. Accordingly, although the NPV and net interest income table provide an indication of Clifton Savings Bank's sensitivity to interest rate changes at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effects of changes in market interest rates on Clifton Savings Bank's NPV and net interest income and will differ from actual results.

Liquidity Management. Liquidity is the ability to meet current and future financial obligations of a short-term nature. Our primary sources of funds consist of deposit inflows, loan and mortgage-backed securities amortization and repayments and maturities and calls of investment securities. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, mortgage and mortgage-backed securities prepayments and investment securities calls are greatly influenced by general interest rates, economic conditions and competition.

We regularly adjust our investments in liquid assets based upon our assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities, (4) repayment of borrowings and (5) the objectives of our asset/liability management program. Excess liquid assets are invested generally in short to intermediate-term U.S. Government agency obligations.

Our most liquid assets are cash and cash equivalents and interest-bearing deposits in other banks. The levels of these assets are dependent on our operating, financing, lending and investing activities during any given period. At March 31, 2012, cash and cash equivalents totaled \$40.3 million, including interest-bearing deposits of \$28.7 million. Securities classified as available-for-sale, which provide additional sources of liquidity, totaled \$70.2 million at March 31, 2012. On March 31, 2012, we had \$78.7 million in Federal Home Loan Bank advances

outstanding. In addition, if Clifton Savings Bank requires funds beyond its ability to generate them internally, it can borrow funds under an overnight advance program up to Clifton Savings Bank's maximum borrowing capacity based on its ability to collateralize such borrowings. Additionally, Clifton Savings Bancorp has the ability to borrow funds at Bank of America and PNC Capital Markets under established unsecured overnight lines of credit.

At March 31, 2012, we had \$6.1 million in loan origination commitments outstanding and \$2.0 in commitments to purchase loans or participations in loans. In addition to commitments to originate and purchase loans and participations, at March 31, 2012 we had \$4.4 million in customer approved unused equity lines of credit. Certificates of deposit due within one year of March 31, 2012 totaled \$374.5 million, or 45.3% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including other certificates of deposit and lines of credit. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before March 31, 2013. We believe, however, based on past experience, that a significant portion of our certificates of deposit will remain with us and that we have the ability to attract and retain deposits by adjusting the interest rates offered.

We have historically remained highly liquid and our liquidity position has remained stable over the past two fiscal years. We have no material commitments or demands that are likely to affect our liquidity other than as set forth in this annual report. Consequently, the board of directors intends to make additional investments in long-term loans and mortgage-backed securities which will decrease liquidity and increase interest income. In the event loan demand were to increase at a pace greater than expected, or any unforeseen demands or commitments were to occur, we could access our lines of credit with the Federal Home Loan Bank of New York, Bank of America or PNC Capital Markets.

Clifton Savings Bancorp is a separate legal entity from Clifton Savings Bank and must provide for its own liquidity. In addition to its operating expenses, Clifton Savings Bancorp alone is responsible for paying any dividends declared to its shareholders. Clifton Savings Bancorp also has repurchased shares of its common stock. Its primary source of income is dividends received from Clifton Savings Bank. The amount of dividends that Clifton Savings may declare and pay to Clifton Savings Bancorp in any calendar year, without the receipt of prior approval from the Office of the Comptroller of the Currency but with prior notice to the Office of the Comptroller of the Currency, cannot exceed net income for that year to date plus retained net income (as defined) for the preceding two calendar years. On a stand-alone basis, Clifton Savings Bancorp had liquid assets of \$10.2 million at March 31, 2012.

The following table presents certain of our contractual obligations as of March 31, 2012.

Contractual Obligations	Payments Due by Period at March 31, 2012				
	Total at March 31, 2012	1 year or Less	Over 1 year to 3 years	Over 3 years to 5 years	More Than 5 years
	(In thousands)				
Operating lease obligations (1).....	\$ 1,509	\$ 353	\$ 592	\$ 245	\$ 319
Certificates of deposit.....	637,994	374,476	217,774	28,415	17,329
FHLB advances	78,679	21,471	9,708	5,000	42,500
Benefit plan obligations	1,911	115	317	440	1,039
Undisbursed funds from approved lines of credit (2)	4,445	50	43	103	4,249
Other commitments to extend credit (2)	8,042	8,042	—	—	—
Total.....	\$ 732,580	\$ 404,507	\$ 228,434	\$ 34,203	\$ 65,436

(1) Payments are for lease of real property.

(2) Represents amounts committed to customers.

Our primary investing activities are the origination of loans and the purchase of securities. During the year ended March 31, 2012, we originated \$64.1 million of loans and purchased \$289.8 million of securities. We purchased \$20.8 million of loans during the year ended March 31, 2012. In fiscal 2011, we originated \$60.7 million of loans and purchased \$305.6 million of securities. We also purchased \$1.8 million of loans during the year ended

March 31, 2011. In fiscal 2010, we originated \$104.6 million of loans, purchased \$2.9 million of loans, and purchased \$276.8 million of securities.

Financing activities consist primarily of activity in deposit accounts and in Federal Home Loan Bank advances. We experienced a net decrease in total deposits of \$11.1 million for the year ended March 31, 2012, a net increase in total deposits of \$79.2 million for the year ended March 31, 2011 and a net increase in total deposits of \$124.6 million for the year ended March 31, 2010. Deposit flows are affected by the overall level of interest rates, the interest rates and products offered by us and our local competitors and other factors. We price our deposits to be highly competitive and to increase core deposit relationships. Occasionally, we introduce new products or offer promotional deposit rates on certain deposit products in order to attract deposits. Federal Home Loan Bank advances decreased \$17.0 million for the year ended March 31, 2012 as a result of repayment of long-term borrowings in accordance with their original terms. We had \$78.7 million, \$95.7 million and \$123.7 million in advances outstanding at March 31, 2012, 2011 and 2010, respectively.

Capital Management

We are subject to various regulatory capital requirements administered by the Office of the Comptroller of the Currency, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance sheet items to broad risk categories. Under these requirements the federal bank regulatory agencies have established quantitative measures to ensure that minimum thresholds for Tier 1 Capital, Total Capital and Leverage (Tier 1 Capital divided by average assets) ratios are maintained. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional, discretionary actions by regulators that could have a direct material effect on our operations and financial position. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, Clifton Savings must meet specific capital guidelines that involve quantitative measures of assets and certain off-balance sheet items as calculated under regulatory accounting practices. It is our intention to maintain "well-capitalized" risk-based capital levels. Clifton Savings Bank's capital amounts and classifications are also subject to qualitative judgments by the federal bank regulators about components, risk weightings and other factors. At March 31, 2012, we exceeded all of our regulatory capital requirements. In January 2012, the most recent notification from the Office of the Comptroller of the Currency, we were considered "well capitalized" under regulatory guidelines as of September 30, 2011.

Off-Balance Sheet Arrangements

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with accounting principles generally accepted in the United States of America, are not recorded in our consolidated financial statements. These transactions involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of loan commitments and lines of credit. For additional information see Note 16 of the notes to the consolidated financial statements included in this annual report.

For the years ended March 31, 2012 and 2011, we engaged in no off-balance sheet transactions reasonably likely to have a material effect on our consolidated financial position, results of operations, or cash flows.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 1 in the notes to the consolidated financial statements included in this annual report.

Effect of Inflation and Changing Prices

The consolidated financial statements and related consolidated financial data presented in this report have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all the assets

and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services because such prices are affected by inflation to a larger extent than interest rates.

Management Report on Internal Control Over Financial Reporting

The management of Clifton Savings Bancorp, Inc. and Subsidiaries (collectively the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system is a process designed to provide reasonable assurance to the management and Board of Directors regarding the preparation and fair presentation of published consolidated financial statements.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of internal control over financial reporting as of March 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on its assessment, management believes that, as of March 31, 2012, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the consolidated financial statements has issued an audit report on the effective operation of the Company's internal control over financial reporting as of March 31, 2012, a copy of which is included in this annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Clifton Savings Bancorp, Inc. and Subsidiaries
Clifton, New Jersey

We have audited Clifton Savings Bancorp, Inc. and Subsidiaries' (collectively the "Company") internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to 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 standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Clifton Savings Bancorp, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of March 31, 2012, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows of Clifton Savings Bancorp, Inc. and Subsidiaries, and our report dated June 8, 2012 expressed an unqualified opinion.

ParenteBeard LLC

Clark, New Jersey
June 8, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Clifton Savings Bancorp, Inc. and Subsidiaries
Clifton, New Jersey

We have audited the accompanying consolidated statements of financial condition of Clifton Savings Bancorp, Inc. and Subsidiaries (collectively the “Company”) as of March 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity and cash flows for each of the years in the three-year period ended March 31, 2012. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these 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). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clifton Savings Bancorp, Inc. and Subsidiaries as of March 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Clifton Savings Bancorp, Inc. and Subsidiaries’ internal control over financial reporting as of March 31, 2012, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 8, 2012 expressed an unqualified opinion.



Clark, New Jersey
June 8, 2012

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	March 31,	
	2012	2011
	(In Thousands, Except Share and Per Share Data)	
ASSETS		
Cash and due from banks	\$ 11,534	\$ 34,719
Interest-bearing deposits in other banks	28,723	23,350
Cash and Cash Equivalents	40,257	58,069
Securities available for sale, at fair value:		
Investment	45,071	10,002
Mortgage-backed	25,124	27,937
Securities held to maturity, at cost:		
Investment, fair value of \$168,281 and \$228,707, respectively	167,784	233,428
Mortgage-backed, fair value of \$353,168 and \$308,961, respectively	336,230	299,692
Loans receivable	438,923	443,626
Allowance for loan losses	(2,090)	(1,880)
Net Loans	436,833	441,746
Bank owned life insurance	27,577	26,715
Premises and equipment	8,075	8,275
Federal Home Loan Bank of New York stock	5,127	5,974
Interest receivable	3,927	4,551
Real estate owned	139	136
Other assets	5,296	6,108
Total Assets	\$ 1,101,440	\$ 1,122,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing	\$ 7,997	\$ 8,249
Interest bearing	818,278	829,136
Total Deposits	826,275	837,385
Advances from Federal Home Loan Bank of New York	78,679	95,668
Advance payments by borrowers for taxes and insurance	5,139	5,023
Other liabilities and accrued expenses	4,886	4,591
Total Liabilities	914,979	942,667
Commitments and Contingencies	-	-
Stockholders' Equity		
Preferred stock (\$.01 par value), 1,000,000 shares authorized; shares issued or outstanding - none	-	-
Common stock (\$.01 par value), 75,000,000 shares authorized; 30,530,470 shares issued, 26,138,138 shares outstanding at March 31, 2012; 26,137,248 shares outstanding at March 31, 2011	305	305
Paid-in capital	135,965	135,752
Deferred compensation obligation under Rabbi Trust	273	252
Retained earnings	101,835	96,067
Treasury stock, at cost; 4,392,332 shares at March 31, 2012; 4,393,222 shares at March 31, 2011	(47,363)	(47,372)
Common stock acquired by Employee Stock Ownership Plan ("ESOP")	(4,946)	(5,678)
Accumulated other comprehensive income	619	850
Stock held by Rabbi Trust	(227)	(210)
Total Stockholders' Equity	186,461	179,966
Total Liabilities and Stockholders' Equity	\$ 1,101,440	\$ 1,122,633

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands, Except Share and Per Share Data)		
Interest Income			
Loans	\$ 20,812	\$ 22,725	\$ 24,550
Mortgage-backed securities	14,141	15,873	16,905
Investments securities	5,838	5,946	3,037
Other interest-earning assets	283	396	464
Total Interest Income	<u>41,074</u>	<u>44,940</u>	<u>44,956</u>
Interest Expense			
Deposits	12,645	14,865	17,678
Advances	3,504	4,380	5,288
Total Interest Expense	<u>16,149</u>	<u>19,245</u>	<u>22,966</u>
Net Interest Income	24,925	25,695	21,990
Provision for Loan Losses	247	102	433
Net Interest Income after Provision for Loan Losses	<u>24,678</u>	<u>25,593</u>	<u>21,557</u>
Non-Interest Income			
Fees and service charges	213	212	223
Bank owned life insurance	862	879	887
Gain on sale of securities	-	872	-
Net (loss) gain on sale and disposal of premises and equipment	(9)	327	-
Loss on write-down of land held for sale	(156)	(397)	-
Other	3	16	26
Total Non-Interest Income	<u>913</u>	<u>1,909</u>	<u>1,136</u>
Non-Interest Expenses			
Salaries and employee benefits	7,055	6,773	6,810
Occupancy expense of premises	1,359	1,643	1,249
Equipment	1,090	1,051	952
Directors' compensation	732	760	796
Advertising	213	279	253
Legal	569	494	254
Federal deposit insurance premium	538	884	1,183
Other	1,983	1,930	1,753
Total Non-Interest Expenses	<u>13,539</u>	<u>13,814</u>	<u>13,250</u>
Income before Income Taxes	12,052	13,688	9,443
Income Taxes	4,175	4,876	3,146
Net Income	<u>\$ 7,877</u>	<u>\$ 8,812</u>	<u>\$ 6,297</u>
Net Income per Common Share			
Basic	<u>\$ 0.31</u>	<u>\$ 0.34</u>	<u>\$ 0.24</u>
Diluted	<u>\$ 0.31</u>	<u>\$ 0.34</u>	<u>\$ 0.24</u>
Dividends per common share	<u>\$ 0.24</u>	<u>\$ 0.24</u>	<u>\$ 0.20</u>
Weighted Average Number of Common Shares and Common Stock Equivalents Outstanding:			
Basic	<u>25,607,442</u>	<u>25,579,989</u>	<u>25,947,037</u>
Diluted	<u>25,625,256</u>	<u>25,587,316</u>	<u>25,947,037</u>

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended March 31,		
	2012	2011	2010
		(In Thousands)	
Net income	\$ 7,877	\$ 8,812	\$ 6,297
Other comprehensive income (loss):			
Gross unrealized holding gain (loss) on securities available for sale, net of income tax of \$43, (\$245) and \$39, respectively	26	(368)	58
Reclassification adjustment for gross realized holding (gain) on securities available for sale, net of income tax of \$0, \$348 and \$0, respectively	-	(524)	-
Benefit plans, net of income tax of (\$181), (\$52) and (\$32), respectively	(257)	(78)	(47)
Total other comprehensive (loss) income	(231)	(970)	11
Total comprehensive income	<u>\$ 7,646</u>	<u>\$ 7,842</u>	<u>\$ 6,308</u>

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY Years Ended March 31, 2012, 2011 and 2010

	Common Stock	Paid-In Capital	Deferred Compensation Obligation Under Rabbi Trust	Retained Earnings	Treasury Stock	Common Stock Acquired by ESOP	Accumulated Other Comprehensive Income	Stock Held by Rabbi Trust	Total
(In Thousands, Except Share and Per Share Data)									
Balance - March 31, 2009	\$ 305	\$ 135,180	\$ 209	\$ 84,889	\$ (41,925)	\$ (7,144)	\$ 1,809	\$ (159)	\$ 173,164
Net income	-	-	-	6,297	-	-	-	-	6,297
Other comprehensive income, net of income tax	-	-	-	-	-	-	11	-	11
ESOP shares committed to be released	-	(3)	-	-	-	733	-	-	730
Purchase of treasury stock - 337,002 shares	-	-	-	-	(3,150)	-	-	-	(3,150)
Stock option expense	-	66	-	-	-	-	-	-	66
Restricted Stock Awards Earned	-	706	-	-	-	-	-	-	706
Forfeiture of Restricted Stock Awards	-	3	-	-	(3)	-	-	-	-
Funding of Supplemental Executive Retirement Plan	-	-	24	-	28	-	-	(28)	24
Tax cost from stock based compensation	-	(31)	-	-	-	-	-	-	(31)
Cash dividends declared (\$0.20 per share)	-	-	-	(1,825)	-	-	-	-	(1,825)
Balance - March 31, 2010	305	135,921	233	89,361	(45,050)	(6,411)	1,820	(187)	175,992
Net income	-	-	-	8,812	-	-	-	-	8,812
Other comprehensive loss, net of income tax	-	-	-	-	-	-	(970)	-	(970)
ESOP shares committed to be released	-	(27)	-	-	-	733	-	-	706
Purchase of treasury stock - 298,000 shares	-	-	-	-	(2,707)	-	-	-	(2,707)
Stock option expense	-	166	-	-	-	-	-	-	166
Restricted Stock Awards Earned	-	52	-	-	-	-	-	-	52
Funding of Restricted Stock Awards	-	(362)	-	-	362	-	-	-	-
Funding of Supplemental Executive Retirement Plan	-	-	19	-	23	-	-	(23)	19
Tax benefit from stock based compensation	-	2	-	-	-	-	-	-	2
Cash dividends declared (\$0.24 per share)	-	-	-	(2,106)	-	-	-	-	(2,106)
Balance - March 31, 2011	305	135,752	252	96,067	(47,372)	(5,678)	850	(210)	179,966
Net income	-	-	-	7,877	-	-	-	-	7,877
Other comprehensive loss, net of income tax	-	-	-	-	-	-	(231)	-	(231)
ESOP shares committed to be released	-	19	-	-	-	732	-	-	751
Purchase of treasury stock - 1,061 shares	-	-	-	-	(11)	-	-	-	(11)
Stock option expense	-	127	-	-	-	-	-	-	127
Restricted Stock Awards Earned	-	62	-	-	-	-	-	-	62
Funding of Supplemental Executive Retirement Plan	-	(3)	21	-	20	-	-	(17)	21
Tax benefit from stock based compensation	-	8	-	-	-	-	-	-	8
Cash dividends declared (\$0.24 per share)	-	-	-	(2,109)	-	-	-	-	(2,109)
Balance - March 31, 2012	\$ 305	\$ 135,965	\$ 273	\$ 101,835	\$ (47,363)	\$ (4,946)	\$ 619	\$ (227)	\$ 186,461

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Cash Flows From Operating Activities			
Net income	\$ 7,877	\$ 8,812	\$ 6,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	564	528	482
Net (accretion) of deferred fees and costs, premiums and discounts	(326)	(202)	(178)
Amortization component of net periodic pension (benefit) costs	(438)	(130)	(79)
Provision for loan losses	247	102	433
Net loss (gain) on sale and disposal of premises and equipment	9	(327)	-
Realized gain on sale of securities available for sale	-	(872)	-
Loss on write-down of land held for sale	156	397	-
Loss on write-down of real estate owned	38	50	-
Decrease (increase) in interest receivable	624	(174)	(64)
Deferred income tax (benefit) expense	(265)	13	(76)
Decrease (increase) in other assets	1,058	119	(2,304)
(Decrease) in accrued interest payable	(59)	(122)	(83)
Increase in other liabilities	354	80	789
(Increase) in cash surrender value of bank owned life insurance	(862)	(879)	(887)
ESOP shares committed to be released	751	706	730
Loss on sale of real estate owned	1	-	-
Restricted stock expense	62	52	706
Stock option expense	127	166	66
Increase in deferred compensation obligation under Rabbi Trust	21	19	24
Net Cash Provided by Operating Activities	9,939	8,338	5,856
Cash Flows From Investing Activities			
Proceeds from calls, maturities and repayments of:			
Investment securities available for sale	30,000	20,000	-
Mortgage-backed securities available for sale	7,816	17,586	21,209
Investment securities held to maturity	178,625	121,275	70,000
Mortgage-backed securities held to maturity	70,479	72,217	72,484
Proceeds from sale of mortgage-backed securities available for sale	-	11,070	-
Proceeds from sale of premises and equipment	-	493	-
Redemptions of Federal Home Loan Bank of New York stock	847	1,263	1,239
Purchases of:			
Investment securities available for sale	(64,990)	(15,000)	(5,000)
Mortgage-backed securities available for sale	(5,014)	-	-
Investment securities held to maturity	(112,829)	(194,658)	(154,967)
Mortgage-backed securities held to maturity	(106,947)	(95,960)	(116,834)
Loans receivable	(20,788)	(1,817)	(2,943)
Bank owned life insurance	-	(3,000)	-
Premises and equipment	(373)	(515)	(788)
Federal Home Loan Bank of New York stock	-	(80)	(656)
Net decrease (increase) in loans receivable	25,383	37,213	(6,662)
Proceeds from sale of real estate owned	135	-	-
Net Cash Provided by (Used in) Investing Activities	2,344	(29,913)	(122,918)

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Cash Flows From Financing Activities			
Net (decrease) increase in deposits	\$ (11,110)	\$ 79,233	\$ 124,570
Principal payments on advances from Federal Home Loan Bank of New York	(16,989)	(28,069)	(20,535)
Net increase (decrease) in payments by borrowers for taxes and insurance	116	(170)	368
Minority dividends paid	(2,109)	(2,106)	(1,825)
Purchase of treasury stock	(11)	(2,707)	(3,150)
Income tax benefit (expense) from stock based compensation	8	2	(31)
Net Cash (Used in) Provided by Financing Activities	<u>(30,095)</u>	<u>46,183</u>	<u>99,397</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(17,812)</u>	<u>24,608</u>	<u>(17,665)</u>
Cash and Cash Equivalents - Beginning	<u>58,069</u>	<u>33,461</u>	<u>51,126</u>
Cash and Cash Equivalents - Ending	<u>\$ 40,257</u>	<u>\$ 58,069</u>	<u>\$ 33,461</u>
Supplementary Cash Flows Information:			
Cash Paid During the Period for:			
Interest on deposits and borrowings	<u>\$ 16,208</u>	<u>\$ 19,367</u>	<u>\$ 23,049</u>
Income taxes paid	<u>\$ 4,717</u>	<u>\$ 4,909</u>	<u>\$ 2,715</u>
Non cash activities:			
Reclass property from premises and equipment to land held for sale included in other assets	<u>\$ -</u>	<u>\$ 1,157</u>	<u>\$ -</u>
Transfer from loans receivable to real estate owned	<u>\$ 177</u>	<u>\$ 186</u>	<u>\$ -</u>

See notes to consolidated financial statements.

CLIFTON SAVINGS BANCORP, INC. AND 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 the Clifton Savings Bancorp, Inc. (the “Company”), the Company’s wholly-owned subsidiary, Clifton Savings Bank (the “Bank”) and the Bank’s wholly-owned subsidiary, Botany Inc. (“Botany”). All significant intercompany accounts and transactions have been eliminated in consolidation.

A majority of the outstanding shares of the Company’s common stock is owned by Clifton MHC, the mutual holding company of Clifton Savings Bank.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the consolidated statement of financial condition dates and revenues and expenses for the periods then ended. Actual results could differ significantly from those estimates.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 855, “Subsequent Events”, the Company has evaluated events and transactions occurring subsequent to March 31, 2012 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

Use of Estimates

Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses, the identification of other-than-temporary impairment on securities, the determination of the liabilities and expenses of the defined benefit plans, the determination of the amount of deferred tax assets which are more likely than not to be realized and the estimation of fair value measurements of the Company’s financial instruments. Management believes that the allowance for loan losses is adequate, the evaluation of other-than-temporary impairment of securities are done in accordance with GAAP, the liabilities and expenses for the defined benefit plans are based upon actuarial assumptions of future events that are reasonable, and all deferred tax assets are more likely than not to be recognized. While management uses available information to recognize losses on loans, future 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 for loan losses. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgments about information available to them at the time of their examinations. Management uses its best judgment in estimating fair value measurements of the Company’s financial instruments; however, there are inherent weaknesses in any estimation technique. Management utilizes various assumptions and valuation techniques to determine fair value, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, quoted market prices, and appraisals. The fair value estimates are not necessarily indicative of the actual amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have not been re-evaluated or updated subsequent to those respective dates. As such, the estimated fair values subsequent to the respective dates may be different than the amounts reported. Finally, the determination of the amount of deferred tax assets more likely than not to be realized is dependent on projections of future earnings, which are subject to frequent change.

Business of the Company and Subsidiaries

The Company’s primary business is the ownership and operation of the Bank. The Bank is principally engaged in the business of attracting deposits from the general public at its twelve locations in northern New Jersey and using

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

these deposits, together with other funds, to invest in securities and to make loans collateralized by residential and commercial real estate and, to a lesser extent, consumer loans. The Bank's subsidiary, Botany, was organized in

December 2004 under New Jersey law as a New Jersey Investment Company primarily to hold investment and mortgage-backed securities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts due from banks and interest-bearing deposits in other banks with original maturities of three months or less.

Securities

In accordance with applicable accounting standards, investments in debt securities over which there exists a positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized holding gains or losses included in earnings. Debt and equity securities not classified as trading securities nor as held to maturity securities are classified as available for sale securities and reported at fair value, with unrealized holding gain or losses, net of applicable deferred income taxes, reported in the accumulated other comprehensive income component of stockholders' equity. The Company had no trading securities at March 31, 2012 and 2011.

An individual security is considered impaired when the fair value of such security is less than its amortized cost. Management evaluates all securities with unrealized losses quarterly to determine if such impairments are temporary or "other-than-temporary" in accordance with applicable accounting guidance. The Company accounts for temporary impairments based upon security classification as either available for sale or held to maturity. Temporary impairments on available for sale securities are recognized on a tax-effected basis, through other comprehensive income with offsetting entries adjusting the carrying value of the securities and the balance of deferred income taxes. Temporary impairments of held to maturity securities are not recognized in the consolidated financial statements. Information concerning the amount and duration of impairments on securities is disclosed in the notes to the consolidated financial statements.

Other-than-temporary impairments on debt securities that the Company has decided to sell or will more likely than not be required to sell prior to the full recovery of their fair value to a level to, or exceeding, amortized cost are recognized in earnings. Otherwise, the other-than-temporary impairment is bifurcated into credit related and noncredit-related components. The credit related impairment generally represents the amount by which the present value of the cash flows expected to be collected on a debt security falls below its amortized cost. The noncredit-related component represents the remaining portion of the impairment not otherwise designated as credit-related. Credit related other-than-temporary impairments are recognized in earnings while noncredit-related other-than-temporary impairments are recognized, net of deferred income taxes, in other comprehensive income.

Discounts and premiums on all securities are accreted or amortized to maturity by use of the level-yield method. Gain or loss on sales of securities is based on the specific identification method.

Concentration of Credit Risk

Financial instruments which potentially subject the Company, Bank and Botany to concentrations of credit risk consist of cash and cash equivalents, investment and mortgage-backed securities and loans. Cash and cash equivalents include amounts placed with highly rated financial institutions. Investment and mortgage-backed securities include securities backed by the U.S. Government and other highly rated instruments. The Bank's lending activity is

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

primarily concentrated in loans collateralized by real estate in the State of New Jersey. As a result, credit risk is broadly dependent on the real estate market and general economic conditions in the State.

Loans Receivable

Loans receivable which the Bank has the intent and ability to hold until maturity or loan pay-off are stated at unpaid principal balances, plus purchase premiums and net deferred loan origination costs. Interest is calculated by use of the simple interest method.

Recognition of interest by the accrual method is generally discontinued when interest or principal payments are ninety days or more in arrears, or when other factors indicate that the collection of such amounts is doubtful. At the time a loan is placed on nonaccrual status, an allowance for uncollected interest is recorded in the current period for previously accrued and uncollected interest. Interest on such loans, if appropriate, is recognized as income when payments are received. A loan is returned to accrual status when there is sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of the loan, or in some circumstances, when the factors indicating doubtful collectability no longer exist and the Bank expects repayment of the remaining contractual amounts due.

Allowance for Loan Losses

An allowance for loan losses is maintained at a level considered necessary to provide for loan losses based upon an evaluation of known and inherent losses in the loan portfolio. Management of the Bank, in determining the allowance for loan losses, considers the losses inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with the local economic and real estate market conditions. The Bank utilizes a two-tier approach: (1) identification of loans that must be reviewed individually for impairment, and (2) establishment of a general valuation allowance on the remainder of its loan portfolio. The Bank maintains a loan review system which allows for a periodic review of its loan portfolio and the early identification of impaired loans. The Bank considers one- to four-family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not separately evaluate them for impairment unless they are considered troubled debt restructurings. A loan is considered to be a troubled debt restructuring when, to maximize the recovery of the loan, the Company modifies the borrower's existing loan terms and conditions in response to financial difficulties experienced by the borrower.

When evaluating loans for impairment, management takes into consideration, among other things, delinquency status, size of loans, types of collateral and financial condition of borrowers. A loan is deemed to be impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts when due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated individually. The Bank does not aggregate such loans for evaluation purposes. Loan impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. Payments received on impaired loans are recognized as interest income and then applied to principal.

General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment. Regardless of the extent of the analysis of customer performance, portfolio evaluations, trends or risk management processes established, certain inherent, but undetected losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their financial condition, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends, and the sensitivity of assumptions utilized to establish

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

allocated allowances for homogeneous groups of loans among other factors. These other risk factors are continually reviewed and revised by management where conditions indicate that the estimates initially applied are different from actual results.

Loan Origination Fees and Costs

The Bank defers loan origination fees and certain direct loan origination costs and initially amortizes such amounts, using the interest method, as an adjustment of yield over the contractual lives of the related loans. The Bank anticipates prepayments within its loan portfolio and adjusts the amortization of origination fees and costs accordingly using an annually adjusted prepayment factor.

Federal Home Loan Bank of New York Stock

As a member of the Federal Home Loan Bank of New York ("FHLB"), the Bank is required to acquire and hold shares of FHLB Class B stock. Our holding requirement varies based on our activities, primarily our outstanding borrowings, with the FHLB. Our investment in FHLB stock is carried at cost. We conduct a periodic review and evaluation of our FHLB stock to determine if any impairment exists. Management has determined that no other-than-temporary impairment existed as of March 31, 2012 and 2011.

Bank Owned Life Insurance

Bank owned life insurance ("BOLI") is accounted for using the cash surrender value method and is recorded at its realizable value. The change in the net asset value is recorded as non-interest income.

Premises and Equipment

Premises and equipment are comprised of land, at cost, and land improvements, buildings and improvements, furnishings and equipment and leasehold improvements, at cost, less accumulated depreciation and amortization. Depreciation and amortization charges are computed on the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	5 - 20
Buildings and improvements	5 - 40
Furnishings and equipment	2 - 10
Leasehold improvements	Shorter of useful life or term of lease (2 - 10)

Significant renovations and additions are capitalized as part of premises and equipment account. Maintenance and repairs are charged to operations as incurred.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate Owned

Real estate acquired as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until it is sold. When property is acquired it is initially recorded at the fair market value less costs to sell at the date of foreclosure. After acquisition, foreclosed properties are held for sale and carried at lower of cost or fair value less estimated selling costs based on a current appraisal prepared by a licensed appraiser. Holding costs and declines in fair value after acquisition of the property result in charges against income.

Income Taxes

The Company, Bank and Botany file a consolidated federal income tax return. Income taxes are allocated based on their respective contribution of income or loss to the consolidated federal income tax return. Separate state income tax returns are filed.

Federal and state income taxes have been provided on the basis of reported income. The amounts reflected on the Company's and subsidiaries' tax returns differ from these provisions due principally to temporary differences in the reporting of certain items for financial reporting and income tax reporting purposes.

Deferred income tax expense or benefit is determined by recognizing deferred tax assets and liabilities for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The realization of deferred tax assets is assessed and a valuation allowance provided, when necessary, for the portion of any assets which are not likely to be realized. Management believes, based upon current facts, that it is more likely than not that there will be sufficient taxable income in future years to realize the deferred tax assets.

The Company accounts for uncertainty in income taxes recognized in the consolidated financial statements in accordance with ASC Topic 740, "Income Taxes," which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the Company's evaluation, no significant income tax uncertainties have been identified. Therefore, the Company recognized no adjustment for unrecognized income tax benefits for the years ended March 31, 2012, 2011 and 2010. Our policy is to recognize interest and penalties on unrecognized tax benefits in income taxes expense in the consolidated statement of income. The Company did not recognize any interest and penalties for the years ended March 31, 2012, 2011, and 2010. The tax years subject to examination by the taxing authorities are the years ended December 31, 2011, 2010, and 2009 for federal purposes and the years ended December 31, 2011, 2010, 2009 and 2008 for state purposes.

Interest Rate Risk

The potential for interest-rate risk exists as a result of the generally shorter duration of interest-sensitive liabilities compared to the generally longer duration of interest-sensitive assets. In a rising rate environment, liabilities will reprice faster than assets, thereby reducing net interest income. For this reason, management regularly monitors the maturity structure of assets and liabilities in order to measure its level of interest-rate risk and to plan for future volatility.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings Per Share (EPS)

Basic EPS is based on the weighted average number of common shares actually outstanding and is adjusted for Employee Stock Ownership Plan shares not yet committed to be released and deferred compensation obligations required to be settled in shares of Company stock. Unvested restricted stock awards, which contain rights to non-forfeitable dividends, are considered participating securities and the two-class method of computing basic and diluted EPS is applied. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable (such as stock options) or which could be converted into common stock, if dilutive, using the treasury stock method. The calculation of diluted EPS for the years ended March 31, 2012, 2011 and 2010 includes incremental shares related to outstanding options of 17,814, 7,327 and -0-, respectively. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding. During the years ended March 31, 2012, 2011 and 2010 the average number of options which were antidilutive totaled -0-, 1,342,940, and 1,327,940, respectively and were therefore excluded from the diluted earnings per share calculation.

Stock-Based Compensation

The Company expenses the fair value of all options and restricted stock granted over their requisite service periods.

Defined Benefit Plans

The Company maintains a nonqualified, unfunded pension plan for the directors of the Company. The Company also maintains a post-retirement healthcare plan for the former president's spouse. The expected costs of benefits provided for both plans are actuarially determined and accrued.

The accounting guidance related to retirement and post-retirement healthcare benefits requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize, in comprehensive income, changes in the funded status of a defined benefit post-retirement plan in the year in which the changes occur. The accounting guidance requires that plan assets and benefit obligations be measured as of the date of the employer's fiscal year-end statement of financial condition.

Reclassification

Certain amounts for prior periods have been restated to conform to the current year's presentation. Such reclassification had no impact on net income or stockholders' equity as previously reported.

Recent Accounting Pronouncements

In May 2011, the FASB, together with the International Accounting Standards Board ("IASB"), (the "Board's") issued ASU 2011-04 "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The amendments in this update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board's do not intend for the amendments in this update to result in a change in the application of the requirements in

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Topic 820. Some of the amendments clarify the Board's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. For public entities, the new guideline is effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. The adoption of this standard effective April 1, 2012, did not have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued ASU 2011-12 "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05" which defers indefinitely the requirement for companies to present reclassification adjustments out of accumulated OCI by component in both the statement where net income is presented and the statement where OCI is presented. The issue will be further deliberated by the FASB in 2012. While the FASB is redeliberating, companies will continue to have the option of (1) presenting reclassification adjustments out of accumulated OCI on the face of the statement where OCI is presented or (2) disclosing reclassification adjustments in the footnotes to the financial statements. The Company does not expect that the guidance effective in future periods will have a material impact on its consolidated financial statements.

NOTE 2 – STOCK REPURCHASE PROGRAM AND DIVIDEND WAIVER

The Company's Board of Directors has authorized several stock repurchase programs. The repurchased shares are held as treasury stock for general corporate use. No shares were repurchased during the year ended March 31, 2012 under these programs. During the years ended March 31, 2011 and 2010, 298,000 and 318,165 shares, respectively, were repurchased at an aggregate cost of approximately \$2.7 million, or \$9.08 per share, and \$3.0 million, or \$9.35 per share, respectively, under these programs. Additionally, during the years ended March 31, 2012 and March 31, 2010, 1,061 and 18,837 shares were purchased at a total cost of \$11,000 or \$10.67 per share and \$176,000, or \$9.33 per share, respectively, representing the withholding of shares under the Clifton Savings Bancorp, Inc. 2005 Equity Incentive Plan for payment of taxes due upon the vesting of restricted stock awards. There were no shares purchased representing the withholding of shares subject to restricted stock award payment of taxes during the year ended March 31, 2011.

During the years ended March 31, 2012, 2011 and 2010, Clifton MHC ("MHC"), the federally chartered mutual holding company of the Company, waived its right, upon non-objection from the Board of Governors of the Federal Reserve System (the "FRB") and the Office of Comptroller of the Currency ("OCC") formerly the Office of Thrift Supervision ("OTS"), respectively, to receive cash dividends of approximately \$4.0 million, \$4.0 million and \$3.4 million, respectively, on the shares of Company common stock it owns. The cumulative amount of dividends waived by the MHC through March 31, 2012 was approximately \$27.2 million. The dividends waived are considered as a restriction on the retained earnings of the Company. Dividends paid to minority shareholders during the years ended March 31, 2012, 2011 and 2010, totaled \$2.1 million, \$2.1 million and \$1.8 million, respectively. Total dividends that would have been paid for these periods if dividends were not waived by the MHC amounted to \$6.1 million, \$6.1 million and \$5.2 million, respectively. The cumulative amount of dividends paid to minority shareholders totaled \$16.6 million through March 31, 2012, and the cumulative amount of dividends that would have been paid through March 31, 2012 if dividends were not waived by the MHC amounted to \$43.8 million.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENT SECURITIES

The following is a comparative summary of investment securities at March 31, 2012 and 2011:

	March 31, 2012			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Available for sale:				
Debt securities:				
Federal National Mortgage Association	\$ 24,994	\$ 41	\$ -	\$ 25,035
Federal Home Loan Banks	5,000	3	-	5,003
Federal Farm Credit Bank	5,000	6	-	5,006
Federal Home Loan Mortgage Corporation	10,000	27	-	10,027
	<u>\$ 44,994</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 45,071</u>
Held to maturity:				
Debt securities:				
Federal Home Loan Mortgage Corporation	\$ 23,947	\$ 103	\$ 9	\$ 24,041
Federal Home Loan Banks	15,000	363	-	15,363
Federal National Mortgage Association	73,982	77	60	73,999
Federal Farm Credit Bank	5,000	16	-	5,016
	<u>117,929</u>	<u>559</u>	<u>69</u>	<u>118,419</u>
Corporate Bonds	49,855	568	561	49,862
	<u>\$167,784</u>	<u>\$ 1,127</u>	<u>\$ 630</u>	<u>\$168,281</u>
	March 31, 2011			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
(In Thousands)				
Available for sale:				
Debt securities:				
Federal National Mortgage Association	\$ 5,000	\$ -	\$ 4	\$ 4,996
Federal Home Loan Mortgage Corporation	5,000	6	-	5,006
	<u>\$ 10,000</u>	<u>\$ 6</u>	<u>\$ 4</u>	<u>\$ 10,002</u>
Held to maturity:				
Debt securities:				
Federal Home Loan Mortgage Corporation	\$ 39,905	\$ 157	\$ 804	\$ 39,258
Federal Home Loan Banks	68,574	130	2,161	66,543
Federal National Mortgage Association	114,949	471	2,564	112,856
Federal Farm Credit Bank	10,000	50	-	10,050
	<u>\$233,428</u>	<u>\$ 808</u>	<u>\$ 5,529</u>	<u>\$228,707</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENT SECURITIES (CONTINUED)

Contractual maturity data for investment securities is as follows:

	March 31,			
	2012		2011	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
(In Thousands)				
Available for sale:				
Debt securities:				
Due after one but within five years	\$ 44,994	\$ 45,071	\$ 10,000	\$ 10,002
	<u>\$ 44,994</u>	<u>\$ 45,071</u>	<u>\$ 10,000</u>	<u>\$ 10,002</u>
Held to maturity:				
Debt securities:				
Due after one through five years	\$ 77,852	\$ 78,139	\$ 84,750	\$ 85,380
Due after five through ten years	30,003	30,199	54,964	54,057
Due after ten years	59,929	59,943	93,714	89,270
	<u>\$167,784</u>	<u>\$168,281</u>	<u>\$233,428</u>	<u>\$228,707</u>

The age of gross unrealized losses and the fair value of related investment securities at March 31, 2012 and 2011 were as follows.

	Less Than 12 Months		12 Months or More		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In Thousands)						
March 31, 2012:						
Held to maturity:						
Debt securities:						
Federal Home Loan Mortgage Corporation	\$ 4,991	\$ 9	\$ -	\$ -	\$ 4,991	\$ 9
Federal National Mortgage Association	29,921	60	-	-	29,921	60
	34,912	69	-	-	34,912	69
Corporate Bonds	29,404	561	-	-	29,404	561
	<u>\$ 64,316</u>	<u>\$ 630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,316</u>	<u>\$ 630</u>
March 31, 2011:						
Available for sale:						
Debt securities:						
Federal National Mortgage Association	\$ 4,996	\$ 4	\$ -	\$ -	\$ 4,996	\$ 4
Held to maturity:						
Debt securities:						
Federal Home Loan Mortgage Corporation	\$ 34,102	\$ 804	\$ -	\$ -	34,102	804
Federal National Mortgage Association	72,385	2,564	-	-	72,385	2,564
Federal Home Loan Banks	46,663	2,161	-	-	46,663	2,161
	<u>\$ 153,150</u>	<u>\$ 5,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,150</u>	<u>\$ 5,529</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENT SECURITIES (CONTINUED)

Management does not believe that any of the unrealized losses at March 31, 2012 (four FNMA bonds, one FHLMC bond and six corporate bond investment securities) represent an other-than-temporary impairment as they are primarily related to market interest rates and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company and subsidiaries have the ability, and management has the intent, to hold such securities for the time necessary to recover amortized cost and does not have the intent to sell the securities, and it is more likely than not that it will not have to sell the securities before recovery of its amortized cost.

There were no sales of investment securities available for sale or held to maturity during the years ended March 31, 2012, 2011, and 2010.

NOTE 4 - MORTGAGE-BACKED SECURITIES

The following is a comparative summary of mortgage-backed securities at March 31, 2012 and 2011:

	March 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for sale:				
Federal Home Loan Mortgage Corporation	\$ 7,118	\$ 601	\$ -	\$ 7,719
Federal National Mortgage Association	16,295	1,110	-	17,405
	<u>\$ 23,413</u>	<u>\$ 1,711</u>	<u>\$ -</u>	<u>\$ 25,124</u>
Held to maturity:				
Federal Home Loan Mortgage Corporation	\$ 139,231	\$ 6,823	\$ 452	\$ 145,602
Federal National Mortgage Association	157,844	7,940	203	\$ 165,581
Governmental National Mortgage Association	39,155	2,830	-	41,985
	<u>\$ 336,230</u>	<u>\$ 17,593</u>	<u>\$ 655</u>	<u>\$ 353,168</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - MORTGAGE-BACKED SECURITIES (CONTINUED)

	March 31, 2011			
	Amortized	Gross	Gross	Fair
	Cost	Unrealized	Unrealized	Value
	(In Thousands)			
Available for sale:				
Federal Home Loan Mortgage Corporation	\$ 10,151	\$ 678	\$ -	\$ 10,829
Federal National Mortgage Association	16,069	1,039	-	17,108
	<u>\$ 26,220</u>	<u>\$ 1,717</u>	<u>\$ -</u>	<u>\$ 27,937</u>
Held to maturity:				
Federal Home Loan Mortgage Corporation	\$ 130,980	\$ 4,909	\$ 830	\$ 135,059
Federal National Mortgage Association	120,439	3,685	147	\$ 123,977
Governmental National Mortgage Association	48,273	1,652	-	49,925
	<u>\$ 299,692</u>	<u>\$ 10,246</u>	<u>\$ 977</u>	<u>\$ 308,961</u>

Contractual maturity data for mortgage-backed securities is as follows:

	March 31,			
	2012		2011	
	Amortized		Amortized	
	Cost	Fair Value	Cost	Fair Value
	(In Thousands)			
Available for sale:				
Due after five through ten years	\$ 7,375	\$ 7,964	\$ 9,846	\$ 10,498
Due after ten years	16,038	17,160	16,374	17,439
	<u>\$ 23,413</u>	<u>\$ 25,124</u>	<u>\$ 26,220</u>	<u>\$ 27,937</u>
Held to maturity:				
Due less than one year	\$ 2	\$ 2	\$ -	\$ -
Due after one through five years	75	80	126	137
Due after five through ten years	9,699	10,452	12,624	13,432
Due after ten years	326,454	342,634	286,942	295,392
	<u>\$ 336,230</u>	<u>\$ 353,168</u>	<u>\$ 299,692</u>	<u>\$ 308,961</u>

The amortized cost and carrying values shown above are by contractual final maturity. Actual maturities will differ from contractual final maturities due to scheduled monthly payments related to mortgage-backed securities and due to the borrowers having the right to prepay obligations with or without prepayment penalties. The Company's mortgage-backed securities are generally secured by residential mortgage loans with contractual maturities of 15 years or greater. However, the effective lives of those securities are generally shorter than their contractual maturities due to principal amortization and prepayment of the mortgage loans comprised within those

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - MORTGAGE-BACKED SECURITIES (CONTINUED)

securities. Investors in mortgage pass-through securities generally share in the receipt of principal repayments on a pro-rata basis as paid by the borrowers.

The age of gross unrealized losses and the fair value of related mortgage-backed securities were as follows:

	Less Than 12 Months		12 Months or More		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In Thousands)						
March 31, 2012:						
Held to maturity:						
Federal Home Loan Mortgage Corporation	\$ 22,258	\$ 450	\$ 277	\$ 2	\$ 22,535	\$ 452
Federal National Mortgage Association	18,101	198	244	5	18,345	203
	<u>\$ 40,359</u>	<u>\$ 648</u>	<u>\$ 521</u>	<u>\$ 7</u>	<u>\$ 40,880</u>	<u>\$ 655</u>
March 31, 2011:						
Held to maturity:						
Federal Home Loan Mortgage Corporation	\$ 40,565	\$ 830	\$ -	\$ -	\$ 40,565	\$ 830
Federal National Mortgage Association	15,712	146	21	1	15,733	147
	<u>\$ 56,277</u>	<u>\$ 976</u>	<u>\$ 21</u>	<u>\$ 1</u>	<u>\$ 56,298</u>	<u>\$ 977</u>

Management does not believe that any of the unrealized losses at March 31, 2012 (nine FHLMC and ten FNMA mortgage-backed securities of which six have been in an unrealized loss position for twelve months or more) represent an other-than-temporary impairment as they are primarily related to market interest rates and not related to the underlying credit quality of the issuers of the securities. Additionally, the Company and its subsidiaries have the ability, and management has the intent, to hold such securities for the time necessary to recover amortized cost and does not have the intent to sell the securities, and it is more likely than not that it will not have to sell the securities before recovery of its amortized cost.

The proceeds from sales of mortgage-backed securities available for sale totaled \$11.1 million during the year ended March 31, 2011, and realized gain on the sale totaled approximately \$872,000. There were no sales of mortgage-backed securities held to maturity for the years ended March 31, 2012, 2011 and 2010, and no sales of available for sale mortgage-backed securities for the years ended March 31, 2012 and 2010.

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The loans receivable portfolio is segmented into real estate, and consumer loans. Real estate loans consist of the following classes: one-to-four-family real estate, multi-family real estate, commercial real estate, and construction real estate. Consumer loans consist of the following classes: second mortgage loans, equity lines of credit and other consumer loans.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following is a summary of loans by segments and the classes within those segments:

	March 31,	
	2012	2011
	(In Thousands)	
Real estate:		
One- to four-family	\$ 398,174	\$ 405,331
Multi-family	14,084	12,708
Commercial	14,844	12,126
Construction	1,380	2,454
	<u>428,482</u>	<u>432,619</u>
Consumer:		
Second mortgage	7,892	8,602
Passbook or certificate	797	967
Equity lines of credit	2,097	1,949
Other loans	555	555
	<u>11,341</u>	<u>12,073</u>
Total Loans	<u>439,823</u>	<u>444,692</u>
Less:		
Loans in process	(744)	(931)
Net purchase premiums, discounts, and deferred loan costs	(156)	(135)
	<u>(900)</u>	<u>(1,066)</u>
	<u>\$ 438,923</u>	<u>\$ 443,626</u>

The allowance for loan losses consists of specific, general, and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class not considered impaired, as well as smaller balance homogeneous loans, such as one-to-four family real estate, construction real estate, second mortgage loans, home equity lines of credit and passbook loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors to reflect current conditions. In regard to historical loss factors, the Bank's allowance for loan loss calculation was adjusted during the year ended March 31, 2012 to utilize a two-year moving average of annual net charge-off rates (charge-offs net of recoveries) by loan class to calculate its actual historical loss experience. During earlier fiscal periods a numerical factor was assigned to each loan class based on actual charge-off experience. The impact of this change in estimate was not material. The historical loss factor is adjusted by qualitative risk factors which include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
2. National, regional, and local economic and business conditions, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability, and depth of lending management and staff.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

5. The quality of the Bank's loan review system.
6. Volume and severity of past due, classified and nonaccrual loans.
7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
8. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The evaluation of the adequacy of the allowance is based on an analysis which categorizes the entire loan portfolio by certain risk characteristics. The loan portfolio segments are further disaggregated into the following loan classes, where the risk level for each type is analyzed when determining the allowance for loan losses.

Real Estate:

1. One-to Four-Family Loans - consists of loans secured by first liens on either owner occupied or investment properties. These loans can be affected by economic conditions and the value of the underlying properties. The risk is considered relatively low as the Bank has always had conservative underwriting standards and does not have sub-prime loans in its loan portfolio.

2. Multi-Family Loans - consists of loans secured by multi-family real estate which generally involve a greater degree of risk than one- to four-family residential mortgage loans. These loans can be affected by economic conditions and the value of the underlying properties. The Bank has always had conservative underwriting standards. These loans are affected by economic conditions.

3. Commercial Loans - consists of loans secured by commercial real estate which generally involve a greater degree of risk than one- to four-family residential mortgage loans. These loans can be affected by economic conditions and the value of the underlying properties. The Bank has always had conservative underwriting standards. These loans are affected by economic conditions to a greater degree than one-to four-family and multi-family loans.

4. Construction Loans - consists primarily of the financing of construction of one- to four family properties or construction/permanent loans for the construction of one-to four-family homes to be occupied by the borrower. Construction loans generally are considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate due to uncertainty of construction costs. Independent inspections are performed prior to disbursement of loan proceeds as construction progresses to mitigate these risks. These loans are also affected by economic conditions.

Consumer:

1. Second Mortgage and Equity Lines of Credit - consists of one-to four-family loans secured by first, second or third liens (when the Bank has the two other lien positions) or, in one instance, a commercial property. These loans are affected by the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. The credit risk is considered slightly higher than one-to four-family first lien loans as these loans are also dependent on the value of underlying properties, but have the added risk of a subordinate collateral position.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

2. Passbook or Certificate and Other Loans - consists of loans secured by passbook accounts and certificates of deposits and unsecured loans. The passbook or certificate loans have low credit risk as they are fully secured by their collateral. Unsecured loans, included in other loans, are primarily between the Company and its parent company, Clifton MHC, so they also are considered a low credit risk.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated when credit deficiencies arise, such as delinquent loan payments. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans classified as special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans are rated pass-watch if the Bank is waiting for documents required for a complete file or if the loan is to be monitored due to previous delinquent status. Loans not classified are rated pass.

In addition, the OCC as an integral part of its examination process, periodically reviews our loan portfolio and the related allowance for loan losses. The OCC may require the allowance for loan losses to be increased based on its review of information available at the time of the examination.

The change in the allowance for loan losses for the years ended March 31, 2012, 2011 and 2010 is as follows:

	One-to-Four		Commercial Real Estate	Real Estate Construction	Second	Passbook or	Unallocated	Total
	Family Real Estate	Multi-Family Real Estate			Mortgage and Equity Lines of Credit	Certificate and Other Loans		
	(In Thousands)							
At March 31, 2011:								
Total allowance for loan losses	\$ 1,601	\$ 103	\$ 93	\$ 11	\$ 46	\$ 3	\$ 23	\$ 1,880
Charge-offs	(31)	-	(6)	-	-	-	-	(37)
Recoveries	-	-	-	-	-	-	-	-
Provision charged to operations	163	90	18	(7)	(4)	(2)	(11)	247
At March 31, 2012:								
Total allowance for loan losses	<u>\$ 1,733</u>	<u>\$ 193</u>	<u>\$ 105</u>	<u>\$ 4</u>	<u>\$ 42</u>	<u>\$ 1</u>	<u>\$ 12</u>	<u>\$ 2,090</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

	One-to-Four		Commercial Real Estate	Real Estate Construction	Second	Passbook or	Unallocated	Total
	Family Real Estate	Multi-Family Real Estate			Mortgage and Equity Lines of Credit	Certificate and Other Loans		
(In Thousands)								
At March 31, 2010:								
Total allowance for loan losses	\$ 1,746	\$ 125	\$ 111	\$ 1	\$ 63	\$ 4	\$ -	\$ 2,050
Charge-offs	(112)	(160)	-	-	-	-	-	(272)
Recoveries	-	-	-	-	-	-	-	-
Provision charged to operations	(33)	138	(18)	10	(17)	(1)	23	102
At March 31, 2011:								
Total allowance for loan losses	\$ 1,601	\$ 103	\$ 93	\$ 11	\$ 46	\$ 3	\$ 23	\$ 1,880

	One-to-Four		Commercial Real Estate	Real Estate Construction	Second	Passbook or	Unallocated	Total
	Family Real Estate	Multi-Family Real Estate			Mortgage and Equity Lines of Credit	Certificate and Other Loans		
(In Thousands)								
At March 31, 2009:								
Total allowance for loan losses	\$ 1,525	\$ 36	\$ 74	\$ 1	\$ 60	\$ 4	\$ -	\$ 1,700
Charge-offs	(83)	-	-	-	-	-	-	(83)
Recoveries	-	-	-	-	-	-	-	-
Provision charged to operations	304	89	37	-	3	-	-	433
At March 31, 2010:								
Total allowance for loan losses	\$ 1,746	\$ 125	\$ 111	\$ 1	\$ 63	\$ 4	\$ -	\$ 2,050

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table presents the allocation of the allowance for loan losses and related loans by loan class at March 31, 2012 and 2011.

March 31, 2012	One-to-Four		Commercial Real Estate	Real Estate Construction	Second	Passbook or	Unallocated	Total
	Family Real Estate	Multi-Family Real Estate			Mortgage and Equity Lines of Credit	Certificate and Other Loans		
(In Thousands)								
Allowance for loan losses:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	1,733	193	105	4	42	1	12	2,090
Total	<u>\$ 1,733</u>	<u>\$ 193</u>	<u>\$ 105</u>	<u>\$ 4</u>	<u>\$ 42</u>	<u>\$ 1</u>	<u>\$ 12</u>	<u>\$ 2,090</u>
Loans:								
Individually evaluated for impairment	\$ 909	\$ -	\$ 256	\$ -	\$ -	\$ -	\$ -	\$ 1,165
Collectively evaluated for impairment	397,265	14,084	14,588	1,380	9,989	1,352	-	438,658
Total	<u>\$ 398,174</u>	<u>\$ 14,084</u>	<u>\$ 14,844</u>	<u>\$ 1,380</u>	<u>\$ 9,989</u>	<u>\$ 1,352</u>	<u>\$ -</u>	<u>\$ 439,823</u>

March 31, 2011	One-to-Four		Commercial Real Estate	Real Estate Construction	Second	Passbook or	Unallocated	Total
	Family Real Estate	Multi-Family Real Estate			Mortgage and Equity Lines of Credit	Certificate and Other Loans		
(In Thousands)								
Allowance for loan losses:								
Individually evaluated for impairment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collectively evaluated for impairment	1,601	103	93	11	46	3	23	1,880
Total	<u>\$ 1,601</u>	<u>\$ 103</u>	<u>\$ 93</u>	<u>\$ 11</u>	<u>\$ 46</u>	<u>\$ 3</u>	<u>\$ 23</u>	<u>\$ 1,880</u>
Loans:								
Individually evaluated for impairment	\$ 990	\$ -	\$ 385	\$ -	\$ -	\$ -	\$ -	\$ 1,375
Collectively evaluated for impairment	404,341	12,708	11,741	2,454	10,551	1,522	-	443,317
Total	<u>\$ 405,331</u>	<u>\$ 12,708</u>	<u>\$ 12,126</u>	<u>\$ 2,454</u>	<u>\$ 10,551</u>	<u>\$ 1,522</u>	<u>\$ -</u>	<u>\$ 444,692</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The aggregate amounts of our portfolio including classified loan balances are as follows at March 31, 2012 and 2011:

March 31, 2012	One-to-four	Multi-family Real Estate	Commercial Real Estate	Real Estate	Second Mortgage and Equity Lines of Credit	Passbook or certificate and Other Loans	Total Loans
	Family Real Estate			Construction			
(In Thousands)							
Pass	\$ 386,604	\$ 13,516	\$ 12,083	\$ 1,380	\$ 9,823	\$ 1,352	\$ 424,758
Pass-watch	5,605	568	2,505	-	-	-	8,678
Special mention	2,294	-	-	-	64	-	2,358
Substandard	3,671	-	256	-	102	-	4,029
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total loans	<u>\$ 398,174</u>	<u>\$ 14,084</u>	<u>\$ 14,844</u>	<u>\$ 1,380</u>	<u>\$ 9,989</u>	<u>\$ 1,352</u>	<u>\$ 439,823</u>

March 31, 2011	One-to-four	Multi-family Real Estate	Commercial Real Estate	Real Estate	Second Mortgage and Equity Lines of Credit	Passbook or certificate and Other Loans	Total Loans
	Family Real Estate			Construction			
(In Thousands)							
Pass	\$ 394,396	\$ 12,708	\$ 10,804	\$ 1,792	\$ 10,361	\$ 1,522	\$ 431,583
Pass-watch	7,270	-	676	662	33	-	8,641
Special mention	863	-	261	-	133	-	1,257
Substandard	2,802	-	385	-	24	-	3,211
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total loans	<u>\$ 405,331</u>	<u>\$ 12,708</u>	<u>\$ 12,126</u>	<u>\$ 2,454</u>	<u>\$ 10,551</u>	<u>\$ 1,522</u>	<u>\$ 444,692</u>

The following table provides information with respect to our nonaccrual loans at March 31, 2012 and 2011. Loans are generally placed on nonaccrual status when they become more than 90 days delinquent, or when the collection of principal and, or interest become doubtful. As of March 31, 2012, nonaccrual loans differed from the amount of total loans past due greater than 90 days due to some previously delinquent loans that are currently not more than 90 day delinquent which are maintained on nonaccrual status for a minimum of six months until the borrower has demonstrated the ability to satisfy the loan terms. A loan is returned to accrual status when there is sustained period of repayment performance (generally six months) by the borrower in accordance with the contractual terms of the loan, or in some circumstances, when the factors indicating doubtful collectability no longer exist and the Bank expects repayment of the remaining contractual amounts due.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

	March 31,	
	2012	2011
Nonaccrual loans:	(In Thousands)	
Real estate loans:		
One-to four-family	\$ 3,671	\$ 2,802
Multi-family	-	-
Commercial	-	385
Consumer and other loans:		
Second mortgage	102	24
Total nonaccrual loans	<u>\$ 3,773</u>	<u>\$ 3,211</u>

During the years ended March 31, 2012, 2011 and 2010, interest income of approximately \$119,000, \$71,000, and \$58,000, respectively, was recognized on these loans. Interest income that would have been recorded, had the loans been on accrual status and performing in accordance with the original terms of the contracts, amounted to approximately \$206,000, \$167,000, and \$148,000, respectively, for the years ended March 31, 2012, 2011, and 2010.

The following table provides information about delinquencies in our loan portfolio at March 31, 2012 and 2011.

March 31, 2012	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Gross Loans
	(In Thousands)					
Real estate loans:						
One-to four-family	\$ 3,982	\$ 191	\$ 3,124	\$ 7,297	\$ 390,877	\$ 398,174
Multi-family	-	-	-	-	14,084	14,084
Commercial	-	-	-	-	14,844	14,844
Construction	-	-	-	-	1,380	1,380
Consumer and other loans:						
Second mortgage and equity lines of credit	102	-	52	154	9,835	9,989
Passbook or certificate and other loans	6	-	-	6	1,346	1,352
Total	<u>\$ 4,090</u>	<u>\$ 191</u>	<u>\$ 3,176</u>	<u>\$ 7,457</u>	<u>\$ 432,366</u>	<u>\$ 439,823</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

March 31, 2011	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Gross Loans
(In Thousands)						
Real estate loans:						
One-to four-family	\$ 2,250	\$ 74	\$ 2,802	\$ 5,126	\$ 400,205	\$ 405,331
Multi-family	-	-	-	-	12,708	12,708
Commercial	261	63	385	709	11,417	12,126
Construction	-	-	-	-	2,454	2,454
Consumer and other loans:						
Second mortgage and equity lines of credit	103	-	24	127	10,424	10,551
Passbook or certificate and other loans	36	-	-	36	1,486	1,522
Total	\$ 2,650	\$ 137	\$ 3,211	\$ 5,998	\$ 438,694	\$ 444,692

There were no loans that are past due greater than ninety days that were accruing as of March 31, 2012 and 2011.

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. The Company considers one-to four-family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not separately evaluate them for impairment, unless they are considered troubled debt restructurings. All other loans are evaluated for impairment on an individual basis. Impaired loans, none of which had a related allowance at or for the periods ending March 31, 2012 and 2011, were as follows:

At or For The Year Ended March 31, 2012	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
(In Thousands)					
With no related allowance recorded:					
Real estate loans:					
One-to four-family	\$ 909	\$ 1,119	\$ -	\$ 1,104	\$ 50
Multi-family	-	-	-	-	-
Commercial	256	256	-	329	28
Consumer and other loans:					
Second mortgage	-	-	-	-	-
Total impaired loans	\$ 1,165	\$ 1,375	\$ -	\$ 1,433	\$ 78

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

At or For The Year Ended March 31, 2011	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
(In Thousands)					
With no related allowance recorded:					
Real estate loans:					
One-to four-family	\$ 990	\$ 1,175	\$ -	\$ 1,179	\$ 58
Multi-family	-	-	-	229	-
Commercial	385	385	-	261	-
Consumer and other loans:					
Second mortgage	-	-	-	53	3
Total impaired loans	<u>\$ 1,375</u>	<u>\$ 1,560</u>	<u>\$ -</u>	<u>\$ 1,722</u>	<u>\$ 61</u>

During the year ended March 31, 2010, the average recorded investment in impaired loans was \$1.7 million and the interest income recognized thereon was \$62,000.

The Company adopted Accounting Standards Update (“ASU”) No. 2011-02 on April 1, 2011 which provides additional guidance to creditors for evaluating whether a modification or restructuring of a receivable is a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, ASU No. 2011-02 requires that a creditor must separately conclude that the restructuring constitutes a concession and the borrower is experiencing financial difficulties. As a result of the Company’s adoption of ASU No. 2011-02, it determined that no loans were troubled debt restructurings other than those previously considered as such.

The recorded investment in loans modified in a troubled debt restructuring totaled \$909,000 at March 31, 2012, of which \$34,000 was 30-59 days past due, and \$218,000 was 90 days or more past due. The remaining loans modified were current at the time of the restructuring and have complied with the terms of their restructure agreements at March 31, 2012. The recorded investment at March 31, 2011 of loans modified in a troubled debt restructuring totaled \$1.0 million, of which \$10,000 was 60-89 days past due and \$37,000 was 90 days or more past due. The remaining loans modified were current at the time of their restructuring and were in compliance with the terms of their restructure agreements at March 31, 2011. Loans that were modified in a troubled debt restructuring represent concessions made to borrowers experiencing financial difficulties. The Company works with these borrowers to modify existing loan terms usually by extending maturities or reducing interest rates. The Company records an impairment loss, if any, based on the present value of expected future cash flows discounted at the original loan’s effective interest rate. Subsequently, these loans are individually evaluated for impairment. As a result of our initial impairment evaluations, we charged-off \$31,000 and \$112,000, respectively, during the years ended March 31, 2012 and 2011. The following table presents troubled debt restructurings by class during the periods indicated.

	Number of Loans	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment
<u>Year Ended March 31, 2012</u>			
One-to Four Family Real Estate	3	\$ 586	\$ 596
<u>Year Ended March 31, 2011</u>			
One-to Four Family Real Estate	4	\$ 937	\$ 694

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table presents troubled debt restructurings which, during the periods indicated defaulted within twelve months of restructuring.

	Number of Loans	Pre-restructuring Outstanding Recorded Investment	Post-restructuring Outstanding Recorded Investment
<u>Year Ended March 31, 2012</u>			
One-to Four Family Real Estate	1	\$ 212	\$ 208
<u>Year Ended March 31, 2011</u>			
One-to Four Family Real Estate	1	\$ 40	\$ 40

The Bank has granted loans to certain officers and directors of the Company and Bank and to their associates. The activity with respect to loans to directors, officers and associates of such persons, is as follows:

	<u>Years Ended March 31,</u>	
	<u>2012</u>	<u>2011</u>
	(In Thousands)	
Balance, beginning	\$ 1,248	\$ 742
Loan originated	-	555
Collection of principal	(58)	(49)
Balance, ending	<u>\$ 1,190</u>	<u>\$ 1,248</u>

The Company has two unsecured loans with the MHC totaling \$500,000 at March 31, 2012 and 2011.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - PREMISES AND EQUIPMENT

	March 31,	
	2012	2011
	(In Thousands)	
Land and land improvements	\$ 3,561	\$ 3,530
Buildings and improvements	7,004	7,014
Furnishings and equipment	2,883	2,752
Leasehold improvements	588	581
	<u>14,036</u>	<u>13,877</u>
Accumulated depreciation and amortization	(5,961)	(5,602)
	<u>\$ 8,075</u>	<u>\$ 8,275</u>

During the year ended March 31, 2011, \$1.16 million of land and land improvements were reclassified to land held for sale and during the years ended March 31, 2012 and 2011, \$156,000 and \$397,000 in write downs to fair value were recorded. At March 31, 2012, the balance of \$604,000 is included in other assets.

During the year ended March 31, 2011, the Company recognized a net gain of \$329,000 on the sale of premises and equipment, as the Bank sold its Botany branch facility in August 2010 and recognized a \$339,000 gain on the sale of land, building and improvements, net of a \$10,000 loss recognized on the disposal of net furnishings and equipment. A \$2,000 loss was also recognized on the disposal of other net furnishings and equipment during the year.

Rental expenses related to the occupancy of leased premises, including property taxes and common area maintenance totaled approximately \$429,000, \$430,000 and \$189,000 for the years ended March 31, 2012, 2011 and 2010, respectively. The Bank leases five building spaces. Some operating leases contain renewal options and provisions requiring the Bank to pay property taxes and operating expenses over base amounts. The minimum obligation under all non-cancellable lease agreements, which expire through May 31, 2020, for each of the years ended March 31 is as follows:

	Amount
	(In Thousands)
2013	\$ 353
2014	331
2015	261
2016	139
2017	106
2018 & After	319
	<u>\$ 1,509</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - INTEREST RECEIVABLE

	March 31,	
	2012	2011
	(In Thousands)	
Loans	\$ 1,831	\$ 1,940
Mortgage-backed securities	1,216	1,239
Investment securities	1,057	1,515
	<u>4,104</u>	<u>4,694</u>
Allowance for uncollected interest on loans	(177)	(143)
	<u>\$ 3,927</u>	<u>\$ 4,551</u>

NOTE 8 - DEPOSITS

	March 31,					
	2012			2011		
Weighted Average Rate	Amount	Percent	Weighted Average Rate	Amount	Percent	
	(Dollars In Thousands)					
Demand accounts:						
Non-interest bearing	0.00 %	\$ 7,997	0.97 %	0.00 %	\$ 8,249	0.99 %
Crystal Checking	0.30	14,938	1.81	0.65	14,881	1.78
NOW	0.20	21,289	2.58	0.40	19,728	2.35
Super NOW	0.30	120	0.01	0.50	191	0.02
Money Market	0.30	<u>21,085</u>	<u>2.55</u>	0.50	<u>20,941</u>	<u>2.50</u>
	0.23	65,429	7.92	0.44	63,990	7.64
Savings and club accounts	0.33	122,852	14.87	0.51	119,318	14.25
Certificates of deposit	1.69	<u>637,994</u>	<u>77.21</u>	1.88	<u>654,077</u>	<u>78.11</u>
Total Deposits	1.37 %	<u>\$ 826,275</u>	<u>100.00 %</u>	1.57 %	<u>\$ 837,385</u>	<u>100.00 %</u>

Certificates of deposit with balances of \$100,000 or more at March 31, 2012 and 2011 totaled approximately \$237.3 million and \$230.0 million, respectively. The Bank's deposits are insurable to applicable limits established by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount is \$250,000.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – DEPOSITS (CONTINUED)

The scheduled maturities of certificates of deposit are as follows:

	March 31,	
	2012	2011
	(In Thousands)	
One year or less	\$ 374,476	\$ 346,624
After one to two years	150,704	198,595
After two to three years	67,070	64,205
After three to four years	11,766	32,453
After four years to five years	16,649	1,974
Thereafter	17,329	10,226
	<u>\$ 637,994</u>	<u>\$ 654,077</u>

Interest expense on deposits consists of the following:

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Demand	\$ 195	\$ 375	\$ 481
Savings and club	518	874	1,009
Certificates of deposits	11,932	13,616	16,188
	<u>\$ 12,645</u>	<u>\$ 14,865</u>	<u>\$ 17,678</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - ADVANCES FROM FEDERAL HOME LOAN BANK OF NEW YORK ("FHLB")

The maturities and weighted average fixed interest rates of FHLB advances were as follows:

Maturing During Year Ending	March 31,			
	2012		2011	
	Balance	Weighted Average Interest Rate (Dollars In Thousands)	Balance	Weighted Average Interest Rate
2012	\$ -	- %	\$ 16,989	3.80 %
2013	21,471	3.92	21,471	3.92
2014	7,308	3.36	7,308	3.36
2015	2,400	3.88	2,400	3.88
2016	5,000	3.74	5,000	3.74
2017	-	-	-	-
Thereafter	42,500	3.87	42,500	3.87
	<u>\$ 78,679</u>	<u>3.83 %</u>	<u>\$ 95,668</u>	<u>3.82 %</u>

The carrying value of collateral pledged for the above advances was as follows:

	March 31,	
	2012	2011
	(In Thousands)	
U.S. Government Agency bonds:		
Held to maturity	\$ 5,000	\$ 10,000
Mortgage-backed securities:		
Available for sale	19,451	27,937
Held to maturity	55,738	62,866
	<u>75,189</u>	<u>90,803</u>
	<u>\$ 80,189</u>	<u>\$ 100,803</u>

At March 31, 2012, the Bank can borrow overnight funds from the FHLB under an overnight advance program up to the Bank's maximum borrowing capacity based on the Bank's ability to collateralize such borrowings. Additionally, the Bank has the ability to borrow funds of up to an aggregate of \$88.0 million at two financial institutions under established unsecured overnight lines of credit at a daily adjustable rate. There were no drawings on these lines at March 31, 2012 and 2011.

NOTE 10 - REGULATORY CAPITAL

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - REGULATORY CAPITAL (CONTINUED)

statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and 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 ratios of Total and Tier 1 capital (as defined by regulations) to risk-weighted assets (as defined), and of Tier 1 and tangible capital to adjusted total assets (as defined). Management believes, as of March 31, 2012 and 2011, that the Bank met all capital adequacy requirements to which it was subject.

The following table presents a reconciliation of the Bank's capital per GAAP to regulatory capital:

	March 31,	
	2012	2011
	(In Thousands)	
GAAP capital	\$159,598	\$158,574
Net unrealized (gain) on securities available for sale	(1,058)	(1,032)
Net benefit plan change	439	182
Tier 1 capital	158,979	157,724
Allowance for loan losses	2,090	1,880
Total Risk-based Capital	\$161,069	\$159,604

The following table sets forth the Bank's capital position at March 31, 2012 and 2011 as compared to minimum regulatory capital requirements:

	Regulatory Capital Requirements					
	Actual		Minimum Capital Adequacy		For Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars In Thousands)					
As of March 31, 2012:						
Total risk-based capital (to risk-weighted assets)	\$161,069	38.31 %	\$33,632	8.00 %	\$42,040	10.00 %
Tier 1 capital (to risk-weighted assets)	158,979	37.82	16,816	4.00	25,224	6.00
Core (tier 1) capital (to adjusted total assets)	158,979	14.58	43,620	4.00	54,526	5.00
Tier 1 risk-based capital (to adjusted tangible assets)	158,979	14.58	16,358	1.50	-	-
As of March 31, 2011:						
Total risk-based capital (to risk-weighted assets)	\$159,604	41.86 %	\$30,503	8.00 %	\$38,129	10.00 %
Tier 1 capital (to risk-weighted assets)	157,724	41.37	15,252	4.00	22,878	6.00
Core (tier 1) capital (to adjusted total assets)	157,724	14.12	44,692	4.00	55,865	5.00
Tier 1 risk-based capital (to adjusted tangible assets)	157,724	14.12	16,759	1.50	-	-

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - REGULATORY CAPITAL (CONTINUED)

In January, 2012, the most recent notification from the OCC, the Bank was categorized as well capitalized as of September 30, 2011, under the regulatory framework for prompt corrective action. There are no conditions existing or events which have occurred since notification that management believes have changed the Bank's category.

NOTE 11 - INCOME TAXES

The components of income taxes are summarized as follows:

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Current tax expense:			
Federal income	\$ 3,804	\$ 4,592	\$ 2,918
State income	636	271	304
Total Current Income Tax Expense	4,440	4,863	3,222
Deferred tax (benefit) expense:			
Federal income	(313)	(501)	(160)
State income	48	514	84
Total Deferred Income Tax (Benefit) Expense	(265)	13	(76)
Total Income Tax Expense	\$ 4,175	\$ 4,876	\$ 3,146

The following table presents a reconciliation between the reported income tax expense and the income tax expense which would be computed by applying the normal federal income tax rate of 34% to income before income taxes:

	Years Ended March 31,		
	2012	2011	2010
	(Dollars In Thousands)		
Federal income tax at the statutory rate	\$ 4,098	\$ 4,654	\$ 3,211
Increase (decrease) in income taxes resulting from:			
New Jersey income tax, net			
of federal income tax effect	451	518	256
Bank owned life insurance income	(293)	(299)	(302)
Incentive stock option expense	4	6	7
Change in tax rate	(79)	-	-
Other, net	(6)	(3)	(26)
Total Income Tax Expense	\$ 4,175	\$ 4,876	\$ 3,146
Effective income tax rate	34.6%	35.6%	33.3%

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities consisted of the following:

	March 31,	
	2012	2011
	(In Thousands)	
Deferred income tax assets:		
Pension costs	\$ 1,033	\$ 957
Allowance for loan losses	854	751
Benefit plans	21	21
Depreciation	174	188
Post-retirement benefits and healthcare obligations	303	122
Non-qualified benefit plans	573	515
Employee Stock Ownership Plan	334	323
Supplemental Executive Retirement Plan	134	119
NJ net operating loss carryforwards	-	41
NJ AMA carryover	-	33
Writedown on land held for sale	226	159
Other	230	207
Total Deferred Tax Assets	<u>3,882</u>	<u>3,436</u>
Deferred income tax liabilities:		
Net unrealized gain on securities available for sale	(730)	(687)
Net Deferred Tax Asset Included in Other Assets	<u>\$ 3,152</u>	<u>\$ 2,749</u>

Retained earnings at March 31, 2012 and 2011, includes approximately \$6.4 million of tax bad debt deductions for which deferred taxes have not been provided. Reduction of such amount for purposes other than bad debt losses, including non-dividend distributions, will result in income for tax purposes only, and will be subject to income tax at the then current rate. The Company does not intend to make non-dividend distributions that would result in a recapture of any portion of its bad debt reserves.

NOTE 12 - EMPLOYEE BENEFIT PLANS

ESOP

Effective upon the consummation of the Bank's reorganization in March 2004, an ESOP was established for all eligible employees who had completed a twelve-month period of employment with the Bank and at least 1,000 hours of service and had attained the age of 21. The ESOP used \$11.0 million in proceeds from a term loan obtained from the Company to purchase 1,099,097 shares of Company common stock. The term loan principal is payable over fifteen equal annual installments through December 31, 2018. Interest on the term loan is fixed at a rate of 4.00%. Each year, the Bank intends to make discretionary contributions to the ESOP, which will be equal to principal and interest payments required on the term loan. The loan is further paid down by the amount of dividends paid, if any, on the common stock owned by the ESOP.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEE BENEFIT PLANS (CONTINUED)

ESOP (Continued)

Shares purchased with the loan proceeds were initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account will be allocated among the participants on the basis of compensation, as described by the Plan, in the year of allocation.

The ESOP shares pledged as collateral are reported as unearned ESOP shares in the consolidated statements of financial condition. As shares are committed to be released from collateral, the Bank reports compensation expense equal to the current market price of the shares, and the shares become outstanding for basic net income per common share computations. ESOP compensation expense was approximately \$640,000, \$612,000 and \$661,000 for the years ended March 31, 2012, 2011 and 2010, respectively.

The ESOP shares were as follows:

	March 31,	
	2012	2011
	(In Thousands)	
Allocated shares	539	480
Shares committed to be released	8	8
Unearned shares	494	568
Total ESOP Shares	1,041	1,056
Fair value of unearned shares	\$ 5,159	\$ 6,741

Section 401(k) Plan ("Plan")

The Bank sponsors a Plan pursuant to Section 401(k) of the Internal Revenue Code ("IRC"), for all eligible (attainment of age 21 and one year of service) employees. Employees may elect to save up to 25% of their compensation, subject to IRC limits. For each dollar up to 4.5% of compensation, the Bank will match 50% of the employee's contribution. The Plan's expense for the years ended March 31, 2012, 2011, and 2010, was approximately \$86,000, \$79,000, and \$72,000, respectively.

Supplemental Executive Retirement Plan ("SERP")

Effective upon the consummation of the Bank's reorganization in March 2004, a SERP was established. The SERP provides participating executives with benefits otherwise limited by certain provisions of the Internal Revenue Code or the terms of the employee stock ownership plan loan. Specifically, the SERP provides benefits to eligible officers (those designated by the Board of Directors of the Bank) that cannot be provided under the Section 401(k) plan or the ESOP as a result of limitations imposed by the Internal Revenue Code, but that would have been provided under the plans, but for these Internal Revenue Code limitations. In addition to providing for

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Supplemental Executive Retirement Plan ("SERP") (Continued)

benefits lost under tax-qualified plans as a result of the Internal Revenue Code limitations, the SERP also provides supplemental benefits upon a change of control prior to the scheduled repayment of the ESOP loan. Generally, upon a change in control, the SERP provides participants with a benefit equal to what they would have received under the ESOP, had they remained employed throughout the term of the loan, less the benefits actually provided under the plan on the participant's behalf. A participant's benefits generally become payable upon a change in control of the Bank and the Company. The SERP expense for the years ended March 31, 2012, 2011, and 2010, was approximately \$29,000, \$27,000 and \$31,000, respectively. At March 31, 2012 and 2011, the accrued SERP liability was \$328,000 and \$299,000, respectively.

NOTE 13 - STOCK-BASED COMPENSATION

At the Company's annual stockholders' meeting held on July 14, 2005, stockholders of the Company approved the Clifton Savings Bancorp, Inc. 2005 Equity Incentive Plan. Under this plan, the Company may grant options to purchase up to 1,495,993 shares of Company common stock and may grant up to 598,397 shares of common stock as restricted stock awards. At March 31, 2012, there were 786 shares remaining for future option grants, and 191 shares remaining available for future restricted stock awards under the plan.

On December 7, 2005, 585,231 shares of restricted stock were awarded. The restricted shares awarded had a grant date fair value of \$10.22 per share. Twenty percent of the shares awarded were immediately vested, with an additional twenty percent becoming vested annually thereafter. On May 26, 2010, 35,000 shares of restricted stock were awarded. The restricted shares awarded had a grant date fair value of \$8.84 per share. Twenty percent of the shares awarded vest annually. Management recognizes expense for the fair value of these awards on a straight line basis over the requisite service period. During the years ended March 31, 2012, 2011 and 2010, approximately \$62,000, \$52,000 and \$706,000, respectively in expense, was recognized in regard to these restricted stock awards. The Company recognized approximately \$25,000, \$21,000 and \$282,000 of income tax benefits resulting from this expense for the years ended March 31, 2012, 2011 and 2010, respectively. The total fair value of stock awards vested during the years ended March 31, 2012, 2011 and 2010 were approximately \$75,000, \$0, and \$967,000, respectively. The expected future compensation expense relating to the 28,000 non-vested restricted shares outstanding at March 31, 2012 is \$196,000 over a weighted average period of 3.2 years.

The following is a summary of the status of the Company's restricted shares:

	Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested at March 31, 2010	-	
Granted May 26, 2010	35,000	\$8.84
Non-vested at March 31, 2011	35,000	8.84
Vesting	(7,000)	8.84
Non-vested at March 31, 2012	28,000	\$8.84

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - STOCK-BASED COMPENSATION (CONTINUED)

On August 31, 2005, options to purchase 1,483,510 shares of common stock at \$10.24 per share were awarded and will expire no later than ten years following the grant date. Immediately upon grant, twenty percent of the options awarded were vested, with an additional twenty percent becoming vested annually thereafter. In February 2006, the Company's Board of Directors approved the acceleration of the second twenty percent of the option grants so that those options became fully vested as of March 31, 2006.

On May 26, 2010, options to purchase 164,875 shares of common stock at an exercise price of \$8.84 per share were awarded and will expire no later than ten years following the grant date. Twenty percent of the shares awarded vest annually. Management recognizes expense for the fair value of these awards on an accelerated attribution basis over the requisite service period. During the years ended March 31, 2012, 2011 and 2010, approximately \$127,000, \$166,000 and \$66,000, respectively, in stock option expense, was recorded net of income tax benefits of \$45,000, \$60,000 and \$18,000, respectively. The expected future compensation expense relating to the 131,900 non-vested options outstanding at March 31, 2012 is \$144,000 over the weighted average period of 3.2 years.

A summary of stock option activity follows:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2010	1,327,940	\$10.24		
Granted	164,875	8.84		
Outstanding at March 31, 2011	1,492,815	10.09		
Outstanding at March 31, 2012	1,492,815	\$10.09	3.94 Years	\$ 514,460
Exercisable at March 31, 2012	1,360,915	\$10.21	3.53 Years	\$ 304,739

Shares issued upon the exercise of stock options are issued from treasury stock. The Company has an adequate number of treasury shares available for future stock option exercises.

The fair value of the options granted on August 31, 2005, as computed using the Black-Scholes option-pricing model, was determined to be \$2.38 per option based upon the following underlying assumptions: a risk-free interest rate, expected option life, expected stock price volatility, and dividend yield of 4.11%, 6.0 years, 21.56%, and 1.95%, respectively.

The fair value of the options granted on May 26, 2010 as computed using the Black-Scholes option-pricing model, was determined to be \$2.65 per option based upon the following assumptions as of the grant date: the risk free interest rate, expected option life, expected stock price volatility, and dividend yield of 2.68%, 6.5 years, 36.55%, and 2.71%, respectively.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – DEFINED BENEFIT PLANS

Directors' Retirement Plan

The Directors' Retirement Plan is a nonqualified, unfunded pension plan with benefits based on fees paid to directors while still active. The funding policy is to pay directors on a pay-as-you-go basis.

The following table sets forth the funded status for the Directors' Retirement Plan and amounts recognized in the consolidated statements of financial condition.

	<u>March 31,</u>	
	<u>2012</u>	<u>2011</u>
	<u>(Dollars In Thousands)</u>	
Change in projected benefit obligations:		
Benefit obligation - beginning	\$ 2,643	\$ 2,369
Service cost	40	59
Interest cost	149	145
Actuarial loss	462	159
Benefits paid	(89)	(89)
Benefit obligation - ending	<u>3,205</u>	<u>2,643</u>
Change in plan assets:		
Fair value of plan assets - beginning	-	-
Employer contribution	89	89
Benefits paid	(89)	(89)
Fair value of plan assets - ending	<u>-</u>	<u>-</u>
Funded status and accrued pension cost included in other liabilities	<u>\$ (3,205)</u>	<u>\$ (2,643)</u>
Assumptions:		
Discount rate	4.50%	5.75%
Rate of increase in compensation	4.50%	4.50%

The Bank expects to make contributions to the plan during the year ending March 31, 2013, totaling approximately \$110,000. At March 31, 2012, benefit payments expected to be paid under the plan are as follows:

Years ending March 31:	<u>Amount</u>
	<u>(In Thousands)</u>
2013	\$ 110
2014	143
2015	164
2016	208
2017	221
2018-2021	1,013

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 – DEFINED BENEFIT PLANS (CONTINUED)

Directors' Retirement Plan (Continued)

Net periodic pension cost for the plan included the following components:

	Years Ended March 31,		
	2012	2011	2010
	(Dollars In Thousands)		
Service cost	\$ 40	\$ 59	\$ 81
Interest cost	149	145	148
Net amortization and deferral	40	40	50
Net Periodic Pension Cost Included in Directors' Compensation	\$ 229	\$ 244	\$ 279
Assumptions:			
Discount rate	5.75%	6.25%	7.25%
Rate of increase in compensation	4.50%	4.50%	4.50%

At March 31, 2012 and 2011 unrecognized net loss of \$645,000 and \$183,000 and unrecognized prior service cost of \$170,000 and \$210,000, respectively, were included in accumulated other comprehensive income. For the fiscal year ending March 31, 2013, \$30,000 of unrecognized net loss and \$40,000 of prior service cost is expected to be recognized as a component of net periodic pension cost.

Former President's Post-retirement Healthcare Plan

The Former President's post-retirement healthcare plan is a nonqualified, unfunded plan with the only participant being the former president's spouse, since his death in February 2005. This healthcare plan provides coverage for the spouse's life. The annual costs associated with these benefits are accrued on the basis of actuarial assumptions and included in salaries and employee benefits.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - DEFINED BENEFIT PLANS (CONTINUED)

Former President's Post-retirement Healthcare Plan (Continued)

The following table sets forth the funded status for the Former President's post-retirement healthcare plan and amounts recognized in the consolidated statements of financial condition:

	March 31,	
	2012	2011
	(Dollars In Thousands)	
Change in projected benefit obligations:		
Benefit obligation - beginning	\$ 58	\$ 55
Interest cost	3	3
Actuarial loss	9	4
Benefits paid	(5)	(4)
Benefit obligation - ending	<u>65</u>	<u>58</u>
Change in plan assets:		
Fair value of plan assets - beginning	-	-
Employer contribution	5	4
Benefits paid	(5)	(4)
Fair value of plan assets - ending	<u>-</u>	<u>-</u>
Funded status and accrued pension cost included in other liabilities	<u>\$ (65)</u>	<u>\$ (58)</u>
Assumed discount rate	<u>4.50%</u>	<u>5.75%</u>

The Bank expects to make contributions to the Plan during the year ending March 31, 2013, totaling approximately \$5,000. At March 31, 2012, benefit payments expected to be paid under the Plan are as follows:

Years ending March 31:	Amount (In Thousands)
2013	\$ 5
2014	5
2015	5
2016	5
2017	6
2018-2022	26

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - DEFINED BENEFIT PLANS (CONTINUED)

Former President's Post-retirement Healthcare Plan (Continued)

Net periodic pension cost (benefit) for the Plan included the following components:

	Years Ended March 31,		
	2012	2011	2010
	(Dollars In Thousands)		
Interest cost	\$ 3	\$ 3	\$ 5
Net amortization and deferral	(6)	(7)	(6)
Net Periodic (Benefit)	\$ (3)	\$ (4)	\$ (1)
Assumed discount rate	5.75%	6.25%	7.25%
Current medical trend	5.25%	5.25%	5.25%
Ultimate medical trend	5.25%	5.25%	5.25%

At March 31, 2012 and 2011, unrecognized net gain of \$73,000 and \$89,000 was included in accumulated other comprehensive income. For the fiscal year ending March 31, 2013, \$6,000 of the net gain is expected to be recognized as a component of net periodic pension benefit.

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A 1% change in the assumed health cost trend rate would have had the following effects on post-retirement benefits under this plan at March 31, 2012:

	1%	
	Increase	Decrease
	(In Thousands)	
Effect on total service and interest costs	\$ 3	\$ 3
Effect on post-retirement benefit obligation	\$ 70	\$ 61

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820 "Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement:

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

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 3: Price or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or 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 measurement.

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2012 and 2011 are as follows:

Description	Carrying Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
March 31, 2012:				
Securities available for sale:				
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	\$ 7,719	\$ -	\$ 7,719	\$ -
Federal National Mortgage Association	17,405	-	17,405	-
Debt securities:				
Federal Home Loan Mortgage Corporation	10,027	-	10,027	-
Federal National Mortgage Association	25,035	-	25,035	-
Federal Home Loan Banks	5,003	-	5,003	-
Federal Farm Credit Bank	5,006	-	5,006	-
Total securities available for sale	\$ 70,195	\$ -	\$ 70,195	\$ -
March 31, 2011:				
Securities available for sale:				
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	\$ 10,829	\$ -	\$ 10,829	\$ -
Federal National Mortgage Association	17,108	-	17,108	-
Debt securities:				
Federal Home Loan Mortgage Corporation	5,006	-	5,006	-
Federal National Mortgage Association	4,996	-	4,996	-
Total securities available for sale	\$ 37,939	\$ -	\$ 37,939	\$ -

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For assets measured at fair value on a non-recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2012 and 2011 are as follows:

Description	Carrying Value	(Level 1)	(Level 2)	(Level 3)
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
(In Thousands)				
March 31, 2012				
Real estate owned	\$ 139	\$ -	\$ -	\$ 139
Impaired loans	313	-	-	313
March 31, 2011				
Real estate owned	\$ 136	\$ -	\$ -	\$ 136
Impaired loans	277	-	-	277

There are no liabilities measured at fair value on a recurring or non-recurring basis at March 31, 2012 and 2011.

The following information should not be interpreted as an estimate of the fair value of the Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of certain of the Company's financial instruments.

Cash and Cash Equivalents, Interest Receivable and Interest Payable (Carried at Cost)

The carrying amounts reported in the consolidated statements of financial condition for cash and cash equivalents, interest receivable and interest payable approximate their fair values.

Securities

The fair value of all securities, whether classified as available for sale (carried at fair value) or held to maturity (carried at cost), is determined by reference to quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Securities that we measure on a recurring basis are limited to our available-for-sale portfolio. The fair values of these securities are obtained from quotes received from an independent broker. The Company's broker provides it with prices which are categorized as Level 2 since quoted prices in active markets for identical assets are generally not available.

Loans Receivable (Carried at Cost)

Fair value is estimated by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans.

Impaired Loans (Carried based on Discounted Cash Flows)

Impaired loans are those accounted for under ASC Topic 310 "Accounting by Creditors for Impairment of a Loan" in which the Company has measured impairment generally based on either the fair value of the loan's collateral or discounted cash flows. These assets are included as Level 2 or Level 3 fair values since they are based on either observable inputs that are significant to the discounted cash flow measurement or the fair value of the loan's collateral.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Real Estate Owned

Real estate owned, acquired through foreclosure or deed-in-lieu of foreclosure, is carried at the lower of cost or fair value less estimated selling costs. Fair value is estimated through current appraisals by a licensed appraiser and as such, foreclosed real estate properties are classified as Level 3. At March 31, 2012, real estate owned consisted of one commercial property with a balance of \$139,000. During the year ended March 31, 2012, the loan was transferred to real estate owned at balance of \$177,000 after a charge-off of \$6,000, followed by subsequent write downs of \$38,000 which was charged to non-interest expense. At March 31, 2011, real estate owned consisted of one multi-family property with a balance of \$136,000. During the year ended March 31, 2011, the loan was transferred to real estate owned at a balance of \$186,000 after a charge off to the allowance for loan losses of \$160,000, followed by a subsequent write down of \$50,000 which was charged to non-interest expense.

Federal Home Loan Bank of New York Stock (Carried at Cost)

Fair value approximates cost basis as these instruments are redeemable only with the issuing agency at face value.

Deposits (Carried at Cost)

The fair value of non-interest-bearing demand, Crystal Checking, NOW, Super NOW, Money Market and Savings and Club accounts is the amount payable on demand at the reporting date. For fixed-maturity certificates of deposit, fair value is estimated by discounting future cash flows using the rates currently offered for deposits of similar remaining maturities.

Advances from Federal Home Loan Bank of New York (Carried at Cost)

The fair value is estimated by discounting future cash flows using rates currently offered for liabilities of similar remaining maturities, or 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 agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

As of March 31, 2012 and March 31, 2011, the fair value of the commitments to extend credit was not considered to be material.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Commitments to Extend Credit (Continued)

The carrying amounts and fair values of financial instruments are as follows:

	March 31,			
	2012		2011	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 40,257	\$ 40,257	\$ 58,069	\$ 58,069
Securities available for sale:				
Investment	45,071	45,071	10,002	10,002
Mortgage-backed	25,124	25,124	27,937	27,937
Securities held to maturity:				
Investment	167,784	168,281	233,428	228,707
Mortgage-backed	336,230	353,168	299,692	308,961
Net loans receivable	436,833	462,509	441,746	455,132
Federal Home Loan Bank of New York stock	5,127	5,127	5,974	5,974
Interest receivable	3,927	3,927	4,551	4,551
Financial liabilities:				
Deposits	826,275	835,021	837,385	842,960
FHLB advances	78,679	88,318	95,668	106,436
Interest payable	290	290	349	349

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The Company, Bank and Botany are parties to financial instruments with off-balance-sheet risk in the normal course of business to meet investment needs and the financing needs of the Bank's customers. These financial instruments primarily include commitments to originate and purchase loans. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement in particular classes of financial instruments.

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit, is based on management's credit evaluation of the counterparty.

At March 31, 2012, the Bank had outstanding commitments to originate loans totaling approximately \$6.1 million which included \$4.7 million for fixed-rate one-to four family mortgage loans with interest rates ranging from

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

3.25% to 4.50%, and \$1.4 million in adjustable rate one-to four family mortgage loans with initial rates ranging from 3.50% to 3.625%. Outstanding loan commitments at March 31, 2011 totaled \$9.6 million. These commitments generally expire in three months or less.

At March 31, 2012, the Bank had an outstanding commitments to purchase \$2.0 million in one-to four family mortgage loans which included \$1.2 million loans with fixed interest rates ranging from 3.25% to 4.00%, and \$764,000 in adjustable rate loans with initial rates ranging from 3.375% to 3.50%. At March 31, 2011, adjustable rate construction loan participation commitments totaled \$700,000.

At March 31, 2012 and 2011, undisbursed funds from customer approved unused lines of credit under a homeowners' equity lending program amounted to approximately \$4.4 million and \$4.3 million, respectively. Unless they are specifically cancelled by notice from the Bank, these funds represent firm commitments available to the respective borrowers on demand.

Management does not anticipate losses on any of the foregoing transactions.

Periodically, there have been various claims and lawsuits against the Company and Bank, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans and other issues incident to our business. We are not a party to any pending legal proceedings that we believe would have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income included in stockholders' equity are as follows:

	March 31,	
	2012	2011
	(In Thousands)	
Net unrealized gain on securities available for sale	\$ 1,788	\$ 1,719
Tax effect	(730)	(687)
Net of tax amount	<u>1,058</u>	<u>1,032</u>
Benefit plan adjustments	(742)	(304)
Tax effect	303	122
Net of tax amount	<u>(439)</u>	<u>(182)</u>
Accumulated other comprehensive income	<u>\$ 619</u>	<u>\$ 850</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME (CONTINUED)

The components of other comprehensive income and related tax effects are presented in the following table:

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Securities available for sale:			
Unrealized holding gain (loss) arising during the year	\$ 69	\$ (613)	\$ 97
Less: reclassification adjustment for net realized gains	-	(872)	-
	<u>69</u>	<u>(1,485)</u>	<u>97</u>
Defined benefit pension plan:			
Pension (gain)	(478)	(170)	(129)
Prior service cost	40	40	50
Net change in defined benefit pension plan liability	<u>(438)</u>	<u>(130)</u>	<u>(79)</u>
Other comprehensive (loss) income before taxes	(369)	(1,615)	18
Tax effect	138	645	(7)
Other comprehensive (loss) income	<u>\$ (231)</u>	<u>\$ (970)</u>	<u>\$ 11</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - PARENT ONLY FINANCIAL INFORMATION

The following are the condensed financial statements for Clifton Savings Bancorp, Inc. (Parent company only) at March 31, 2012 and 2011 and for the years ended March 31, 2012, 2011 and 2010.

STATEMENTS OF CONDITION

	March 31,	
	2012	2011
ASSETS	(In Thousands)	
Cash and due from banks	\$ 10,151	\$ 11,165
Investment securities held to maturity, at cost	8,000	-
Mortgage-backed securities held to maturity, at cost	2,365	3,118
Loan receivable from Savings Bank	6,264	6,987
Investment in subsidiary	159,598	158,574
Interest receivable	100	74
Other assets	58	63
Total Assets	\$ 186,536	\$ 179,981
LIABILITIES AND STOCKHOLDERS' EQUITY		
Other liabilities	\$ 75	\$ 15
Stockholders' equity	186,461	179,966
Total Liabilities and Stockholders' Equity	\$ 186,536	\$ 179,981

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - PARENT ONLY FINANCIAL INFORMATION (CONTINUED)

STATEMENTS OF INCOME

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Income:			
Dividends from subsidiary	\$ 8,000	\$ 6,000	\$ 1,700
Interest on loans	253	280	307
Interest on securities	148	142	269
Total Income	8,401	6,422	2,276
Non-interest expenses	841	737	589
Income before Income Taxes and Equity in Undistributed Earnings of Subsidiary	7,560	5,685	1,687
Income tax (benefit) expense	(150)	(106)	1
Income before Equity in Undistributed Earnings of Subsidiary	7,710	5,791	1,686
Equity in undistributed earnings of subsidiary	167	3,021	4,611
Net Income	\$ 7,877	\$ 8,812	\$ 6,297

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - PARENT ONLY FINANCIAL INFORMATION (CONTINUED)

STATEMENTS OF CASH FLOW

	Years Ended March 31,		
	2012	2011	2010
	(In Thousands)		
Cash Flows From Operating Activities			
Net income	\$ 7,877	\$ 8,812	\$ 6,297
Adjustments to reconcile net income to net cash provided by operating activities:			
Accretion of discounts	(1)	(1)	(3)
(Increase) decrease in interest receivable	(27)	10	158
Decrease in other assets	4	-	1
Increase (decrease) in other liabilities	60	(69)	(16)
Increase in deferred compensation obligation under Rabbi Trust	21	23	28
Equity in (undistributed) earnings of subsidiary	(167)	(3,021)	(4,611)
Net Cash Provided by Operating Activities	<u>7,767</u>	<u>5,754</u>	<u>1,854</u>
Cash Flows From Investing Activities			
Proceeds from maturities and repayment of:			
Investment securities held to maturity	-	-	10,000
Mortgage-backed security held to maturity	754	806	-
Purchase of investment securities held to maturity	(8,000)	-	-
Purchase of mortgage-backed securities held to maturity	-	-	(3,923)
Repayment of loan receivable from Savings Bank	723	695	668
Loan to Clifton MHC	-	(250)	-
Cash dividends paid on unallocated ESOP shares used to repay loan receivable from Savings Bank	(138)	(150)	(143)
Net Cash (Used In) Provided by Investing Activities	<u>(6,661)</u>	<u>1,101</u>	<u>6,602</u>
Cash Flows From Financing Activities			
Minority dividends paid	(2,109)	(2,106)	(1,825)
Purchase of treasury stock	(11)	(2,707)	(3,150)
Funding restricted stock awards	-	309	-
Purchase of forfeited restricted stock awards	-	-	(3)
Net Cash (Used in) Financing Activities	<u>(2,120)</u>	<u>(4,504)</u>	<u>(4,978)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(1,014)</u>	<u>2,351</u>	<u>3,478</u>
Cash and Cash Equivalents - Beginning	<u>11,165</u>	<u>8,814</u>	<u>5,336</u>
Cash and Cash Equivalents - Ending	<u>\$ 10,151</u>	<u>\$ 11,165</u>	<u>\$ 8,814</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
	(In Thousands, Except Per Share Data)			
Interest income	\$ 10,652	\$ 10,345	\$ 10,161	\$ 9,916
Interest expense	4,213	4,154	4,018	3,764
Net Interest Income	6,439	6,191	6,143	6,152
Provision for loan losses	60	0	76	111
Non-interest income	267	263	163	220
Non-interest expenses	3,864	3,246	3,042	3,387
Income taxes	991	1,139	1,106	939
Net Income	<u>\$ 1,791</u>	<u>\$ 2,069</u>	<u>\$ 2,082</u>	<u>\$ 1,935</u>
Net income per common share - basic and diluted	<u>\$ 0.07</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>
Dividends per common share	<u>\$ 0.12</u>	<u>\$ -</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
Weighted average number of common shares and common stock equivalents outstanding:				
Basic	<u>25,580</u>	<u>25,598</u>	<u>25,617</u>	<u>25,635</u>
Diluted	<u>25,691</u>	<u>25,605</u>	<u>25,625</u>	<u>25,650</u>

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

	Quarter Ended			
	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011
	(In Thousands, Except Per Share Data)			
Interest income	\$ 11,454	\$ 11,337	\$ 11,175	\$ 10,974
Interest expense	5,009	5,077	4,795	4,364
Net Interest Income	6,445	6,260	6,380	6,610
Provision for (recovery of) loan losses	-	160	90	(148)
Non-interest income (expense)	273	618	(120)	1,138
Non-interest expenses	3,345	3,344	3,177	3,948
Income taxes	1,203	1,191	991	1,491
Net Income	<u>\$ 2,170</u>	<u>\$ 2,183</u>	<u>\$ 2,002</u>	<u>\$ 2,457</u>
Net income per common share - basic and diluted	<u>\$ 0.08</u>	<u>\$ 0.09</u>	<u>\$ 0.08</u>	<u>\$ 0.10</u>
Dividends per common share	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>	<u>\$ 0.06</u>
Weighted average number of common shares and common stock equivalents outstanding:				
Basic	<u>25,693</u>	<u>25,524</u>	<u>25,542</u>	<u>25,561</u>
Diluted	<u>25,693</u>	<u>25,524</u>	<u>25,542</u>	<u>25,723</u>

NOTE 20 – WITHDRAWAL OF APPLICATION OF PLAN OF CONVERSION AND REORGANIZATION

On November 8, 2010, the Company, the Bank and the MHC adopted a Plan of Conversion and Reorganization (the “Plan of Conversion”) pursuant to which the Bank planned to reorganize from the two-tier mutual holding company structure to the stock holding company structure. Pursuant to the Plan of Conversion: (1) the MHC would have merged with and into the Company, with the Company being the surviving entity (the “MHC Merger”); (2) the Company would have merged with and into a newly formed corporation named Clifton Savings Bancorp, Inc. (the “Holding Company”); (3) the shares of common stock of the Company held by persons other than the MHC (whose shares would have been canceled) would have been converted into shares of common stock of the Holding Company pursuant to an exchange ratio designed to preserve the percentage ownership interests of such persons; and (4) the Holding Company would have offered and sold shares of its common stock to certain depositors and borrowers of the Bank and others in the manner and subject to the priorities set forth in the Plan of Conversion.

CLIFTON SAVINGS BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

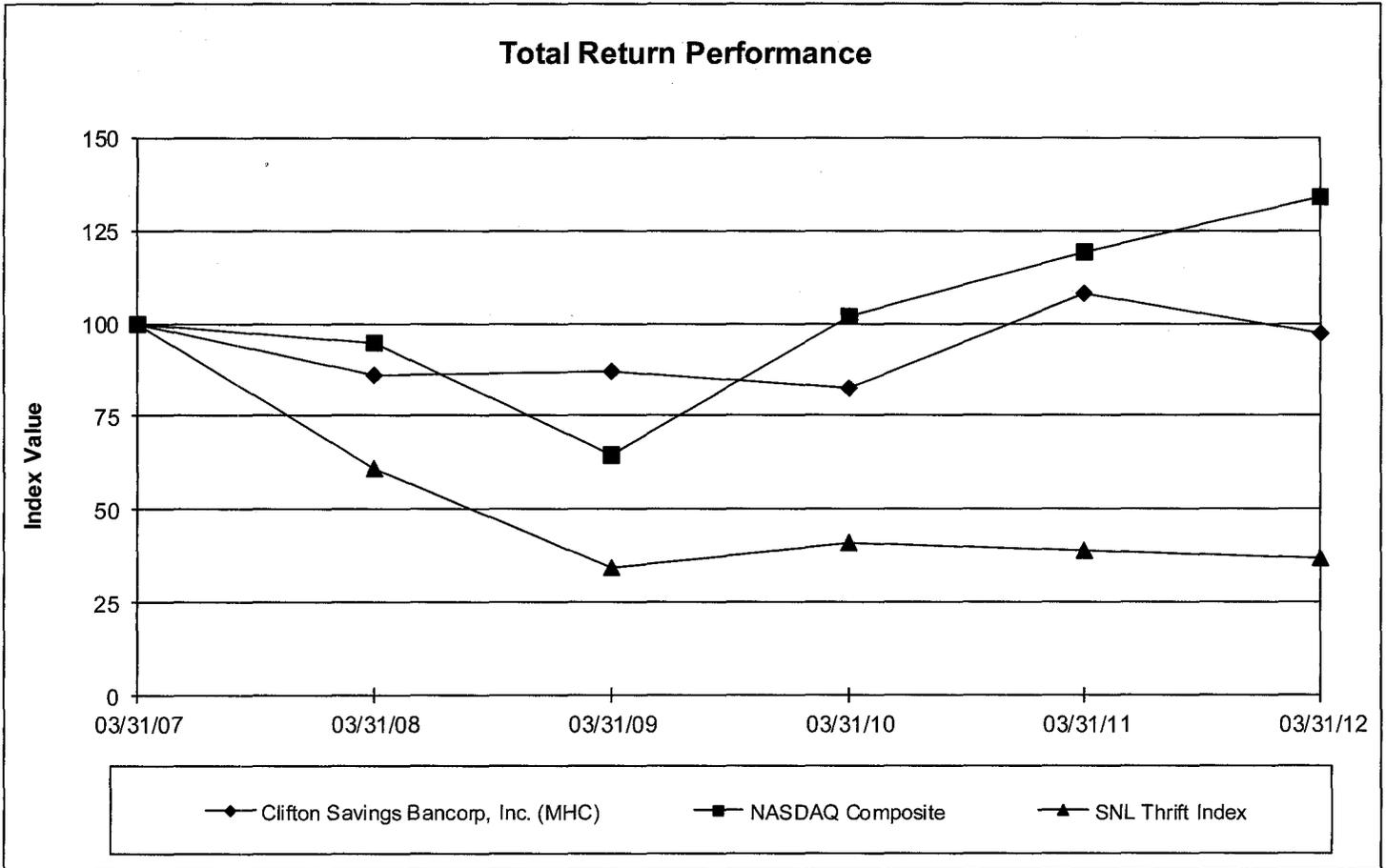
NOTE 20 – WITHDRAWAL OF APPLICATION OF PLAN OF CONVERSION AND REORGANIZATION (CONTINUED)

The transactions contemplated by the Plan of Conversion were subject to approval by the shareholders of the Company, the members of Clifton MHC and the Company's primary federal regulator.

On February 7, 2011, the Company announced the postponement of the conversion and offering following the issuance by the OTS of a "Needs to Improve" rating to the Bank as a result of its recent Community Reinvestment Act examination. On June 22, 2011, the Company announced that it had withdrawn its application for conversion that had been pending before the OTS. As a result of the postponement and withdrawal of the application for conversion, the Company expensed approximately \$939,000 in conversion and offering costs, which represents all of the costs associated with the conversion and offering. For the years ended March 31, 2012 and 2011, \$520,000 and \$419,000 in conversion costs were expensed, respectively. The conversion costs incurred consisted of legal expense of \$302,000 and \$248,000, other non-interest expenses of \$218,000 and \$141,000, and occupancy expense of premises of \$-0- and \$30,000, respectively, for the years ended March 31, 2012 and 2011. The OTS merged with the OCC and ceased to exist as of July 21, 2011. The Company remains committed to the completion of its conversion and offering and intends to file a conversion application with the OCC should the OCC confirm that the Company may proceed with the conversion application.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on the Company's common stock with the cumulative total return on the Nasdaq Composite Index (U.S. Companies) and the SNL Thrift Index. Total return assumes the reinvestment of all dividends. The graph assumes \$100 was invested at the close of business on March 31, 2007.



<i>Index</i>	<i>Period Ending</i>					
	03/31/07	03/31/08	03/31/09	03/31/10	03/31/11	03/31/12
Clifton Savings Bancorp, Inc.	100.00	86.00	87.01	82.37	108.14	97.21
NASDAQ Composite Index	100.00	94.88	64.28	101.80	119.29	134.05
SNL Thrift Index	100.00	60.95	34.08	40.84	39.05	36.94

INVESTOR AND CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held at 9:00 a.m., on August 9, 2012 at the Valley Regency located at 1129 Valley Road, Clifton, New Jersey 07013.

STOCK LISTING

Clifton Savings Bancorp, Inc.'s common stock is listed on the Nasdaq Global Select Market under the symbol "CSBK."

PRICE RANGE OF COMMON STOCK

The following table sets forth the high and low sales prices of Clifton Savings Bancorp, Inc.'s common stock, as reported on the Nasdaq Global Select Market, and the per share dividend declared during each quarter. Clifton MHC, our majority stockholder, has waived its right to receive these dividends for each of the quarters set forth below, except for the quarter ended March 31, 2012. As a result of new restrictions recently implemented by the Board of Governors of the Federal Reserve System, Clifton MHC was unable to waive its receipt of dividends declared by Clifton Savings Bancorp, Inc. for the quarter ended March 31, 2012.

Quarter Ended	2012			2011		
	High	Low	Dividend Declared	High	Low	Dividend Declared
June 30	\$11.88	\$9.94	\$0.12	\$10.18	\$ 8.57	\$0.06
September 30	\$11.22	\$9.00	\$0.00	\$ 9.02	\$ 8.11	\$0.06
December 31	\$10.62	\$8.89	\$0.06	\$10.81	\$ 8.32	\$0.06
March 31	\$10.85	\$9.28	\$0.06	\$12.11	\$10.55	\$0.06

At May 31, 2012 there were 1,324 holders of record of Clifton Savings Bancorp common stock.

STOCKHOLDERS AND GENERAL INQUIRIES

Bart D'Ambra
Clifton Savings Bancorp, Inc.
1433 Van Houten Avenue
Clifton, New Jersey 07013
973.473.2200

ANNUAL AND OTHER REPORTS

A copy of the Clifton Savings Bancorp Annual Report on Form 10-K without exhibits for the year ended March 31, 2012, as filed with the Securities and Exchange Commission, may be obtained without charge by contacting:
Bart D'Ambra
Clifton Savings Bancorp, Inc.
1433 Van Houten Avenue
Clifton, New Jersey 07013.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

ParenteBeard LLC
100 Walnut Avenue, Suite 200
Clark, New Jersey 07066

CORPORATE COUNSEL

Kilpatrick Townsend & Stockton LLP
Suite 900
607 14th Street, NW
Washington, DC 20005

TRANSFER AGENT

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

DIRECTORS AND OFFICERS

DIRECTORS OF CLIFTON SAVINGS BANCORP, INC., CLIFTON MHC AND CLIFTON SAVINGS BANK

John A. Celentano, Jr.
Chairman of the Board and
Chief Executive Officer –
Clifton Savings Bancorp, Inc., and
Clifton MHC
Chairman of the Board –
Clifton Savings Bank

Thomas A. Miller
Retired Owner – The T.A. Miller &
Co., Inc.

John H. Peto
Real Estate Investor

Charles J. Pivrotto
Managing Shareholder –
Pivrotto & Foster, CPA's, PA

Cynthia Sisco
Property Management

Joseph C. Smith
President – Smith-Sondy
Asphalt Construction Co.

John Stokes
Retired General Partner –
O.I.R. Realty Co.

EXECUTIVE OFFICERS OF CLIFTON SAVINGS BANCORP, INC., AND CLIFTON MHC

John A. Celentano, Jr.
Chairman of the Board and
Chief Executive Officer

Walter Celuch
President – Clifton Savings
Bancorp, Inc., and Clifton MHC
and Corporate Secretary – Clifton
Savings Bancorp, Inc.

Christine R. Piano, CPA
Chief Financial Officer
and Treasurer

Bart D'Ambra
Corporate Secretary –
Clifton MHC

OFFICERS OF CLIFTON SAVINGS BANK

John A. Celentano, Jr.
Chairman of the Board

Walter Celuch
President, Chief Executive Officer
and Secretary

Bart D'Ambra
Executive Vice President and
Chief Operating Officer

Stephen A. Hoogerhyde
Executive Vice President and
Chief Lending Officer

Christine R. Piano, CPA
Executive Vice President and
Chief Financial Officer

Ted Munley
Senior Vice President and
Branch Coordinator

Susan L. Horant
Vice President and Security Officer

Eleanor Bakelaar-Menniti
Vice President and N.O.W.
Administrator

Josephine T. Scavone
Vice President and Human
Resource Administrator

Linda Fisher
Vice President and Loan Officer

Coleen Kelley
Vice President and
IRA Administrator

Nancy Na
Vice President and Controller

Bernadette McDonald
Vice President and Treasurer

Claire Giancola
Vice President and Training
Manager

Richard M. Bzdek
Enterprise Risk Manager

Thomas M. Hill
Compliance Officer

BRANCH OFFICE LOCATION

**MONTCLAIR HEIGHTS
(MAIN OFFICE)**
1433 Van Houten Avenue
Clifton, NJ 07015
973.473.2200 / 973.473.2020

RICHFIELD
1055 Clifton Avenue
Clifton, NJ 07013
973.473.2323

LYNDHURST
401 Valley Brook Avenue
Lyndhurst, New Jersey 07071
201.935.2548

LAKEVIEW AVENUE
319 Lakeview Avenue
Clifton, NJ 07011
973.478.1260

ATHENIA
646 Van Houten Avenue
Clifton, NJ 07013
973.473.0025

VALLEY ROAD
387 Valley Road
Clifton, NJ 07013
973.279.1505

WOODLAND PARK
1530 Route 46 West
Woodland Park, NJ 07424
973.785.2395

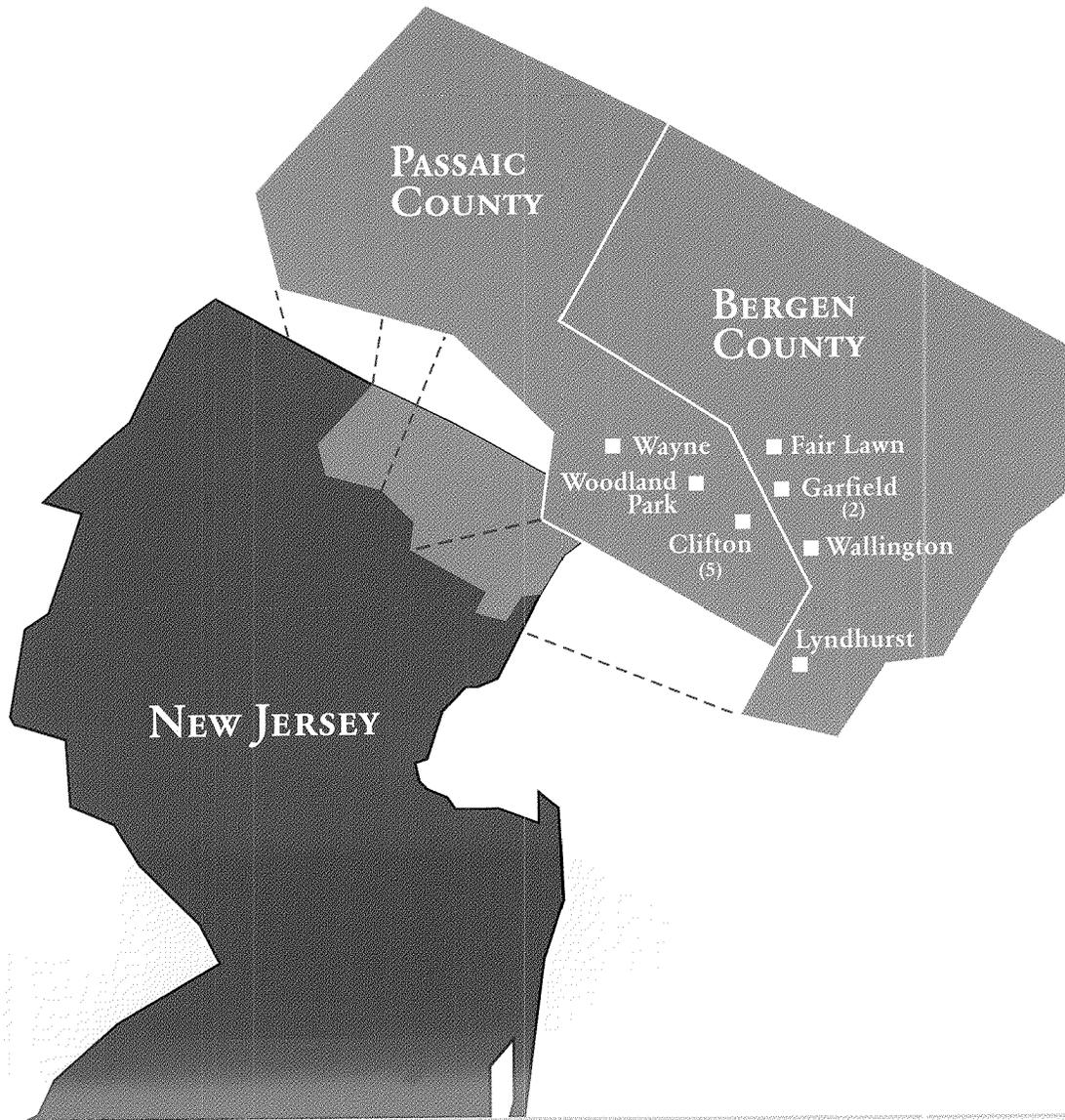
PALISADE AVENUE
247 Palisade Avenue
Garfield, NJ 07026
973.478.5050

LANZA AVENUE
369 Lanza Avenue
Garfield, NJ 07026
973.478.1200

WALLINGTON
55 Union Boulevard
Wallington, NJ 07057
973.779.7306

WAYNE
1158 Hamburg Turnpike
Wayne, NJ 07470
973.628.1611

FAIR LAWN
33-11 Broadway
Fair Lawn, NJ 07410
201.794.4605





CLIFTON SAVINGS BANK
1433 Van Houten Avenue
P.O. Box 2149, Clifton, NJ 07015-2149
973.473.2200