FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

WEST ESSEX BANCORP INC

CIK:**1063438**| IRS No.: **223597632** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-29770** | Film No.: **1696702**
SIC: **6035** Savings institution, federally chartered

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to _____________

Commission File Number 0-29770

WEST ESSEX BANCORP, INC.

(Exact name of small business issuer as specified in its charter)

UNITED STATES	22-3597632
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

417 Bloomfield Avenue, Caldwell, New Jersey 07006

(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code 973-226-7911

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

3,962,788 shares of common stock, par value $0.01 par share, were outstanding as of July 31, 2001.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

WEST ESSEX BANCORP, INC.

FORM 10-QSB

For the Quarter Ended June 30, 2001

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WEST ESSEX BANCORP, INC.
PART I. FINANCIAL INFORMATION
June 30, 2001

ITEM 1. FINANCIAL STATEMENTS

Certain information and footnote disclosures required under generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. West Essex Bancorp, Inc. (the "Registrant" or the "Company") believes that the disclosures presented are adequate to assure that the information presented is not misleading in any material respect. It is suggested that the following consolidated financial statements be read in conjunction with the year-end consolidated financial statements and notes thereto included in the Registrant's Annual Report on Form 10-KSB for the year ended December 31, 2000.

The results of operations for the three and six month periods ended June 30, 2001, are not necessarily indicative of the results to be expected for the entire fiscal year.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

<TABLE>
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<S>	June 30, 2001 <C>	December 31, 2000 <C>
Assets		
Cash and amounts due from depository institutions	$ 2,066,588	$ 2,416,155
Interest-bearing deposits in other banks	16,328,814	6,461,762
	-------------	-------------

Total cash and cash equivalents	18,395,402	8,877,917
Term deposits	300,000	--
Securities available for sale	980,000	2,994,063
Investment securities held to maturity	34,318,693	41,727,821
Mortgage-backed securities held to maturity	123,859,209	130,627,541
Loans receivable	164,838,472	164,037,987
Real estate owned	360,790	601,595
Premises and equipment	2,569,845	2,595,036
Federal Home Loan Bank of New York stock	3,558,400	3,558,400
Accrued interest receivable	2,122,981	2,307,828
Excess of cost over assets acquired	3,754,197	4,050,580
Other assets	5,384,051	3,026,894
Total assets	$ 360,442,040	$ 364,405,662
Liabilities and Stockholders' Equity		
Liabilities		
Deposits	$ 236,543,211	$ 237,956,208
Borrowed money	71,109,083	62,290,413
Advance payments by borrowers for taxes and insurance	1,018,147	1,032,953
Due to broker	--	12,768,419
Other liabilities	1,456,432	909,657
Total liabilities	310,126,873	314,957,650
Stockholders' Equity		
Preferred stock (par value $.01), 1,000,000 shares authorized; no shares issued or outstanding	--	--
Common stock (par value $.01), 9,000,000 shares authorized; shares issued 4,197,233; shares outstanding 3,962,788 (2001) and 3,986,991 (2000)	41,972	41,972
Additional paid-in capital	17,355,924	17,332,221
Retained earnings - substantially restricted	36,801,672	35,733,815
Common stock acquired by Employee Stock Ownership Plan ("ESOP")	(957,837)	(1,031,516)
Unearned Incentive Plan stock	(468,199)	(530,666)
Treasury stock, at cost; 234,445 shares (2001) and 210,242 shares (2000)	(2,445,561)	(2,094,524)
Accumulated other comprehensive loss - Unrealized loss on securities available for sale, net of income taxes	(12,804)	(3,230)
Total stockholders' equity	50,315,167	49,448,012
Total liabilities and stockholders' equity	$ 360,442,040	$ 364,405,662

</TABLE>

See notes to consolidated financial statements.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Interest income:				
Loans	$ 3,053,035	$ 3,066,429	$ 6,196,372	$ 5,982,959
Mortgage-backed securities	2,052,663	2,106,444	4,227,767	4,154,338
Investment securities	572,208	766,660	1,241,227	1,530,440
Other interest-earning assets	205,553	88,443	346,827	212,232
Total interest income	5,883,459	6,027,976	12,012,193	11,879,969

Interest expense:				
Deposits	2,348,360	2,264,353	4,774,466	4,403,603
Borrowed money	923,797	981,702	1,850,200	1,909,141
Total interest expense	3,272,157	3,246,055	6,624,666	6,312,744
Net interest income	2,611,302	2,781,921	5,387,527	5,567,225
Provision for loan losses	3,506	--	--	--
Net interest income after provision for loan losses	2,607,796	2,781,921	5,387,527	5,567,225
Non-interest income:				
Fees and service charges	80,660	103,213	162,048	191,771
Gain on sale of securities available for sale	--	--	45,000	--
Other	70,314	35,510	120,457	94,000
Total non-interest income	150,974	138,723	327,505	285,771
Non-interest expenses:				
Salaries and employee benefits	939,340	832,784	1,798,736	1,660,309
Net occupancy expense of premises	82,455	81,858	204,700	181,392
Equipment	184,872	182,362	377,249	352,905
(Gain) loss on real estate owned	(16,790)	(58,531)	(2,382)	(166,770)
Amortization of intangibles	148,192	148,192	296,384	296,384
Miscellaneous	333,360	459,597	714,255	877,179
Total non-interest expenses	1,671,429	1,646,262	3,388,942	3,201,399
Income before income taxes	1,087,341	1,274,382	2,326,090	2,651,597
Income taxes	375,175	453,581	815,764	950,860
Net income	$ 712,166	$ 820,801	$ 1,510,326	$ 1,700,737
Net income per common share:				
Basic	$ 0.186	$ 0.213	$ 0.395	$ 0.441
Diluted	0.183	0.213	0.389	0.441
Dividends declared per common share:	$ 0.15	$ 0.10	$ 0.30	$ 0.20
Weighted average number of common shares outstanding:				
Basic	3,823,860	3,858,743	3,824,157	3,858,886
Diluted	3,890,242	3,858,743	3,882,769	3,858,886

</TABLE>

See notes to consolidated financial statements.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net income	$ 712,166	$ 820,801	$ 1,510,326	$ 1,700,737
Other comprehensive income -				
Unrealized holding (losses) gains on securities available for sale, net of income taxes of $2,474, $2,245, $(10,844) and $2,748, respectively	(4,401)	(3,995)	19,295	(4,891)

Reclassification adjustment for realized gains on securities available for sale, net of income taxes of $16,191 in 2001	--	--	(28,809)	--
Total other comprehensive income	(4,401)	(3,995)	(9,514)	(4,891)
Comprehensive income	$ 707,765	$ 816,806	$ 1,500,812	$ 1,695,846

</TABLE>

See notes to consolidated financial statements.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 1,510,326	$ 1,700,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	130,228	129,776
Net accretion of premiums, discounts and deferred loan fees	(105,297)	(199,378)
Amortization of intangibles	296,383	296,384
(Gain) on sale of securities available for sale	(45,000)	--
(Gain) on sale of real estate owned	(23,913)	(195,461)
Decrease (increase) in accrued interest receivable	118,736	(126,810)
(Increase) in other assets	(651,810)	(234,753)
Increase in interest payable	249,345	53,272
Increase in other liabilities	458,474	113,210
Amortization of Incentive Plan cost	62,467	62,442
ESOP shares committed to be released	98,895	67,275
Net cash provided by operating activities	2,098,834	1,666,694
Cash flows from investing activities:		
Purchases of term deposits	(300,000)	--
Proceeds from sales of securities available for sale	2,045,000	--
Proceeds from maturities and calls of investment securities held to maturity	9,548,188	--
Purchases of investment securities held to maturity	(2,000,000)	--
Principal repayments on mortgage-backed securities held to maturity	20,707,101	11,148,681
Purchases of mortgage-backed securities held to maturity	(26,663,695)	(12,337,689)
Purchase of loans receivable	(2,453,011)	(3,249,507)
Net decrease (increase) in loans receivable	1,640,583	(8,171,585)
Proceeds from sales of real estate owned	264,718	390,059
Additions to premises and equipment	(105,037)	(82,340)
Purchase of Federal Home Loan Bank of New York stock	--	(285,700)
Purchase of life insurance	(1,700,000)	--
Net cash provided by (used in) investing activities	983,847	(12,588,081)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(1,559,779)	398,154
Net (decrease) increase in short-term borrowed money	(450,000)	7,000,000
Proceeds of long-term borrowed money	10,000,000	--
Repayment of long-term borrowed money	(731,330)	(4,289,562)
Net (decrease) increase in advance payments by borrowers for taxes and insurance	(14,806)	88,176
Purchases of treasury stock	(384,625)	(198,400)
Proceeds from sales of treasury stock	17,813	--
Cash dividends paid	(442,469)	(313,328)

Net cash provided by financing activities	6,434,804	2,685,040
Net increase (decrease) in cash and cash equivalents	9,517,485	(8,236,347)
Cash and cash equivalents - beginning	8,877,917	12,745,845
Cash and cash equivalents - ending	$ 18,395,402	$ 4,509,498

</TABLE>

See notes to consolidated financial statements.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,	
	2001	2000
<S>	<C>	<C>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Income taxes	$ 1,038,020	$ 1,085,980
Interest	$ 6,375,321	$ 6,259,472
Supplemental schedule of noncash investing activities:		
Unrealized (loss) on securities available or sale, net of income taxes	$ (9,514)	$ (4,891)
Security purchased in 2000, settled in 2001:		
Mortgage-backed security held to maturity	$ 12,702,308	$ --
Accrued interest receivable	66,111	--
Due to broker	$ 12,768,419	$ --
Loans receivable transferred to real estate owned	$ --	$ 165,269
Issuance of treasury stock to fund Supplemental Employee Retirement Plan	$ 14,262	$ 12,607

</TABLE>

See notes to consolidated financial statements.

WEST ESSEX BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of West Essex Bancorp, Inc. (the "Company"), the Company's wholly owned subsidiary, West Essex Bank (the "Bank") and the Bank's wholly owned subsidiary, West Essex Insurance Agency, Inc. The Company's business is conducted principally through the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-QSB and Regulation S-B and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles. However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three and six months ended June 30, 2001 are not necessarily indicative of the results which may be expected for the entire fiscal year.

3. NET INCOME PER COMMON SHARE

Basic net income per common share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, adjusted for the unallocated portion of shares held by the ESOP in accordance with the American Institute of Certified Public Accountants' Statement of Position 93-6. Diluted net income per share is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of unallocated ESOP shares, unearned incentive plan shares and stock options, if dilutive, using the treasury stock method. As of and for the three and six months ended June 30, 2001, none of the potentially dilutive securities were included in the computation of diluted net income per share as they were anti-dilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21F of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and its subsidiaries include, but are not limited to, changes in interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal polices of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission (the "SEC").

The Company does not undertake - and specifically disclaims any obligation - to publicly release the results of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Management's Discussion and Analysis or Plan of Operation

General

The Company is the federally chartered stock holding company for the Bank, a federally chartered stock savings bank. The Company, the Bank and West Essex Bancorp, M.H.C., a mutual holding company and majority owner of the Company, are regulated by the Office of Thrift Supervision (the "OTS"). The

Company's and the Bank's results of operations are dependent primarily on net interest income, which is the difference between the income earned on interest-earning assets, primarily the loan and investment portfolios, and the cost of funds, consisting of interest paid on deposits and borrowings. Results of operations are also affected by the provision for loan losses and non-interest expense. Non-interest expense principally consists of salaries and employee benefits, office occupancy and equipment expense, amortization of intangibles, advertising, federal deposit insurance premiums, expenses of real estate owned and other expenses. Results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities.

Comparison of Financial Condition at June 30, 2001 and December 31, 2000

Total assets were $360.4 million at June 30, 2001, compared to $364.4 million at December 31, 2000, a decrease of $4.0 million, or 1.1%. The decrease in total assets was primarily due to a $12.8 million security purchase in December 2000 which was funded via a broker liability until paid for in January 2001. Excluding this item, total assets increased by $8.8 million or 2.5%.

Cash and cash equivalents, primarily interest-bearing deposits with the Federal Home Loan Bank of New York ("FHLB"), increased $9.5 million to $18.4 million at June 30, 2001 from $8.9 million at December 31, 2000. The increase in cash and cash equivalents was the result of proceeds received on several securities called in advance of final maturity which had not yet been reinvested.

In the aggregate, mortgage-backed securities and investment securities, including available-for-sale and held to maturity issues, totalled $159.2 million at June 30, 2001, a decrease of $16.1 million, or 9.2%, from $175.3 million at December 31, 2000. Mortgage-backed securities, all of which are held to maturity, decreased $6.7 million due to repayments exceeding purchases. Investment securities held to maturity decreased $7.4 million due primarily to calls of several higher yielding securities in advance of scheduled maturities. Securities available for sale decreased $2.0 million due to a security sale.

Loans receivable increased by $800,000, or 0.5%, to $164.8 million at June 30, 2001 from $164.0 million at December 31, 2000.

Deposits totalled $236.5 million at June 30, 2001, a decrease of $1.5 million, or 0.6%, from the $238.0 million balance at December 31, 2000.

Borrowed money increased $8.8 million to $71.1 million at June 30, 2001, as compared to $62.3 million at December 31, 2000. During the six months ended June 30, 2001, a 10-year, $10.0 million borrowing was obtained, long-term debt of $731,000 was repaid and short-term borrowings were reduced by $500,000.

Stockholders' equity increased $867,000, or 1.8%, to $50.3 million, primarily due to the retention of net income.

Comparison of Operating Results for the Three Months Ended June 30, 2001 and 2000

Net Income. Net income decreased $109,000, or 13.3%, to $712,000 for the three months ended June 30, 2001 compared with $821,000 for the same 2000 period. The decrease in net income during the 2001 period resulted primarily from a $171,000 decrease in net interest income and a $25,000 increase in non-interest expenses, which were partially offset by an increase in non-interest income of $12,000 and a decrease in income taxes of $79,000.

Interest Income. Total interest income decreased $145,000, or 2.4%, to $5.9 million for the three months ended June 30, 2001 from $6.0 million for the same 2000 period. The decrease was the result of a 24 basis point decline to 6.88% in yield, which was partially offset by a $3.2 million, or 0.9%, increase in average interest-earning assets between the periods. The decrease in yield was the result of lower market interest rates.

Interest income on loans decreased by $14,000 or 0.5% to $3.05 million during the three months ended June 30, 2001 when compared with $3.07 million for the same 2000 period. The decrease during the 2001 period resulted from a 15 basis point decline to 7.37% in the yield earned on the loan portfolio, partially offset by a $2.6 million, or 1.6%, increase in average loans outstanding. The decreased yield is the result of lower rates obtained on originations as well as downward interest rate adjustments on the Bank's adjustable-rate mortgage loans.

Interest on mortgage-backed securities, all of which are held-to-maturity, decreased $53,000, or 2.5%, to $2.05 million during the three months ended June 30, 2001 when compared with $2.11 million for the same 2000 period. The decrease during the 2001 period resulted from decreases of $2.2 million, or 1.7%, in the average balance of mortgage-backed securities and 5 basis points, to 6.70%, in yield. The decreased yield is the result of downward interest rate adjustments on adjustable rate issues.

Interest earned on investment securities, including both available-for-sale and held-to-maturity issues, decreased by $195,000, or 25.4%, to $572,000 during the three months ended June 30, 2001, when compared to $767,000 during the same 2000 period, due to decreases of $9.8 million, or 22.1%, in the average balance of such assets and 30 basis points to 6.58% in the yield earned thereon. The decrease in average balance was the result of calls, sales and maturities of securities exceeding purchases thereof. The decrease in yield was the result of calls of several higher yielding securities.

Interest on other interest-earning assets increased $117,000, or 133.0%, to $205,000 during the three months ended June 30, 2001 as compared to $88,000 for the same 2000 period. The increase was due to an increase of $12.6 million, or 203.6%, in the average balances of such assets, partially offset by a decrease of 132 basis points, to 4.36%, in yield. The reduced yield is reflective of the decline in market interest rates.

Interest Expense. Interest expense on deposits increased $84,000, or 3.7%, to $2.35 million during the three months ended June 30, 2001 when compared to $2.26 million during the same 2000 period. Such increase was primarily attributable to an increase of 12 basis points, to 4.26%, in the cost of interest-bearing deposits, along with a $1.5 million, or 0.7%, increase in the average balance thereof. The increase in cost is due to higher interest rates paid on certificates of deposits, which averaged 5.47% for the three months ended June 30, 2001 as compared to 5.35% for the same 2000 period. The average cost of non-certificate deposits was 1.82% for the three months ended June 30, 2001 as compared to 1.85% for the same prior year period.

Interest expense on borrowed money decreased by $58,000, or 5.9%, to $924,000 during the three months ended June 30, 2001 when compared with $982,000 during the same 2000 period, primarily due to a 34 basis point decrease to 5.51% in the cost of borrowed money as the average balance of borrowings was little changed. During the three months ended June 30, 2001, the Bank repaid $368,000 in long-term borrowings having an average interest rate of 5.97%. Short-term borrowings totalled $7.5 million at June 30, 2001 and had an average interest rate of 4.40% as compared to $2.4 million at March 31, 2001, having an average rate of 5.67% and $13.0 million at June 30, 2000, having an average rate of 6.44%.

Net Interest Income. Net interest income decreased $171,000, or 6.1%, to $2.6 million during the three months ended June 30, 2001, when compared with $2.8 million for the same 2000 period. Such decrease was due to a decrease in total interest income of $144,000, along with a decrease in total interest expense of $25,000. The net interest rate spread decreased to 2.33% in 2001 from 2.58% in 2000. The decrease in the interest rate spread resulted from an increase of 1 basis point in the cost of interest-bearing liabilities, along with a 24 basis point decrease in the yield on interest-earning assets.

Provision for Loan Losses. During the three months ended June 30, 2001, the Bank recorded a $4,000 provision for loan losses. During the three months ended June 30, 2000, the Bank did not record a provision for loan losses. At both period ends, the existing balance of the allowance for loan losses was considered adequate. There were no loan charge-offs or recoveries during the three months ended June 30, 2001. The allowance for loan losses is based on management's evaluation of the risk inherent in its loan portfolio and gives due consideration to the changes in general market conditions and in the nature and volume of the Bank's loan activity. The Bank intends to continue to provide for loan losses

based on its periodic review of the loan portfolio and general market conditions. At June 30, 2001 and 2000, loans delinquent ninety days or more totalled $138,000 and $142,000, respectively, representing 0.08% of total loans at each date. At June 30, 2001, the allowance for loan losses stood at $1.36 million, representing 0.81% of total loans and 985.0% of loans delinquent ninety days or more. At March 31, 2001, the allowance for loan losses stood at $1.36 million, representing 0.82% of total loans and 503.7% of loans delinquent ninety days or more. At June 30, 2000, the allowance for loan losses stood at $1.37 million, representing 0.81% of total loans and 959.0% of loans delinquent ninety days or more. The Bank monitors its loan portfolio on a continuing basis and intends to continue to provide for loan losses based on its ongoing review of the loan portfolio and general market conditions.

Non-Interest Income. Non-interest income increased $12,000, or 8.6%, to $151,000 during the three months ended June 30, 2001 from $139,000 during the same 2000 period.

Non-Interest Expenses. Non-interest expenses increased by $25,000, or 1.5%, to $1.67 million during the three months ended June 30, 2001 when compared with $1.65 million during the same 2000 period. The primary components of the period increase were a $42,000 decline in results related to real estate owned and a $106,000 increase in salaries and employee benefits, partially offset by a $126,000 decrease in miscellaneous non-interest expenses. The decline in real estate owned results were largely attributable to $27,000 in gains from property sales in the current period as compared to $64,000 in gains from property sales in the comparable prior year period. Salaries and employee benefits, the largest component of non-interest expenses, increased $106,000, or 12.7%, to $939,000 during the three months ended June 30, 2001 from $833,000 during the prior year quarter. Miscellaneous non-interest expenses decreased $127,000, or 27.6%, to $333,000 during the three months ended June 30, 2001 from $460,000 during the prior year quarter as management has sought to reduce costs. Among the elements of miscellaneous non-interest expenses which have been reduced are legal fees, insurance expense, advertising and outside conference costs. All other elements of non-interest expense remained little changed at $416,000 and $412,000 during the three months ended June 30, 2001 and 2000, respectively.

Income Taxes. Income tax expense totalled $375,000, or 34.5% of income before income taxes, during the three months ended June 30, 2001 as compared to $454,000, or 35.6% of income before income taxes, during the comparable 2000 period.

Comparison of Operating Results for the Six Months Ended June 30, 2001 and 2000

Net Income. Net income decreased $190,000, or 11.2%, to $1.5 million for the six months ended June 30, 2001 compared with $1.7 million for the same 2000 period. The decrease in net income during the 2001 period resulted primarily from a $180,000 decrease in net interest income and a $188,000 increase of non-interest expenses, which were partially offset by an increase in non-interest income of $42,000 and a decrease in income taxes of $135,000.

Interest Income. Total interest income increased $132,000, or 1.1%, to $12.0 million for the six months ended June 30, 2001 from $11.9 million for the same 2000 period. The increase was the result of a $5.9 million, or 1.7%, increase in average interest-earning assets between the periods, partially offset by a 5 basis point decrease to 7.01% in yield.

Interest income on loans increased by $213,000, or 3.6%, to $6.2 million during the six months ended June 30, 2001 when compared with $6.0 million for the same 2000 period. The increase during the 2001 period resulted from an increase of $5.8 million, or 3.6%, in the average balance of loans outstanding, which was sufficient to offset a one basis point decrease to 7.47% in the yield earned on the loan portfolio.

Interest on mortgage-backed securities, all of which are held-to-maturity, increased $74,000, or 1.8%, to $4.23 million during the six months ended June 30, 2001 when compared with $4.15 million for the same 2000 period. The increase during the 2001 period resulted from an increase of 13 basis points to 6.77% in yield, partially offset by a decline of $106,000 or 0.1%, in the average balance of mortgage-backed securities.

Interest earned on investment securities, including both available-for-sale and held-to-maturity issues, decreased by $290,000, or 18.9%, to $1.2 million during the six months ended June 30, 2001, when compared to $1.5 million during the same 2000 period, primarily due to decreases of $7.5 million, or 16.7%, in the average balance of such assets, and 18 basis points to 6.69% in the yield earned thereon. The decrease in average balance was the result of calls, sales and maturities exceeding purchases of such securities. The decrease in yield was the result of the calls of several higher yielding securities.

Interest on other interest-earning assets increased $135,000, or 60.8%, to $347,000 during the six months ended June 30, 2001 as compared to $212,000 for the same 2000 period. The increase was due to an increase of $7.6 million, or 107.9%, in the average balance of such assets, which was more than sufficient to offset a 128 basis point decrease in yield. The reduced yield is reflective of the decline in market interest rates.

Interest Expense. Interest expense on deposits increased $370,000, or 8.4%, to $4.8 million during the six months ended June 30, 2001 when compared to $4.4 million during the same 2000 period. Such increase was primarily attributable to an increase of 32 basis points, to 4.33%, in the cost of interest-bearing deposits, along with a $1.3 million, or 0.6%, increase in the average balance thereof. The increase in cost is due to higher interest rates paid on certificates of deposit, which averaged 5.56% for the six months ended June 30, 2001 as compared to 5.19% for the same 2000 period. The average cost of non-certificate deposits was 1.82% for the six months ended June 30, 2001 as compared to 1.84% for the same prior year period.

Interest expense on borrowed money decreased by $59,000, or 3.1%, to $1.85 million during the six months ended June 30, 2001 when compared with $1.91 million during the same 2000 period, primarily due to a 20 basis point decrease to 5.58% in the cost of borrowed money, which more than offset a $181,000, or 0.3%, increase in average borrowings. During the six months ended June 30, 2001, the Bank obtained a 10-year $10.0 million borrowing at 5.40% and repaid $731,000 in long-term borrowings having an average interest rate of 5.97%. At June 30, 2001 and December 31, 2000, short-term borrowings totalled $7.5 million and $8.0 million, respectively, and carried an average rate of 4.40% and 6.52%, respectively.

Net Interest Income. Net interest income decreased $180,000, or 3.2%, to $5.4 million during the six months ended June 30, 2001, when compared with $5.6 million the same 2000 period. Such decrease was due to an increase in total interest expense of $312,000, partially offset by an increase in total interest income of $132,000. The net interest rate spread decreased to 2.39% in 2001 from 2.64% in 2000. The decrease in the interest rate spread resulted from an increase of 20 basis points in the cost of interest-bearing liabilities along with a 5 basis point decrease in the yield on interest-earning assets.

Provision for Loan Losses. During the six months ended June 30, 2001 and 2000, the Bank did not record a provision for loan losses as the existing balance of the allowance for loan losses was considered adequate. During the six months ended June 30, 2001, there were no charge-offs. During the six months ended June 30, 2000, charge-offs totalled $35,000. There were no recoveries during the six months ended June 30, 2001 and 2000. The allowance for loan losses is based on management's evaluation of the risk inherent in its loan portfolio and gives due consideration to the changes in general market conditions and in the nature and volume of the Bank's loan activity. The Bank intends to continue to provide for loan losses based on its periodic review of the loan portfolio and general market conditions. At June 30, 2001 and 2000, loans delinquent ninety days or more totalled $138,000 and $142,000, respectively, representing 0.08% of total loans at each date. At June 30, 2001, the allowance for loan losses stood at $1.36 million, representing 0.81% of total loans and 985.0 % of loans delinquent ninety days or more. At December 31, 2000, the allowance for loan losses stood at $1.36 million, representing 0.81% of total loans and 1251.7% of loans delinquent ninety days or more. At June 30, 2000, the allowance for loan losses stood at $1.37 million, representing 0.81% of total loans and 959.0% of loans delinquent ninety days or more. The Bank monitors its loan portfolio on a continuing basis and intends to continue to provide for loan losses based on its ongoing review of the loan portfolio and general market conditions.

Non-Interest Income. Non-interest income decreased $42,000, or 14.7%, to $328,000 during the six months ended June 30, 2001 from $286,000 during the same 2000 period. The 2001 amount includes a $45,000 gain on the sale of a security available for sale.

Non-Interest Expenses. Non-interest expenses increased by $188,000, or 5.9%, to $3.4 million during the six months ended June 30, 2001 when compared with $3.2 million during the same 2000 period. The primary components of the period increase were a $165,000 decline in results related to real estate owned and a $138,000 increase in salaries and employee benefits, partially offset by a $163,000 decrease in miscellaneous non-interest expenses. The decline in real estate owned results were attributable to $24,000 in gains from property sales in the current period as compared to $195,000 in gains from property sales in the comparable prior year period. Salaries and employee benefits, the largest component of non-interest expenses, increased $138,000, or 8.3%, to $1.8 million during the six months ended June 30, 2001 from $1.7 million during the prior year period. Miscellaneous non-interest expenses decreased $163,000, or 18.6%, to $714,000 during the six months ended June 30, 2001, from $877,000 million during the comparable prior year period as management has sought to reduce costs. Among the elements of miscellaneous non-interest expense which have been reduced are legal fees, insurance expense, advertising and outside conference costs. All other elements of non-interest expense remained little changed at $878,000 and $831,000 during the six months ended June 30, 2001 and 2000, respectively.

Income Taxes. Income tax expense totalled $816,000, or 35.1% of income before income taxes, during the six months ended June 30, 2001 as compared to $951,000, or 35.9% of income before income taxes, during the comparable 2000 period.

Liquidity and Capital Resources

The Company's and Bank's primary sources of funds on a long-term and short-term basis are deposits, principal and interest payments on loans, mortgage-backed and investment securities and FHLB borrowings. The Bank uses the funds generated to support its lending and investment activities as well as any other demands for liquidity such as deposit outflows. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows, mortgage prepayments and the exercise of call features on debt securities are greatly influenced by general interest rates, economic conditions and competition.

The Company's most liquid assets are cash and cash equivalents and securities available for sale. The levels of these assets are dependent on operating, financing, lending and investing activities during any given period. At June 30, 2001, cash and cash equivalents and securities available for sale totalled $18.7 million, or 5.2% of total assets.

The Company, through its Bank subsidiary, has other sources of liquidity if a need for additional funds arises, including FHLB borrowings. At June 30, 2001, the Bank had $71.1 million in borrowings outstanding from the FHLB. Depending on market conditions, the pricing of deposit products and FHLB borrowings, the Bank may continue to rely on FHLB borrowings to fund asset growth.

At June 30, 2001, the Bank had commitments to originate and purchase loans and fund unused outstanding lines of credit and undisbursed proceeds of construction mortgages totalling $27.9 million and no commitments to purchase securities. The Bank anticipates that it will have sufficient funds available to meet its current commitments. Certificate accounts, including Individual Retirement Account accounts, which are scheduled to mature in less than one year from June 30, 2001, totalled $124.6 million. The Bank expects that substantially all of the maturing certificate accounts will be retained by the Bank.

At June 30 , 2001, the Company had total equity, determined in accordance with generally accepted accounting principles, of $50.3 million, or 14.0% of total assets. At June 30, 2001, the Bank exceeded all of its regulatory capital requirements with a tangible capital level of $42.2 million, or 11.9% of total adjusted assets, which is above the required level of $5.3 million, or 1.5%; core capital of $42.2 million, or 11.9% of total adjusted assets, which is above the required level of $14.2 million, or 4.0%; and risk-based capital of $43.6 million, or 30.9% of risk-weighted assets, which is above the required level of $11.3 million, or 8.0%. An institution with a ratio of tangible capital to adjusted total assets of greater than or equal to 5.0% is considered to be "well-capitalized" pursuant to OTS regulations.

WEST ESSEX BANCORP, INC.
PART II . OTHER INFORMATION
June 30, 2001

ITEM 1. Legal Proceedings

The Company and the Bank are parties to various litigation which arises primarily in the ordinary course of business. Included in this litigation are various claims and lawsuits involving the Bank, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interest, claims involving the making and servicing of real property loans and other issues incident to the Bank's business. In the opinion of management, the ultimate disposition of such litigation should not have a material effect on the consolidated financial position or operations of the Company.

ITEM 2. Changes in Securities

None.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission of Matters to a Vote of Security Holders

This information was reported in the Company's Form 10-QSB for the quarter ended March 31, 2001.

ITEM 5. Other Information

None.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3.1 Charter of West Essex Bancorp, Inc. *
3.2 Bylaws of West Essex Bancorp, Inc. *
4.0 Form of Common Stock Certificate *
11.0 Statement regarding computation of per share earnings

* Incorporated herein by reference into this document from the Exhibits to Form S-1 Registration Statement and any amendments thereto, Registration No. 333-56729.

(b) Reports on Form 8-K:

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WEST ESSEX BANCORP, INC.

Date: August 3, 2001 By /s/ Leopold W. Montanaro

Leopold W. Montanaro
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 3, 2001 By: /s/ Dennis A. Petrello

Dennis A. Petrello
Executive Vice President and
and Chief Financial Officer
(Principal Financial and
Accounting Officer)

Exhibit 11

WEST ESSEX BANCORP, INC.
COMPUTATION OF EARNINGS PER SHARE

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Net income	$ 712,166	$ 820,801	$1,510,326	$1,700,737
Weighted average number of common shares outstanding	3,823,860	3,858,743	3,824,157	3,858,886
Common stock equivalents due to dilutive effect of potential common shares	66,382	--	58,612	--
Total weighted average number of common shares and common share equivalents outstanding	3,890,242	3,858,743	3,882,769	3,858,886
Basic earnings per common share	$ 0.186	$ 0.213	$ 0.395	$ 0.441
Diluted earnings per common share	$ 0.183	$ 0.213	$ 0.389	$ 0.441