
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended **September 30, 2011**

OR

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

For the transition period from _____ to _____

Commission file number: **001-34089**

BANCORP OF NEW JERSEY, INC.

(Exact name of registrant as specified in its charter)

New Jersey
(State or other jurisdiction of
incorporation or organization)

20-8444387
(I.R.S. Employer Identification No.)

1365 Palisade Ave, Fort Lee, New Jersey
(Address of principal executive offices)

07024
(Zip Code)

(201) 944-8600
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of November 8, 2011 there were 5,206,932 outstanding shares of the issuer's class of common stock, no par value.

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BANCORP OF NEW JERSEY, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except share data)

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
ASSETS		
Cash and due from banks	\$ 1,245	\$ 605
Interest bearing deposits	26,041	22,134
Federal funds sold	463	465
Total cash and cash equivalents	<u>27,749</u>	<u>23,204</u>
Interest bearing time deposits	250	—
Restricted investment in bank stock, at cost	549	491
Securities available for sale, at fair value (amortized cost of \$40,035 and \$28,023, respectively)	40,575	27,923
Securities held to maturity (fair value of \$3,910 and \$3,724, respectively)	3,910	3,728
Loans receivable	352,955	302,103
Deferred loan fees and unamortized costs, net	(67)	—
Less: allowance for loan losses	<u>(4,298)</u>	<u>(3,749)</u>
Net loans	348,590	298,354
Premises and equipment, net	10,112	9,927
Accrued interest receivable	1,457	1,285
Foreclosed real estate and other repossessed assets	—	1,938
Other assets	3,185	3,405
TOTAL ASSETS	<u><u>\$ 436,377</u></u>	<u><u>\$ 370,255</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits		
Noninterest-bearing	\$ 49,820	\$ 33,244
Savings and interest bearing transaction accounts	71,968	56,938
Time deposits under \$100	41,370	40,792
Time deposits \$100 and over	<u>218,402</u>	<u>187,447</u>
Total deposits	381,560	318,421
Accrued interest payable and other liabilities	<u>3,892</u>	<u>1,696</u>
TOTAL LIABILITIES	<u><u>385,452</u></u>	<u><u>320,117</u></u>
Commitments and Contingencies		
Stockholders' equity:		
Common stock, no par value, authorized 20,000,000 shares; issued and outstanding 5,206,932 at September 30, 2011 and December 31, 2010	49,507	49,390
Retained Earnings	1,075	807
Accumulated other comprehensive income (loss)	343	(59)
Total stockholders' equity	<u>50,925</u>	<u>50,138</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 436,377</u></u>	<u><u>\$ 370,255</u></u>

See accompanying notes to unaudited consolidated financial statements

BANCORP OF NEW JERSEY, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended September 30,	
	2011	2010
	(in thousands, except per share data)	
INTEREST INCOME		
Loans, including fees	\$ 4,791	\$ 4,088
Securities	211	208
Federal funds sold and other	12	13
TOTAL INTEREST INCOME	5,014	4,309
INTEREST EXPENSE		
Savings and money markets	55	43
Time deposits	1,141	1,062
Short term borrowings	2	—
TOTAL INTEREST EXPENSE	1,198	1,105
NET INTEREST INCOME	3,816	3,204
Provision for loan losses	300	430
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,516	2,774
NON-INTEREST INCOME - principally fees and service charges	48	54
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,140	988
Occupancy and equipment expense	360	369
FDIC premiums and related expenses	81	153
Data processing	141	114
Professional fees	147	111
Other expenses	201	181
TOTAL NON-INTEREST EXPENSE	2,070	1,916
Income before provision for income taxes	1,494	912
Income tax expense	593	368
Net income	901	544
PER SHARE OF COMMON STOCK		
Basic and diluted earnings	\$ 0.17	\$ 0.10

See accompanying notes to unaudited consolidated financial statements

BANCORP OF NEW JERSEY, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	For the Nine Months Ended September 30,	
	2011	2010
	(in thousands, except per share data)	
INTEREST INCOME		
Loans, including fees	\$ 13,905	\$ 11,992
Securities	642	532
Federal funds sold and other	33	38
TOTAL INTEREST INCOME	14,580	12,562
INTEREST EXPENSE		
Savings and money markets	161	126
Time deposits	3,244	3,111
Short term borrowings	3	—
TOTAL INTEREST EXPENSE	3,408	3,237
NET INTEREST INCOME	11,172	9,325
Provision for loan losses	898	1,085
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,274	8,240
NON-INTEREST INCOME (LOSS)		
Fees and service charges	162	152
Loss on sale of OREO	(203)	—
TOTAL NON-INTEREST INCOME (LOSS)	(41)	152
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,254	2,938
Occupancy and equipment expense	1,155	1,119
FDIC premiums and related expenses	380	384
Data processing	381	310
Professional fees	475	357
Other expenses	665	612
TOTAL NON-INTEREST EXPENSE	6,310	5,720
Income before provision for income taxes	3,923	2,672
Income tax expense	1,572	1,090
Net income	2,351	1,582
PER SHARE OF COMMON STOCK		
Basic and diluted earnings	\$ 0.45	\$ 0.30

See accompanying notes to unaudited consolidated financial statements

BANCORP OF NEW JERSEY
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2011	2010
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,351	\$ 1,582
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	314	320
Provision for loan losses	898	1,085
Recognition of stock option expense	117	222
Increase in deferred income taxes	(205)	(441)
Loss on sale of OREO	203	—
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(172)	(386)
Decrease in other assets	188	310
Increase (decrease) in other liabilities	364	(1,542)
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,058	1,150
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale, net	(34,010)	(34,071)
Purchases of restricted investments in bank stock	(58)	(72)
Purchases of securities held to maturity, net	(3,910)	(3,728)
Purchase of interest bearing time deposits	(250)	—
Proceeds from sales or calls of securities available for sale	21,998	21,000
Maturities of securities held to maturity	3,728	4,296
Net increase in loans	(51,135)	(24,192)
Proceeds from sale of OREO	1,484	—
Purchases of premises and equipment	(499)	(120)
NET CASH USED IN INVESTING ACTIVITIES	(62,652)	(36,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	63,139	39,708
Increase in borrowed funds	19,000	—
Repayment of borrowed funds	(19,000)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	63,139	39,708
Net increase in cash and cash equivalents	4,545	3,971
Cash and cash equivalents, beginning of period	23,204	18,098
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 27,749	\$ 22,069
Cash paid during the period for:		
Interest	\$ 3,306	\$ 3,177
Income taxes	\$ 2,050	\$ 2,010
Supplemental disclosure of non-cash investing and financing transactions:		
Loans transferred to other real estate owned	\$ —	\$ 1,938

See accompanying notes to unaudited consolidated financial statements.

**BANCORP OF NEW JERSEY, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Note 1. Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying consolidated financial statements include the accounts of Bancorp of New Jersey, Inc. (the “Company”), and its direct wholly-owned subsidiary, Bank of New Jersey (the “Bank”) and the Bank’s wholly-owned subsidiary, BONJ-New York Corp. All significant inter-company accounts and transactions have been eliminated in consolidation.

The Company was incorporated under the laws of the State of New Jersey to serve as a holding company for the Bank and to acquire all the capital stock of the Bank.

The Company’s class of common stock has no par value and the Bank’s class of common stock had a par value of \$10 per share. As a result of the holding company reorganization, amounts previously recognized as additional paid in capital on the Bank’s financial statements were reclassified into common stock in the Company’s consolidated financial statements.

The financial information in this quarterly report has been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”); certain information and footnote disclosures required under GAAP have been condensed or omitted, as permitted by rules and regulations of the Securities and Exchange Commission. These financial statements have not been audited.

Certain reclassifications have been made to the prior period financial statements to conform to the September 30, 2011 presentation.

Organization

The Company is a New Jersey corporation and bank holding company registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). The Bank is a community bank which provides a full range of banking services to individuals and corporate customers in New Jersey. Both the Company and the Bank are subject to competition from other financial institutions. The Bank is regulated by state and federal agencies and is subject to periodic examinations by those regulatory authorities. The Bank conducts a traditional commercial banking business, accepting deposits from the general public, including individuals, businesses, non-profit organizations, and governmental units. The Bank makes commercial loans, consumer loans, and both residential and commercial real estate loans. In addition, the Bank provides other customer services and makes investments in securities, as permitted by law. The Bank has sought to offer an alternative, community-oriented style of banking in an area, that is presently dominated by larger, statewide and national institutions. The Bank continues to focus on establishing and retaining customer relationships by offering a broad range of traditional financial services and products, competitively-priced and delivered in a responsive manner to small businesses, professionals and individuals in the local market. As a community bank, the Bank endeavors to provide superior customer service that is highly personalized, efficient and responsive to local needs. To better serve its customers and expand its market reach, the Bank provides for the delivery of certain of its financial products and services to its local customers and to a broader market through the use of mail, telephone and internet banking. The Bank seeks to deliver these products and services with the care and professionalism expected of a community bank and with a special dedication to personalized customer service.

Note 2. Stockholders' Equity and Related Transactions

During the nine month periods ended September 30, 2011 and September 30, 2010, respectively, the Company issued no shares of common stock.

Note 3. Benefit Plans and Stock-Based Compensation

2006 Stock Option Plan

During 2006, the Bank's stockholders approved the 2006 Stock Option Plan. At the time of the holding company reorganization, the 2006 Stock Option Plan was assumed by the Company. The plan allows directors and employees of the Company to purchase up to 239,984 shares of the Company's common stock. At September 30, 2011, incentive stock options to purchase 209,900 shares have been issued to employees of the Bank, of which options to purchase 187,900 shares were outstanding.

Under the 2006 Stock Option Plan, there were a total of 21,233 unvested options at September 30, 2011 and approximately \$69,000 remains to be recognized in expense over approximately one year. Under the 2006 Stock Option Plan, no options were granted, exercised, or forfeited during the first nine months of 2011.

2007 Director Plan

During 2007, the Bank's stockholders approved the 2007 Non-Qualified Stock Option Plan for Directors. At the time of the holding company reorganization, the 2007 Non-Qualified Stock Option Plan was assumed by the Company. This plan provides for 480,000 options to purchase shares of the Company's common stock to be issued to non-employee directors of the Company. At September

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30, 2011, non-qualified options to purchase 460,000 shares of the Company's stock have been issued to non-employee directors of the Company and approximately 414,668 were outstanding at September 30, 2011. No options were granted, exercised or forfeited during the first nine months of 2011.

Under the 2007 Director Plan, there were a total of approximately 34,995 unvested options at September 30, 2011 and approximately \$113,000 remains to be recognized in expense over approximately one year.

In connection with both the 2006 Stock Option Plan and the 2007 Director Plan, share based compensation totaled \$39,000 and \$74,000 for the three months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011 and 2010, respectively, share based compensation totaled \$117,000 and \$222,000, respectively.

The aggregate intrinsic value of a stock option represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had they exercised their options on September 30, 2011. This amount changes based on the changes in the market value in the Company's stock.

The aggregate intrinsic value of options outstanding as of September 30, 2011 under the 2006 Stock Option Plan and the 2007 Director Plan was approximately \$41,000.

The aggregate intrinsic value of options outstanding as of September 30, 2010 under the 2006 Stock Option Plan and the 2007 Director Plan was approximately \$170,000.

2011 Equity Incentive Plan

On May 25, 2011, the shareholders of the Company approved the Bancorp of New Jersey, Inc. 2011 Equity Incentive Plan (the 2011 Plan). The 2011 Plan authorizes the issuance of up to 250,000 shares of the Company's common stock, subject to adjustment in certain circumstances described in the Plan, pursuant to awards of incentive stock options or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units or performance awards. Employees, directors, consultants, and other service providers of the Company and its affiliates are eligible to receive awards under the 2011 Plan, provided, that only employees are eligible to receive incentive stock options. At September 30, 2011, no awards have been made under the 2011 Plan.

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Note 4. Earnings Per Share.

Basic earnings per share is calculated by dividing the net income for a period by the weighted average number of common shares outstanding during that period.

Diluted earnings per share is calculated by dividing the net income for a period by the weighted average number of outstanding common shares and dilutive common share equivalents during that period. Outstanding “common share equivalents” include options and warrants to purchase the Company’s common stock.

The following schedule shows earnings per share for the three month periods presented:

(In thousands except per share data)	For the three months ended September 30,	
	2011	2010
Net income applicable to common stock	\$ 901	\$ 544
Weighted average number of common shares outstanding - basic	5,207	5,207
Basic earnings per share	<u>\$ 0.17</u>	<u>\$ 0.10</u>
Net income applicable to common stock	\$ 901	\$ 544
Weighted average number of common shares outstanding	5,207	5,207
Effect of dilutive options	2	19
Weighted average number of common shares and common share equivalents- diluted	5,209	5,226
Diluted earnings per share	<u>\$ 0.17</u>	<u>\$ 0.10</u>

Non-qualified options to purchase 414,668 shares of common stock at a weighted average price of \$11.50; and incentive stock options to purchase 90,000 shares of common stock at a weighted average price of \$11.50 were not included in the computation of diluted earnings per share for the three months ended September 30, 2011 because they were anti-dilutive. Incentive stock options to purchase 97,900 shares of common stock at a weighted average price of \$9.09 were included in the computation of diluted earnings per share for the three months ended September 30, 2011.

Non-qualified options to purchase 414,668 shares of common stock at a weighted average price of \$11.50; and incentive stock options to purchase 90,000 shares of common stock at a weighted average price of \$11.50 were not included in the computation of diluted earnings per share for the three months ended September 30, 2010, because they were anti-dilutive. Incentive stock options to purchase 97,900 shares of common stock at a weighted average price of \$9.09 were included in the computation of diluted earnings per share for the three months ended September 30, 2010.

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The following schedule shows earnings per share for the nine month periods presented:

(In thousands except per share data)	For the nine months ended	
	September 30,	
	2011	2010
Net income applicable to common stock	\$ 2,351	\$ 1,582
Weighted average number of common shares outstanding - basic	5,207	5,207
Basic earnings per share	<u>\$ 0.45</u>	<u>\$ 0.30</u>
Net income applicable to common stock	\$ 2,351	\$ 1,582
Weighted average number of common shares outstanding	5,207	5,207
Effect of dilutive options	8	18
Weighted average number of common shares and common share equivalents- diluted	5,215	5,225
Diluted earnings per share	<u>\$ 0.45</u>	<u>\$ 0.30</u>

Non-qualified options to purchase 414,668 shares of common stock at a weighted average price of \$11.50; and incentive stock options to purchase 90,000 shares of common stock at a weighted average price of \$11.50 were not included in the computation of diluted earnings per share for the nine months ended September 30, 2011 because they were anti-dilutive. Incentive stock options to purchase 97,900 shares of common stock at a weighted average price of \$9.09 were included in the computation of diluted earnings per share for the nine months ended September 30, 2011

Non-qualified options to purchase 414,668 shares of common stock at a weighted average price of \$11.50; and incentive stock options to purchase 90,000 shares of common stock at a weighted average price of \$11.50 were not included in the computation of diluted earnings per share for the nine months ended September 30, 2010, because they were anti-dilutive. Incentive stock options to purchase 97,900 shares of common stock at a weighted average price of \$9.09 were included in the computation of diluted earnings per share for the nine months ended September 30, 2010.

Note 5. Comprehensive Income

Accounting principles generally accepted in the United States of America requires the reporting of comprehensive income, which includes net income as well as certain other items, which result in changes to equity during the period. Total comprehensive income is presented for the three month periods and the nine month periods ended September 30, 2011 and 2010, respectively, as follows (in thousands):

	<u>For the three months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
Comprehensive Income		
Net income	\$ 901	\$ 544
Unrealized holding gain on securities available for sale, net of taxes of \$65 and \$91 for 2011 and 2010, respectively	<u>93</u>	<u>135</u>
Total comprehensive income	<u>\$ 994</u>	<u>\$ 679</u>

	<u>For the nine months ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
Comprehensive Income		
Net income	\$ 2,351	\$ 1,582
Unrealized holding gain on securities available for sale, net of taxes of \$238 and \$196 for 2011 and 2010, respectively	<u>402</u>	<u>299</u>
Total comprehensive income	<u>\$ 2,753</u>	<u>\$ 1,881</u>

Note 6. Securities Available for Sale and Investment Securities

A summary of securities held to maturity and securities available for sale at September 30, 2011 and December 31, 2010 is as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2011				
Securities Held to Maturity:				
Obligations of states and political subdivisions	\$ 3,910	\$ —	\$ —	\$ 3,910
Securities Available for Sale:				
U.S. Treasury obligations	8,021	256	—	8,277
Government Sponsored Enterprise obligations	32,014	286	(2)	32,298
Total securities available for sale	40,035	542	(2)	40,575
Total securities	\$ 43,945	\$ 542	\$ (2)	\$ 44,485
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
Securities Held to Maturity:				
Obligations of states and political subdivisions	\$ 3,728	\$ —	\$ (4)	\$ 3,724
Securities Available for Sale:				
U.S. Treasury obligations	9,029	11	(16)	9,024
Government Sponsored Enterprise obligations	18,994	110	(205)	18,899
Total securities available for sale	28,023	121	(221)	27,923
Total securities	\$ 31,751	\$ 121	\$ (225)	\$ 31,647

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The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities available for sale are as follows (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2011						
Government Sponsored Enterprise obligations	\$ 1,998	\$ 2	\$ —	\$ —	\$ 1,998	\$ 2
Total securities available for sale	<u>\$ 1,998</u>	<u>\$ 2</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,998</u>	<u>\$ 2</u>
December 31, 2010						
U.S. Treasury obligations	\$ 6,007	\$ 16	\$ —	\$ —	\$ 6,007	\$ 16
Government Sponsored Enterprise obligations	9,788	205	—	—	9,788	205
Total securities available for sale	<u>\$ 15,795</u>	<u>\$ 221</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,795</u>	<u>\$ 221</u>

At September 30, 2011, the Company held no securities held to maturity with unrealized losses.

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities held to maturity are as follows (in thousands):

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2010						
Obligations of states and political subdivisions	\$ 2,396	\$ 4	\$ —	\$ —	\$ 2,396	\$ 4
Total securities held to maturity	<u>\$ 2,396</u>	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,396</u>	<u>\$ 4</u>

The amortized cost and estimated fair value of securities held to maturity and securities available for sale at September 30, 2011 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties (in thousands):

	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
One year or less	\$ 3,910	\$ 3,910	\$ 2,004	\$ 2,010
After one to five years	—	—	23,031	23,511
After five to ten years	—	—	15,000	15,054
Total	<u>\$ 3,910</u>	<u>\$ 3,910</u>	<u>\$ 40,035</u>	<u>\$ 40,575</u>

Management evaluates securities for other-than-temporary-impairment (“OTTI”) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

In determining OTTI management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than amortized cost; (2) the financial condition and near term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions, and (4)

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whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary-impairment decline exists involves a high degree of subjectivity and judgment and is based on information available to management at a point in time. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

When OTTI for debt securities occurs, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis, the OTTI would be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If the Company does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, the OTTI would be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors would be recognized in other comprehensive income, net of applicable tax benefit. The previous amortized cost basis less the OTTI recognized in earnings would become the new amortized cost basis of the investment.

At September 30, 2011, the Company's available for sale securities portfolio consisted of 23 securities, of which 2 were in an unrealized loss position for less than twelve months and none were in a loss position for more than twelve months. No OTTI charges were recorded for the three or nine months ended September 30, 2011. The Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities. Unrealized losses primarily relate to interest rate fluctuations and not credit concerns.

At September 30, 2011 and December 31, 2010, the Company held no securities held to maturity that have been in a continuous unrealized loss position for more than twelve months.

Securities with an amortized cost and fair value of \$2.0 million and \$2.1 million, were pledged to secure public funds on deposit at September 30, 2011. Securities with an amortized cost and fair value of \$2.0 million, respectively, were pledged to secure public funds on deposit at December 31, 2010.

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Note 7. Loans.

The components of the loan portfolio at September 30, 2011 and December 31, 2010 are summarized as follows (in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Commercial real estate	\$ 177,649	\$ 142,198
Residential mortgages	53,504	52,407
Commercial	53,413	46,073
Home equity	67,442	60,378
Consumer- other	947	1,047
	<u>\$ 352,955</u>	<u>\$ 302,103</u>

The Bank grants commercial, mortgage and installment loans to those New Jersey residents and businesses within its local trading area. Its borrowers' abilities to repay their obligations are dependent upon various factors, including the borrowers' income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Bank's lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Bank's control; the Bank is therefore subject to risk of loss. The Bank believes its lending policies and procedures adequately manage the potential exposure to such risks and an allowance for loan losses is provided for management's best estimate of probable loan losses.

The following tables present the activity in the allowance for loan losses during the periods indicated (in thousands):

	<u>Three months ended</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Balance at beginning of period	\$ 4,324	\$ 3,446
Provision charged to expense	300	430
Loans charged off	(326)	(377)
Balance at end of period	<u>\$ 4,298</u>	<u>\$ 3,499</u>

	<u>Nine months ended</u>	
	<u>September 30, 2011</u>	<u>September 30, 2010</u>
Balance at beginning of period	\$ 3,749	\$ 2,792
Provision charged to expense	898	1,085
Loans charged off	(351)	(379)
Recoveries	2	1
Balance at end of period	<u>\$ 4,298</u>	<u>\$ 3,499</u>

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The following tables present the activity in the allowance for loan losses and recorded investment in loans for the periods indicated (in thousands):

For the quarter ended September 30, 2011:

	<u>Commercial Real Estate</u>	<u>Residential Mortgages</u>	<u>Commercial</u>	<u>Home Equity</u>	<u>Consumer - Other</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for loan losses:							
Beginning Balance	\$ 2,353	\$ 389	\$ 725	\$ 357	\$ 22	\$ 478	\$ 4,324
Charge-offs	(326)	—	—	—	—	—	(326)
Recoveries	—	—	—	—	—	—	—
Provisions	(94)	9	217	(22)	(2)	192	300
Ending balance	<u>\$ 1,933</u>	<u>\$ 398</u>	<u>\$ 942</u>	<u>\$ 335</u>	<u>\$ 20</u>	<u>\$ 670</u>	<u>\$ 4,298</u>
Ending balance: individually evaluated for impairment	<u>\$ 80</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 97</u>
Ending balance: collectively evaluted for impairment	<u>\$ 1,853</u>	<u>\$ 381</u>	<u>\$ 942</u>	<u>\$ 335</u>	<u>\$ 20</u>	<u>\$ 670</u>	<u>\$ 4,201</u>
Loan receivables:							
Ending balance	<u>\$ 177,649</u>	<u>\$ 53,504</u>	<u>\$ 53,413</u>	<u>\$ 67,442</u>	<u>\$ 947</u>	<u>\$ —</u>	<u>\$ 352,955</u>
Ending balance: individually evaluted for impairment	<u>\$ 2,340</u>	<u>\$ 2,784</u>	<u>\$ —</u>	<u>\$ 1,253</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,377</u>
Ending balance: collectively evaluated for impairment	<u>\$ 175,309</u>	<u>\$ 50,720</u>	<u>\$ 53,413</u>	<u>\$ 66,189</u>	<u>\$ 947</u>	<u>\$ —</u>	<u>\$ 346,578</u>

For the nine months ended September 30, 2011:

	<u>Commercial Real Estate</u>	<u>Residential Mortgages</u>	<u>Commercial</u>	<u>Home Equity</u>	<u>Consumer - Other</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for loan losses:							
Beginning Balance	\$ 1,962	\$ 366	\$ 627	\$ 358	\$ 22	\$ 414	\$ 3,749
Charge-offs	(326)	—	—	(25)	—	—	(351)
Recoveries	—	—	—	—	2	—	2
Provisions	297	32	315	2	(4)	256	898
Ending balance	<u>\$ 1,933</u>	<u>\$ 398</u>	<u>\$ 942</u>	<u>\$ 335</u>	<u>\$ 20</u>	<u>\$ 670</u>	<u>\$ 4,298</u>
Ending balance: individually evaluated for impairment	<u>\$ 80</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 97</u>
Ending balance: collectively evaluted for impairment	<u>\$ 1,853</u>	<u>\$ 381</u>	<u>\$ 942</u>	<u>\$ 335</u>	<u>\$ 20</u>	<u>\$ 670</u>	<u>\$ 4,201</u>
Loan receivables:							
Ending balance	<u>\$ 177,649</u>	<u>\$ 53,504</u>	<u>\$ 53,413</u>	<u>\$ 67,442</u>	<u>\$ 947</u>	<u>\$ —</u>	<u>\$ 352,955</u>
Ending balance: individually evaluted for impairment	<u>\$ 2,340</u>	<u>\$ 2,784</u>	<u>\$ —</u>	<u>\$ 1,253</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,377</u>
Ending balance: collectively evaluated for impairment	<u>\$ 175,309</u>	<u>\$ 50,720</u>	<u>\$ 53,413</u>	<u>\$ 66,189</u>	<u>\$ 947</u>	<u>\$ —</u>	<u>\$ 346,578</u>

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The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of September 30, 2011 (in thousands):

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>
Commercial real estate	\$ —	\$ —	\$ 2,340	\$ 2,340	\$ 175,309	\$ 177,649
Residential mortgages	—	—	2,530	2,530	50,974	53,504
Commercial	—	325	—	325	53,088	53,413
Home equity	78	—	1,253	1,331	66,111	67,442
Consumer - other	28	—	—	28	919	947
Total	<u>\$ 106</u>	<u>\$ 325</u>	<u>\$ 6,123</u>	<u>\$ 6,554</u>	<u>\$ 346,401</u>	<u>\$ 352,955</u>

The Bank had no loans greater than ninety days delinquent and accruing interest.

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Bank's internal risk rating system as of September 30, 2011 (in thousands):

	<u>Commercial Real Estate</u>	<u>Residential Mortgages</u>	<u>Commercial</u>	<u>Home Equity</u>	<u>Consumer - Other</u>	<u>Total</u>
Pass	\$ 175,309	\$ 50,974	\$ 53,413	\$ 66,189	\$ 947	\$ 346,832
Special Mention	2,136	1,997	—	1,253	—	5,386
Substandard	204	533	—	—	—	737
Doubtful	—	—	—	—	—	—
Total	<u>\$ 177,649</u>	<u>\$ 53,504</u>	<u>\$ 53,413</u>	<u>\$ 67,442</u>	<u>\$ 947</u>	<u>\$ 352,955</u>

As of September 30, 2011 the Bank had ten non-accrual loans totaling approximately \$6.1 million, of which two loans totaling approximately \$737 thousand had specific reserves of \$97 thousand and eight loans totaling approximately \$5.4 million had no specific reserve. If interest had been accrued on these non-accrual loans, the interest income would have been approximately \$153 thousand and \$239 thousand, respectively, for the three and nine month periods ended September 30, 2011. Within its non-accrual loans at September 30, 2011, the Bank had two residential mortgage loans that met the definition of a troubled debt restructuring ("TDR") loan. TDRs are loans where the contractual terms of the loan have been modified for a borrower experiencing financial difficulties. These modifications could include a reduction in the interest rate of the loan, payment extensions, forgiveness of principal or other actions to maximize collection. At September 30, 2011, one of these TDR loans had an outstanding balance of \$533 thousand, had a specific reserve connected with it for \$17 thousand and was not performing in accordance with its modified terms. The second loan classified as a TDR had an outstanding balance of \$310 thousand, had no specific reserve connected to it and is performing in accordance with its modified terms.

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Non-accrual loans and related amounts recorded in the allowance for loan losses are summarized as follows (in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Non-accrual loans without a specific valuation allowance	\$ 5,386	\$ 1,329
Non-accrual loans with a specific valuation allowance	737	1,363
	<u>\$ 6,123</u>	<u>\$ 2,692</u>
Valuation allowance related to non-accrual loans	<u>\$ 97</u>	<u>\$ 288</u>

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include non-accruing loans but also include accruing loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loans, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. At September 30, 2011, the Bank had eleven impaired loans. Of these impaired loans, two loans totaling \$737 thousand had specific reserves of \$97 thousand and nine loans totaling approximately \$5.6 million had no specific reserve.

Impaired loans and related amounts recorded in the allowance for loan losses are summarized as follows (in thousands):

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Impaired loans without a specific valuation allowance	\$ 5,640	\$ 1,329
Impaired loans with a specific valuation allowance	737	1,363
	<u>\$ 6,377</u>	<u>\$ 2,692</u>
Valuation allowance related to impaired loans	<u>\$ 97</u>	<u>\$ 288</u>

The following table provides information in regards to non-accrual loans by portfolio class at September 30, 2011 (in thousands):

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	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Non-accrual loans with specific reserves:					
Commercial real estate	\$ 204	\$ 204	\$ 80	\$ 62	\$ 6
Residential mortgages	533	533	17	521	8
Total non-accrual loans with specific reserves	<u>737</u>	<u>737</u>	<u>97</u>	<u>583</u>	<u>14</u>
Non-accrual loans with no specific reserves:					
Commercial real estate	2,136	2,136	—	1,456	16
Residential Mortgage	1,997	1,997	—	1,153	33
Home equity	1,253	1,253	—	627	14
Total non-accrual loans with no specific reserves	<u>5,386</u>	<u>5,386</u>	<u>—</u>	<u>3,236</u>	<u>63</u>
Total non-accrual loans	<u>\$ 6,123</u>	<u>\$ 6,123</u>	<u>\$ 97</u>	<u>\$ 3,819</u>	<u>\$ 77</u>

The following table provides information in regards to impaired loans by portfolio class at September 30, 2011 (in thousands):

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
Impaired loans with specific reserves:					
Commercial real estate	\$ 204	\$ 204	\$ 80	\$ 62	\$ 6
Residential mortgages	533	533	17	521	8
Total impaired loans with specific reserves	<u>737</u>	<u>737</u>	<u>97</u>	<u>583</u>	<u>14</u>
Impaired loans with no specific reserves:					
Commercial real estate	2,136	2,136	—	1,456	16
Residential mortgages	2,251	2,251	—	1,403	47
Home equity	1,253	1,253	—	627	14
Total impaired loans with no specific reserves	<u>5,640</u>	<u>5,640</u>	<u>—</u>	<u>3,486</u>	<u>77</u>
Total impaired loans	<u>\$ 6,377</u>	<u>\$ 6,377</u>	<u>\$ 97</u>	<u>\$ 4,069</u>	<u>\$ 91</u>

The Bank adopted the amendments in Accounting Standards Update No. 2011-02 during the current period ended September 30, 2011. As required, the Bank reassessed all restructurings that occurred on or after the beginning of the current fiscal year for identification as TDRs and found that there was one restructuring during the nine months ended September 30, 2011 that met the requirements of a TDR. This restructuring had been reported as a TDR in a prior quarter. At September 30, 2011, the Bank had a total of three loans, one accruing and two non-accruing which meet the definition of a TDR and as such were also classified as impaired. The amendments in Accounting Standards Update No. 2011-02 require prospective application of the impairment measurement guidance in FASB ASC Section 310-10-35 for those loans identified as impaired. At the end of the first interim period of adoption for the Bank, the recorded investment in loans for which the allowance for loan losses was previously measured under a general allowance for loan losses methodology and are now impaired under ASC Section 310-10-35 was \$1.1 million, and the allowance for loan losses associated with those loans, on the basis of a current evaluation of loss, was \$17 thousand.

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The following table presents TDR loans as of September 30, 2011 (in thousands):

	September 30, 2011		
	Accrual Status	Nonaccrual Status	Total Modifications
Residential mortgages	\$ 254	\$ 843	\$ 1,097

The Bank had no troubled debt restructurings that occurred during the three months ended September 30, 2011.

The following table summarizes information in regards to troubled debt restructurings that occurred during the nine months ended September 30, 2011 (in thousands):

	Number of Contracts	Pre- Modification Outstanding Recorded Investments	Post- Modification Outstanding Recorded Investments
Troubled Debt Restructurings			
Residential mortgages	1	\$ 244	\$ 254

As indicated in the table above, the Bank modified one residential mortgage during the nine months ended September 30, 2011. As a result of the modified terms of the new loan, the effective interest rate of the new terms of the modified loan was reduced when compared to the interest rate of the original terms of the modified loan. The Bank did not record an impairment due to the fair value of the underlying collateral of the loan being greater than the amount of the modified loan. The borrower has remained current since the modification.

During the nine months ended September 30, 2011, the Bank had one residential mortgage meeting the definition of a TDR which had a payment default. This loan had an unpaid principal balance of \$533 thousand at September 30, 2011, and had a specific reserve of \$17 thousand.

At September 30, 2011, the Bank had two residential mortgages that meet the definition of a TDR and which were performing to their modified terms.

The following table displays troubled debt restructurings as of September 30, 2011, which were performing according to agreement (in thousands):

	Rate Modification	Term Modification	Interest Only Modification	Payment Modification	Combination Modification	Total Modifications
Pre-modification outstanding recorded investment:						
Residential mortgage	\$ —	\$ —	\$ —	\$ —	\$ 564	\$ 564

Note 8. Guarantees

The Company does not issue any guarantees that would require liability recognition or disclosure, other than the Bank's standby letters of credit. Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Bank generally holds collateral and/or personal guarantees supporting these commitments. As of September 30, 2011, the Bank had \$2.0 million of commercial and similar letters of credit. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payment required under the corresponding guarantees. Management believes that the current amount of the liability as of September 30, 2011 for guarantees under standby letters of credit issued is not material.

Note 9. Fair Value Measurements

Under ASC Topic 820, “Fair Value Measurement and Disclosures”, fair value measurements are not adjusted for transaction costs. ASC Topic 820 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 and 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:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- *Level 2 Inputs* - 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.
- *Level 3 Inputs* - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, supported with little or no market activity).

The level of an asset or liability within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of that asset or liability.

Management uses its best judgment in estimating the fair value of the Company’s financial instruments, however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period end and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at the respective reporting dates.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at September 30, 2011 and December 31, 2010, respectively, are as follows (in thousands):

Description	September 30, 2011	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Securities available for sale:				
U.S. Treasury Obligations	\$ 8,277	\$ 8,277	\$ —	\$ —
Government Sponsored				
Enterprise obligations	32,298	—	32,298	—
Total securities available for sale	\$ 40,575	\$ 8,277	\$ 32,298	\$ —

Description	December 31, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Securities available for sale:				
U.S. Treasury Obligations	\$ 9,024	\$ 9,024	\$ —	\$ —
Government Sponsored				
Enterprise obligations	18,899	—	18,899	—
Total securities available for sale	\$ 27,923	\$ 9,024	\$ 18,899	\$ —

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For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at September 30, 2011 and December 31, 2010, respectively, follows (in thousands):

Description	September 30, 2011	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired Loans	\$ 640	\$ —	\$ —	\$ 640

Description	December 31, 2010	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired Loans	\$ 1,075	\$ —	\$ —	\$ 1,075
Other real estate owned	1,938	—	—	1,938
Total impaired loans and other real estate owned	\$ 3,013	\$ —	\$ —	\$ 3,013

The following information should not be interpreted as an estimate of the fair value of the entire 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 the Company's financial instruments at September 30, 2011 and December 31, 2010:

Cash and Cash Equivalents (Carried at cost)

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate those assets' fair values.

Securities

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

Restricted Investment in Bank Stock (Carried at Cost)

The carrying amount of restricted investment in bank stock approximates fair value, and considers the limited marketability of such securities.

Loans Receivable (Carried at Cost)

The fair value of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and the interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Impaired loans

Impaired loans are those that are accounted for under ASC Sub-topic 310-40, “Troubled Debt Restructurings by Creditors”, in which the Company has measured impairment generally based on the fair value of the loan’s collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Accrued Interest Receivable and Payable (Carried at Cost)

The carrying amount of accrued interest receivable and accrued interest payable approximates fair value.

Other real estate owned

Other real estate owned assets are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned. Subsequently, other real estate owned assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management’s estimation of the value of the collateral. These assets are included as Level 3 fair values.

Deposits (Carried at Cost)

The fair values disclosed for demand deposits (for example, interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities of time deposits.

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Fair value estimates and assumptions are set forth below for the Company's financial instruments at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying amount	Estimated Fair Value	Carrying amount	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 27,749	\$ 27,749	\$ 23,204	\$ 23,204
Interest bearing time deposits	250	250	—	—
Securities available for sale	40,575	40,575	27,923	27,923
Securities held to maturity	3,910	3,910	3,728	3,724
Restricted investment in bank stock	549	549	491	491
Net loans	348,590	349,965	298,354	301,922
Accrued interest receivable	1,457	1,457	1,285	1,285
Financial liabilities:				
Deposits	381,560	378,912	318,421	313,888
Accrued interest payable	540	540	438	438

Limitation

The preceding fair value estimates were made at September 30, 2011 and December 31, 2010 based on pertinent market data and relevant information on the financial instrument. These estimates do not include any premium or discount that could result from an offer to sell at one time the Company's entire holdings of a particular financial instrument or category thereof. Since no market exists for a substantial portion of the Company's financial instruments, fair value estimates were necessarily based on judgments regarding future expected loss experience, current economic conditions, risk assessment of various financial instruments, and other factors. Given the innately subjective nature of these estimates, the uncertainties surrounding them and the matter of significant judgment that must be applied, these fair value estimates cannot be calculated with precision. Modifications in such assumptions could meaningfully alter these estimates.

Since these fair value approximations were made solely for on- and off-balance-sheet financial instruments at September 30, 2011 and December 31, 2010, no attempt was made to estimate the value of anticipated future business. Furthermore, certain tax implications related to the realization of the unrealized gains and losses could have a substantial impact on these fair value estimates and have not been incorporated into the estimates.

Note 10. Recent Accounting Pronouncements**ASU 2011-02 (A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring)**

In April 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring, to clarify the accounting principles applied to loan modifications. ASU No. 2011-02 was issued to address the recording of an impairment loss in FASB ASC 310, Receivables. ASU No. 2011-02 adds text to the scope guidance Section 310-40-15 that is meant to help determine when a lender has granted a concession on

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their terms of a loan. The added material also provides criteria that should be used to help determine when the loan restructuring delays a payment by a length of time that is considered insignificant and when the borrower is having financial problems. For public companies the effective date is for the first interim or annual period beginning on or after June 15, 2011, or later with retrospective application to the beginning of the fiscal year for loans that are restructured during the year in which the changes are adopted. The Company adopted this update as of the quarter beginning July 1, 2011 with retrospective application to the beginning of the year.

ASU 2011-03 (*Reconsideration of Effective Control for Repurchase Agreements*)

The FASB has issued this ASU to clarify the accounting principles applied to repurchase agreements, as set forth by FASB ASC Topic 860, Transfers and Servicing. This ASU, entitled Reconsideration of Effective Control for Repurchase Agreements, amends one of three criteria used to determine whether or not a transfer of assets may be treated as a sale by the transferor. Under Topic 860, the transferor may not maintain effective control over the transferred assets in order to qualify as a sale. This ASU eliminates the criteria under which the transferor must retain collateral sufficient to repurchase or redeem the collateral on substantially agreed upon terms as a method of maintaining effective control. This ASU is effective for both public and nonpublic entities for interim and annual reporting periods beginning on or after December 15, 2011, and requires prospective application to transactions or modifications of transactions which occur on or after the effective date. Early adoption is not permitted. We do not expect the adoption of this standard to have a material effect on our financial position or results of operations.

ASU 2011-04 (*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*)

This ASU amends FASB ASC Topic 820, Fair Value Measurements, to bring U.S. GAAP for fair value measurements in line with International Accounting Standards. The ASU clarifies existing guidance for items such as: the application of the highest and best use concept to non-financial assets and liabilities; the application of fair value measurement to financial instruments classified in a reporting entity's stockholder's equity; and disclosure requirements regarding quantitative information about unobservable inputs used in the fair value measurements of level 3 assets. The ASU also creates an exception to Topic 820 for entities which carry financial instruments within a portfolio or group, under which the entity is now permitted to base the price used for fair valuation upon a price that would be received to sell the net asset position or transfer a net liability position in an orderly transaction. The ASU also allows for the application of premiums and discounts in a fair value measurement if the financial instrument is categorized in level 2 or 3 of the fair value hierarchy. Lastly, the ASU contains new disclosure requirements regarding fair value amounts categorized as level 3 in the fair value hierarchy such as: disclosure of the valuation process used; effects of and relationships between unobservable inputs; usage of nonfinancial assets for purposes other than their highest and best use when that is the basis of the disclosed fair value; and categorization by level of items disclosed at fair value, but not measured at fair value for financial statement purposes. For public entities, this ASU is effective for interim and annual periods beginning after December 15, 2011. For nonpublic entities, the ASU is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. We do not expect the adoption of this standard to have a material effect on our financial position or results of operations.

ASU 2011-05 (*Presentation of Comprehensive Income*)

The provisions of this ASU amend FASB ASC Topic 220, Comprehensive Income, to facilitate the continued alignment of U.S. GAAP with International Accounting Standards. The ASU prohibits the presentation of the components of comprehensive income in the statement of stockholder's equity. Reporting entities are allowed to present either: a statement of comprehensive income, which reports both net income and other comprehensive income; or separate, but consecutive, statements of net income and other comprehensive income. Under previous GAAP, all 3 presentations were acceptable. Regardless of the presentation selected, the Reporting Entity is required to present all reclassifications between other comprehensive and net income on the face of the new statement or statements. The provisions of this ASU

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are effective for fiscal years and interim periods beginning after December 15, 2011 for public entities. For nonpublic entities, the provisions are effective for fiscal years ending after December 15, 2012, and for interim and annual periods thereafter. As the two remaining options for presentation existed prior to the issuance of this ASU, early adoption is permitted. We do not expect the adoption of this standard to have a material effect on our financial position or results of operations.

ITEM 2
Management's Discussion and Analysis of
Financial Condition and Results of Operations

You should read this discussion and analysis in conjunction with the consolidated unaudited interim financial statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q, and with our audited consolidated financial statements for the year ended December 31, 2010 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented in our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission.

Statements Regarding Forward Looking Information

This document contains forward-looking statements, in addition to historical information. Forward looking statements are typically identified by words or phrases such as "believe," "expect," "anticipate," "intend," "estimate," "project," and variations of such words and similar expressions, or future or conditional verbs such as "will," "would," "should," "could," "may," or similar expressions. The U.S. Private Securities Litigation Reform Act of 1995 provides a safe harbor in regard to the inclusion of forward-looking statements in this document and documents incorporated by reference.

You should note that many factors, some of which are discussed elsewhere in this document and in the documents that are incorporated by reference, could affect the future financial results of Bancorp of New Jersey, Inc. and its direct and indirect subsidiaries and could cause those results to differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this document. These factors include, but are not limited, to the following:

- General economic conditions, either nationally or in our market area;
- Volatility in interest rates and shape of the yield curve;
- Increased credit risk and risks associated with the real estate market;
- Operating, legal and regulatory risk;
- Economic, political and competitive forces affecting the Company's business; and
- That management's analysis of these risks and factors could be incorrect, and/or that the strategies developed to address them could be unsuccessful.

Bancorp of New Jersey, Inc., referred to as "we" or the "Company," cautions that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which change over time, and we assume no duty to update forward-looking statements, except as may be required by applicable law or regulation, we do not undertake, and specifically disclaim any obligation, to publicly release any revisions to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. We caution readers not to place undue reliance on any forward-looking statements. These statements speak only as of the date made, and we advise readers that various factors, including those described above, could affect our financial performance and could cause actual results or circumstances for future periods to differ materially from those anticipated or projected.

Critical Accounting Policies, Judgments and Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial condition and revenues and expenses for the period indicated. Actual results could differ significantly from those estimates. Management believes the following critical accounting policies

encompass the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Allowance for Loan Losses

The allowance for loan losses (“ALLL”) represents our best estimate of losses known and inherent in our loan portfolio that are both probable and reasonable to estimate. In determining the amount of the ALLL, we consider the losses inherent in our loan portfolio and changes in the nature and volume of our loan activities, along with general economic and real estate market conditions. We utilize a segmented approach which identifies: (1) impaired loans for which specific reserves are established; (2) classified loans for which a higher allowance is established; and (3) performing loans for which a general valuation allowance is established. We maintain a loan review system which provides for a systematic review of the loan portfolios and the early identification of impaired loans. The review of residential real estate and home equity consumer loans, as well as other more complex loans, is triggered by identified evaluation factors, including delinquency status, size of loan, type of collateral and the financial condition of the borrower. All commercial loans are evaluated individually for impairment. Specific loan loss allowances are established for impaired loans based on a review of such information and/or appraisals of the underlying collateral. 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.

Although specific and general loan loss allowances are established in accordance with management’s best estimates, actual losses are dependent upon future events, and as such, further provisions for loan losses may be necessary in order to increase the level of the allowance for loan losses. For example, our evaluation of the allowance includes consideration of current economic conditions, and a change in economic conditions could reduce the ability of borrowers to make timely repayments of their loans. This could result in increased delinquencies and increased non-performing loans, and thus a need to make increased provisions to the allowance for loan losses. Any such increase in provisions would result in a reduction to our earnings. A change in economic conditions could also adversely affect the value of properties collateralizing real estate loans, resulting in increased charges against the allowance and reduced recoveries, and require increased provisions to the allowance for loan losses. Furthermore, a change in the composition, or growth, of our loan portfolio could result in the need for additional provisions.

Deferred Income Taxes

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. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the period in which the deferred tax asset or liability is expected to be settled or realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period in which the change occurs. Deferred tax assets are reduced, through a valuation allowance, if necessary, by the amount of such benefits that are not expected to be realized based on current available evidence.

Results of Operations

Three Months Ended September 30, 2011 and 2010 and Nine Months Ended September 30, 2011 and 2010

Our results of operations depend primarily on net interest income, which is the difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities. Interest-earning assets consist principally of loans and investment securities, while interest-bearing liabilities consist primarily of deposits and borrowings. Net income is also affected by the provision for loan losses and the level of non-interest income as well as by non-interest expenses, including salaries and employee benefits, occupancy and equipment expense, and other expenses.

Net Income

Net income for the third quarter of 2011 was \$901 thousand compared to net income of \$544 thousand for the third quarter of 2010, an increase of \$357 thousand, or 66%. This increase was due in most part to an increase in net interest income of approximately \$612 thousand, or 19%, and a decrease in the provision for loan losses of \$130 thousand, offset somewhat by an increase in non-interest expenses of approximately \$154 thousand. Income tax expense increased by \$225 thousand, or 61%, from \$368 thousand to \$593 thousand, as a result of the increase in pre-tax income.

Net income for the nine months ended September 30, 2011 was approximately \$2.4 million compared to net income of approximately \$1.6 million for the nine months ended September 30, 2010, an increase of \$769 thousand, or 49%. Similar to the quarterly growth, the increase was attributable to an increase in net interest income of \$1.8 million, or 20%, from \$9.3 million to \$11.2 million. This increase was offset somewhat by increases in non-interest expenses and income tax expense of \$590 thousand and \$482 thousand, respectively, as well as a loss on the sale of other real estate owned, or OREO, of \$203 thousand as compared to no loss in the same period of the prior year.

On a per share basis, basic and diluted earnings per share were \$0.17 for the third quarter of 2011 as compared to basic and diluted earnings per share of \$0.10 for the third quarter of 2010. Basic and diluted earnings per share were \$0.45 for the nine months ended September 30, 2011 as compared to basic and diluted earnings per share of \$0.30 for the nine months ended September 30, 2010.

Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them. For both the three month period and the nine month period, the growth in net interest income has been, primarily, driven by increased interest income from loans, including fees, combined with the Company's ability to attract lower cost deposits during the current interest rate environment. During the third quarter of 2011, net interest income reached \$3.8 million from \$3.2 million during the third quarter of 2010, an increase of 19%, primarily as a result of loan growth during the period and the lower cost of deposits. During the third quarter of 2011, average loans grew to \$346.2 million, an increase of \$66.1 million over the average balance of loans for the third quarter one year ago of \$280.1 million. The Company's average rate paid on interest bearing deposits decreased to 1.51% for the three months ended September 30, 2011, from 1.66% for the three months ended September 30, 2010.

During the nine months ended September 30, 2011, net interest income reached \$11.2 million compared to \$9.3 million for the nine months ended September 30, 2010, an increase of \$1.8 million, or 20%. This

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increase is attributable to the increase in interest income from loans, including fees and is due in most part to the increase in loans. For the year to date period ended September 30, 2011, the average balance of loans was \$330.7 million, an increase of \$55.7 million over the average balance of loans for the year to date period ended September 30, 2010, of \$275.0 million. Interest income from loans, including fees, securities and federal funds sold reached \$14.6 million for the nine months ended September 30, 2011 from \$12.6 million for the nine months ended September 30, 2010, an increase of \$2.0 million, or 16%. At the same time, interest expense increased from \$3.2 million for the nine months ended September 30, 2010 to \$3.4 million for the nine months ended September 30, 2011, an increase of approximately \$171 thousand, or 5%. The Company's average rate paid on interest bearing deposits decreased to 1.48% for the nine months ended September 30, 2011, from 1.70% for the nine months ended September 30, 2010.

Provision for Loan Losses

The provision for loan losses is a recorded expense determined by management that adjusts the allowance for loan losses to a level, which, in management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses reflects loan quality trends, including, among other factors, the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans, net charge-offs or recoveries and growth in the loan portfolio. Accordingly, the amount of the provision reflects both the necessary increases in the allowance for loan losses related to newly identified criticized loans, as well as the actions taken related to other loans including, among other things, any necessary increases or decreases in required allowances for specific loans or loan pools. The provision for loan losses was \$300 thousand for the three months ended September 30, 2011 as compared to \$430 thousand for the three months ended September 30, 2010, a decrease of \$130 thousand. During the nine months ended September 30, 2011, the provision for loan losses was \$898 thousand as compared to \$1.1 million during the nine months ended September 30, 2010, a decrease of \$187 thousand. Despite this decrease, the allowance for loan losses was 1.22% of total loans at September 30, 2011, the same ratio as at September 30, 2010.

Non-interest Income (Loss)

Non-interest income (loss) consists primarily of fees and service charges and a loss on the sale of OREO. For the three months ended September 30, 2011, non-interest income totaled \$48 thousand, a decrease of \$6 thousand, as compared to \$54 thousand for the same period in the previous year. For the nine months ended September 30, 2011, the non-interest loss was \$41 thousand, a decrease of \$193 thousand from the nine months ended September 30, 2010 non-interest income total of \$152 thousand. Both of the period decreases were due to the loss on the sale of one OREO property in the second quarter of 2011. The Company had no OREO at September 30, 2011.

Non-interest Expense

Non-interest expense increased by \$154 thousand, or 8% during the third quarter of 2011, to \$2.1 million from \$1.9 million for the third quarter of 2010. The increase was due in most part to increases in salaries and employee benefits and professional fees of \$152 thousand and \$36 thousand, respectively, offset somewhat by a decrease in FDIC premiums of \$72 thousand. During the nine months ended September 30, 2011, non-interest expense reached approximately \$6.3 million from approximately \$5.7 million for the nine months ended September 30, 2010, an increase of \$590 thousand, or 10%. This increase reflected increases in salaries and employee benefits, professional fees and data processing expenses of \$316 thousand, \$118 thousand and \$71 thousand, respectively. The increases related to salaries and employee benefits for both periods is due in most part to the Company's overall growth and also to a lesser extent to annual increases to salaries. Professional fees increased from \$111 thousand to \$147 thousand for the three months ended September 30, 2010 and September 30, 2011, respectively, a change of \$36 thousand, or 32%, and from \$357 thousand to \$475 thousand for the nine months ended September 30, 2010 and September 30, 2011, respectively. The increase was principally due to an increase in legal fees in both the

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three month and nine month periods of 2011. The decrease in FDIC premiums for the three months ended September 30, 2011 as compared to the same period in 2010 was due to a change in the required insurance premium calculation to an asset based one that occurred in 2011. The change in the calculation of the base of the FDIC premium benefitted the Bank.

Income Tax Expense

The income tax provision grew to \$593 thousand for the quarter ended September 30, 2011 as compared to \$368 thousand for the quarter ended September 30, 2010, representing an increase of \$225 thousand, or 61%. For the nine months ended September 30, 2011, income tax expense reached \$1.6 million as compared to \$1.1 million for the nine months ended September 30, 2010, an increase of \$482 thousand, or 44%. The income tax provision is reflective of our pre-tax income and the effect of permanent differences between financial and tax reporting. These permanent tax differences include the recognition of non-deductible stock option expense as required under FASB ASC 718. The effective tax rate for the three and nine month periods ended September 30, 2011, were 39.7% and 40.1%, respectively, compared to 40.4% and 40.8%, respectively, for the same periods in 2010.

FINANCIAL CONDITION

Total consolidated assets increased \$66.1 million, or approximately 17.9%, from \$370.3 million at December 31, 2010 to \$436.4 million at September 30, 2011. Total deposits increased from \$318.4 million at December 31, 2010 to \$381.6 million at September 30, 2011, an increase of \$63.1 million, or approximately 19.8%. Loans receivable, or "total loans," increased from \$302.1 million at December 31, 2010 to \$352.9 million at September 30, 2011, an increase of \$50.8 million, or approximately 16.8%.

Loans

Our loan portfolio is the primary component of our assets. Total loans, which exclude net deferred fees and costs and the allowance for loan losses, increased by 16.8% to reach \$352.9 million at September 30, 2011 from \$302.1 million at December 31 2010. This growth in the loan portfolio continues to be primarily attributable to recommendations and referrals from members of our board of directors, our shareholders, our executive officers, and selective marketing by our management and staff. We believe that we will continue to have opportunities for loan growth within the Bergen County market of northern New Jersey, due in part, to our customer service, and competitive rate structures. We believe that it is not cost-efficient for large institutions, many of which are headquartered out of state, to provide the level of personal service to small business borrowers that these customers seek and that we endeavor to provide.

Our loan portfolio consists of commercial loans, real estate loans, consumer loans and home equity loans. Commercial loans are made for the purpose of providing working capital, financing the purchase of equipment or inventory, as well as for other business purposes. Real estate loans consist of loans secured by commercial or residential real property and loans for the construction of commercial or residential property. Consumer loans and home equity loans, are made for the purpose of financing the purchase of consumer goods, home improvements, and other personal needs, and are generally secured by the personal property being owned or being purchased.

Our loans are primarily to businesses and individuals located in Bergen County, New Jersey. We have not made loans to borrowers outside of the United States. We have not made any sub-prime loans. Commercial lending activities are focused primarily on lending to small business borrowers. We believe that our strategy of customer service, competitive rate structures, and selective marketing have enabled us to gain market entry to local loans. Furthermore, we believe that bank mergers and lending restrictions at larger financial institutions with which we compete have also contributed to the success of our efforts to

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attract borrowers. Additionally, during this current economic climate, our capital position and safety has also become important to potential borrowers.

For more information on the loan portfolio, see Note 7 in Notes to the Financial Statements in this Quarterly Report on Form 10-Q.

Loan Quality

As mentioned above, our principal assets are our loans. Inherent in the lending function is the risk of the borrower's inability to repay a loan under its existing terms. Risk elements include non-accrual loans, past due and restructured loans, potential problem loans, loan concentrations, and other real estate owned.

Non-performing assets include loans that are not accruing interest (non-accrual loans) as a result of principal or interest being in default for a period of 90 days or more and accruing loans that are 90 days past due, troubled debt restructuring loans and foreclosed assets. When a loan is classified as non-accrual, interest accruals discontinue and all past due interest, including interest applicable to prior years, is reversed and recorded in the allowance for loan losses. Until the loan becomes current, any payments received from the borrower are applied to outstanding principal until such time as management determines that the financial condition of the borrower and other factors merit recognition of such payments of interest. In the case of modified loans that meet the definition of a troubled debt restructuring loan ("TDR"), loan payments are applied as contractually agreed to in the TDR modification.

We attempt to manage overall credit risk through loan diversification and our loan underwriting and approval procedures. Due diligence begins at the time we begin to discuss the origination of a loan with a borrower. Documentation, including a borrower's credit history, materials establishing the value and liquidity of potential collateral, the purpose of the loan, the source and timing of the repayment of the loan, and other factors are analyzed before a loan is submitted for approval. Loans made are also subject to periodic audit and review.

As of September 30, 2011 the Bank had ten non-accrual loans totaling approximately \$6.1 million, compared to \$2.2 million at December 31, 2010 and \$6.6 million at June 30, 2011. Of the non-accrual loans outstanding on September 30, 2011, two loans totaling approximately \$737 thousand had specific reserves of \$97 thousand and eight loans totaling approximately \$5.4 million had no specific reserve. If interest had been accrued, such income would have been approximately \$153 thousand and \$239 thousand, respectively, for the three and nine month periods ended September 30, 2011. Within its non-accrual loans at September 30, 2011, the Bank had two residential mortgage loans that met the definition of a troubled debt restructuring loan. TDRs are loans where the contractual terms of the loan have been modified for a borrower experiencing financial difficulties. These modifications could include a reduction in the interest rate of the loan, payment extensions, forgiveness of principal or other actions to maximize collection. At September 30, 2011, one of these TDR loans had an outstanding balance of \$533 thousand, had a specific reserve connected with it for \$17 thousand and was not performing in accordance with its modified terms. The second loan classified as a TDR had an outstanding balance of \$310 thousand, had no specific reserve connected to it and is performing in accordance with its modified terms.

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include non-accruing loans but also include accruing loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loans, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection. At September 30, 2011, the Bank had eleven impaired loans. Of these impaired loans, two loans totaling \$737 thousand had specific reserves of \$97 thousand and nine loans totaling approximately \$5.6 million had no specific reserve.

As a community bank, our market area is concentrated in Bergen County, New Jersey, and as a result we have a concentration of loans collateralized by real estate, primarily in our market area at September 30, 2011 and December 31, 2010. The Bank's loan portfolio has no foreign loans and no sub-prime loans.

Investment Securities

Securities held as available for sale (“AFS”) were approximately \$40.6 million at September 30, 2011 compared to \$27.9 million at December 31, 2010. This increase in the AFS category represented the purchase of securities during the period with funds in excess of federal funds sold. Securities held to maturity increased \$182 thousand to \$3.9 million at September 30, 2011 from \$3.7 million at December 31, 2010.

Deposits

Deposits remain our primary source of funds. Total deposits increased to \$381.6 million at September 30, 2011 from \$318.4 million at December 31, 2010, an increase of \$63.1 million, or 19.8%. Time deposits, noninterest-bearing checking accounts, and savings and interest bearing checking accounts grew \$31.5 million, \$16.6 million and \$15.0 million, respectively. We believe this increase is due, in part, to the public perception of our safety and soundness. During this interest rate environment, our attractive time deposit products have allowed the Bank to increase its overall deposits while still being able to reduce its overall cost of deposits and thereby increasing its net interest income. The increase is also attributable to the continued referrals of our board of directors, stockholders, management, and staff. The Company has no foreign deposits, nor are there any material concentrations of deposits.

Liquidity

Our liquidity is a measure of our ability to fund loans, withdrawals or maturities of deposits, and other cash outflows in a cost-effective manner. Our principal sources of funds are deposits, scheduled amortization and prepayments of loan principal, maturities of investment securities, and funds provided by operations. While scheduled loan payments and maturing investments are relatively predictable sources of funds, deposit flow and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. In addition, if warranted, we would be able to borrow funds.

Our total deposits equaled \$381.6 million and \$318.4 million, respectively, at September 30, 2011 and December 31, 2010. The growth in funds provided by deposit inflows during this period, coupled with our cash position during the quarter ended September 30, 2011, has been sufficient to provide for our loan demand.

Through the investment portfolio, we have generally sought to obtain a safe, yet slightly higher yield than would have been available to us as a net seller of overnight federal funds, while maintaining liquidity. Through our investment portfolio, we also attempt to manage our maturity gap, by seeking maturities of investments which coincide with maturities of deposits. The investment portfolio also includes securities available for sale to provide liquidity for anticipated loan demand and other liquidity needs.

As of September 30, 2011, we have a \$12 million overnight line of credit with First Tennessee Bank and a \$10 million overnight line of credit with Atlantic Central Bankers Bank for the purchase of federal funds in the event that temporary liquidity needs arise. There were no amounts outstanding under either facility at June 30, 2011. We are an approved member of the Federal Home Loan Bank of New York, or “FHLB NY.” The FHLB NY relationship could provide additional sources of liquidity, if required.

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We believe that our current sources of funds provide adequate liquidity for our current cash flow needs.

Capital Resources

A significant measure of the strength of a financial institution is its capital base. Our federal regulators have classified and defined our capital into the following components: (1) Tier 1 Capital, which includes tangible shareholders' equity for common stock and qualifying preferred stock, and (2) Tier 2 Capital, which includes a portion of the allowance for loan losses, certain qualifying long-term debt, and preferred stock which does not qualify for Tier 1 Capital. Minimum capital levels are regulated by risk-based capital adequacy guidelines, which require certain capital as a percent of our assets and certain off-balance sheet items, adjusted for predefined credit risk factors, referred to as "risk-adjusted assets."

Pursuant to federal regulation we are required to maintain, at a minimum, Tier 1 Capital as a percentage of risk-adjusted assets of 4.0% and combined Tier 1 and Tier 2 Capital, or "Total Capital," as a percentage of risk-adjusted assets of 8.0%.

In addition to the risk-based guidelines, our regulators require that an institution which meets the regulator's highest performance and operation standards maintain a minimum leverage ratio (Tier 1 Capital as a percentage of tangible assets) of 3.0%. For those institutions with higher levels of risk or that are experiencing or anticipating significant growth, the minimum leverage ratio will be evaluated through the ongoing regulatory examination process. We are currently required to maintain a leverage ratio of 4.0%.

The following table summarizes the Bank's risk-based capital and leverage ratios at September 30, 2011, as well as the applicable minimum ratios:

	<u>September 30, 2011</u>	<u>Minimum Regulatory Requirements</u>
Risk-Based Capital:		
Tier 1 Capital Ratio	14.35%	4.00%
Total Capital Ratio	15.57%	8.00%
Leverage Ratio	12.04%	4.00%

The capital levels detailed above reflect the success of our initial stock offering as well as our results of operations. As we continue to employ our capital and grow our operations, we expect that our capital levels will decrease, but that we will remain a "well-capitalized" institution.

The Company is subject to similar regulatory capital requirements, and its capital ratios are similar to the Bank's capital ratios as presented in the table above.

ITEM 3. Quantitative and Qualitative Disclosures about Market/Interest Risk

As a smaller reporting company, the Company is not required to provide the information otherwise required by this Item.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As of September 30, 2011, the Company's management including the Chief Executive Officer (our Principal Executive Officer) and President and Chief Operating Officer (our Principal Financial Officer), evaluated the Company's disclosure controls and procedures related to the recording, processing, summarization, and reporting of information in the Company's periodic reports that the Company files with the Securities and Exchange Commission.

Based on their evaluation as of December 31, 2010, the Company's Chief Executive Officer and Chief Operating Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms.

Changes in internal controls over financial reporting.

There was no change in our internal control over financial reporting identified during the quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Bank are periodically parties to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans, and other issues incident to the Bank's business. Management does not believe that there is any pending or threatened proceedings against the Company or the Bank which, if determined adversely, would have a material effect on the business, financial position or results of operations of the Company or the Bank.

Item 1A. Risk Factors

As a smaller reporting company, the Company is not required to provide the information otherwise required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed or incorporated by reference as part of this report are listed in the Exhibit Index, which appears at page 41.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Bancorp of New Jersey, Inc.

Date: November 14, 2011

By: /s/ Albert F. Buzzetti
Albert F. Buzzetti
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Lesler
Michael Lesler
President and
Chief Operating Officer
(Principal Financial Officer)

EXHIBIT INDEX

Exhibit Number	Description
31.1	Rule 13a-14(a) Certification of the Principal Executive Officer
31.2	Rule 13a-14(a) Certification of the Principal Financial Officer
32	Section 1350 Certifications
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith; (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to Consolidated Financial Statements, tagged as blocks of text.

**RULE 13a-14(a) CERTIFICATION
OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Albert F. Buzzetti, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bancorp of New Jersey, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Albert F. Buzzetti

Albert F. Buzzetti
Chief Executive Officer
(Principal Executive Officer)

**RULE 13a-14(a) CERTIFICATION
OF THE PRINCIPAL FINANCIAL OFFICER**

I, Michael Lesler, President and Chief Operating Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bancorp of New Jersey, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2011

/s/ Michael Lesler

President and Chief Operating Officer
(Principal Financial Officer)

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report of Bancorp of New Jersey, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Albert F. Buzzetti

Albert F. Buzzetti
Chief Executive Officer
(Principal Executive Officer)

/s/ Michael Lesler

Michael Lesler
President and Chief Operating Officer
(Principal Financial Officer)

November 14, 2011

bkj-20110930.xml

bkj-20110930.xsd

bkj-20110930_cal.xml

bkj-20110930_def.xml

bkj-20110930_lab.xml

bkj-20110930_pre.xml