Bancorp of New Jersey, Inc.
Form 10-Q
November 14, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2014

OR

o 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 x No o

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 x No o

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 o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

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

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 7, 2014 there were 5,369,484 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

(in thousands, except share data)

ASSETS				
Cash and due from banks	$	2,517	$	2,115
Interest bearing deposits		20,848		35,168
Federal funds sold		457		458
Total cash and cash equivalents		23,822		37,741
Interest bearing time deposits		1,000		1,000
Securities available for sale		62,114		68,048
Securities held to maturity (fair value approximates $13,111 and $18,016, at September 30, 2014 and December 31, 2013, respectively)		13,106		18,011
Restricted investment in bank stock, at cost		1,754		792
Loans receivable		588,645		472,465
Deferred loan fees and unamortized costs, net		(429)		(339)
Less: allowance for loan losses		(6,647)		(5,775)
Net loans		581,569		466,351
Premises and equipment, net		10,172		10,427
Accrued interest receivable		2,454		1,456
Other real estate owned		1,067		964
Other assets		4,011		6,001
TOTAL ASSETS	$	701,069	$	610,791
LIABILITIES AND STOCKHOLDERS EQUITY				
LIABILITIES:				
Deposits				
Noninterest bearing	$	79,722	$	69,620
Savings and interest bearing transaction accounts		198,482		168,882
Time deposits under $100		45,110		50,263
Time deposits $100 and over		282,352		264,555
Total deposits		605,666		553,320
Borrowed funds		33,025		
Accrued interest payable and other liabilities		3,024		1,521
TOTAL LIABILITIES		641,715		554,841
Commitments and Contingencies				
Stockholders equity:				
Common stock, no par value, authorized 20,000,000 shares; issued and outstanding 5,369,484 and 5,340,266 at September 30, 2014 and December 31, 2013, respectively		50,946		50,475
Retained earnings		9,377		7,132
Accumulated other comprehensive loss		(969)		(1,657)
Total stockholders equity		59,354		55,950
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	701,069	$	610,791

See accompanying notes to unaudited consolidated financial statements

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BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	For the Three Months Ended September 30, 2014	2013
INTEREST INCOME		
Loans, including fees	$ 7,267	$ 6,058
Securities	226	234
Federal funds sold and other	7	19
TOTAL INTEREST INCOME	7,500	6,311
INTEREST EXPENSE		
Savings and money markets	251	177
Time deposits	1,360	1,339
Borrowed funds	82	
TOTAL INTEREST EXPENSE	1,693	1,516
NET INTEREST INCOME	5,807	4,795
Provision for loan losses	693	225
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,114	4,570
NON-INTEREST INCOME		
Fees and service charges	51	43
Losses on sale of securities	(3)	(2)
TOTAL NON-INTEREST INCOME	48	41
NON-INTEREST EXPENSE		
Salaries and employee benefits	1,685	1,412
Occupancy and equipment expense	638	587
FDIC premiums and related expenses	104	88
Data processing	215	195
Professional fees	178	83
Other expenses	389	214
TOTAL NON-INTEREST EXPENSE	3,209	2,579
Income before provision for income taxes	1,953	2,032
Income tax expense	692	807
Net income	$ 1,261	$ 1,225
PER SHARE OF COMMON STOCK		
Basic	$ 0.23	$ 0.23
Diluted	$ 0.23	$ 0.23

See accompanying notes to unaudited consolidated financial statements

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BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	For the Nine Months Ended September 30, 2014	2013
INTEREST INCOME		
Loans, including fees	$ 19,703	$ 17,621
Securities	700	845
Federal funds sold and other	39	54
TOTAL INTEREST INCOME	20,442	18,520
INTEREST EXPENSE		
Savings and money markets	715	590
Time deposits	3,969	3,966
Borrowed funds	83	
TOTAL INTEREST EXPENSE	4,767	4,556
NET INTEREST INCOME	15,675	13,964
Provision for loan losses	1,477	685
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,198	13,279
NON-INTEREST INCOME		
Fees and service charges	155	134
Fees earned from mortgage referrals		6
(Losses) gains on sale of securities	(5)	195
TOTAL NON-INTEREST INCOME	150	335
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,815	4,126
Occupancy and equipment expense	1,924	1,764
FDIC premiums and related expenses	286	266
Data processing	607	559
Loss on the sale of other real estate owned	35	
Professional fees	475	383
Other expenses	1,038	752
TOTAL NON-INTEREST EXPENSE	9,180	7,850
Income before provision for income taxes	5,168	5,764
Income tax expense	1,958	2,277
Net income	$ 3,210	$ 3,487
PER SHARE OF COMMON STOCK		
Basic	$ 0.60	$ 0.66
Diluted	$ 0.59	$ 0.65

See accompanying notes to unaudited consolidated financial statements

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BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the Three Months Ended September 30, 2014	2013
Net income	$ 1,261	$ 1,225
Other comprehensive income (loss)		
Unrealized holding gains (losses) on securities available for sale, net of deferred income tax (expense) benefit of $(52) and $43, respectively	134	(70)
Less: Reclassification adjustment for (loss) gain on sale of securities, net of tax benefit (expense) of $1 and $(1), respectively	(2)	1
Comprehensive income	$ 1,397	$ 1,154

	For the Nine Months Ended September 30, 2014	2013
Net income	$ 3,210	$ 3,487
Other comprehensive income		
Unrealized holding gains (losses) on securities available for sale, net of deferred income tax (expense) benefit of $(458) and $1,012, respectively	685	(1,629)
Less: Reclassification adjustment for (loss) gain on sale of securities, net of tax benefit (expense) of $2 and $(63), respectively	(3)	132
Comprehensive income	$ 3,898	$ 1,726

See accompanying notes to unaudited consolidated financial statements

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BANCORP OF NEW JERSEY

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Nine Months Ended September 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,210	$ 3,487
Adjustments to reconcile net income to net cash provided by Operating activities:		
Provision for loan losses	1,477	685
Amortization of securities premiums	80	109
Deferred tax benefit	(14)	(313)
Depreciation and amortization	424	380
Stock based compensation	198	128
Loss (gain) on sale of securities	5	(195)
Accretion of net loan origination fees	90	113
Loss on sale of other real estate owned	35	
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(998)	(349)
Decrease in other assets	1,543	172
Increase in accrued interest payable and other liabilities	1,503	985
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,553**	**5,202**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available for sale		(34,000)
Purchases of securities held to maturity	(9,106)	(20,009)
Proceeds from maturities of securities held to maturity	14,014	3,881
Proceeds from called or matured securities available for sale		18,031
Proceeds from sales of securities available for sale	6,995	47,330
Purchase of restricted investment in bank stock	(962)	(123)
Proceeds from sale of other real estate owned	939	
Purchase of interest bearing time deposits		(250)
Net increase in loans	(117,862)	(38,838)
Purchases of premises and equipment	(169)	(517)
NET CASH USED IN INVESTING ACTIVITIES	**(106,151)**	**(24,495)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	52,346	12,455
Proceeds from borrowed funds	33,025	
Dividends	(965)	(948)
Proceeds from the exercise of options	273	270
NET CASH PROVIDED BY FINANCING ACTIVITIES	**84,679**	**11,777**
Net decrease in cash and cash equivalents	(13,919)	(7,516)
Cash and cash equivalents, beginning of year	37,741	31,078
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 23,822**	**$ 23,562**
Supplemental information:		
Cash paid during the period for:		
Interest	$ 4,718	$ 3,057
Income taxes	$ 1,214	$ 1,700

Supplemental disclosure of non-cash investing and financing transactions:				
Loans transferred to other real estate owned	$	1,077	$	234

See accompanying notes to unaudited consolidated financial statements.

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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. (together with its consolidated subsidiary, the Company), and its direct wholly-owned subsidiary, Bank of New Jersey (the Bank) and the Bank s wholly-owned subsidiaries, BONJ-New York Corp., BONJ-New Jersey Investment Company, BONJ- Delaware Investment Company, and BONJ REIT Inc. 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 (referred to herein as the holding company reorganization).

The Company s class of common stock has no par value and the Bank s class of common stock has a par value of $10 per share.

The financial information in this quarterly report has been prepared in accordance with U.S. generally accepted accounting principles (GAAP); these financial statements have not been audited. 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.

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 its market area. 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 months ended September 30, 2014, the Company issued 3,218 shares of common stock to certain members of the Bank s executive officers and management team under the 2011 Plan (See Note 3.). During the nine months ended September 30, 2014, options to purchase 26,000 shares of common

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stock at a weighted average price of $10.48 per share were exercised for a total price of $272,000. During the nine months ended September 30, 2013, the Company issued 85,000 shares of restricted common stock to its executive officers and directors under the 2011 Plan. In addition, during the first nine months of 2013, a director of the Company exercised options to purchase 23,334 shares of common stock at $11.50 per share for a total price of $270,000.

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 the Company to grant options to directors and employees of the Company to purchase up to 239,984 shares of the Company s common stock. At September 30, 2014, incentive stock options to purchase 210,900 shares have been issued to employees of the Bank under the 2006 Stock Option Plan, of which options to purchase 161,900 shares were outstanding.

Under the 2006 Stock Option Plan, there were no unvested options at September 30, 2014 and accordingly no unrecognized share based compensation expense. Under the 2006 Stock Option Plan, options to purchase 26,000 shares of the Company s common stock were exercised during the first nine months of 2014. No options were granted or forfeited during the first nine months of 2014.

2007 Director Plan

During 2007, the Bank s stockholders approved the 2007 Non-Qualified Stock Option Plan for Directors (the 2007 Director Plan). At the time of the holding company reorganization, the 2007 Director Plan was assumed by the Company. This plan provides for options to purchase up to 480,000 shares of the Company s common stock to be issued to non-employee directors of the Company. At September 30, 2014, non-qualified options to purchase 460,000 shares of the Company s stock have been issued to non-employee directors of the Company under the 2007 Director Plan and 331,334 were outstanding at September 30, 2014. No options under the 2007 Director Plan were granted, exercised or forfeited during the first nine months of 2014. Options to purchase 30,000 shares of the Company s common stock under the 2007 Director Plan expired during the first nine months of 2013.

Under the 2007 Director Plan, there were no unvested options at September 30, 2014 and accordingly no unrecognized share based compensation expense.

In connection with both the 2006 Stock Option Plan and the 2007 Director Plan, no share based compensation expense was recognized for the three and nine months ended September 30, 2014 and 2013, 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 that date. 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, 2014 and 2013 under the 2006 Stock Option Plan and the 2007 Director Plan was approximately $195 thousand and $1.8 million, respectively.

2011 Equity Incentive Plan

During 2011, the shareholders of the Company approved the Bancorp of New Jersey, Inc. 2011 Equity Incentive Plan (the 2011 Plan). This plan authorizes the issuance of up to 250,000 shares of the Company s

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common stock, subject to adjustment in certain circumstances described in the 2011 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 (primarily the Bank) are eligible to receive awards under the 2011 Plan, provided, that only employees are eligible to receive incentive stock options. During the nine months ended September 30, 2014, 3,218 shares of common stock were issued to certain members of the Bank s executive officers and management team under the 2011 Plan. These awards were vested immediately and expensed at their fair market value at the date of the grant. For the three months and nine months ended September 30, 2014, $0 and $42 thousand was recorded as expense and nothing remains to be expensed. During the nine months ended September 30, 2013, 85,000 shares of restricted common stock were issued to the executive officers and directors of the Company under the 2011 Plan subject to forfeiture during a five year vesting term. The awards were recorded at their fair market value at the date of the grant and are being amortized to expense over the vesting period. For the three months and nine months ended September 30, 2014, $52,000 and $156,000, respectively, was recorded as expense for these awards. For the three months and nine months ended September 30, 2013, $55 thousand and $128 thousand, respectively, was recorded as expense for these awards.

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.

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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, 2014**		**2013**
Net income applicable to common stock	$	1,261	$	1,225
Weighted average number of common shares outstanding - basic		5,369		5,306
Basic earnings per share	$	0.23	$	0.23
Net income applicable to common stock	$	1,261	$	1,225
Weighted average number of common shares outstanding		5,369		5,306
Effect of dilutive options		50		102
Weighted average number of common shares and common share equivalents-diluted		5,419		5,408
Diluted earnings per share	$	0.23	$	0.23

Non-qualified options to purchase 331,334 shares of common stock at a weighted average price of $11.50; incentive stock options to purchase 75,000 shares of common stock at a weighted average price of $11.50; incentive stock options to purchase 86,900 shares of common stock at a weighted average price of $9.09; and 80,000 unvested shares of restricted common stock were included in the computation of diluted earnings per share for the three months ended September 30, 2014

Non-qualified options to purchase 361,334 shares of common stock at a weighted average price of $11.50; incentive stock options to purchase 90,000 shares of common stock at a weighted average price of $11.50; incentive stock options to purchase 97,900 shares of common stock at a weighted average price of $9.09; and 85,000 unvested shares of restricted common stock were included in the computation of diluted earnings per share for the three months ended September 30, 2013.

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

	For the nine months ended September 30,	
(In thousands except per share data)	**2014**	**2013**
Net income applicable to common stock	$ 3,210	$ 3,487
Weighted average number of common shares outstanding - basic	5,355	5,270
Basic earnings per share	$ 0.60	$ 0.66
Net income applicable to common stock	$ 3,210	$ 3,487
Weighted average number of common shares outstanding	5,355	5,270
Effect of dilutive options	59	84
Weighted average number of common shares and common share equivalents-diluted	5,414	5,354
Diluted earnings per share	$ 0.59	$ 0.65

Non-qualified options to purchase 331,334 shares of common stock at a weighted average price of $11.50; 75,000 incentive stock options at a weighted average price of $11.50; incentive stock options to purchase 86,900 shares of common stock at a weighted average price of $9.09; and 80,000 unvested shares of restricted stock were included in the computation of diluted earnings per share for the nine months ended September 30, 2014.

Non-qualified options to purchase 361,334 shares of common stock at a weighted average price of $11.50; 90,000 incentive stock options at a weighted average price of $11.50; incentive stock options to purchase 97,900 shares of common stock at a weighted average price of $9.09; and 85,000 unvested shares of restricted stock were included in the computation of diluted earnings per share for the nine months ended September 30, 2013.

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Note 5. Securities Available for Sale and Investment Securities

A summary of securities held to maturity and securities available for sale at September 30, 2014 and December 31, 2013 is as follows (in thousands):

September 30, 2014	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Held to Maturity:				
Obligations of states and political subdivisions	$ 9,106	$	$	$ 9,106
U.S. Treasury obligations	4,000	5		4,005
Total securities held to maturity	13,106	5		13,111
Securities Available for Sale:				
U.S. Treasury obligations	6,651		(297)	6,354
Government sponsored enterprise obligations	57,000		(1,240)	55,760
Total securities available for sale	63,651		(1,537)	62,114
Total securities	$ 76,757	$ 5	$ (1,537)	$ 75,225

December 31, 2013	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Held to Maturity:				
Obligations of states and political subdivisions	$ 10,014	$	$	$ 10,014
Government sponsored enterprise obligations	3,998	10		4,008
U.S. Treasury obligations	3,999		(5)	3,994
Total securities held to maturity	18,011	10	(5)	18,016
Securities Available for Sale:				
U.S. Treasury obligations	6,733		(414)	6,319
Government sponsored enterprise obligations	64,000		(2,271)	61,729
Total securities available for sale	70,733		(2,685)	68,048
Total securities	$ 88,744	$ 10	$ (2,690)	$ 86,064

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

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September 30, 2014	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	More than 12 Months Fair Value	More than 12 Months Unrealized Losses	Total Fair Value	Total Unrealized Losses
Securities Available for Sale:						
U.S. Treasury obligations	$	$	$ 6,354	$ (297)	$ 6,354	$ (297)
Government sponsored enterprise obligations	6,991	(9)	48,769	(1,231)	55,760	(1,240)
Total securities available for sale	$ 6,991	$ (9)	$ 55,123	$ (1,528)	$ 62,114	$ (1,537)

December 31, 2013	Less than 12 Months Fair Value	Less than 12 Months Unrealized Losses	More than 12 Months Fair Value	More than 12 Months Unrealized Losses	Total Fair Value	Total Unrealized Losses
Securities Held to Maturity:						
U.S. Treasury obligations	$ 3,994	$ (5)	$	$	$ 3,994	$ (5)
Securities Available for Sale:						
U.S. Treasury obligation			6,319	(414)	6,319	(414)
Government sponsored enterprise obligations	41,757	(1,243)	16,972	(1,028)	58,729	(2,271)
Total securities available for sale	41,757	(1,243)	23,291	(1,442)	65,048	(2,685)
Total securities	$ 45,751	$ (1,248)	$ 23,291	$ (1,442)	$ 69,042	$ (2,690)

The amortized cost and fair value of securities held to maturity and securities available for sale at September 30, 2014 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 Available for Sale Amortized Cost	Securities Available for Sale Fair Value	Securities Held to Maturity Amortized Cost	Securities Held to Maturity Fair Value
One year or less	$	$	$ 9,106	$ 9,106
After one to five years	36,500	35,922	4,000	4,005
After five to ten years	27,151	26,192		
Total	$ 63,651	$ 62,114	$ 13,106	$ 13,111

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.

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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) 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, 2014, the Company s available for sale securities portfolio consisted of twenty five securities, of which twenty two were in an unrealized loss position for more than twelve months and three were in a loss position for less than twelve months. No OTTI charges were recorded for the three or nine months ended September 30, 2014. 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.

Securities with an amortized cost of $10.4 million and a fair value of $10.1 million, respectively, were pledged to secure public funds on deposit at September 30, 2014. In addition, securities with an amortized cost of $5.3 million and a fair value of $5.0 million were pledged to secure borrowings with the Federal Home Loan Bank of New York (FHLBNY) as of September 30, 2014. Securities with an amortized cost of $8.4 million and a fair value of $8.1 million, respectively, were pledged to secure public funds on deposit at December 31, 2013.

During the three months ended September 30, 2014, the Company sold one security from its available for sale portfolio and recognized a loss of approximately $3 thousand. During the nine months ended September 30, 2014, the Company sold three securities from its available for sale portfolio and recognized a loss of approximately $5 thousand. For the three and nine months ended September 30, 2014, the Company did not sell any securities from its held to maturity portfolio. During the third quarter of 2013, the Company sold three securities from its available for sale portfolio. It recognized a gain of approximately $64 thousand from the sale of one of the securities and a loss of approximately $66 thousand from the sale of two of the securities. For the nine months ended September 30, 2013, the Company sold sixteen securities from its available for sale portfolio. It recognized a gain of approximately $541 thousand from the sale of seven securities, a loss of approximately $346 thousand from the sale of eight securities and no gain or loss from the sale of one security, resulting in net gains of approximately $195 thousand from the transactions. The Company did not sell any securities from its held to maturity portfolio during the three months or nine months ended September 30, 2013.

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Note 6. Loans.

The components of the loan portfolio at September 30, 2014 and December 31, 2013 are summarized as follows (in thousands):

	September 30, 2014	December 31, 2013
Commercial real estate	$ 393,489	$ 298,548
Residential mortgages	55,222	53,601
Commercial	67,633	57,634
Home equity	71,062	61,204
Consumer	1,239	1,478
	$ 588,645	$ 472,465

The Company 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 Company s lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company s control; the Company is therefore subject to risk of loss. The Company believes its lending policies and procedures adequately manage the potential exposure to such risks and that an allowance for loan losses is provided for management s best estimate of probable loan losses.

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The activity in the allowance for loan losses and recorded investment in loan receivables as of and for the periods indicated are as follows (in thousands):

For the three months ended and as of:

September 30, 2014	Commercial Real Estate	Residential Mortgages	Commercial	Home Equity	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 4,044	$ 287	$ 859	$ 607	$ 54	$ 195	$ 6,046
Charge-offs					(93)		(93)
Recoveries			1				1
Provisions	426	31	163	(6)	61	18	693
Ending balance	$ 4,470	$ 318	$ 1,023	$ 601	$ 22	$ 213	$ 6,647
Ending balance: individually evaluated for impairment	$	$ 30	$	$ 261	$	$	$ 291
Ending balance: collectively evaluted for impairment	$ 4,470	$ 288	$ 1,023	$ 340	$ 22	$ 213	$ 6,356
Loans receivables:							
Ending balance	$ 393,489	$ 55,222	$ 67,633	$ 71,062	$ 1,239	$	$ 588,645
Ending balance: individually evaluted for impairment	2,475	4,414	120	2,957			9,966
Ending balance: collectively evaluated for impairment	$ 391,014	$ 50,808	$ 67,513	$ 68,105	$ 1,239	$	$ 578,679

September 30, 2013	Commercial Real Estate	Residential Mortgages	Commercial	Home Equity	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 3,577	$ 275	$ 943	$ 537	$ 24	$ 178	$ 5,534
Charge-offs	(89)				(22)		(111)
Recoveries			1				1
Provisions	110	51	42	(46)	22	46	225
Ending balance	$ 3,598	$ 326	$ 986	$ 491	$ 24	$ 224	$ 5,649
December 31, 2013							
Allowance for loan losses:							
Ending balance	$ 3,707	$ 325	$ 969	$ 593	$ 26	$ 155	$ 5,775
Ending balance: individually evaluated for impairment	$ 237	$ 56	$ 50	$ 261	$	$	$ 604
Ending balance: collectively evaluated for impairment	$ 3,470	$ 269	$ 919	$ 332	$ 26	$ 155	$ 5,171
Loans receivables:							
Ending balance	$ 298,548	$ 53,601	$ 57,634	$ 61,204	$ 1,478	$	$ 472,465
	$ 4,204	$ 5,661	$ 50	$ 1,733	$	$	$ 11,648

Ending balance: individually evaluated for impairment													
Ending balance: collectively evaluated for impairment	$	294,344	$	47,940	$	57,584	$	59,471	$	1,478	$	$	460,817

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

For the nine months ended:

September 30, 2014	**Commercial Real Estate**	**Residential Mortgages**	**Commercial**	**Home Equity**	**Consumer**	**Unallocated**	**Total**
Allowance for loan losses							
Beginning Balance	$ 3,707	$ 325	$ 969	$ 593	$ 26	$ 155	$ 5,775
Charge-offs	(237)	(30)	(50)		(93)		(410)
Recoveries			3				3
Provisions	1,000	23	101	8	89	256	1,477
Transfer						(198)	(198)
Ending balance	$ 4,470	$ 318	$ 1,023	$ 601	$ 22	$ 213	$ 6,647

September 30, 2013	**Commercial Real Estate**	**Residential Mortgages**	**Commercial**	**Home Equity**	**Consumer**	**Unallocated**	**Total**
Allowance for loan losses							
Beginning Balance	$ 3,150	$ 322	$ 1,033	$ 383	$ 24	$ 160	$ 5,072
Charge-offs	(89)				(22)		(111)
Recoveries			3				3
Provisions	537	4	(50)	108	22	64	685
Ending balance	$ 3,598	$ 326	$ 986	$ 491	$ 24	$ 224	$ 5,649

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, 2014 and December 31, 2013, (in thousands):

September 30, 2014	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater than 90 Days**	**Total Past Due**	**Current**	**Total Loans Receivables**	**Nonaccrual Loans**
Commercial real estate	$	$ 50	$	$ 50	$ 393,439	$ 393,489	$
Residential mortgages		530	963	1,493	53,729	55,222	963
Commercial			120	120	67,513	67,633	120
Home equity	335	475	1,898	2,708	68,354	71,062	1,898
Consumer					1,239	1,239	
Total	$ 335	$ 1,055	$ 2,981	$ 4,371	$ 584,274	$ 588,645	$ 2,981

December 31, 2013	**30-59 Days Past Due**	**60-89 Days Past Due**	**Greater than 90 Days**	**Total Past Due**	**Current**	**Total Loans Receivables**	**Nonaccrual Loans**
Commercial real estate	$	$	$ 1,700	$ 1,700	$ 296,848	$ 298,548	$ 1,700
Residential mortgages			2,608	2,608	50,993	53,601	2,608
Commercial			50	50	57,584	57,634	50
Home equity	160		673	833	60,371	61,204	673
Consumer		35		35	1,443	1,478	
Total	$ 160	$ 35	$ 5,031	$ 5,226	$ 467,239	$ 472,465	$ 5,031

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

If interest on nonaccrual loans had been accrued, such income would have been approximately $39 thousand and $124 thousand for the three and nine month periods ended September 30, 2014, respectively, and $74 thousand and $248 thousand for the three and nine months ended September 30, 2013, respectively. Actual interest income recognized on these loans during the three and nine months ended September 30, 2014 was $0 and $22 thousand, respectively. Actual interest income recognized on these loans during the three and nine months ended September 30, 2013 was $0.

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 Company s internal risk rating system as of September 30, 2014 and December 31, 2013 (in thousands):

September 30, 2014	**Commercial Real Estate**	**Residential Mortgages**	**Commercial**	**Home Equity**	**Consumer**	**Total**
Pass	$ 391,411	$ 50,985	$ 66,013	$ 68,164	$ 1,239	$ 577,812
Special Mention	2,078	671	1,500	1,225		5,474
Substandard		3,566	120	1,673		5,359
Doubtful						
Total	$ 393,489	$ 55,222	$ 67,633	$ 71,062	$ 1,239	$ 588,645

December 31, 2013	**Commercial Real Estate**	**Residential Mortgages**	**Commercial**	**Home Equity**	**Consumer**	**Total**
Pass	$ 294,741	$ 48,120	$ 56,084	$ 59,531	$ 1,478	$ 459,954
Special Mention	2,107	2,873	1,500	1,000		7,480
Substandard	1,700	2,608	50	673		5,031
Doubtful						
Total	$ 298,548	$ 53,601	$ 57,634	$ 61,204	$ 1,478	$ 472,465

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A loan is considered impaired 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. The following table provides information about the Company s impaired loans at September 30, 2014 and December 31, 2013 (in thousands):

September 30, 2014	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
Impaired loans with specific reserves:			
Residential mortgages	$ 693	$ 781	$ 30
Home equity	1,594	1,594	261
Total impaired loans with specific reserves	2,287	2,375	291
Impaired loans with no specific reserves:			
Commercial real estate	2,475	2,475	
Residential mortgages	3,721	3,721	
Commercial	120	120	
Home equity	1,363	1,464	
Total impaired loans with no specific reserves	7,679	7,780	
Total impaired loans	$ 9,966	$ 10,155	$ 291

December 31, 2013	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**
Impaired loans with specific reserves:			
Commercial real estate	$ 957	$ 957	$ 237
Residential mortgages	974	1,185	56
Commercial	50	50	50
Home equity	1,594	1,594	261
Total impaired loans with specific reserves	3,575	3,786	604
Impaired loans with no specific reserves:			
Commercial real estate	3,247	3,247	
Residential mortgages	4,687	4,687	
Home equity	139	240	
Total impaired loans with no specific reserves	8,073	8,174	
Total impaired loans	$ 11,648	$ 11,960	$ 604

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The following table provides information about the Company s impaired loans for the three month periods ended September 30, 2014 and 2013, and the nine month periods ended September 30, 2014 and 2013 (in thousands):

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	Average Recorded Investment	Interest Income Received	Average Recorded Investment	Interest Income Received
Impaired loans with specific reserves:				
Commercial real estate	$	$	$ 957	$
Residential mortgages	693		975	
Commercial			50	
Home equity	1,594	17	1,000	8
Total impaired loans with specific reserves	2,287	17	2,982	8
Impaired loans with no specific reserves:				
Commercial real estate	2,856	42	3,261	6
Residential mortgages	3,722	45	4,688	36
Commercial	60	4	137	
Home equity	1,113	13	1,429	
Consumer	47		11	
Total impaired loans with no specific reserves	7,798	104	9,526	42
Total impaired loans	$ 10,085	$ 121	$ 12,508	$ 50

	Nine Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	Average Recorded Investment	Interest Income Received	Average Recorded Investment	Interest Income Received
Impaired loans with specific reserves:				
Commercial real estate	$ 418	$	$ 957	$
Residential mortgages	810	42	975	
Commercial	25		50	
Home equity	1,594		750	24
Total impaired loans with specific reserves	2,847	42	2,732	24
Impaired loans with no specific reserves:				
Commercial real estate	3,049	96	2,892	18
Residential mortgages	3,895	134	3,962	72
Commercial	30	4	206	
Home equity	626	20	1,434	
Consumer	23		6	
Total impaired loans with no specific reserves	7,623	254	8,500	90
Total impaired loans	$ 10,470	$ 296	$ 11,232	$ 114

Troubled debt restructured loans (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, a combination of these concessions or other actions to maximize collection.

The following table summarizes information in regards to TDRs by loan portfolio class as of September 30, 2014 and December 31, 2013 (in thousands):

September 30, 2014	Accrual Status	Number of Loans	Nonaccrual Status	Number of Loans	Total
Residential mortgages	$ 3,450	$ 3	$ 692	$ 2	$ 4,142
Commercial real estate	397	1			397
Home equity	1,060	2			1,060
	$ 4,907	6	$ 692	2	$ 5,599

December 31, 2013	Accrual Status	Number of Loans	Nonaccrual Status	Number of Loans	Total
Residential mortgages	$ 3,053	2	$ 2,514	4	$ 5,567
Commercial real estate	397	1	742	1	1,139
Home equity	1,060	2			1,060
	$ 4,510	5	$ 3,256	5	$ 7,766

For the three months ended September 30, 2014 and 2013, there were no new TDRs. The following table summarizes information in regards to TDRs during the nine months ended September 30, 2014 and 2013 (in thousands):

2014	Number of Loans	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Residential mortgages	1	$ 365	$ 400

2013	Number of Loans	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Residential mortgages	1	$ 179	$ 179
Home equity	1	60	60
	2	$ 239	$ 239

During the three and nine months ended September 30, 2014 and 2013, there were no defaults of loans modified in troubled debt restructurings during the previous twelve months.

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Note 7. Guarantees

The Company does not issue any guarantees that would require liability recognition or disclosure, other than the Company 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 Company generally holds collateral and/or personal guarantees supporting these commitments. As of September 30, 2014, the Company had $3.3 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, 2014 for guarantees under standby letters of credit issued is not material.

Note 8 Borrowed Funds

Borrowings consist of long-term debt fixed rate advances from the short term borrowings through lines of credit with other financial institutions. Information concerning long-term borrowings at September 30, 2014 is as follows (in thousands):

		Amount	Rate	Original Term (years)	Maturity
Fixed Rate Amortizing Note	$	4,839	1.50%	5	June 2019
Fixed Rate Amortizing Note		7,380	1.51%	5	July 2019
Fixed Rate Amortizing Note		7,000	1.51%	5	August 2019
Fixed Rate Amortizing Note		5,000	2.02%	7	August 2021
Total FHLB Advances	$	24,219	1.61%		

The Bank also has drawn down $8.8 million through its overnight line of credit with Atlantic Community Bankers Bank (ACBB). The Bank has an overnight line of credit with ACBB for $10.0 million and an overnight line of credit with First Tennessee Bank for $12.0 million for the purchase of federal funds in the event that temporary liquidity needs arise. Additionally, the Bank is a member of the FHLBNY. The FHLBNY relationship provides additional borrowing capacity. There were no borrowings from the FHLBNY or on any of the lines of credit at December 31, 2013.

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Note 9. Fair Value Measurements

GAAP 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.

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, 2014 and December 31, 2013, respectively, are as follows (in thousands):

Description	September 30, 2014	(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	$ 6,354	$	$ 6,354	$
Government sponsored enterprise obligations	55,760		55,760	
Total securities available for sale	$ 62,114	$	$ 62,114	$

		(Level 1)	(Level 2)	(Level 3)

Description	December 31, 2013	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Securities available for sale:				
U.S. Treasury obligations	$ 6,319	$	$ 6,319	$
Government sponsored enterprise obligations	61,729		61,729	
Total securities available for sale	$ 68,048	$	$ 68,048	$

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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, 2014 and December 31, 2013, respectively, follows (in thousands):

Description	September 30, 2014	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans	$ 1,996	$	$	$ 1,996

Description	December 31, 2013	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans	$ 2,971	$	$	$ 2,971

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine fair value (in thousands):

September 30, 2014	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 1,996	Appraisal of Collateral (1)	Appraisal Adjustments (2)	0% - 19.6% (-11.2%)
			Liquidation Expenses (2)	0% - 41.8% (-20.6%)

December 31, 2013	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans	$ 2,971	Appraisal of Collateral (1)	Appriasal Adjustments (2)	0% - 28.1% (-15.8%)
			Liquidation Expenses (2)	0% - 41.8% (-21.2%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.

(2) Appraisals may be adjusted for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

Impaired loans are those for which the Company has measured impairment generally based on the fair value of the loan s collateral or discounted cash flows based upon the expected proceeds. Fair value is generally based upon independent third-party appraisals of the properties. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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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 transactions 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 each period end.

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 finanical instruments at September 30, 2014 and December 31, 2013.

Fair value estimates and assumptions are set forth below for the Company s financial instruments at September 30, 2014 and December 31, 2013 (in thousands):

	September 30, 2014		(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	Carrying amount	**Fair Value**			
Financial assets:					
Cash and cash equivalents	$ 23,822	$ 23,822	$ 23,822	$	$
Interest bearing time deposits	1,000	1,000		1,000	
Securities available for sale	62,114	62,114		62,114	
Securities held to maturity	13,106	13,111		13,111	
Restricted investment in bank stock	1,754	1,754		1,754	
Net loans	581,569	584,591			584,591
Accrued interest receivable	2,454	2,454		2,454	
Financial liabilities:					
Deposits	605,666	607,407	278,204	329,203	
Borrowed funds	33,025	33,023		33,023	
Accrued interest payable	684	684		684	

	December 31, 2013		(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
	Carrying amount	**Fair Value**			
Financial assets:					
Cash and cash equivalents	$ 37,741	$ 37,741	$ 37,741	$	$
Interest bearing time deposits	1,000	1,000		1,000	
Securities available for sale	68,048	68,048		68,048	
Securities held to maturity	18,011	18,016		18,016	
Restricted investment in bank stock	792	792		792	
Net loans	466,351	468,463			468,463
Accrued interest receivable	1,456	1,456		1,456	
Financial liabilities:					
Deposits	553,320	544,483	229,666	314,817	

Accrued interest payable	635	635	635

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Cash and Cash Equivalents and Interest Bearing Time Deposits

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 illiquiditiy 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

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

Loans Receivable

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 re-price frequently and with no significant change in credit risk, fair values approximate carrying values.

Accrued Interest Receivable and Payable

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

Deposits

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., 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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Borrowed Funds

Fair values of FHLBNY amortizing advances are based on the discounted value of contractual cash flows using discount rates determined by where the cash flow falls on the FHLBNY advance curve. These discount rates (curve) are found on one of the various FHLBNY web sites. Fair values disclosed for short term advances on lines of credit are equal to their carrying value due to their term generally being no more than 14 days.

Limitation

The preceding fair value estimates were made at September 30, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, 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 2013-11 ***(Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists)***

In July, 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.* The amendments in this update require an entity with unrecognized tax benefits that is not available or not intended to be used at the reporting date to present the unrecognized tax benefit as a liability that should not be combined with deferred tax assets. Otherwise, the unrecognized tax benefit should be presented as a reduction of the related deferred tax asset. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For public entities the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The implementation of ASU 2013-11 did not have a material impact on the Company s financial position or results of operations.

ASU 2014-04 ***(Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure)***

In January, 2014, the FASB issued ASU 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* This ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The ASU also requires additional related interim and annual disclosures. The guidance in this ASU is effective for annual and interim periods beginning after December 15, 2014. The implementation of ASU 2014-01 should not have a material impact on the Company s financial position or results of operation.

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ASU 2014-09, Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The amendments in this ASU establish a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP, including those that previously followed industry-specific guidance such as the real estate, construction and software industries. The revenue standard s core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Public entities will apply the new standard for annual periods beginning after December 15, 2016, including interim periods therein. Three basic transition methods are available full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2017) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. Early adoption is prohibited under U.S. GAAP. Nonpublic entities have an additional year to adopt, i.e., the new standard applies for annual periods beginning after December 15, 2017. In addition, the new standard is effective for interim periods within annual periods that begin after December 15, 2018. The same three transition alternatives apply. Nonpublic entities are allowed to early adopt the new standard, but not any earlier than public entities. The implementation of ASU 2014-09 should not have a material impact on the Company s financial position or results of operation.

ASU 2014-11 (Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures)

In June 2014, the FASB issued ASU 2014-11, *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures.* The amendments in this ASU require two accounting changes. First, repurchase-to-maturity transactions will be accounted for as secured borrowing transactions on the balance sheet, rather than sales. Second, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with (or in contemplation of) a repurchase agreement with the same counterparty, which also will generally result in secured borrowing accounting for the repurchase agreement. The ASU also introduces new disclosures to increase transparency about the types of collateral pledged for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The ASU also requires a transferor to disclose information about transactions accounted for as a sale in which the transferor retains substantially all of the exposure to the economic return on the transferred financial assets through an agreement with the transferee. For public business entities, the accounting changes and disclosure for certain transactions accounted for as a sale are effective for the first interim or annual period beginning after December 15, 2014. The disclosure for transactions accounted for as secured borrowings is required for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. The implementation of ASU 2014-11should not have a material impact on the Company s financial position or results of operation.

ASU 2014-14 (Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force))

In August 2014 the FASB issued ASU 2014-14, *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force*. The amendments in this ASU address a practice issue related to the classification of certain foreclosed residential and nonresidential mortgage loans that are either fully or partially guaranteed under government programs. Specifically, creditors should reclassify loans that

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meet certain conditions to other receivables upon foreclosure, rather than reclassifying them to other real estate owned (OREO). The separate other receivable recorded upon foreclosure is to be measured based on the amount of the loan balance (principal and interest) the creditor expects to recover from the guarantor. The ASU is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For all other entities, the amendments are effective for annual periods ending after December 15, 2015, and interim periods beginning after December 15, 2015. Early adoption is permitted, if the entity has already adopted ASU 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure.* Transition methods include a prospective method and a modified retrospective method; however, entities must apply the same transition method as elected under ASU 2014-04. The implementation of ASU 2014-14should not have a material impact on the Company s financial position or results of operation.

Note 11. Accumulated Other Comprehensive Income

Reclassifications out of accumulated other comprehensive income for the three and nine months ended September 30, 2014 are as follows:

Details About Accumulated Other Comprehensive Income Components	**Amount Reclassified from Accumulated Other Comprehensive Income**		**Affected Line Item in the Statements of Income**
Three months ended September 30, 2014			
Available for Sale Securities			
Realized loss on sale of securities	$	(3)	Losses on sale of securities
		1	Income tax expense
Total reclassifications	$	(2)	Net of tax
Nine months ended September 30, 2014			
Available for Sale Securities			
Realized loss on sale of securities	$	(5)	Losses on sale of securities
		2	Income tax expense
Total reclassifications	$	(3)	Net of tax

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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 consolidated 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, 2013 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, 2013, 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 fut conditional verbs such as will, would, should, could, may, or similar expressions. The U.S. Private Securities Litigation Reform Act of 1995 Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, provide 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 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:

- Current economic conditions affecting the financial industry;
- Changes in interest rates and shape of the yield curve;
- Credit risk associated with our lending activities;
- Risks relating to our market area, significant real estate collateral and the real estate market;
- Operating, legal and regulatory risk;
- Fiscal and monetary policy;
- 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, and except as 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 consolidated unaudited financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the consolidated unaudited 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 critical accounting policies described in Management s Discussion and Analysis of Financial Condition and Results of Operations presented in the Company s Annual Report on Form 10-K for the year ended December 31, 2013 encompass the more significant judgments and estimates used in the preparation of the consolidated unaudited financial statements. There have been no material changes to our critical accounting policies during the nine months ended September 30, 2014. For additional information on our critical accounting policies, please refer to Note 1 of the consolidated financial statements included in our Annual Report on Form 10-K.

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Results of Operations

Three Months and Nine Months Ended September 30, 2014 and 2013

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 income tax expense.

Net Income

Net income for the third quarter of 2014 was $1.3 million compared to $1.2 million the third quarter of 2013. An increase of $36 thousand, or 2.9% was primarily due to an increase in net interest income of $1.0 million, a decrease in income tax expense of $115 thousand, offset somewhat by increases in non-interest expenses and the provision for loan losses of $630 and $468 thousand, respectively.

Net income for the nine months ended September 30, 2014 was approximately $3.2 million compared to net income of approximately $3.5 million for the nine months ended September 30, 2013, a decrease of $277 thousand, or 7.9%. The decrease was due to an increase in non-interest expenses of $1.3 million, an increase in the provision for loan losses of $792 thousand and a decrease in non-interest income of $185 thousand offset by an increase in net interest income of $1.7 million and a decrease in tax expense of $319 thousand.

On a per share basis, basic and diluted earnings per share were $0.23 for the third quarter of 2014 unchanged from the third quarter of 2013. Basic and diluted earnings per share were $0.60 and $0.59, respectively, for the nine months ended September 30, 2014 as compared to basic and diluted earnings per share of $0.66 and $0.65, respectively, for the nine months ended September 30, 2013, a decrease of $.06, or 9.1% for basic earnings per share, and $.06, or 9.2%, per share for diluted earnings per share.

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 the three month period ended September 30, 2014, the growth in net interest income has been powered primarily by increased interest income from loans, including fees. Interest income on loans increased $1.2 million for the three months ended September 30, 2014 as compared to the corresponding period last year. This increase in interest income was due to a $97.2 million increase in the average balance of loans during the quarter ended September 30, 2014, up to $567.3 million as compared to the third quarter of 2013 average loan balance of $470.1 million. Interest expense increased by $177 thousand for the three months ended September 30, 2014, compared to the three months ended September 30, 2013, and was due in most part to an increase in the average balance of interest bearing deposits of $50.8 million, up to $512.9 million during the quarter ended September 30, 2014 from $462.1 million on average for the quarter ended September 30, 2013. The average interest rate paid on interest bearing deposits decreased 5 basis points to 1.26% for the three months ended September 30, 2014, from 1.31% for the corresponding period last year.

During the nine months ended September 30, 2014, net interest income reached $15.7 million compared to $14.0 million for the nine months ended September 30, 2013, an increase of $1.7 million, or 12.3%. This increase is attributable to the increase in interest income from loans, including fees and is due in most part to the increase in average loans. Interest income from loans, including fees, securities and federal funds sold reached $20.4 million for the nine months ended September 30, 2014 from $18.5 million for the nine months ended September 30, 2013, an increase of $1.9 million, or 10.4%. At the same time, total interest expense increased by $211 thousand for the nine months ended September 30, 2014 from the nine months ended September 30, 2013. The Company s average rate paid on interest bearing deposits decreased to 1.25% for the nine months ended September 30, 2013, from 1.33% for the nine months ended September 30, 2013.

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Provision for Loan Losses

The provision for loan losses represents our determination of the amount necessary to bring our allowance for loan losses to the level that we consider adequate to absorb probable losses inherent in our loan portfolio. See Note 6 in Notes to the Unaudited Consolidated Financial Statements in Part I, Item I of this quarterly report on form 10-Q below for additional information about our allowance for loan losses. The provision for loan losses was $693 thousand and $1.5 million for the three months and nine month periods ended September 30, 2014, respectively, compared to $225 thousand and $685 thousand for the three month and nine month periods ended September 30, 2013. The increase in the provision is due in most part to the increase in the gross loan balance at September 30, 2014, of $116.2 million to $588.6 million from $472.5 million at December 31, 2013.

Non-interest Income

For the three months ended September 30, 2014, non-interest income increased by $7 thousand to $48 thousand from $41 thousand for the three months ended September 30, 2013. For the nine months ended September 30, 2014, non-interest income decreased by $185 thousand to $150 thousand from $335 thousand for the nine months ended September 30, 2013. This decrease was primarily due to the decrease in realized gains on the sales of securities recorded in 2013. For the nine months ended September 30, 2014, the Company recorded net losses of $5 thousand compared to net gains of $195 thousand for the corresponding period in 2013, on the sales of securities.

Non-interest Expense

Non-interest expense grew to $3.2 million during the third quarter of 2014 compared to $2.6 million in the third quarter of 2013, an increase of approximately $630 thousand. This increase was due in most part to increases in salaries and employee benefits, professional fees and and occupancy and equipment expense of $273 thousand, $95 thousand and $51 thousand, respectively. These increases were due in part to general increases in staff, salaries and benefits. During the nine months ended September 30, 2014, non-interest expense reached approximately $9.2 million from approximately $7.9 million for the nine months ended September 30, 2013, an increase of $1.3 million, or 16.9%. The nine month increases were due in most part to increases in salaries and benefits, occupancy and equipment expenses, and professional fees of $689 thousand, $160, and $92 thousand, respectively. The increases in salaries and employee benefits and occupancy and equipment expenses were primarily due to general increases in staff, salaries and benefits as well as occupancy costs associated with weather related issues.

Income Tax Expense

The income tax provision decreased $115 thousand to $692 thousand for the three months ended September 30, 2014 from $807 thousand for the quarter ended September 30, 2013. For the nine months ended September 30, 2014, income tax expense was $2.0 million as compared to $2.3 million for the nine months ended September 30, 2013, representing a decrease of $319 thousand. The decrease in the income tax expense for both periods of 2014 as compared to 2013 was due to the decrease in pretax income for both 2014 periods as compared to the 2013 periods as well as the establishment by the Company of a Real Estate Investment Trust or REIT. The REIT was established during the third quarter of 2014. The effective tax rate for the three and nine month periods ended September 30, 2014, were 35.4% and 37.9%, respectively, compared to 39.7% and 39.5%, respectively, for the corresponding periods in 2013.

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FINANCIAL CONDITION

Total consolidated assets increased $90.3 million, or approximately 14.8%, from $610.8 million at December 31, 2013 to $701.1 million at September 30, 2014. Loans receivable, or total loans, increased from $472.5 million at December 31, 2013 to $588.6 million at September 30, 2014, an increase of approximately $116.2 million, or 24.6%. Total deposits increased from $553.3 million at December 31, 2013 to $605.7 million at September 30, 2014, an increase of $52.3 million, or approximately 9.5%.

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 24.6% to reach $588.6 million at September 30, 2014 from $472.5 million at December 31 2013. Commercial real estate, commercial loans, home equity loans, and residential mortgages increased $94.9 million, $10.0 million, $9.9 million and $1.6 million, respectively, during the nine months ended September 30, 2014 as compared to December 31, 2013, offset somewhat by a decrease in consumer loans of $239 thousand. This growth in the loan portfolio continues to be primarily attributable to recommendations and referrals from members of our board of directors, our shareholders and 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.

Our loan portfolio consists of commercial loans, commercial and residential 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 attract borrowers.

For more information on the loan portfolio, see Note 6 in Notes to the Unaudited Consolidated Financial Statements in Part I, Item 1of 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 nonaccrual 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 (nonaccrual 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 nonaccrual, interest accruals discontinue and all past due interest, including interest applicable to prior years, is reversed and charged against current income. 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.

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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.

Within its non-accrual loans at September 30, 2014, the Bank had two residential mortgage loans that met the definition of a troubled debt restructuring (TDR). 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, 2014, nonaccruing TDR loans had an outstanding balance of $692 thousand and had specific reserves of $30 thousand. None of these loans were performing in accordance with their modified terms.

During the first nine months of 2014, one residential mortgage loan totaling $365 thousand was modified as a TDR. This loan is performing in accordance with its modified terms. During the nine months ended September 30, 2013, two loans totaling $239 thousand to the same person were modified as TDRs. Both loans are performing in accordance with their modified terms. At September 30, 2014, the Bank had a total of six accruing loans which met the definition of a TDR.

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, 2014 and December 31, 2013. The Bank s loan portfolio has no foreign loans and no sub-prime loans.

Investment Securities

Securities held as available for sale (AFS) were $62.1 million at September 30, 2014 compared to $68.0 million at December 31, 2013. This decrease was due to the sale of one security during the third quarter of 2014 totaling $2.0 million and the sale of two securities, totaling $5.0 million during the second quarter of 2014, offset somewhat by an increase in the fair value of the AFS investment portfolio.

Deposits

Deposits remain our primary source of funds. Total deposits increased to $605.7 million at September 30, 2014 from $553.3 million at December 31, 2013, an increase of $52.3 million, or 9.5%. Savings and interest bearing transaction accounts, time deposits and noninterest-bearing deposits increased by $29.6 million, $12.6 million, and $10.1 million, respectively, during the first nine months of 2014. The Company has no foreign deposits, nor are there any material concentrations of deposits.

Borrowed Funds

Borrowings consist of long term advances from the Federal Home Loan Bank of New York (FHLBNY) and short term advances on lines of credit with Atlantic Community Bankers Bank (ACBB). The long term advances are secured under terms of a blanket collateral agreement by a pledge of qualifying mortgage loans investment securities. At September 30, 2014 the Bank had outstanding borrowings of $24.2 million with the FHLBNY and $8.8 million with ACBB. The Bank had no borrowed funds at December 31, 2013. The borrowed funds were used to help fund the Bank s loan growth in the first nine months of 2014.

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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 prevailing interest rates, economic conditions, and competition. In addition, if warranted, we would be able to borrow funds.

Our total deposits equaled $605.7 million and $553.3 million, respectively, at September 30, 2014 and December 31, 2013. Cash and cash equivalents decreased from $37.7 million on December 31, 2014 to $23.8 million on September 30, 2014. The increase in deposits, the decrease in cash and cash equivalents and the increase in borrowed funds funded the increase in loans discussed above.

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, 2014, we have a $12.0 million overnight line of credit with First Tennessee Bank and a $10.0 million overnight line of credit with ACBB for the purchase of federal funds in the event that temporary liquidity needs arise. There was a total of $8.8 million outstanding under the ACBB facility at September 30, 2014. We are an approved member of the FHLBNY, and at September 30, 2014 we have a total of $24.2 million in borrowed funds with them. The FHLBNY relationship could provide additional sources of liquidity, if required.

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%.

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The following table summarizes the Bank s risk-based capital and leverage ratios at September 30, 2014, as well as the applicable minimum ratios:

	September 30, 2014	December 31, 2013	Minimum Regulatory Requirements
Risk-Based Capital:			
Tier 1 Capital Ratio	10.08%	11.89%	4.00%
Total Capital Ratio	11.20%	13.08%	8.00%
Leverage Ratio	8.89%	9.45%	4.00%

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.

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The final rules modify the calculation of capital ratios and impose higher capital requirements and more restrictive leverage and liquidity ratios than those currently in place. Smaller institutions, such as ours, will become subject to these rules beginning January 1, 2015. Among other things, the final rules call for a minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5%, a minimum ratio of tier 1 capital to risk-weighted assets of 6%, a minimum ratio of total capital to risk-weighted assets of 8%, and a minimum leverage ratio of 4%.

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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, 2014, the Company s management including the President and Chief Executive Officer (our Principal Executive Officer) and Senior Vice President and Chief Financial 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 September 30, 2014, the Company s President and Chief Executive Officer and Senior Vice President and Chief Financial 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, 2014 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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. Mine Safety Disclosures

Not Applicable

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.

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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, 2014

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

By: /s/ Richard Capone
Richard Capone
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document