Bancorp of New Jersey, Inc.
Form 10-Q
August 09, 2018
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2018

OR

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

For the transition period from to

Commission file number: 001-34089

BANCORP OF NEW JERSEY, INC.

(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	20-8444387 (I.R.S. Employer Identification No.)
1365 Palisade Ave, Fort Lee, New Jersey (Address of principal executive offices)	07024 (Zip Code)

(201) 944-8600

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date. As of August 1, 2018 there were 7,295,466 outstanding shares of the issuer’s class of common stock, no par value.

Table of Contents

INDEX

2

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except for per share data)

	June 30, 2018	December 31, 2017
Assets		
Cash and due from banks	$ 4,688	$ 1,627
Interest bearing deposits	55,257	90,540
Federal funds sold	453	452
Total cash and cash equivalents	60,398	92,619
Interest bearing time deposits	1,000	1,000
Securities available for sale	51,433	53,234
Securities held to maturity (fair value $5,852 and $6,058 at June 30, 2018 and December 31, 2017, respectively)	5,852	6,058
Restricted investment in bank stock, at cost	2,265	1,380
Loans receivable	741,053	721,191
Deferred loan fees and costs, net	(878)	(798)
Allowance for loan losses	(8,188)	(8,317)
Net loans	731,987	712,076
Premises and equipment, net	13,463	13,725
Accrued interest receivable	2,676	2,695
Other real estate owned	—	415
Other assets	4,407	4,205
Total assets	$ 873,481	$ 887,407
Liabilities and Stockholders’ Equity		
LIABILITIES:		
Deposits:		
Noninterest-bearing demand deposits	$ 152,154	$ 133,661
Savings and interest bearing transaction accounts	250,185	307,583
Time deposits $250 and under	231,181	231,224
Time deposits over $250	121,488	115,825
Total deposits	755,008	788,293
Borrowed funds	30,034	13,385
Accrued expenses and other liabilities	2,576	2,420
Total liabilities	787,618	804,098
Stockholders’ equity:		
Common stock, no par value, authorized 20,000,000 shares; issued and outstanding 7,295,492 at June 30, 2018 and 6,932,690 at December 31, 2017	76,574	70,182
Retained earnings	9,866	13,482
Accumulated other comprehensive loss	(577)	(355)
Total stockholders’ equity	85,863	83,309

Total liabilities and stockholders’ equity	$ 873,481	$ 887,407

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except for per share data)

	For the Three Months Ended June 30, 2018	2017
INTEREST INCOME		
Loans, including fees	$ 8,179	$ 7,684
Securities	233	189
Federal funds sold and other	261	290
TOTAL INTEREST INCOME	8,673	8,163
INTEREST EXPENSE		
Savings and interest bearing transaction accounts	464	442
Time deposits	1,609	1,435
Borrowed funds	123	73
TOTAL INTEREST EXPENSE	2,196	1,950
NET INTEREST INCOME	6,477	6,213
Provision for loan losses	325	—
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,152	6,213
NON-INTEREST INCOME		
Fees and service charges	110	112
TOTAL NON-INTEREST INCOME	110	112
NON-INTEREST EXPENSE		
Salaries and employee benefits	2,372	2,256
Occupancy and equipment expense	828	682
FDIC premiums and related expenses	148	208
Legal fees	219	57
Other real estate owned expenses	2	9
Professional fees	245	246
Data processing	205	332
Other expenses	692	516
TOTAL NON-INTEREST EXPENSE	4,711	4,306
Income before provision for income taxes	1,551	2,019
Income tax expense	361	730
Net income	$ 1,190	$ 1,289
PER SHARE OF COMMON STOCK		
Basic	$ 0.16	$ 0.19
Diluted	$ 0.16	$ 0.19

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except for per share data)

	For the Six Months Ended June 30,	
	2018	2017
INTEREST INCOME		
Loans, including fees	$ 16,327	$ 15,069
Securities	469	389
Federal funds sold and other	568	480
TOTAL INTEREST INCOME	17,364	15,938
INTEREST EXPENSE		
Savings and interest bearing transaction accounts	881	880
Time deposits	3,123	2,643
Borrowed funds	172	160
TOTAL INTEREST EXPENSE	4,176	3,683
NET INTEREST INCOME	13,188	12,255
Provision for loan losses	650	—
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,538	12,255
NON-INTEREST INCOME		
Fees and service charges	205	230
TOTAL NON-INTEREST INCOME	205	230
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,787	4,548
Occupancy and equipment expense	1,695	1,420
FDIC premiums and related expenses	306	441
Legal fees	357	140
Other real estate owned expenses	9	11
Professional fees	493	733
Data processing	538	636
Other expenses	1,229	878
TOTAL NON-INTEREST EXPENSE	9,414	8,807
Income before provision for income taxes	3,329	3,678
Income tax expense	796	1,327
Net income	$ 2,533	$ 2,351
PER SHARE OF COMMON STOCK		
Basic	$ 0.35	$ 0.35
Diluted	$ 0.35	$ 0.35

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the Three Months Ended June 30,	
	2018	2017
Net income	$ 1,190	$ 1,289
Other comprehensive income:		
Unrealized gains on securities available for sale, net of deferred income tax expense of $2 and $24, respectively	4	39
Comprehensive income	$ 1,194	$ 1,328

	For the Six Months Ended June 30,	
	2018	2017
Net income	$ 2,533	$ 2,351
Other comprehensive income		
Unrealized (losses) gains on securities available for sale, net of deferred income tax (benefit) expense of $(86) and $68, respectively	(222)	106
Comprehensive income	$ 2,311	$ 2,457

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Common Stock	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance at January 1, 2017	61,524	15,813	(193)	77,144
Exercise of stock options	523	—	—	523
Stock based compensation	170	—	—	170
5% Stock dividend (319,294 shares)	5,270	(5,270)	—	—
Net income	—	2,351	—	2,351
Other comprehensive income, net of taxes	—	—	106	106
Balance at June 30, 2017	$ 67,487	$ 12,894	$ (87)	$ 80,294
Balance at January 1, 2018	70,182	13,482	(355)	83,309
Exercise of stock options	7	—	—	7
Stock based compensation	236	—	—	236
5% Stock dividend (347,214 shares)	6,149	(6,149)	—	—
Net income	—	2,533	—	2,533
Other comprehensive loss, net of taxes	—	—	(222)	(222)
Balance at June 30, 2018	$ 76,574	$ 9,866	$ (577)	$ 85,863

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities:		
Net income	$ 2,533	$ 2,351
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	650	—
Amortization of securities premiums	90	96
Deferred income taxes	(89)	(98)
Depreciation	420	327
Stock based compensation	236	170
Accretion of net loan origination fees and costs	80	133
Gain on sale of other real estate owned	—	(18)
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable	19	72
(Increase) decrease in other assets	(27)	193
Increase in accrued interest payable and other liabilities	157	16
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,069	3,242
Cash flows from investing activities:		
Purchases of securities held to maturity	(5,852)	(8,501)
Proceeds from maturities of securities held to maturity	6,058	8,768
Proceeds from calls, maturities and other principal payments of securities available for sale	1,402	12,000
Purchase of restricted investment in bank stock	(1,036)	(56)
Proceeds from calls of restricted investment of bank stock	151	374
Proceeds from sale of other real estate owned	415	176
Net increase in loans	(20,641)	(15,756)
Purchases of premises and equipment	(158)	(566)
NET CASH USED IN INVESTING ACTIVITIES	(19,661)	(3,561)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(33,285)	48,568
Net increase (decrease) in borrowed funds	16,649	(8,299)
Proceeds from exercise of stock options	7	524
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(16,629)	40,793
(Decrease) increase in cash and cash equivalents	(32,221)	40,474
Cash and cash equivalents at beginning of year	92,619	76,976
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 60,398	$ 117,450
Supplemental information:		
Cash paid during the year for:		
Interest	$ 4,063	$ 3,780

Income taxes	$ 349	$ 1,003

See accompanying notes to unaudited consolidated financial statements

Table of Contents

BANCORP OF NEW JERSEY, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include the accounts of Bancorp of New Jersey, Inc. (together with its consolidated subsidiaries, 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 accounting principles generally accepted in the United States of America (“US GAAP”); these consolidated financial statements have not been audited. Certain information and footnote disclosures required under US GAAP have been condensed or omitted, as permitted by rules and regulations of the Securities and Exchange Commission. Certain 2017 information has been reclassified for consistency with the 2018 presentation.

These unaudited consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the related notes for the year ended December 31, 2017, which are included in the Company’s annual report on Form 10-K as filed with the Securities and Exchange Commission. In preparing these consolidated financial statements, the Company evaluated the events and transactions that occurred between June 30, 2018, and the date these consolidated financial statements were issued.

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 primarily 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 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, mobile 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.

Table of Contents

Note 2. Benefit Plans and Stock-Based Compensation

Stock option and restricted share information, and the related activity, for the periods presented have been adjusted for 5% stock dividends declared on June 28, 2018 and June 26, 2017, respectively.

2006 Stock Option Plan

During 2006, the Bank's stockholders approved the 2006 Stock Option Plan (the "2006 Plan"). At the time of the holding company reorganization, the 2006 Plan was assumed by the Company. The 2006 Plan allows the Company to grant Incentive Stock Options ("ISO") and Non-Qualified Stock Options ("NQO") to directors and employees of the Company to purchase up to 264,582 shares of the Company's common stock. At June 30, 2018, stock options to purchase 229,774 shares, net of forfeitures, have been issued to directors and employees of the Company under the 2006 Plan, of which options to purchase 51,280 shares were outstanding. There are no options available for grants under the 2006 Plan as the plan has expired.

During 2016, the Company granted 70,518 NQOs to employees of the Company. The fair value of the NQOs granted was $2.50 per NQO on the date of grant. The fair value of the NQOs was determined using the Black-Scholes option pricing model. The following assumptions were used in determining the fair value of the NQOs granted: expected dividend yield of 2.149%, risk free interest rate of 1.57%, expected volatility of 26.54% and expected lives of 10 years. One third of the NQOs granted vest each on February 1, 2017, February 1, 2018 and February 1, 2019.

There were 17,341 unvested options at June 30, 2018 and 39,006 unvested options at June 30, 2017. At June 30, 2018 there was $26 thousand of unrecognized compensation expense related to unvested options. For the three and six months ended June 30, 2018, $11 thousand and $21 thousand, respectively, were recorded as expense for options that have been issued through the 2006 Plan. For the three and six months ended June 30, 2017, $14 thousand and $34 thousand, respectively, were recorded as expense for options that have been issued through the 2006 Plan.

During the six months ended June 30, 2018 to purchase 617 shares of common stock at a price of $10.13 per share were exercised for a total price of $7 thousand. During the six months ended June 30, 2017 options to purchase 16,538 and 595 shares of common stock at prices of $10.43 and $10.13 per share respectively, were exercised for a total price of $179 thousand.

A summary of stock option activity under the 2006 Plan during the three months ended June 30, 2017 and 2018 are presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2017	95,322	$ 10.23		
Forfeited	(2,459)	10.13		
Exercised	(17,132)	10.42		
Outstanding at June 30, 2017	75,731	$ 10.20	$ 375,770	7.16
Exercisable at June 30, 2017	36,264	$ 10.27	$ 178,509	5.12

Table of Contents

	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2018	53,816	$ 10.13		
Forfeited	(1,919)	10.13		
Exercised	(617)	10.13		
Outstanding at June 30, 2018	51,280	$ 10.13	$ 303,406	8.06
Exercisable at June 30, 2018	33,939	$ 10.13	$ 200,807	8.06

(1) 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 June 30, 2018 and 2017, respectively. This amount changes based on the changes in the market value in the Company's stock.

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 529,200 options to purchase shares of the Company's common stock to be issued to non-employee directors of the Company. At June 30, 2018, stock options to purchase 424,830 shares, net of forfeitures, have been issued to non-employee directors of the Company under the 2007 Director Plan. No options to purchase shares were outstanding at June 30, 2018. There are no options available for grants under the 2007 Director Plan as the plan has expired.

There were no unvested options and no unrecognized compensation expense at June 30, 2018 and 2017. In connection with the 2007 Director Plan, no share based compensation expense was recognized for the three or six months ended June 30, 2018 and 2017.

A summary of stock option activity under the 2007 Director Plan during the three months ended June 30, 2017 and 2018 are presented below:

	Number of	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life

	Shares	per Share	(1)	(Years)
Outstanding at January 1, 2017	341,775	$ 10.43		
Excercised	(33,075)	10.43		
Outstanding at June 30, 2017	308,700	$ 10.43	$ 1,470,000	0.31
Exercisable at June 30, 2017	308,700	$ 10.43	$ 1,470,000	0.31

	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 1, 2018	—	$ —		
Outstanding at June 30, 2018	—	$ —	$ —	—
Exercisable at June 30, 2018	—	$ —	$ —	—

(1) 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 June 30, 2018 and 2017, respectively. This amount changes based on the changes in the market value in the Company's common stock.

Table of Contents

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 275,625 shares of the Company’s 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. At June 30, 2018, there were 180,120 shares, net of forfeitures, issued to employees and directors of the Company under the 2011 Plan.

The folowing is a summary of the non-vested restricted stock awards granted under the 2011 plan:

	2017	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2017	30,870	$ 11.79
Granted	33,075	13.60
Forfeited	(4,410)	11.79
Vested	(14,333)	11.79
Outstanding at June 30, 2017	45,202	$ 13.11

	2018	
	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2018	34,178	$ 12.96
Granted	15,750	16.70
Vested	(15,278)	12.80
Outstanding at June 30, 2018	34,650	$ 14.73

Approximately $399 thousand remains to be expensed over the next twenty months related to the unvested restricted stock as of June 30, 2018. For the three months ended June 30, 2018 and 2017, $64 thousand and $76 thousand, respectively, were recorded as compensation expenses for restricted stock that had been issued through the 2011 Plan.

During 2016, the Company granted 33,075 NQOs to an executive of the Company. The fair value of the NQOs granted was $2.65 per NQO on the date of grant. The fair value of the NQOs was determined using the Black-Scholes option pricing model. The following assumptions were used in determining the fair value of the NQOs granted: expected dividend yield of 2.137%, risk free interest rate of 1.87%, expected volatility of 27.0% and expected lives of 10 years. One third of the NQOs granted vested immediately, with the remaining NQOs vesting over a two year period.

In July 2017, the Company granted 15,435 NQOs to employees of the Company. The fair value of the NQOs granted was $6.62 per NQO on the date of grant. The fair value of the NQOs was determined using the Black-Scholes option pricing model. The following assumptions were used in determining the fair value of the NQOs granted: expected dividend yield of 0.00%, risk free interest rate of 2.31%, expected volatility of 26.81% and expected lives of 10 years. One third of the NQOs granted vest each on February 1, 2018, February 1, 2019 and February 1, 2020.

There were 9,870 unvested options at June 30, 2018 and 11,025 unvested options at June 30, 2017. At June 30, 2018 there was $52 thousand of unrecognized compensation expense related to unvested options. For the three and six months ended June 30, 2018, $10 thousand and $28 thousand, respectively, were recorded as expense for options that have been issued through the 2011 Plan. For the three and six months ended June 30, 2017, $7 thousand and $15 thousand, respectively, were recorded as expense for options that have been issued through the 2011 Plan.

No options were exercised under the 2011 Plan during the six months ended June 30, 2018 and 2017.

Table of Contents

A summary of stock option activity under the 2011 Plan during the three months ended June 30, 2017 and 2018 are presented below:

	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2017	33,075	$ 10.19		
Outstanding at June 30, 2017	33,075	$ 10.19	$ 165,375	8.81
Exercisable at June 30, 2017	22,050	$ 10.19	$ 110,250	8.81

	Number of Shares	Weighted Average Exercise Price per Share	Aggregate Intrinsic Value (1)	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2018	48,510	$ 12.11		
Forfeited	(420)	16.24		
Outstanding at June 30, 2018	48,090	$ 12.08	$ 190,980	8.21
Exercisable at June 30, 2018	38,220	$ 11.00	$ 192,836	7.98

(1) 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 June 30, 2018 and 2017, respectively. This amount changes based on the changes in the market value in the Company's common stock.

Defined Contribution Plan

The Company currently offers a Safe Harbor 401(k) Plan ("Plan") covering eligible employees, wherein employees can invest eligible pretax and after tax earnings up to the Plan and legal limits. The Company makes safe harbor matching contributions equal to 100% of the employees' earnings deferrals that do not exceed 4% of the employees' compensation. The Company recorded matching contributions of approximately $55 thousand and $47 thousand during the three months ended June 30, 2018 and 2017, respectively and approximately $116 thousand and $107 thousand during the six months ended June 30, 2018 and 2017, respectively.

Note 3. 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 outstanding during that period. Outstanding “common share equivalents” include options and warrants to purchase the Company’s common stock.

Table of Contents

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

(In thousands except per share data)	For the three months ended June 30, 2018	2017
Net income available to common stockholders	$ 1,190	$ 1,289
Weighted average number of common shares outstanding - basic	7,296	6,696
Basic earnings per share	$ 0.16	$ 0.19
Net income available to common stockholders	$ 1,190	$ 1,289
Weighted average number of common shares outstanding	7,296	6,696
Effect of dilutive options	20	67
Weighted average number of common shares outstanding- diluted	7,316	6,763
Diluted earnings per share	$ 0.16	$ 0.19

NQOs to purchase 100,605 shares of common stock at a weighted average price of $11.09 were included in the computation of diluted earnings per share for the three months ended June 30, 2018.

ISOs to purchase 15,750 shares of common stock at a price of $10.95 and non-qualified options to purchase 349,934 shares of common stock at a weighted average price of $10.88 were included in the computation of diluted earnings per share for the three months ended June 30, 2017.

The following table shows earnings per share for the six months periods presented:

(In thousands except per share data)	For the six months ended June 30, 2018	2017
Net income available to common stockholders	$ 2,533	$ 2,351
Weighted average number of common shares outstanding - basic	7,293	6,672
Basic earnings per share	$ 0.35	$ 0.35
Net income available to common stockholders	$ 2,533	$ 2,351
Weighted average number of common shares outstanding	7,293	6,672
Effect of dilutive options	20	57
Weighted average number of common shares and common share equivalents- diluted	7,313	6,729
Diluted earnings per share	$ 0.35	$ 0.35

NQOs to purchase 100,605 shares of common stock at a weighted average price of $11.09 were included in the computation of diluted earnings per share for the six months ended June 30, 2018.

ISOs to purchase 15,750 shares of common stock at a weighted average price of $10.95 and non-qualified options to purchase 349,934 shares of common stock at a weighted average price of $10.88 were included in the computation of diluted earnings per share for the six months ended June 30, 2017.

Table of Contents

Note 4. Securities Available for Sale and Held to Maturity Securities

A summary of securities held to maturity and securities available for sale at June 30, 2018 and December 31, 2017 is as follows (in thousands):

June 30, 2018	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
Obligations of states and political subdivisions	$ 5,852	$ —	$ —	$ 5,852
Total securities held to maturity	5,852	—	—	5,852
Securities Available for Sale:				
U.S. Treasury securities	6,229	—	(175)	6,054
Government sponsored enterprise obligations				
Agency backed	33,444	—	(278)	33,166
Mortgage backed	12,559	—	(346)	12,213
Total securities available for sale	52,232	—	(799)	51,433
	$ 58,084	$ —	$ (799)	$ 57,285

December 31, 2017	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
Obligations of states and political subdivisions	$ 6,058	$ —	$ —	$ 6,058
Total securities held to maturity	6,058	—	—	6,058
Securities Available for Sale:				
U.S. Treasury securities	6,286	—	(124)	6,162
Government sponsored enterprise obligations				
Agency backed	33,453	—	(218)	33,235
Mortgage backed	13,986	—	(149)	13,837
Total securities available for sale	53,725	—	(491)	53,234
	$ 59,783	$ —	$ (491)	$ 59,292

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

	Less than 12 Months		More than 12 Months		Total	
June 30, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities Available for Sale:						
U.S. Treasury securities	—	—	6,054	(175)	6,054	(175)
Government sponsored enterprise obligations	21,979	(503)	23,400	(121)	45,379	(624)
Total securities available for sale	21,979	(503)	29,454	(296)	51,433	(799)
Total securities	$ 21,979	$ (503)	$ 29,454	$ (296)	$ 51,433	$ (799)

Table of Contents

December 31, 2017	Less than 12 Months Fair Value	Unrealized Losses	More than 12 Months Fair Value	Unrealized Losses	Total Fair Value	Unrealized Losses
Securities Available for Sale:						
U.S. Treasury securities	—	—	6,162	(124)	6,162	(124)
Government sponsored enterprise obligations	23,691	(201)	23,381	(166)	47,072	(367)
Total securities available for sale	23,691	(201)	29,543	(290)	53,234	(491)
Total securities	$ 23,691	$ (201)	$ 29,543	$ (290)	$ 53,234	$ (491)

The amortized cost and fair value of securities held to maturity and securities available for sale at June 30, 2018 by contractual maturity are shown below. Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay their obligations. (in thousands):

	Securities Held to Maturity Amortized Cost	Fair Value	Securities Available for Sale Amortized Cost	Fair Value
One year or less	$ 5,852	$ 5,852	$ 22,021	$ 21,920
After one to five years	—	—	17,652	17,300
Greater than five years	—	—	12,559	12,213
Total	$ 5,852	$ 5,852	$ 52,232	$ 51,433

Management evaluates securities for other-than-temporary-impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. In determining OTTI management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than amortized cost; (2) the financial condition and near term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions, and (4) 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. 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 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, OTTI would be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at statement of financial condition 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, 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 OTTI recognized in earnings would become the new amortized cost basis of the investment.

At June 30, 2018, the Company’s securities available for sale portfolio consisted of fourteen securities, of which nine were in an unrealized loss position for more than twelve months, and five were in a loss position for less than twelve months. No OTTI charges were recorded for the three or six months ended June 30, 2018. 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 available for sale with an amortized cost of $11.1 milion and a fair value of $10.9 million were pledged to secure borrowings with the Federal Home Loan Bank of New York (“FHLBNY”) as of June 30, 2018. Securities with an amortized cost of $20.2 million and a fair value of $20 million, were pledged to secure public funds on deposit at December 31, 2017. In addition, securities with an amortized cost of $11.1 million and a fair value of $11 million were pledged to secure borrowings with FHLBNY as of December 31, 2017.

During the three and six months ended June 31, 2018 and 2017, the Company did not sell securities from its available for sale or held to maturity portfolios.

Table of Contents

Note 5. Loans.

The components of the loan portfolio, which are categorized by collateral code, at June 30, 2018 and December 31, 2017 are summarized as follows (in thousands):

	June 30, 2018	December 31, 2017
Commercial real estate	$ 610,388	$ 573,941
Residential mortgages	59,715	66,497
Commercial and industrial	25,541	27,237
Home equity	45,110	53,199
Consumer	299	317
	$ 741,053	$ 721,191

The Company grants loans primarily to residents and businesses within its local New Jersey 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 an allowance for loan losses is provided for management's best estimate of probable loan losses.

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:

June 30, 2018	Commercial Real Estate	Residential Mortgages	Commercial & Industrial	Home Equity	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 5,955	$ 332	$ 608	$ 627	$ 32	$ 557	$ 8,111
Charge-offs	—	—	(24)	(228)	—	—	(252)
Recoveries	—	—	2	—	2	—	4
Provision	315	(22)	12	158	(6)	(132)	325

Ending balance	$ 6,270	$ 310	$ 598	$ 557	$ 28	$ 425	$ 8,188
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 6,270	$ 310	$ 598	$ 557	$ 28	$ 425	$ 8,188
Loan receivables:							
Ending balance	$ 610,388	$ 59,715	$ 25,541	$ 45,110	$ 299	$ —	$ 741,053
Ending balance: individually evaluated for impairment	$ 11,148	$ 7,821	$ 2,064	$ 1,952	$ —	$ —	$ 22,985
Ending balance: collectively evaluated for impairment	$ 599,240	$ 51,894	$ 23,477	$ 43,158	$ 299	$ —	$ 718,068

Table of Contents

June 30, 2017	Commercial Real Estate	Residential Mortgages	Commercial & Industrial	Home Equity	Consumer	Unallocated	Total
Allowance for loan losses:							
Beginning Balance	$ 5,857	$ 468	$ 702	$ 435	$ 5	$ 774	$ 8,241
Charge-offs	—	—	—	(153)	(96)	—	(249)
Recoveries	—	—	—	—	1	—	1
Provision	(402)	(87)	(103)	61	93	438	—
Ending balance	$ 5,455	$ 381	$ 599	$ 343	$ 3	$ 1,212	$ 7,993
December 31, 2017							
Allowance for loan losses:							
Ending balance	$ 5,867	$ 372	$ 575	$ 403	$ 50	$ 1,050	$ 8,317
Ending balance: individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Ending balance: collectively evaluated for impairment	$ 5,867	$ 372	$ 575	$ 403	$ 50	$ 1,050	$ 8,317
Loan receivables:							
Ending balance	$ 573,941	$ 66,497	$ 27,237	$ 53,199	$ 317	$ —	$ 721,191
Ending balance: individually evaluated for impairment	$ 11,554	$ 8,966	$ 2,957	$ 3,214	$ —	$ —	$ 26,691
Ending balance: collectively evaluated for impairment	$ 562,387	$ 57,531	$ 24,280	$ 49,985	$ 317	$ —	$ 694,500

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

For the six months ended:

June 30, 2018	Commercial Real Estate	Residential Mortgages	Commercial	Home Equity	Consumer	Unallocated	Total

			& Industrial				
Allowance for loan losses							
Beginning Balance	$ 5,867	$ 372	$ 575	$ 403	$ 50	$ 1,050	$ 8,317
Charge-offs	—	—	(49)	(738)	—	—	(787)
Recoveries	—	—	4	—	4	—	8
Provisions	403	(62)	68	892	(26)	(625)	650
Ending balance	$ 6,270	$ 310	$ 598	$ 557	$ 28	$ 425	$ 8,188

June 30, 2017	Commercial Real Estate	Residential Mortgages	Commercial & Industrial	Home Equity	Consumer	Unallocated	Total
Allowance for loan losses							
Beginning Balance	$ 5,925	$ 554	$ 809	$ 425	$ 6	$ 568	$ 8,287
Charge-offs	—	(47)	—	(153)	(96)	—	(296)
Recoveries	—	1	—	—	1	—	2
Provisions	(470)	(127)	(210)	71	92	644	—
Ending balance	$ 5,455	$ 381	$ 599	$ 343	$ 3	$ 1,212	$ 7,993

Table of Contents

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 June 30, 2018 and December 31, 2017, (in thousands):

June 30, 2018	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans Receivables	Nonaccrual Loans
Commercial real estate	$ 615	$ 76	$ 1,312	$ 2,003	$ 608,385	$ 610,388	$ 2,957
Residential mortgages	2,194	—	2,575	4,769	54,946	59,715	7,821
Commercial and industrial	—	8	2,064	2,072	23,469	25,541	2,064
Home equity	40	160	1,680	1,880	43,230	45,110	1,903
Consumer	56	—	—	56	243	299	—
	$ 2,905	$ 244	$ 7,631	$ 10,780	$ 730,273	$ 741,053	$ 14,745

December 31, 2017	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans Receivables	Nonaccrual Loans
Commercial real estate	$ 209	$ —	$ 3,343	$ 3,552	$ 570,389	$ 573,941	$ 3,344
Residential mortgages	4,527	974	2,026	7,527	58,970	66,497	9,052
Commercial and industrial	—	25	2,957	2,982	24,255	27,237	2,957
Home equity	3,265	1,230	1,022	5,517	47,682	53,199	3,073
Consumer	—	—	—	—	317	317	—
	$ 8,001	$ 2,229	$ 9,348	$ 19,578	$ 701,613	$ 721,191	$ 18,426

At June 30, 2018 and December 31, 2017, the Company had no loans greater than ninety days delinquent and accruing interest.

If nonaccrual loans had been current in accordance with their original terms and had been outstanding throughout the three month periods ended June 30, 2018 and 2017, the gross interest income would have been $109 thousand and $118 thousand, respectively. If nonaccrual loans had been current in accordance with their original terms and had been outstanding throughout the six month period ended June 30, 2018 and 2017, the gross interest income would have been $204 thousand and $283 thousand, respectively. There was no interest income recognized on these loans during the three and six months ended June 30, 2018 and 2017.

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 June 30, 2018 and December 31, 2017 (in thousands):

June 30, 2018	Commercial Real Estate	Residential Mortgages	Commercial & Industrial	Home Equity	Consumer	Total
Pass	$ 599,240	$ 50,803	$ 23,248	$ 43,158	$ 299	$ 716,748
Special Mention	—	1,091	229	—	—	1,320
Substandard	11,148	7,821	2,064	1,952	—	22,985
Doubtful	—	—	—	—	—	—
	$ 610,388	$ 59,715	$ 25,541	$ 45,110	$ 299	$ 741,053

Table of Contents

December 31, 2017	Commercial Real Estate	Residential Mortgages	Commercial & Industrial	Home Equity	Consumer	Total
Pass	$ 562,387	$ 56,407	$ 24,051	$ 49,985	$ 317	$ 693,147
Special Mention	—	1,124	229	—	—	1,353
Substandard	11,554	8,966	2,957	3,214	—	26,691
Doubtful	—	—	—	—	—	—
	$ 573,941	$ 66,497	$ 27,237	$ 53,199	$ 317	$ 721,191

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 June 30, 2018 and December 31, 2017 (in thousands):

June 30, 2018	Recorded Investment	Unpaid Principal Balance	Related Allowance
Commercial real estate	$ 11,148	$ 11,160	$ —
Residential mortgages	7,821	9,566	—
Commercial and industrial	2,064	2,188	—
Home equity	1,952	2,555	—
Total impaired loans	$ 22,985	$ 25,469	$ —

December 31, 2017	Recorded Investment	Unpaid Principal Balance	Related Allowance
Commercial real estate	$ 11,554	$ 11,578	$ —
Residential mortgages	8,966	10,287	—
Commercial and industrial	2,957	3,057	—
Home equity	3,214	3,509	—
Total impaired loans	$ 26,691	$ 28,431	$ —

The following tables provide information about the Company's impaired loans for the three and six months ended june 30, 2018 and 2017 (in thousands):

	Three Months Ended	Three Months Ended

	June 30, 2018		June 30, 2017	
	Average Recorded Investment	Interest Income Received	Average Recorded Investment	Interest Income Received
Commercial real estate	$ 11,167	$ —	$ 9,901	$ —
Residential mortgages	8,356	—	5,343	—
Commercial and industrial	2,511	—	3,197	—
Home equity	2,053	—	7,485	—
Total impaired loans	$ 24,087	$ —	$ 25,926	$ —

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2017	
	Average Recorded Investment	Interest Income Received	Average Recorded Investment	Interest Income Received
Commercial real estate	$ 11,296	$ —	$ 9,906	$ —
Residential mortgages	8,588	—	5,422	—
Commercial	2,660	—	3,217	—
Home equity	2,411	—	7,555	—
Total impaired loans	$ 24,955	$ —	$ 26,100	$ —

Table of Contents

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 or a combination of these concessions.

The following table summarizes information in regards to TDRs by loan portfolio class as of June 30, 2018 and December 31, 2017 (in thousands):

June 30, 2018	Accrual Status	Number of Loans	Nonaccrual Status	Number of Loans	Total
Residential mortgages	$ 940	4	$ 5,637	10	$ 6,577
Home equity	—	—	1,333	5	1,333
	$ 940	4	$ 6,970	15	$ 7,910

December 31, 2017	Accrual Status	Number of Loans	Nonaccrual Status	Number of Loans	Total
Commercial real estate	$ —	—	$ 338	1	$ 338
Residential mortgages	637	3	7,446	10	8,083
Home equity	—	—	2,959	8	2,959
	$ 637	3	$ 10,743	19	$ 11,380

For the six months ended June 30, 2018 there were two new TDRs that occurred. For the six months ended June 30, 2017 there was one new TDR that occurred.

2018	Number of Loans	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Residential mortgages	2	$ 989	$ 989
	2	$ 989	$ 989

2017	Number of Loans	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments

Residential mortgages	1	$ 2,984	$ 2,984
	1	$ 2,984	$ 2,984

During the three and six months ended June 30, 2018, the Company had no loans meeting the definition of a TDR that were placed on default status.

The Company may obtain physical possession of real estate collateralizing loans via foreclosure or an in-substance repossession into other real estate owned. During the six months ended June 30, 2018, the Company had no foreclosed residential real estate properties. In addition, as of June 30, 2018, the Company had loans with a carrying value of $3.9 million collateralized by real estate property for which formal foreclosure proceedings were in process.

Note 6. 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 that involved in extending loan facilities to customers. The Company generally holds collateral and/or personal guarantees supporting these commitments. As of June 30, 2018, the Company had $3.0 million of letters of credit outstanding. Management

Table of Contents

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 June 30, 2018 for guarantees under standby letters of credit issued is not material.

Note 7. Borrowed Funds

Borrowings may consist of long-term and short-term debt fixed rate advances from the FHLBNY as well as short term borrowings through lines of credit with other financial institutions. Information concerning borrowings at June 30, 2018 and December 31, 2017, is as follows (in thousands):

	2018			
June 30, 2018	Amount	Rate	Original Term (years)	Maturity
Fixed Rate Note	$ 10,000	2.90 %	3	April 2021
Fixed Rate Note	10,000	2.95 %	2	June 2020
Fixed Rate Amortizing Note	1,115	1.50 %	5	June 2019
Fixed Rate Amortizing Note	1,801	1.51 %	5	July 2019
Fixed Rate Amortizing Note	1,800	1.51 %	5	August 2019
Fixed Rate Amortizing Note	2,409	2.02 %	7	August 2021
Fixed Rate Amortizing Note	2,909	1.48 %	5	October 2019
	$ 30,034	2.49 %		

	2017			
December 31, 2017	Amount	Rate	Original Term (years)	Maturity
Fixed Rate Amortizing Note	1,624	1.50 %	5	June 2019
Fixed Rate Amortizing Note	2,563	1.51 %	5	July 2019
Fixed Rate Amortizing Note	2,511	1.51 %	5	August 2019
Fixed Rate Amortizing Note	2,766	2.02 %	7	August 2021
Fixed Rate Amortizing Note	3,921	1.48 %	5	October 2019
	$ 13,385	1.61 %		

In addition to the advances listed above, the Bank had municipal letters of credit issued by FHLBNY in the amount of $40 million at both June 30, 2018 and December 31, 2017.

At June 30, 2018 and December 31, 2017, loans with a carrying value of approximately $204.3 million and $149.3 million and securities with a fair value of $10.9 million and $11.0 million, respectively, were pledged to secure advances and municipal letters of credit from the FHLBNY.

The Company has a $5.0 million line of credit with the Atlantic Community Bankers Bank. In addition, the Bank has a $16 million overnight line of credit facility available with Zions First National Bank, a $12.0 million overnight line of credit available with First Tennessee Bank and a $10.0 million overnight line of credit with Atlantic Community Bankers Bank for the purchase of federal funds in the event that temporary liquidity needs arise. There were no outstanding borrowings on any of the lines of credit at June 30, 2018 and December 31, 2017.

Note 8. Capital Resources

A significant measure of the strength of a financial institution is its capital base.

The banking regulators have established guidelines for leverage capital requirements, expressed in terms of Tier 1 or core capital as a percentage of average assets, to measure the soundness of a financial institution. In addition, banking regulators have established risk-based capital guidelines for U.S. banking organizations.

Under the final capital rules that became effective on January 1, 2015, there is a requirement for a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets which is in addition to the other minimum risk-based capital standards in the rule. The implementation of the capital conservation buffer began on January 1, 2016 at

Table of Contents

the 0.625% level and is being phased in over a four-year period, increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019.

The aforementioned capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to Risk Weighted Assets above the minimum but below the conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The following table summarizes the Bank's risk-based capital and leverage ratios at June 30, 2018, the applicable minimum ratios, the applicable minimum required based on the phase-in provisions and the minimum required to be considered well capitalized:

	June 30, 2018		Minimum Required For Capital Adequacy Purposes		Minimum Capital With Phase-in Buffer Schedule		To Be Well Capitalized Under Prompt Corrective Action Regulations	
Risk-Based Capital:								
Common Equity Tier 1 Capital	10.86	%	4.50	%	6.375	%	6.50	%
Tier 1 Capital Ratio	10.86	%	6.00	%	7.875	%	8.00	%
Total Capital Ratio	11.93	%	8.00	%	9.875	%	10.00	%
Leverage Ratio	9.86	%	4.00	%	N/A		5.00	%

Under a policy of the Federal Reserve applicable to holding companies with less than $1 billion in assets, the Company is not subject to capital requirements on a consolidated basis.

Note 9. Fair Value Measurements

US 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.

Table of Contents

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at June 30, 2018 and December 31, 2017, respectively, are as follows (in thousands):

Description	June 30, 2018	(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 securities	$ 6,054	$ —	$ 6,054	$ —
Government sponsored enterprise obligations:				
Agency backed	33,166	—	33,166	—
Mortgage backed	12,213	—	12,213	—
Total securities available for sale	$ 51,433	$ —	$ 51,433	$ —

Description	December 31, 2017	(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 securities	$ 6,162	$ —	$ 6,162	$ —
Government sponsored enterprise obligations:				
Agency backed	33,235	—	33,235	—
Mortgage backed	13,837	—	13,837	—
Total securities available for sale	$ 53,234	$ —	$ 53,234	$ —

There were no financial assets measured at fair value on a nonreccuring basis at June 30, 2018. There were no transfers between Levels 1, 2 or 3 for the three and six month periods ended June 30, 2018 and 2017. For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2017 are as follows (in thousands):

Description	December 31, 2017	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs

Other real estate owned	$ 415	$ —	$ —	$ 415

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):

December 31, 2017	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Other real estate owned	$ 415	Appraisal of Collateral (1)	Appraisal Adjustments (2)	21.8
			Liquidation Expenses (2)	6.8

(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.

Other real estate owned assets are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned, establishing a new cost basis. The fair value of other real estate owned is based upon independent third party appraisal values of the collateral or management's estimation of the value of the collateral. These assets are

Table of Contents

included as Level 3 fair values. 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 ends 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.

Fair value estimates and assumptions are set forth below for the Company's financial instruments at June 30, 2018 and December 31, 2017 (in thousands):

	June 30, 2018 Carrying amount	Estimated Fair Value	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Financial assets:					
Cash and cash equivalents	$ 60,398	$ 60,398	$ 60,398	$ —	$ —
Interest bearing time deposits	1,000	1,000	—	1,000	—
Securities available for sale	51,433	51,433	—	51,433	—
Securities held to maturity	5,852	5,852	—	5,852	—
Restricted investment in bank stock	2,265	2,265	—	2,265	—
Loans receivable, net	731,987	697,177	—	—	697,177
Accrued interest receivable	2,676	2,676	—	2,676	—
Financial liabilities:					
Deposits	755,008	759,535	—	759,535	—
Borrowed funds	30,034	29,927	—	29,927	—
Accrued interest payable	765	765	—	765	—

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

	December 31, 2017 Carrying amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Financial assets:					
Cash and cash equivalents	$ 92,619	$ 92,619	$ 92,619	$ —	$ —
Interest bearing time deposits	1,000	1,000	—	1,000	—
Securities available for sale	53,234	53,234	—	53,234	—
Securities held to maturity	6,058	6,058	—	6,058	—
Restricted investment in bank stock	1,380	1,380	—	1,380	—
Loans receivable, net	712,076	703,901	—	—	703,901
Accrued interest receivable	2,695	2,695	—	2,695	—
Financial liabilities:					
Deposits	788,293	793,879	—	793,879	—
Borrowed funds	13,385	13,307	—	13,307	—
Accrued interest payable	651	651	—	651	—

Table of Contents

Cash and Cash Equivalents and Interest Bearing Time Deposits

The carrying amounts reported in the statement of financial condition 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, if applicable.

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, Net

The fair value of loans are estimated using discounted cash flow analyses, using market rates at the date of statement of financial condition that reflect the interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates and 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.

Impaired loans

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 collateral. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Accrued Interest Receivable and Payable

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

Other Real Estate Owned

Other real estate owned assets are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned, establishing a new cost basis. The fair value of other real estate owned is based upon independent third party appraisal values of the collateral or management's estimation of the value of the collateral. These assets are included as Level 3 fair values.

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.

Table of Contents

Borrowed Funds

The fair value of borrowed funds is estimated using quoted market prices, if available, or by discounting future cash flows using current interest rates for similar financial instruments.

Limitation

The preceding fair value estimates were made at June 30, 2018 and December 31, 2017 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 June 30, 2018 and December 31, 2017, 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. Accumulated Other Comprehensive Income

There were no reclassifications out of accumulated other comprehensive income for the three and six months ended June 30, 2018 and 2017.

Note 11. Recent Accounting Pronouncements

This note provides a summary description of recent accounting standards that have significant implications (elected or required) within the consolidated financial statements, or that management expects may have a significant impact on consolidated financial statements issued in the near future.

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

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. The Company applied the five-step method outlined in the ASU to all revenue streams scoped-in by the ASU and elected the modified retrospective implementation method. Substantially all of the Corporation’s interest income and certain noninterest income were not impacted by the adoption of this ASU because the revenue from those contracts with customers is covered by other guidance in U.S. GAAP. The Company’s largest source of noninterest revenue which is subject to the guidance is service charges on deposit accounts. The Company adopted ASU 2014-09 on January 1, 2018. The adoption of ASU 2014-09 did not change the timing and pattern of the Company’s revenue recognition related to scoped-in noninterest income. The adoption did not have a material impact on the Company’s consolidated financial statements.

Table of Contents

ASU 2016-1, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.

In January 2016 the FASB issued ASU 2016-1, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. The Company adopted ASU 2016-01 on January 1, 2018. The adoption did not have a material impact on the Company’s consolidated financial statements.

ASU 2016-02, Leases.

In February 2016 the FASB issued ASU 2016-02, Leases. ASU 2016-02 amends existing lease accounting guidance to include the requirement to recognize most lease arrangements on the balance sheet. The adoption of this standard will require the Company to recognize the rights and obligations arising from operating leases as assets and liabilities. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of this accounting pronouncement to its consolidated financial statements.

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. ASU 2016-13 requires entities to report “expected” credit losses on financial instruments and other commitments to extend credit rather than the current “incurred loss” model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. For public business entities that are U.S. Securities and Exchange Commission filers, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact the adoption of ASU 2016-13 will have on its consolidated financial statements and results of operations.

Table of Contents

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 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, 2017 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, 2017, 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 varia of such words and similar expressions, or future or conditional verbs such as "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 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 in this document. These factors include, but are not limited to, the items set forth under Item 1A – Risk Factors in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, as updated by our subsequent filings with the Securities and Exchange Commission, as well as the following:

- 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;
- Legislative and regulatory changes and our ability to comply with the significant laws and regulations impacting the banking and financial services industry;
- Operating, legal and regulatory compliance risk;
- Regulatory capital requirements and our ability to raise and maintain capital;
- Our ability to prevent, detect and respond to any cyberattacks in order to protect our information assets and supporting infrastructure including information of our customers;

- Our ability to attract and retain well-qualified management;
- Fiscal and monetary policy;
- Economic, political and competitive forces affecting our business;
- Risks associated with potential business combinations; 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

Our consolidated financial statements are prepared based on the application of certain accounting policies, the most significant of which are described in Note 1 "Summary of Significant Accounting Policies" in the Notes to Consolidated

Table of Contents

Financial Statements included in Part I, Item 1 of this report. Certain of these policies require numerous estimates and strategic or economic assumptions that may prove inaccurate or subject to variation and may significantly affect our reported results and financial position for the period or future periods. Financial assets and liabilities required to be recorded at, or adjusted to reflect, fair value require the use of estimates, assumptions, and judgments. Assets carried at fair value inherently result in more financial statement volatility. Fair values and information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by other independent third-party sources, when available. When such information is not available, management estimates valuation adjustments. Changes in underlying factors, assumptions, or estimates in any of these areas could have a material impact on our financial condition and consolidated results of operations.

Allowance for Loan Losses

The allowance for loan losses (“ALLL”) represents our best estimate of losses known and inherent in our loan portfolio that are both probable and reasonable to estimate. In determining the amount of the ALLL, we consider the losses inherent in our loan portfolio and changes in the nature and volume of our loan activities, along with general economic and real estate market conditions. We utilize a segmented approach which identifies: (1) classified loans for which the general valuation allowance for the respective loan type is deemed to be inadequate; and (2) performing loans for which a general valuation allowance is established. We maintain a loan review system which provides for a systematic review of the loan portfolio and the identification of impaired loans. The review of residential real estate and home equity consumer loans, as well as other more complex loans, is triggered by identified evaluation factors, including delinquency status, size of loan, type of collateral and the financial condition of the borrower. Charge-offs are established for impaired loans based on a review of such information and/or appraisals of the underlying collateral. General reserves are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management’s judgment.

Although charge-offs and general reserves are established in accordance with management’s best estimates, actual losses are dependent upon future events, and as such, further provisions for loan losses may be necessary in order to maintain the allowance for loan losses at an adequate level. For example, our evaluation of the allowance includes consideration of current economic conditions, and a change in economic conditions could reduce the ability of borrowers to make timely repayments of their loans. This could result in increased delinquencies and increased non-performing loans, and thus a need to make additional provisions for loan losses. Any provision reduces our net income. While the allowance is increased by the provision for loan losses, it is decreased by charge-offs, net of recoveries. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance. A change in economic conditions could adversely affect the value of properties collateralizing real estate loans, resulting in increased charges against the allowance and reduced recoveries, and require additional provisions for loan losses. Furthermore, growth or a change in the composition of our loan portfolio could require additional provisions for loan losses.

Deferred Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the period in which the deferred tax asset or liability is expected to be settled or realized. The effect on deferred taxes of a change in tax rates is recognized in income in the period in which the change occurs. Deferred tax assets are reduced, through a valuation allowance, if necessary, by the amount of such benefits that are not expected to be realized based on current available evidence.

Table of Contents

Results of Operations

Three and Six Months Ended June 30, 2018 compared to Three and Six Months Ended June 30, 2017

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. Net income is also affected by the provision for loan losses and the level of non-interest income, as well as by non-interest expenses, including salaries and employee benefits, occupancy and equipment expense, and other expenses, and income tax expense.

Net Income

Net income for the second quarter of 2018 was $1.19 million compared to net income of $1.29 million for the second quarter of 2017, a decrease of $100 thousand or 7.7%. The decrease in net income for the three month period ended June 30, 2018 compared to the same period in 2017 was primarily due to an increase in non-interest expenses and a $325 thousand provision for loan losses recognized by the Company in the second quarter of 2018, while no provision was recognized for the same period in 2017, offset by an increase in net interest income due to loan growth and a decrease in tax expense related to a lower federal corporate tax rate in 2018 provided by the Tax Cuts and Jobs Act (the "Tax Act") signed in to law on December 22, 2017.

Net income for the six months ended June 30, 2018 was $2.53 million or $0.35 per diluted share, compared to $2.35 million or $0.35 per diluted share, for the six months ended June 30, 2017, an increase of approximately $180 thousand or 7.7%. The rise in net income for the six months ended June 30, 2018 was driven by an increase in net interest income and a decrease in tax expense related to a lower federal corporate tax rate in 2018 provided by the Tax Act, offset by an increase in the provision for loans losses and total non-interest expenses.

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 June 30, 2018, net interest income increased by $264 thousand or 4.2% versus the same period last year. Interest income increased by $510 thousand or 6.3% for the three months ended June 30, 2018 as compared to the corresponding period last year. This increase in interest income was primarily due to loan growth and higher interest received on cash and investment balances due to rising interest rates. Average yield on total loans for the three months ended June 30, 2018 was 4.47% compared to 4.54% for the three months ended June 30, 2017. Average total loans were $733 million compared to $679 million for the quarters ended June 30, 2018 and 2017, respectively. Total interest expense increased by $246 thousand in the second quarter of 2018 to $2.2 million compared to $1.95 million in the prior year. The increase in interest expense was due to an increase in borrowed funds and higher interest rates as market rates continue to increase in our market area. We continue to face significant competition for deposits. During the second quarter of 2018 average certificates of deposit increased to $353.2 million from $349.0 million in the comparable quarter of 2017. Yield on certificates of deposit increased to 1.83% in the current quarter from 1.65% in the corresponding quarter. Average other interest bearing deposits decreased to $273.2 million in the current quarter from $293.9 million in the second quarter of 2017. Average borrowed funds increased to $21.7 million in the current quarter from $18.9 million in the same quarter last year.

During the six months ended June 30, 2018, net interest income increased by $932 thousand or 7.6% compared to the six months ended June 30, 2017. Increases in interest income from loans, securities and federal funds sold and other of $1.4 million, was partially offset by increases in interest expense from interest bearing deposits and borrowed funds of $494 thousand. The Company’s average rate paid on interest bearing liabilities increased slightly to 1.28% for the six months ended June 30, 2018, from 1.15% for the six months ended June 30, 2017.

Table of Contents

The following tables set forth average balance sheets, averages yields and costs, and certain other information for the periods indicated. All averages are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield.

	For the Three Months Ended June 30,							
	2018				2017			
	Average Balance	Interest	Average Yield/Cost		Average Balance	Interest	Average Yield/Cost	
Interest-Earning Assets:								
Loans	$ 733,402	8,179	4.47	%	$ 679,298	7,684	4.54	%
Securities (1)	59,560	251	1.69		63,949	206	1.29	
Federal Funds Sold	2,089	7	1.34		1,219	2	0.66	
Interest-earning cash accounts	67,759	254	1.50		126,919	288	0.91	
Total interest-earning Assets	862,810	8,691	4.04	%	871,385	8,180	3.77	%
Non-interest earning Assets	21,131				22,763			
Allowance for Loan Losses	(8,095)				(8,200)			
Total Assets	$ 875,846				$ 885,948			
Interest-Bearing Liabilities:								
Demand Deposits	$ 34,260	$ 16	0.19	%	$ 35,316	$ 19	0.22	%
Savings Deposits	97,367	291	1.20		115,031	267	0.93	
Money Market Deposits	141,570	157	0.44		143,582	156	0.44	
Time Deposits	353,223	1,609	1.83		349,008	1,435	1.65	
Borrowed Funds	21,665	123	2.28		18,927	73	1.53	
Total Interest Bearing Liabilities	648,085	2,196	1.36	%	661,864	1,950	1.18	%
Non-Interest Bearing Liabilities:								
Demand Deposits	139,882				142,115			
Other Liabilities	2,512				2,503			
Total Non-Interest Bearing Liabilities	142,394				144,618			
Stockholders’ Equity	85,367				79,466			
Total Liabilities and Stockholders' Equity	$ 875,846				$ 885,948			
Net Interest Income (Tax Equivalent Basis)		$ 6,495				$ 6,230		
Tax Equivalent Basis adjustment		(18)				(17)		
Net Interest Income		$ 6,477				$ 6,213		
Net Interest Rate Spread			2.68	%			2.59	%
Net Interest Margin			3.02	%			2.87	%
Ratio of Interest-Earning Assets to Interest-Bearing Liabilities	1.33				1.32			

(1) Yield is calculated on a tax effective basis.

Table of Contents

	For the Six Months Ended June 30,							
	2018				2017			
	Average Balance	Interest	Average Yield/Cost		Average Balance	Interest	Average Yield/Cost	
Interest-Earning Assets:								
Loans	$ 729,045	16,327	4.52	%	$ 674,400	15,069	4.51	%
Securities (1)	59,845	500	1.68		67,324	421	1.26	
Federal Funds Sold	1,927	14	1.47		1,214	9	1.49	
Interest-earning cash accounts	73,478	554	1.52		111,985	471	0.85	
Total interest-earning Assets	864,295	17,395	4.06	%	854,923	15,970	3.77	%
Non-interest earning Assets	21,382				22,214			
Allowance for Loan Losses	(8,144)				(8,242)			
Total Assets	$ 877,533				$ 868,895			
Interest-Bearing Liabilities:								
Demand Deposits	$ 32,711	$ 30	0.18	%	$ 32,157	$ 34	0.21	%
Savings Deposits	100,579	527	1.06		115,812	534	0.93	
Money Market Deposits	154,267	325	0.42		148,203	312	0.42	
Time Deposits	351,247	3,122	1.79		329,962	2,643	1.62	
Borrowed Funds	17,025	172	2.04		21,451	160	1.50	
Total Interest Bearing Liabilities	655,829	4,176	1.28	%	647,585	3,683	1.15	%
Non-Interest Bearing Liabilities:								
Demand Deposits	134,514				139,682			
Other Liabilities	2,539				2,950			
Total Non-Interest Bearing Liabilities	137,053				142,632			
Stockholders’ Equity	84,651				78,678			
Total Liabilities and Stockholders' Equity	$ 877,533				$ 868,895			
Net Interest Income (Tax Equivalent Basis)		$ 13,219				$ 12,287		
Tax Equivalent Basis adjustment		(31)				(32)		
Net Interest Income		$ 13,188				$ 12,255		
Net Interest Rate Spread			2.78	%			2.62	%
Net Interest Margin			3.08	%			2.90	%
Ratio of Interest-Earning Assets to Interest-Bearing Liabilities	1.32				1.32			

(1) Yield is calculated on a tax effective basis.

Table of Contents

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 “Allowance for Loan Losses” for additional information about our allowance for loan losses and our methodology for determining the amount of the allowance. Mainly due to the growth in loans, the Company recognized a provision for loan losses of $325 thousand for each of the two quarters of the year compared to no provision in the first two quarters of 2017. The allowance for loan losses to total loans was 1.10% as of the end of the second quarter of 2018.

Non-interest Income

Our non-interest income is comprised primarily of service fees received from deposit accounts and gains (losses) on the sales of securities. For the three and six months ended June 30, 2018, non-interest income decreased by $2 thousand and $25 thousand compared to the three and six months ended June 30, 2017, an increase of $607 thousand or 6.9%.

Non-interest Expense

Non-interest expense was $4.7 million during the second quarter of 2018, up from $4.3 million in the second quarter of 2017, an increase of $405 thousand or 9.4%, while non-interest expense was $9.4 million for the six months ended June 30, 2018 compared to $8.8 million for the same period in 2017.

The increase was primarily in salaries and employee benefits, legal fees and occupancy and equipment expense, offset by decreases in professional fees, FDIC premiums and data processing. The increase in salaries and employee benefits costs is associated with health insurance premium increases, annual increases and executive stock awards expenses. The increase in legal fees is mainly associated with the working out of non-performing loans. The increase in occupancy and equipment expense is related to the relocation of the corporate offices to a new location in Englewood Cliffs. The decrease in professional fees is mainly attributable to non-recurring consulting fees related to enhancing the Company’s risk management system in the prior year.

Income Tax Expense

The income tax provision decreased $369 thousand to $361 thousand for the three months ended June 30, 2018 from $730 thousand for the quarter ended June 30, 2017. For the six months ended June 30, 2018, income tax expense decreased to $796 thousand from $1.3 million in the corresponding period of 2017. The decrease in income tax provision expense was due to the Tax Act which reduced the federal corporate tax rate to 21% from 34% starting on January 1, 2018. The effective tax rate for the three and six months ended June 30, 2018 was 23.29% and 23.91%, respectively, compared to 36.17% and 36.09% for the corresponding periods in 2017.

FINANCIAL CONDITION

Total consolidated assets decreased by $13.9 million, or 1.57%, from $887.4 million at December 31, 2017 to $873.5 million at June 30, 2018. Loans receivable, or “total loans,” increased from $721.2 million at December 31, 2017 to $741.1 million at June 30, 2018, an increase of $19.9 million, or 2.75%. Total cash and cash equivalents decreased from $92.6 million at December 31, 2017 to $60.4 million at June 30, 2018, a decrease of $32.2 million. The change in cash is mainly due to a decrease in deposit account balances. Total deposits declined by $33.3 million to $755.0 million at June 30, 2018, from $788.3 million at December 31, 2017 mainly due to outflows of government and municipal deposits attributable to the cyclical nature of real estate tax collections and payments. Borrowed funds increased to $30.0 million at June 30, 2018 from $13.4 million at December 31, 2017, an increase of $16.6 million or 124.4% due to two $10 million advances taken during the second quarter of 2018.

Loans

Our loan portfolio is the primary component of our assets, which consists of commercial real estate, commercial & industrial, residential mortgages, consumer and home equity loans. Net loans, which exclude net deferred fees and costs and the allowance for loan losses, reached $732.0 million at June 30, 2018, an increase from $712.1 million at December 31 2017. Historically, we offered residential mortgage loans. Due to regulatory and compliance burdens associated with these loans, we no longer offer residential mortgage loans. As a result, we expect our portfolio of

Table of Contents

residential mortgage loans to continue to decrease in future periods, offset by commercial loan growth. Our market area is concentrated in Bergen County, New Jersey, with commercial loans made to borrowers located primarily in New Jersey and New York. We have a concentration of commercial loans collateralized by real estate. We believe that we will continue to have opportunities for commercial loan growth due in part, to our experienced staff and relationship focused strategy. We believe that our strategy of customer service, competitive rate structures, and selective marketing have enabled us to effectively compete as a relationship driven community bank.

For more information on the loan portfolio, see Note 5 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 past due and restructured loans, potential problem loans and loan concentrations.

Impaired loans are identified by evaluating factors, including delinquency status, size of loan, type of collateral and the financial condition of the borrower. Non-performing assets include loans that are not accruing interest (nonaccrual loans) generally as a result of principal or interest being in default for a period of 90 days or more, troubled debt restructured 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. 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 warrant returning the loan to accruing status.

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, their liquidity, materials establishing the value of the collateral, the purpose of the loan, the source and timing of the repayment of the loan, and other factors are analyzed before a loan is submitted for approval. Loans made are also subject to periodic audit and review.

As of June 30, 2018 the Bank had non-accrual loans of $14.7 million, compared to non-accrual loans totaling $18.4 million at year end 2017. The reduction in non-accrual loans was mainly due to management's continued focus on working out non-performing loans. If the nonaccrual loans had been current in accordance with their original terms and had been outstanding throughout the three and six months ended June 30, 2018, the gross interest income that would have been recorded in such periods would have been approximately $108.7 thousand and $204.2 thousand, respectively.

Within its nonaccrual loans at June 30, 2018, the Bank had seven residential mortgage loans and eight home equity loans that met the definition of a troubled debt restructuring (“TDR”) loan.

TDRs are loans where the contractual terms have been modified for borrowers experiencing financial difficulties. These modifications could include a reduction in the interest rate of the loan, payment extensions, forgiveness of principal, or a combination of these concessions. At June 30, 2018, nonaccrual TDR loans had an outstanding balance of $7.0 million and had no specific reserves associated with them. At June 30, 2018, the Bank had accruing loans which met the definition of a TDR totaling $940 thousand.

Investment Securities

At June 30, 2018, total securities were $57.3 million, of which $51.4 million were classified as Available for Sale and $5.9 million we classified as Held to Maturity. The company has no securities classified as trading.

Deposits

Deposits remain our primary source of funds. Total deposits decreased to $755.0 million at June 30, 2018 from $788.3 million at December 31, 2017, a decrease of $33.3 million, or 4.22%. Certificates of deposit increased by $5.6 million. Savings and interest bearing demand deposits decreased by $57.4 million for the first six months of 2018. Noninterest bearing demand deposit accounts increased by $18.5 million during the first six months of 2018. The Bank has sought to increase its core deposits, while reducing its reliance on potentially volatile municipal deposits and their effects of

Table of Contents

seasonal fluctuations related to real estate tax inflows and payments. The decline in deposits is substantially due to outflows of government and municipal deposits attributable to the cyclical nature of real estate tax collections and payments and the current competitive landscape of obtaining new deposits. The Company has no foreign deposits, nor are there any material customer concentrations of deposits.

Borrowed Funds

Borrowings consist of long-term and short-term advances from the FHLBNY. These advances are secured under terms of a blanket collateral agreement by a pledge of qualifying securities and mortgage loans. At June 30, 2018 and December 31, 2017, the Bank had outstanding borrowings of $30.0 million and $13.4 million, respectively, with the FHLBNY.

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 are able to access funds through established lines of credit and borrowings.

As of June 30, 2018, the Company had a $5 million line of credit with the Atlantic Community Bankers Bank. In addition, the Bank had a $16 million overnight line of credit with Zions First National Bank, a $12 million overnight line of credit with First Tennessee Bank and a $10 million overnight line of credit with Atlantic Community Bankers Bank for the purchase of federal funds in the event that temporary liquidity needs arise. There were no amounts outstanding under any of the facilities at June 30, 2018. We are an approved member of the FHLBNY. The FHLBNY relationship could provide additional sources of liquidity, if required. At June 30, 2018, the Bank had $30.0 million of borrowed funds and a $40 million letter of credit from the FHLBNY. The amount of credit available from the FHLBNY is dependent upon the amount of qualifying collateral we pledge. Based on the qualifying collateral the Bank has pledged to FHLBNY, in the form of loans and securities, the Bank has a remaining borrowing potential of approximately $82.1 million as of June 30, 2018.

Our total deposits equaled $755.0 million and $788.3 million, respectively, at June 30, 2018 and December 31, 2017. Cash and cash equivalents decreased from $92.6 million on December 31, 2017 to $60.4 million at June 30, 2018.

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. (See Investment Securities)

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

Interest Rate Sensitivity Analysis

We manage our assets and liabilities with the objectives of evaluating the interest-rate risk included in certain balance sheet accounts; determining the level of risk appropriate given our business focus, operating environment, capital and liquidity requirements; establishing prudent asset concentration guidelines; and managing risk consistent with guidelines approved by our board of directors. We seek to reduce the vulnerability of our operations to changes in interest rates and to manage the ratio of interest-rate sensitive assets to interest-rate sensitive liabilities within specified maturities or re-pricing dates. Our actions in this regard are taken under the guidance of the asset/liability committee of our board of directors, or “ALCO.” ALCO generally reviews our liquidity, cash flow needs, maturities of investments, deposits and borrowings, and current market conditions and interest rates.

One of the monitoring tools used by ALCO is an analysis of the extent to which assets and liabilities are interest rate sensitive and measures our interest rate sensitivity “gap.” An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or re-price within that time period. A gap is considered positive when the amount

Table of Contents

of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising rates, a negative gap may result in the yield on assets increasing at a slower rate than the increase in the cost of interest-bearing liabilities, resulting in a decrease in net interest income. Conversely, during a period of falling interest rates, an institution with a negative gap would experience a re-pricing of its assets at a slower rate than its interest-bearing liabilities which, consequently, may result in its net interest income growing.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at the periods indicated which we anticipate, based upon certain assumptions, will re-price or mature in each of the future time periods presented. Except as noted, the amount of assets and liabilities which re-price or mature during a particular period were determined in accordance with the earlier of the term to re-pricing or the contractual terms of the asset or liability. Our loan maturity assumptions are based upon actual maturities within the loan portfolio. At June 30, 2018, we were within the target gap range established by ALCO for all terms.

Cumulative Rate Sensitive Balance Sheet

June 30, 2018

(in thousands)

	0-3 Months	0-6 Months	0-1 Year	0-5 Years	All Others	TOTAL
Securities	$ 9,986	$ 17,963	$ 27,772	$ 45,072	$ 12,213	$ 57,285
Loans	58,026	83,335	128,817	473,483	267,570	741,053
Federal Funds sold and Interest-Bearing Deposits in Banks	56,710	56,710	56,710	56,710	—	56,710
Other Assets	—	—	—	—	18,433	18,433
TOTAL ASSETS	$ 124,722	$ 158,008	$ 213,299	$ 575,265	$ 298,216	$ 873,481
Transaction / Demand Accounts	$ 33,464	$ 33,464	$ 33,464	$ 33,464	$ —	$ 33,464
Money Market	117,496	117,496	117,496	117,496	—	117,496
Savings Deposits	99,224	99,224	99,224	99,224	—	99,224
Time Deposits	24,059	79,353	141,131	352,669	—	352,669
Borrowed Funds	—	—	1,115	30,034	—	30,034
Other Liabilities	—	—	—	—	154,731	154,731
Equity	—	—	—	—	85,863	85,863

TOTAL LIABILITIES AND EQUITY	$ 274,243	$ 329,537	$ 392,430	$ 632,887	$ 240,594	$ 873,481
Dollar Gap	$ (149,521)	$ (171,529)	$ (179,131)	$ (57,622)		
Gap / Total Assets	(17.12) %	(19.64) %	(20.51) %	(6.60) %		
Target Gap Range	+/- 35.00 %	+/- 30.00 %	+/- 25.00 %	+/- 25.00 %		
RSA / RSL	45.48 %	47.95 %	54.35 %	90.90 %		

Market Risk

Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. Thus, we actively monitor and manage our interest rate risk exposure.

Our profitability is affected by fluctuations in interest rates. A sudden and substantial increase or decrease in interest rates may adversely impact our earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent, or on the same basis. We monitor the impact of changing interest rates on our net interest income using several tools. One measure of our exposure to differential changes in interest rates between assets and liabilities is shown in the table above.

Our primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on our net interest income and capital, while structuring our asset-liability structure to obtain the maximum yield-cost spread on that structure. We rely primarily on our asset-liability structure to control interest rate risk.

Table of Contents

We continually evaluate interest rate risk management opportunities. During the first six months of 2018, we believed that available hedging instruments were not cost-effective, and therefore, focused our efforts on our yield-cost spread through retail growth opportunities.

The following table discloses our financial instruments that are sensitive to change in interest rates, categorized by expected maturity at June 30, 2018. Market risk sensitive instruments are generally defined as on- and off- balance sheet financial instruments.

Expected Maturity/Principal Repayment

June 30, 2018

(Dollars in thousands)

	Avg. Int. Rate		2018	2019	2020	2021	2022	There-After	Total
Interest Rate Sensitive Assets:									
Loans	4.52	%	$ 83,335	$ 82,899	$ 49,116	$ 67,740	$ 108,072	$ 349,891	$ 741,0
Securities	1.68	%	17,963	16,212	10,897	—	—	12,213	57,28
Fed Funds Sold	1.47	%	453	—	—	—	—	—	453
Interest-earning cash and time deposits	1.52	%	56,257	—	—	—	—	—	56,25
Interest Rate Sensitive Liabilities:									
Interest bearing transaction accounts	0.38	%	150,960	—	—	—	—	—	150,9
Savings deposits	1.06	%	99,224	—	—	—	—	—	99,22
Time deposits	1.79	%	79,353	94,665	48,899	42,558	74,798	12,396	352,6
Borrowed Funds	2.04	%	$ —	$ 7,625	$ 10,000	$ 12,409	$ —	$ —	$ 30,03

Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may react in different degrees to changes in market interest rates. The maturity of certain types of assets and liabilities may fluctuate in advance of changes in market rates, while maturity of other types of assets and liabilities may lag behind changes in market rates. In the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from the maturities assumed in calculating this table.

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

Interest rate risk management is our primary market risk. See “Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operation – Interest Rate Sensitivity Analysis” herein for a discussion of our management of our interest rate risk.

ITEM 4. Controls and Procedures

Evaluation of disclosure controls and procedures.

As of June 30, 2018, the Company’s management including the Chief Executive Officer and President (our Principal Executive and Operating Officer) and Senior Vice President and Chief Financial Officer (our Principal Financial and Accounting 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 June 30, 2018, the Company’s Chief Executive Officer and President and the Company’s 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.

Table of Contents

Changes in internal controls over financial reporting.

There was no change in our internal control over financial reporting identified during the quarter ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Bank are periodically parties to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans, and other issues incident to the Bank's business. Management does not believe that there are 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, nor are there any such proceedings known to be contemplated by governmental authorities.

Item 1A. Risk Factors

An investment in our common stock involves risks. Stockholders should carefully consider the risks described under Item 1A – Risk Factors in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, as well as those set forth below.

Recent New Jersey legislative changes may increase our tax expense.

In connection with adopting its fiscal year budget, the New Jersey legislature adopted, and the Governor signed, legislation that will increase our state income tax liability and could increase our overall tax expense. The legislation imposes a temporary surtax on corporations earning New Jersey allocated income in excess of $1 million of 2.5% for tax years beginning on or after January 1, 2018 through December 31, 2019, and of 1.5% for tax years beginning on or after January 1, 2020 through December 31, 2021. The legislation also requires combined filing for members of an affiliated group for tax years beginning on or after January 1, 2019, changing New Jersey's current status as a separate return state, and limits the deductibility of dividends received. These changes are not temporary. Although regulations implementing the legislative changes have not yet been issued, and so we cannot yet fully evaluate the impact of the legislation on our overall tax expense, it is likely that the Company will lose the benefit of at least certain of the Company's tax management strategies, and as a result our total tax expense may increase.

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 40.

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
31.1	Rule 13a-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a) Certification of Principal Financial Officer
32	Section 1350 Certifications
101	Interactive Data Files
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

Table of Contents

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: August 09, 2018 By: /s/ Nancy E. Graves
Nancy E. Graves
Chief Executive Officer and President
(Principal Executive and Operating Officer)

By: /s/ Matthew Levinson
Matthew Levinson
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)