FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

INTERCHANGE FINANCIAL SERVICES CORP /NJ/

CIK:**755933**| IRS No.: **222553159** | State of Incorp.:**NJ** | Fiscal Year End: **1231**
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SIC: **6021** National commercial banks

Mailing Address
PARK 80 WEST
PLAZE II
SADDLE BROOK NJ 07663

Business Address
PARK 80 WEST PLAZA TWO
ATTN INTERCHANGE STATE BANK
SADDLE BROOK NJ 07662
2017032265

<TABLE>

INTERCHANGE FINANCIAL SERVICES CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

<CAPTION>

<S>	SEPTEMBER 30, 1996 <C>	December 31, 1995 <C>
ASSETS		
Cash and due from banks	$ 26,510	$ 25,151
Federal funds sold	200	--
Total cash and cash equivalents	26,710	25,151
Securities held to maturity at amortized cost (approximate market value of $73,197 and $75,611)	73,096	74,688
Securities available for sale at estimated market value (amortized cost of $49,215 and $66,604)	49,279	67,545
Loans	333,542	311,164
Less: Allowance for loan losses	3,567	3,647
Net loans	329,975	307,517
Premises and equipment, net	5,346	5,510
Foreclosed real estate	653	1,213
Accrued interest receivable and other assets	8,262	9,833
TOTAL ASSETS	$493,321	$491,457
LIABILITIES		
Deposits		
Noninterest bearing	$ 73,982	$ 69,213
Interest bearing	361,668	367,239
Total deposits	435,650	436,452
Securities sold under agreements to repurchase	10,150	1,704
Short-term borrowings	1,250	9,200
Accrued interest payable and other liabilities	3,627	3,860
TOTAL LIABILITIES	450,677	451,216
STOCKHOLDERS' EQUITY		
Common stock	4,733	4,495
Capital surplus	14,932	12,110
Retained earnings	22,913	22,990
Unrealized gain - securities available for sale, net of income taxes	66	646
Total stockholders' equity	42,644	40,241
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$493,321	$491,457

See notes to consolidated financial statements
</TABLE>

<TABLE>

INTERCHANGE FINANCIAL SERVICES CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share data)

<CAPTION>

<S>	Three months ended September 30, 1996 <C>	Three months ended September 30, 1995 <C>	Nine months ended September 30, 1996 <C>	Nine months ended September 30, 1995 <C>
INTEREST INCOME				
Interest and fees on loans	$ 7,295	$ 6,878	$21,468	$20,368
Interest on federal funds sold	5	179	375	368
Interest and dividends on securities				
Taxable interest income	1,874	2,235	5,664	6,791
Interest income exempt from federal income taxes	49	12	79	41
Dividends	39	43	115	123
TOTAL INTEREST INCOME	9,262	9,347	27,701	27,691
INTEREST EXPENSE				
Interest on deposits	3,488	3,730	10,626	10,813
Interest on short-term borrowings	89	90	344	352
Interest on long-term borrowings	--	23	--	130
TOTAL INTEREST EXPENSE	3,577	3,843	10,970	11,295
NET INTEREST INCOME	5,685	5,504	16,731	16,396
Provision for loan losses	150	225	550	825
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,535	5,279	16,181	15,571
NONINTEREST INCOME				
Service fees on deposit accounts	397	375	1,161	1,110
Net gain on sale of loans available for sale	--	--	--	22
Net gain on sale of securities available for sale	--	--	235	15
Accretion of discount in connection with acquisition	131	190	511	570
Other	197	256	990	1,233
TOTAL NONINTEREST INCOME	675	821	2,897	2,950
NONINTEREST EXPENSES				
Salaries and benefits	1,919	1,798	5,722	5,468
Net occupancy	539	522	1,637	1,547
Furniture and equipment	171	177	534	506
Advertising and promotion	213	201	561	580
Federal Deposit Insurance Corporation assessment	129	(14)	154	451
Foreclosed real estate expense	116	46	235	156
Other	1,191	1,193	3,499	3,155
TOTAL NONINTEREST EXPENSES	4,228	3,923	12,342	11,863
Income before income taxes	1,982	2,177	6,736	6,658
Income taxes	694	762	2,358	2,273
NET INCOME	$ 1,288	$ 1,415	$ 4,378	$ 4,385
PER COMMON SHARE	$ 0.45	$ 0.49	$ 1.54	$ 1.52

See notes to consolidated financial statements
</TABLE>

<TABLE>
INTERCHANGE FINANCIAL SERVICES CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

<CAPTION>

	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain/(Loss) on Securities Available for Sale	Treasury Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1995	$ 5,000	$ 4,495	$ 11,333	$ 18,737	$ (1,813)	$ (2,623)	$35,129
Net income				4,385			4,385
Dividends on common stock at $0.514 per share (1)				(1,456)			(1,456)
Dividends on preferred stock				(85)			(85)
Purchase of 32,000 preferred shares						(1,600)	(1,600)
Retirement of 100,000 shares of preferred stock ..	(5,000)		777			4,223	--
Increase in market valuation - securities available for sale, net of income taxes					1,226		1,226
Balance at September 30, 1995	--	4,495	12,110	21,581	(587)	--	37,599
Net income				1,895			1,895
Dividends on common stock at $0.172 per share (1)				(486)			(486)
Dividends on preferred stock				--			--
Increase in market valuation - securities available for sale, net of income taxes					1,233		1,233
Balance at December 31, 1995	--	4,495	12,110	22,990	646	--	40,241
Net income				4,378			4,378
Dividends on common stock at $0.547 per share (1)				(1,551)			(1,551)
5% common stock dividend		226	2,678	(2,904)			--
Fractional shares of 5% common stock dividend			(5)				(5)
Issued 7,498 shares of common stock in connection with incentive plan		12	149				161
Decrease in market valuation - securities available for sale, net of income taxes					(580)		(580)
BALANCE AT SEPTEMBER 30, 1996	$ --	$ 4,733	$ 14,932	$ 22,913	$ 66	$ --	$42,644

<FN>
(1) Restated for retroactive effect of 5% common stock dividend issued on April 19, 1996 to shareholders of record on March 20,1996

See notes to consolidated financial statements.
</FN>
</TABLE>

<TABLE>

INTERCHANGE FINANCIAL SERVICES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<CAPTION>

	For the nine months ended September 30, 1996	1995
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,378	$ 4,385
Non-cash items included in earnings		
Depreciation and amortization of fixed assets	755	618
Amortization of securities premiums	801	1,106
Accretion of securities discounts	(48)	(40)
Amortization of premiums in connection with acquisition	333	333
Accretion of discount in connection with acquisition	(511)	(570)
Provision for loan losses	550	825
Net gain on sale of securities available for sale	(235)	(15)
Net gain on sale of loans available for sale	--	(22)
Net loss/(gain) on sale of foreclosed real estate	87	(13)
Decrease/(increase) in carrying value of loans available for sale	30	(74)
Loss on sale of fixed assets	--	27

(Increase) decrease in operating assets		
Net origination of loans available for sale	(108)	(484)
Proceeds from sale of loans available for sale	--	837
Accrued interest receivable	616	56
Deferred income taxes	(84)	--
Other	1,014	1,008
Increase/(decrease) in operating liabilities		
Accrued interest payable	93	226
Other	(326)	194
CASH PROVIDED BY OPERATING ACTIVITIES	7,345	8,397
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (payments for)		
Net originations of loans	(20,482)	(4,407)
Purchase of loans	(2,116)	(642)
Purchase of securities available for sale	(21,528)	(4,915)
Maturities of securities available for sale	618	1,351
Sale of securities available for sale	38,349	2,484
Sale of foreclosed real estate	644	309
Purchase of securities held to maturity	(19,266)	(3,999)
Maturities of securities held to maturity	20,270	9,000
Proceeds from/(payments on) foreclosed real estate	8	(78)
Purchase of fixed assets	(582)	(1,514)
Sale of fixed assets	--	4
CASH USED FOR INVESTING ACTIVITIES	(4,085)	(2,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments for) proceeds from		
Deposits (less) more than withdrawals	(802)	4,111
Securities sold under agreements to repurchase	15,828	--
Retirement of other borrowings	(7,950)	(9,750)
Retirement of securities sold under agreement to repurchase	(7,382)	(602)
Dividends	(1,551)	(1,541)
Preferred stock	--	(1,600)
Common stock issued	156	--
CASH USED FOR FINANCING ACTIVITIES	(1,701)	(9,382)
INCREASE IN CASH AND CASH EQUIVALENTS	1,559	(3,392)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,151	25,965
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 26,710	$ 22,573
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 10,876	$ 11,069
Income taxes	2,960	2,524
Supplemental disclosure of non-cash investing activities:		
Loans transferred to foreclosed real estate	$ 179	$ 593
Decrease/(increase)-market valuation of securities available for sale	876	(1,901)
Amortization of valuation allowance-securities transferred from availabe to sale to held to maturity	21	--

See notes to consolidated financial statements
</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996

1. FINANCIAL STATEMENTS

The consolidated financial statements should be read in conjunction with the financial statements and schedules as presented in the Annual Report on Form 10-K of Interchange Financial Services Corporation (the "Company") for the year ended December 31, 1995.

Consolidated financial data for the nine months ended September 30, 1996 and 1995, are unaudited but reflect all adjustments consisting of only normal recurring adjustments which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the interim periods. Results for interim periods are not necessarily indicative of results to be expected for any other period or the full year.

2. LEGAL PROCEEDINGS

Interchange State Bank's (the "Bank"), a wholly owned subsidiary of the Company was a party to a lawsuit commenced in April 1989 (Great American Mortgage Corp., et al, v. Robert Utter, et al.), filed in the Superior Court of New Jersey alleging that the Bank was statutorily liable in conversion for having paid checks drawn on deposit accounts of plaintiffs at the Bank bearing irregular endorsements. Various other legal proceedings related to the foregoing were also instituted in which the Bank pursued various parties whom the Bank alleged were liable to it. On August 2, 1996, the Bank paid $120,000 plus prejudgment interest to settle the final matter pertaining to these occurrences. The remainder of a reserve, which had been established in 1992, was sufficient to cover the amount of the settlement. All legal proceedings related to these occurrences have now been resolved.

The Company is also a party to routine litigation involving various aspects of its business, none of which, in the opinion of management, after consultation with legal counsel, is expected to have a material adverse impact on the consolidated financial condition, results of operations or liquidity of the Company.

3. EMPLOYEES' STOCK OPTION PLAN

In October 1995, the Financial Accounting Standards Board adopted Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which was effective for the Company as of January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages, but does not require compensation cost to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock-based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share in its annual financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is an analysis of the consolidated financial condition and results of operations of the Company for the three and nine months ended September 30, 1996 and 1995, and should be read in conjunction with the consolidated financial statements and notes thereto included in Item 1 hereof.

RESULTS OF OPERATIONS

The Company's most important revenue source is net interest income which is the difference between interest earned on its interest earning assets, such as loans and investments, and the interest paid on its interest bearing liabilities, primarily deposits. Changes in net interest income from period to period result from increases or decreases in the average balances of interest earning assets and interest bearing liabilities and increases or decreases in the spread between the average rates earned on such assets and the average rates paid on such liabilities.

THREE MONTHS

Net Income for the quarter ended September 30, 1996, was $1.3 million or $0.45 per share as compared to $1.4 million or $0.49 per share for the same period a year ago. The decrease was attributable to several components which are described in the following paragraphs.

Net income decreased because noninterest expenses for the third quarter 1996 increased $355 thousand or 9.0% over the same period a year ago. The increase resulted primarily from a $143 thousand increase in Federal Deposit Insurance Corporation ("FDIC") costs of which $114 thousand resulted from a one time special assessment. The assessment represents the Company's apportionment of an amount necessary to recapitalize the Savings Association Insurance Fund ("SAIF"). In addition, costs of $109 thousand incurred during the third quarter of 1996 to sell nonperforming assets also contributed to the increase. Also, a $121 thousand increase in salaries and benefits due largely to annual salary increases was partly responsible for the change. Furthermore, noninterest expenses were negatively affected by costs associated with the opening of a new branch office during the second quarter of 1996.

Net income was negatively affected by a $96 thousand decrease in noninterest income for the current quarter as compared to the same period a year ago. The decrease was mostly attributable to the following components: a $46 thousand reduction of servicing fee income due to the sale of loan servicing rights which occurred in the fourth quarter of 1995; and, a $59 thousand decrease in the accretion of discounts in connection with an acquisition.

Earnings for the quarter were favorably impacted by a $181 thousand or 3.3% growth in net interest income compared to the same period a year ago. Contributing to this growth was an increase of $8.3 million in average interest earning assets over the comparable 1995 period. The growth occurred mostly in loans which had an average aggregate balance of $329.4 million, an increase of $40.7 million or 14.1% over the comparable 1995 period. Proceeds from the sale and maturity of investment securities funded a significant portion of the growth in loans, thereby, resulting in a positive shift in the composition of the Company's earning assets. The benefit derived from the positive trend in earning assets was rather offset by a 22 basis point decrease in net yield on average earning assets for the 1996 period as compared to the same 1995 period. In addition, earnings for the period were positively affected by a decrease of 28 basis point in the Company's funding costs which provided a boost to the Company's net interest spread for the 1996 period as compared to the 1995 period.

Earnings for the quarter ended September 30, 1996, were favorably affected by a $75 thousand decrease in the provision for loan losses, as compared to the same period a year ago. The amount provided for loan losses during 1996 was reduced based upon the results of the analysis described in the section titled "Provision for Loan Losses and Loan Loss Experience" in which, based on management's opinion, using the best available information, it was determined that the allowance for loan losses was sufficient to cover future loan losses on existing loans.

NINE MONTHS

Net Income for the nine months ended September 30, 1996, was $4.4 million or $1.54 per share, as compared to $4.4 million or $1.52 per share for the same period a year ago. The significant components of net income are described in the following paragraphs.

Earnings for the nine month period were positively affected by a $335 thousand or 2.0% growth in net interest income from the same period a year ago. Contributing to the growth in net interest income was an increase of $12.0 million in average interest earning assets for the 1996 period over the comparable 1995 period. The growth occurred mostly in loans which had an average balance of $319.8 million, an increase of $32.2 million or 11.2% over the comparable 1995 period. Proceeds from the sale and maturity of investment securities funded a significant portion of the growth in loans, thereby, generating a positive shift in the composition of the Company's earning assets. The Company's net yield on average earning assets fell 22 basis points for the 1996 period as compared to the same 1995 period, while its funding costs decreased 16 basis points for the same periods. This asymmetric shift in net yield versus funding costs served to offset some of the positive benefits attributed to the loan growth.

Noninterest income for the first nine months of 1996 decreased $53 thousand or 1.8% despite a $235 thousand gain from the sale of securities that occurred in the first quarter of 1996. The decrease was mostly attributable to the following components: a $162 thousand reduction of servicing fee income due to the sale of loan servicing rights which occurred in the fourth quarter of 1995; and, a $59 thousand decrease in the accretion of discounts in connection with an acquisition.

Noninterest expenses for the period increased $479 thousand or 4.0% over the same period a year ago. This occurred because other noninterest expenses for the 1995 period were favorably affected by the $250 thousand reversal of a previously established litigation reserve resulting from the partial settlement of a lawsuit. Adjusted for the reversal of the reserve, noninterest expenses for the 1996 period would have increased $229 thousand or 1.9% as compared to the same period a year ago. An increase of $254 thousand in salaries and benefits due largely to annual salary increases contributed to the increase. Furthermore, a one time special FDIC assessment (discussed previously) of $114 thousand and costs of $109 thousand incurred during the third quarter of 1996 to sell nonperforming assets also contributed to the increase. In addition, noninterest expenses were negatively affected by costs associated with the opening of a new branch office during the second quarter of 1996.

Earnings for the nine month period ended September 30, 1996, were favorably affected by a $275 thousand decrease in the provision for loan losses as compared to the same period a year ago. The amount provided for loan losses during 1996 was reduced based upon the results of the analysis described in the section titled "Provision for Loan Losses and Loan Loss Experience" in which, based on management's opinion, using the best available information, it was determined that the allowance for loan losses was sufficient to cover future loan losses on existing loans.

NONPERFORMING ASSETS

Nonperforming assets, consisting of nonaccrual loans, restructured loans and foreclosed real estate, decreased $1.2 million from $5.2 million at December 31, 1995, to $4.0 million at September 30, 1996. For the third quarter 1996, nonperforming assets decreased $2.3 million from $6.3 million for the quarter ended June 30, 1996. The reduction resulted primarily from a third quarter sale of $1.8 million of nonperforming assets. The ratio of nonperforming assets to total loans and foreclosed real estate decreased from 1.66% at December 31, 1995, to 1.20% at September 30, 1996. The ratio, at September 30, 1996, decreased from 1.93% as of the quarter ended June 30, 1996.

PROVISION FOR LOAN LOSSES AND LOAN LOSS EXPERIENCE

The provision for loan losses represents management's determination of the amount necessary to bring the allowance for loan losses to a level that management considers adequate to reflect the risk of future losses inherent in the Company's loan portfolio. In its evaluation of the adequacy of the allowance for loan losses, management considers past loan loss experience, changes in the composition of nonperforming loans, the condition of borrowers facing financial pressure, the relationship of the current level of the allowance to the credit portfolio and to nonperforming loans and existing economic conditions. However, the process of determining the adequacy of the allowance is necessarily judgmental and subject to changes in external conditions. Accordingly, there can be no assurance that existing levels of the allowance will ultimately prove adequate to cover actual loan losses.

The allowance for loan losses was $3.6 million at September 30, 1996, and $3.6 million at December 31, 1995, representing 106.4% and 91.7% of nonperforming loans at those dates, respectively.

<TABLE>
SECURITIES

Securities held to maturity and securities available for sale consist of the following: (in thousands)
<CAPTION>

	September 30, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
Securities held to maturity				
Obligations of U.S. Treasury	$ 50,664	$267	$ 8	$ 50,923
Obligations of U.S. Agencies	11,085	--	61	11,024
Obligations of state and political subdivisions................................	5,842	1	10	5,833
Other debt securities	5,505	--	88	5,417
	73,096	268	167	73,197
Securities available for sale				
Obligations of U.S. Treasury	25,698	484	309	25,873
Obligations of U.S. Agencies	17,452	15	126	17,341
Other debt securities	2,153	--	34	2,119
Equity securities	3,912	34	--	3,946
	49,215	533	469	49,279
Total securities	$122,311	$ 801	$ 636	$122,476

<CAPTION>

	December 31, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
Securities held to maturity				
Obligations of U.S. Treasury	$ 65,223	$ 942	$ 26	$ 66,139
Obligations of U.S. agencies	8,037	7	--	8,044
Obligations of states & political subdivisions	1,278	--	--	1,278
Other debt securities	150	--	--	150

	74,688	949	26	75,611
Securities available for sale				
Obligations of U.S. Treasury	40,888	1,466	184	42,170
Obligations of U.S. agencies	23,282	--	341	22,941
Equity securities	2,434	--	--	2,434
	66,604	1,466	525	67,545
Total securities	$141,292	$2,415	$551	$143,156

</TABLE>

<TABLE>
At September 30, 1996, the contractual maturities of investment securities and securities available for sale are as follows: (in thousands)
<CAPTION>

<S>	Securities Held to Maturity		Securities Available for Sale	
	Amortized Cost <C>	Market Value <C>	Amortized Cost <C>	Market Value <C>
Within 1 year	$35,852	$35,997	-	-
After 1 but within 5 years	26,586	26,661	$29,636	$29,805
After 5 but within 10 years	4,198	4,179	7,680	7,617
After 10 years	6,460	6,360	7,987	7,911
Equity securities	-	-	3,912	3,946
Total	$73,096	$73,197	$49,215	$49,279

</TABLE>

<TABLE>
CAPITAL ADEQUACY

The table below presents the Company's capital position as of September 30, 1996: (dollars in thousands)

<S>	<C>
Stockholders' equity	$ 42,644
Intangible assets	(1,088)
Unrealized gain - securities available for sale, net of income taxes	(66)
Tier 1 capital	41,490
Allowable portion of allowance for loan losses	3,567
Total risk-based capital	$ 45,057
Risk weighted assets	$310,181

<CAPTION>

<S>	Actual <C>	Minimum Requirement <C>
Risk-based ratio		
Tier 1	13.38%	4.00%
Total	14.53	8.00

Leverage capital ratio	8.49	3.00

</TABLE>

LIQUIDITY

Liquidity is the ability to provide sufficient resources to meet all financial obligations and finance prospective business opportunities. Liquidity levels over any given period of time are a product of the Company's operating, financing and investing activities. The extent of such activities are often shaped by such external factors as competition for deposits and demand for loans.

Funding for the Company's loans and investments is derived primarily from deposits, along with interest and principal payments on loans and investments. At September 30, 1996, average total deposits increased by $9.0 million from $425.7 million at December 31, 1995. Average total deposits increased by $10.2 million from $424.5 million at September 30, 1995.

In 1996, loan production continued to be the Company's principal investing activity. Net loans at September 30, 1996 amounted to $330.0 million compared to $307.5 million at December 31, 1995, an increase of $22.5 million for the nine-month period. Furthermore, net loans increased $39.2 million from September 30, 1995.

The Company's most liquid assets are cash and due from banks and federal funds sold. At September 30, 1996, the total of such assets amounted to $26.7 million compared to $25.1 million at December 31, 1995, an increase of $1.6 million. The Company's available for sale ("AFS") securities portfolio is also a significant source of liquidity. At September 30, 1996, the Company's AFS portfolio amounted to $49.3 million or 40.3% of total investments down from $67.5 million or 47.5% at December 31, 1995. The decline resulted from the sale of securities during the first quarter of 1996 in which only a portion of the proceeds were reinvested in AFS securities.

Sales of securities under repurchase agreements ("Repos") amounting to $10 million were a significant financing activity for the Company in the third quarter of 1996. The repos were used to replace repos and Federal Home Loan Bank borrowings that matured earlier in the year.

In addition to the aforementioned sources of liquidity, the Company derives liquidity from various other sources, including federal funds purchased from other banks and sales of securities under repurchase agreements. The Bank also has a $49.1 million line of credit available through its membership in the Federal Home Loan Bank of New York. Another source of liquidity is the Bank's ability to borrow from the Federal Reserve discount window.

Management believes that the Company's sources of funds are sufficient to meet its funding requirements.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to Form 10-K filed for the year ended December 31, 1995.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibit is furnished herewith:

EXHIBIT NO.

10 Material contracts

(a) Agreement for legal services between Andora, Palmisano & Geaney and the Company dated April 25, 1996

(b) Lease for Oakland, New Jersey Branch Office dated March 11, 1996

11 Statement Re: Computation of Per Share Earnings

(b) No reports on Form 8-K have been filed during the quarter ended September 30, 1996.

SIGNATURES

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

INTERCHANGE FINANCIAL SERVICES CORPORATION

Date: November 14, 1996 by: /S/ROBERT N. HARRIS

Robert N. Harris, Executive Vice President
and Chief Financial Officer
(Principal Financial Officer and
and Duly Authorized Officer)

AGREEMENT FOR LEGAL SERVICES

THIS AGREEMENT for legal services made this 25th day of April, 1996, by and between:

ANDORA, PALMISANO & GEANEY

A Professional Corporation

303 Molnar Drive, P.O. Box 431

Elmwood Park, New Jersey 07407-0431

hereinafter referred to as "Attorneys",

and

INTERCHANGE FINANCIAL SERVICES CORPORATION

Park 80 West, Plaza Two

Saddle Brook, New Jersey 07662

and

INTERCHANGE STATE BANK

A Banking Corporation

Park 80 West, Plaza Two

Saddle Brook, New Jersey 07662

hereinafter referred to as "Clients".

IN CONSIDERATION of the mutual promises, covenants and undertakings contained herein the Attorneys and the Clients agree as follows:

1. RETAINER

Clients hereby retain the services of Attorneys to act as its corporate counsel for the term and compensation as outlined herein.

2. TERM

The Attorneys shall be retained by Clients until the next annual reorganization meeting of Clients.

3. COMPENSATION

The Clients shall pay the Attorneys for services rendered as corporate counsel an annual retainer of NINETY-FIVE THOUSAND DOLLARS ($95,000.00) payable in equal monthly installments on the first day of each and every month commencing the first day of the month following the execution of this Agreement. Clients shall, in addition to the annual retainer, pay to the Attorneys all out-of-pocket expenses, filing fees, or disbursements made by the Attorneys on Clients' behalf. Clients shall, in addition to the payment of the annual retainer and all costs, pay to the Attorneys a legal fee based on the rate per hour as shown on SCHEDULE A for all legal services provided to Clients by the Attorney which are "legal services rendered in addition to those rendered as corporate counsel." Such fees and costs shall be billed by Attorneys to clients on a thirty-day basis and Clients shall pay all bills within five (5) days after each monthly Board of Director's meeting of the Clients.

4. DEFINITIONS

The following words and phrases shall have the following meanings:

A. "Legal services rendered as corporate counsel" shall mean and include all of the following types of legal work:

1. Except as hereinafter set forth in subparagraph B, document review and drafting of documents on behalf of the Clients including, but not limited to: leases, notes, contracts, mortgages, commitment letters, disclosure statements, modifications, extensions and legal agreements not related to third-party borrowers, except residential mortgage reviews.

2. Providing legal advice required in the usual course of Clients' business including compliance analysis.

3. Attendance at Board of Director's and Shareholders' Meetings other than as a Director.

4. Advice regarding levies and executions

5. Preparation of annual SEC 10K, 10Q and "ordinary" proxy filings.

B. "Legal services rendered in addition to those rendered as general corporate counsel" shall mean and include, but not be limited to, all of the following types of legal work which shall be billed on an hourly basis:

1. Litigation in which Clients are named as defendants.

2. Litigation or other proceedings in which Clients and another person or agency (i.e., Small Business Administration) specially retain Attorney. The hourly rate for such legal

services shall be specifically agreed upon by Clients, the agency, and Attorneys.

3. Foreclosure litigation, including lien protection litigation in any Court including the Bankruptcy Court.

4. Regulatory or administrative law proceedings including but not limited to Department of Banking, zoning agencies, N.L.R.B., F.D.I.C., and Tax Court.

5. Loan reviews and closings, including modifications and extensions thereof, except that the fee shall be based upon $250.00 per hour plus costs and such fee shall not exceed 1/2% of the principal amount of the loan plus costs but in no event shall such fee be less than $250.00.

6. Closings in which the bank is a buyer or seller.

7. SEC Filings other than annual 10K, 10Q or "ordinary" proxy filings.

8. Mergers and Acquisitions.

9. All other legal services not specifically set forth in Paragraph 4A.

5. BINDING EFFECT

This agreement shall be binding upon and shall inure to the benefit of the parties' successors or assigns.

6. NO ASSIGNMENT

This agreement shall not be assigned or sublet without the express written consent of the parties.

7. LAW APPLICABLE

This agreement shall be governed by the laws of the State of New Jersey.

8. SEVERABILITY

In the event any clause, section or paragraph of this agreement shall be declared invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Agreement.

IN WITNESS WHEREOF the parties have hereunto signed this agreement the date first above written.

INTERCHANGE STATE BANK

ATTEST:

/S/BENJAMIN ROSENZWEIG
Benjamin Rosenzweig, Secretary

/S/ ANTHONY S. ABBATE
Anthony S. Abbate, President

INTERCHANGE FINANCIAL SERVICES CORPORATION

ATTEST:

/S/BENJAMIN ROSENZWEIG
Benjamin Rosenzweig, Secretary

/S/ ANTHONY S. ABBATE
Anthony S. Abbate, President

ATTEST:

ANDORA, PALMISANO & GEANEY

JOHN P. PALMISANO,
John P. Palmisano, Secretary

/S/ ANTHONY D. ANDORA
Anthony D. Andora, President

SCHEDULE A

The hourly rates contained herein are subject to change on the anniversary dates of the Agreement of Legal Services.

Schedule A, reviewed and approved at Annual Reorganization Meeting on April 25, 1996.

Andora D. Andora	$200.00 per hour
John P. Palmisano	$200.00 per hour
John F. Geaney	$200.00 per hour
Other Partners and	
Senior Associates	$175.00 per hour
Other Associates	$150.00 per hour

SPACE LEASE

THIS AGREEMENT, made as of the 11th day of March, 1996 by and between

ROBERT F. GALLO and W. CARY EDWARDS, JR., having an office at 3 Post Road, Oakland, Bergen County, New Jersey 07436 (the "Landlord"), and

INTERCHANGE STATE BANK, having an office at Park 80 West/Plaza Two, Saddle Brook, New Jersey 07662-5893 (the "Tenant");

WITNESSETH:

1. Premises and Term - The Landlord has let unto the Tenant and the Tenant has hired from the Landlord 2565 square feet of space on the ground floor of the building located at the northwesterly corner of Long Hill Road and Post Road, in the Borough of Oakland, Bergen County, New Jersey, commonly known as 3 Post Road, Oakland, new Jersey (the space let being hereinafter called the ("premises") for a period of five (5) years beginning April 1, 1996 and ending on March 31, 2001, to be used as a bank office or for any other business or professional office use permitted by law and not otherwise. Notwithstanding the foregoing, the Tenant will be permitted to occupy the premises prior to April 1, 1996 provided the Tenant has received all governmental and regulatory approvals necessary for the operation of a branch banking facility at the premises and the current tenant has vacated the premises. In the event the Tenant occupies the premises prior to April 1, 1996, the term of this Lease shall commence on such date and the Tenant shall pay rent for the portion of the period of time it goes into possession prior to April 1, 1996 at the rate of $5,000.00 per month.

TO HAVE AND TO HOLD the premises, with the appurtenances thereto, unto the Tenant for and during the full term of five (5) years, unless sooner terminated as hereinafter provided.

2. Rent - The Tenant shall pay to the Landlord at its place of business at 3 Post Road, Oakland, New Jersey 07436, or at such other place or places as may be designated by the Landlord from time to time, the annual rent for the first three (3) years of the term of $60,000.00, payable in equal monthly installments of $5,000.00 on the first day of each and every month in advance, annual rent for the fourth and fifth years of the term of this Lease shall be $63,000.00, payable in equal monthly installments of $5,250.00 on the first day of each and every month in advance subject to adjustments as provided in Subsection 7.04 and, in addition, all other amounts, liabilities and obligations which the Tenant assumes or agrees to pay or discharge pursuant to this Lease, whether or not specifically designated as additional rent, which additional sums are hereby declared to be additional rent and due and payable as rent under this Lease, each of which, if not paid within the grace period hereinafter provided, shall bear interest at a rate two percentage points above the Prime Rate in effect from time to time from the day it is payable under the terms of this Lease until it shall have been fully paid.

3. Definitions -

(a) The term "Improvements" means the building erected on the land in which the premises are located, and all equipment, fixtures and items of personal property attached to and used in the operation or maintenance of the building, specifically including, but not limited to, pavement, curbs, walks and other site improvements, machinery, elevators, heating and air-conditioning systems and equipment and all additions, alterations, restorations and repairs to and replacements of any of the foregoing (but not including trade fixtures, machinery and equipment and/or computers which are the property of a subtenant or third parties).

(b) The term "Property" means the land and the Improvements located at 3 Post Road, Oakland, New Jersey.

(c) The term "Tenant" means the tenant in possession under this Lease and shall include any successor assignee of the Tenant's interest in this Lease.

(d) The term "Tenant's estate" means all the right, title and interest of the Tenant in the premises.

(e) The term "Landlord's estate" means all the right, title and interest of the Landlord in the Property.

(f) The term "Mortgage" means any mortgage, deed of trust or other security instrument from Landlord to a third party which creates a first lien on the Landlord's estate.

(g) The term "Mortgagee" means the mortgagee or a beneficiary under the Mortgage.

(h) The term "Prime Rate" means the announced prime rate from time to time of Tenant or by such banking institution as may have succeeded to the business of Tenant.

4. Defaults -

(a) If the rent or any part thereof or any sum of money due or payable as additional rent is not paid on any day such payment is due, and if such default continues for a period of ten (10) days after notice and demand, or

(b) If the Tenant at any time fails in the performance of or permits the violation of any of the covenants, conditions, terms or provisions contained in this Lease, which, on the part of the Tenant, are or ought to be observed, performed or fulfilled and, except where a specific time is provided for the performance of any covenant or condition, when such default is not made good within thirty (30) days after written notice and demand (or, if the default is of such a nature that it cannot reasonably be cured within thirty (30) days, when correction of such default has not been commenced within thirty (30) days and diligently prosecuted to conclusion), then and in any of the events enumerated in paragraphs (a) or (b) above, the Landlord may, at its option, on five (5) days' notice in writing terminate this Lease and this Lease and the term thereof shall automatically cease and terminate at the expiration of such five (5) day period, and it shall be lawful for the Landlord, at its option, to enter the premises or any part thereof, and to have, hold, repossess and enjoy the premises, and the Landlord may recover the premises and remove all persons by summary proceedings or by any action or proceeding, or by force or otherwise, anything herein contained to the contrary notwithstanding, and any notice required by any statutes now or hereafter in force are waived.

5. Tenant's Covenants - The Tenant covenants and agrees to and with the Landlord as follows:

5.01 Payment of Rent - That it will pay the rent at the time and place, and in the manner provided in Section 2.

5.02 Condition of Premises; Repairs - The Tenant will take good care of the premises and, at its own cost and expense, make all repairs thereto, except:

(a) Such repairs as are to be made by the Landlord as hereinafter provided, or

(b) Such repairs as are necessary as a result of damage or destruction by fire or other casualty and which are provided for in Subsection 7.07; and, at the end or other expiration of the term, deliver up the premises in good order or condition, ordinary wear and tear excepted; all repairs shall be in quality and class equal to the original work; if the Tenant fails to make any such repairs, the Landlord may make the same for the account of the Tenant.

5.03 Real Estate Taxes -

(a) It will pay to the Landlord, as additional rent, its share of the real estate taxes assessed against the Property each calendar year during the term of this Lease in excess of the amount of the real estate taxes assessed against the Property for the calendar year 1995.

(b) The Tenant's share of real estate taxes for each calendar year after 1995 shall be 21% of the difference between the tax which becomes due and payable with respect to the Property for the calendar year 1995 and the tax which becomes due and payable with the respect to the Property during the calendar year in question. The Tenant shall be entitled to deduct or be reimbursed for all reasonable expenses incurred by Tenant in connection with a tax appeal filed pursuant to the provisions hereof, including reasonable filing fees, appraisal fees, legal fees and disbursements. The balance of the proceeds of the refund in excess of such expenses shall be turned over to the Landlord and the Landlord will reimburse the Tenant in connection with the percentage of taxes for which the Tenant has paid under this Lease.

(c) The Tenant's share of the increase of real estate taxes for each calendar year shall be due and payable within thirty (30) days after billing therefor by the Landlord.

(d) If the expiration date of the Lease does not coincide with the calendar year, then the Tenant's share of the increase of tax for the year in which the Lease terminates shall be proportionately reduced according to the portion of the year which will elapse prior to the termination date.

(e) The Tenant may, in its own name or in the name of the Landlord, with the consent of twenty-one (21%) percent (based on floor area) of all of the tenants affected by any real estate tax, file such applications or protests for the correction or reduction of assessed valuations and prosecute such actions or proceedings as it may deem advisable. The Landlord shall sign such applications, protests and other instruments as may be necessary for a review by any regulatory body or by any court of such assessed valuation. All expenses of any kind in connection with such applications, protests or proceedings before any regulatory body or any court for the foregoing purposes shall be paid by the Tenant. The Landlord shall make available to the Tenant in connection with any such applications or proceedings such information as may be reasonably necessary for the proper prosecution of any such action or proceeding.

5.04 Landlord's Operating Expense - It will reimburse the Landlord for its share of the increase in the Landlord's gross cost of operation of the Property, excluding real estate taxes and insurance, over the Landlord's gross cost of operation of the Property for the calendar year 1995 in accordance with the following:

(a) Common facilities shall mean common hallways, stairways, elevator, parking area, driveways, sidewalks and all other areas in the Property now or hereafter constructed and intended to be used in common by or for the tenants of the Property.

(b) The Tenant's share of the increase of the Landlord's gross cost for the operation of the Property shall be determined for each calendar year by subtracting the cost for the year 1995 from the costs for the calendar year in question and multiplying the difference by the same ratio as is used to determine the Tenant's share of real estate taxes in accordance with Subsection 5.03 (Real Estate Taxes).

(c) The Landlord's gross cost shall include:

(i) Electricity for lighting of common facilities.

(ii) Repairs and maintenance to the common facilities (including landscaping, snow removal, trash removal and burglar alarm services) not properly chargeable to capital account under generally accepted accounting principles.

(iii) Fuel for hot water.

(iv) Water

(v) Other similar direct costs, exclusive of real estate taxes and insurance.

(vi) A management fee equal to ten (10) percent of the aggregate of items (i) through (v) above and the real estate taxes for the applicable calendar year, the insurance premiums payable for the applicable year and the increase in mortgage interest expenses as described in Subsection 5.06.

(d) If the expiration date of the Lease does not coincide with the calendar year, then the Tenant's share of the increase of operating expense for the calendar year in which the Lease terminates shall be proportionately reduced according to the portion of the year which will elapse prior to the termination date.

5.05 Insurance Premiums - It will pay to the Landlord as additional rent its share of any increase in premiums for fire, extended coverage and general liability insurance policies covering the Property ("insurance"), whether resulting from an increase in premium rates (unless the increase is caused by a higher risk use of other space in the building by another tenant) or from a reasonable increase in the amount of insurance carried, in accordance with the following provisions:

(a) The base premium shall be the total of the annualized premiums for all insurance which is in effect at the last day of the calendar year 1995.

(b) The increase in insurance premiums shall be calculated at the close of each calendar year by subtracting the base premium from the total of the annualized premiums for all insurance in effect at the last day of each succeeding calendar year.

(c) The Tenant's share of the increase in insurance premiums for each calendar year shall be calculated by multiplying the increase by the same fraction as that defined in Subsection 5.03 (Real Estate Taxes) and shall be due and payable within thirty (30) days after billing by the Landlord.

(d) If the expiration date of the Lease does not coincide with the calendar year and then the Tenant's share of the increase of insurance premiums for the calendar year in which the Lease terminates shall be proportionately reduced according to the portion of the year which will elapse prior to the termination date.

5.06 Increased Mortgage Interest Expense - It will pay to the Landlord as additional rent its share of any increase in the interest paid by the Landlord under any mortgage loan which the Landlord secures to refinance the unamortized balance of the existing Mortgage at its maturity (a "new mortgage") or the unamortized balance of any new mortgage at its maturity (likewise a "new mortgage") in accordance with the following:

(a) There will be no additional rent payable if the interest rate on a new mortgage loan is equal to or lower than the interest rate on the Mortgage.

(b) The interest paid by the Landlord under any new mortgage loan shall be the rate actually used to calculate interest under any new mortgage.

(c) The Tenant's share of the Landlord's increased interest cost shall be calculated by multiplying the increase [determined from the calculation described in paragraph (b)] by the same fraction as that defined in Subsection 5.03 (Real Estate Taxes) and shall be due and payable within 30 days after billing by the Landlord.

(d) Nothing contained in this Subsection 5.06 shall be deemed to limit the right of the Landlord to refinance for such principal amount and on such terms as it may wish.

(e) The Tenant shall not be responsible for the cost of any such refinance of the Mortgage; nor shall the Tenant be responsible for any interest on the principal balance of such new mortgage in excess of the outstanding principal of the Mortgage.

5.07 Compliance with Laws - It will not use, occupy, or permit the premises to be used or occupied for any unlawful purpose, and will promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and Municipal Government, and of all of their Departments and Bureaus applicable to the premises for the correction, prevention and abatement of nuisances, violations or other grievances, in, upon or connected with the premises during the term, and also promptly comply with and execute all rules, orders and regulations of the Board of Fire Underwriters for the prevention of fires, at its own cost and expense; nothing contained in this paragraph shall apply to those portions of the building or the property constructed or maintained by the Landlord pursuant to this Lease nor shall the Tenant be responsible to pay for structural changes to the premises required by the Tenant's use of the premises as a branch banking facility.

If it fails or neglects to comply with such statutes, ordinances, rules, orders, regulations and requirements, or any of them, or if it fails or neglects to make the repairs required to be made by the Tenant, then the Landlord, or its agents, may enter the premises, provided Tenant's failure or neglect has continued for ten (10) days after written notice from Landlord to Tenant, and make such repairs and comply with all of such statutes, ordinances, rules, orders, regulations or requirements at the cost and expense of the Tenant, and in case of its failure to pay therefor, the cost and expense shall be deemed to be additional rent and shall be due and payable as such. This provision is in addition to the right of the Landlord to terminate this Lease by reason of any default on the part of the Tenant.

5.08 Compliance with Insurance - It will comply with and cause the premises to comply with all terms of any insurance policy covering or applicable to the premises, all requirements of the issuer of any such policy and all regulations and then current standards applicable to or affecting the premises or any use or condition thereof which may at the time be recommended by either (a) National Fire Protection Association (or any other body exercising similar functions) or 9b) the Board of Fire Underwriters if any, having jurisdiction over the premises; nothing contained in this paragraph shall apply to those portions of the building or the Property constructed, furnished or maintained by the Landlord pursuant to this Lease; nor shall the Tenant be responsible to pay for structural changes to the premised required by Tenant's use of the premises as a branch banking facility.

5.09 Mechanic's Liens' Construction Lien Claims - It will, within twenty (20) days after the filing thereof, discharge by payment or by bonding or any other lawful manner all mechanics' or other liens for the payment of money filed against the premises for work claimed to have been done for, or for materials claimed to have been furnished to, the Tenant; if the Tenant shall not discharge the same, the Landlord, in addition to any other remedies it may have, may pay the lien without inquiring into the validity thereof, and the amount so paid shall be payable to the Landlord as additional rent; nothing contained in this Lease shall be construed as constituting the consent or request of the

Landlord, expressed or implied, to or for the performance of any labor or services or the furnishing of any goods or materials by any contractor, subcontractor, laborer, material men or vendor.

5.10 Indemnity and Liability Insurance - It will indemnify and save the Landlord harmless from and against any and all injury, loss or damage and any and all claims for injury, loss or damage of whatever nature (a) caused by or resulting from, or claimed to have been caused by or to have resulted from, any act, omission or negligence of the Tenant or anyone claiming under or through the Tenant (including, but without limitation, contractors of the Tenant), no matter where occurring, and (b) occurring in or about the premises, no matter how caused.

It will provide and keep in force, for the benefit of the Landlord and the Tenant, general liability insurance in an insurance company selected by the Tenant and reasonably satisfactory to the landlord; such insurance shall be in amounts not less than $500,000./$1,000,000. in respect to personal injuries in any one accident, and not less than $25,000.00 in respect to property damage; the policies of such insurance shall provide that they may not be canceled by the issuer except on ten (10) days' written notice to the Landlord; a certificate of each such policy shall be delivered to the Landlord not less than ten (10) days prior to the date upon which it is effective.

5.11 Surrender - It will, upon the expiration or earlier termination of this Lease, peaceably leave and surrender the premises to the Landlord in the same condition in which the premises were originally received from the Landlord at the commencement of the term of this Lease, except as improved or altered as provided in, permitted by or required by any provision of this Lease and except for ordinary wear and tear.

5.12 Mortgages - This Lease is and shall be, without the execution of any further instrument, subordinate at all times to all Mortgages in any amounts, and all advances thereon, which may now or hereafter affect the premises and to all renewals, modifications, consolidations, participations, replacements and extensions thereof (the term "Mortgages" being deemed to include trust indentures and deeds of trusts), provided that no action or proceeding may be instituted or taken by any Mortgagee to terminate the Tenant's estate in the premises for any reason other than one which would entitle the Landlord to terminate this Lease; if any Mortgagee or any of its successors and assigns shall hereafter succeed to the rights of the Landlord in the premises, whether through possession or foreclosure action, the Tenant will attorn to and recognize such successor as the Tenant's landlord under this Lease; the Tenant will promptly execute such subordination or other documents or agreements as may be requested or required by any Mortgagee to confirm the provisions of this Subsection 5.12 and containing such other conditions as are not inconsistent with the provisions of this Subsection 5.12. Landlord shall use reasonable effort to obtain a non-disturbance agreement from each future Mortgagee but the failure to obtain such non-disturbance agreement shall not effect the right of the Tenant under this Subsection 5.12.

5.13 Broker - It has had no dealings with any broker or agent in connection with the premises on the basis of which any broker or agent could claim commission from the Landlord and will save and hold harmless the Landlord from any claim which may be asserted by any broker or agent with reference to this Lease where the claim is based upon any alleged dealing of the Tenant with any broker or agent.

5.14 Electricity and Gas - It will pay all charges for electricity and gas used by it in connection with the operation of the premises.

6. Landlord's Covenants - The Landlord, on its part, covenants and agrees to and with the Tenant that:

6.01 Quite Possession - If the Tenant shall pay the rent and all other amounts required to be paid by Tenant under this Lease as herein provided and shall keep, observe and perform all of the other covenants of this Lease by it to be kept, observed and performed, the Tenant may peaceably and quietly have, hold and enjoy the premises for the term aforesaid.

6.02 Use of Common Areas - It grants to the Tenant the exclusive right to use:

(a) 7 assigned parking spaces near the bank entrance in the parking areas currently used by NatWest Bank.

(b) The drive-in lanes and stack-up space located at the Property.

In addition, it hereby grants to the Tenant a nonexclusive right to use:

(a) Any unassigned space in the parking areas for use by Tenant's visitors.

(b) The public conveniences of the building, the hallways, elevator, if any, walks, driveways and other similar common facilities.

Employees of the Tenant shall use the upper parking area.

6.03 Repairs and Maintenance by Landlord - It will make all necessary repairs to the foundation, roof, exterior walls and other structural components of the building, the elevator (if any) and all portions of the electrical, plumbing, heating, cooling and sewage disposal systems installed by it, and all pavement, landscaping, curbs, walks and other site improvements.

In addition, it will do the following:

(a) Keep all of the common facilities of the building in a neat and clean condition and in a good state of repair;

(b) Keep all walks, driveways and parking areas, including drive-in and stack-up lanes, in good repair and reasonably free from ice, snow, refuse and obstructions; and

(c) Keep all driveways and parking areas clearly striped and marked for parking, stack-up spaces and traffic flow.

7. Mutual Covenants - It is hereby mutually agreed between the Landlord and the Tenant as follows:

7.01 Furnishing and Fixturing - The Tenant may install in the premises any and all fixtures, electric fixtures, trade equipment, (including alarm and security equipment), furniture, furnishings and decoration as may be useful or desirable in connection with the use of the premises as a banking office; the Tenant may commence the installation of all of the same upon commencement of the term of this Lease; the Landlord, at its option, shall have ownership of all fixtures and electric fixtures and at the expiration of the term of this Lease, at Landlord's option, the Tenant will remove any or all such fixtures and electric fixtures and at the Tenant's cost restore the premises to the same condition as existed prior to such installation; the Tenant shall have and retain ownership of all equipment and furnishings from time to time installed by the Tenant at the Tenant's expense; the Tenant reserves the right, at the Tenant's election, to remove any of such equipment and furnishings at any time during the term of this Lease, provided the Tenant promptly repairs any and all damage to the building caused by any such removal; the Tenant's failure at the expiration or other termination of this Lease to remove all or any part of such equipment and furnishings installed by it, shall not be deemed or construed to constitute a holdover by Tenant; any such property and equipment not removed shall be deemed abandoned and become the property of the Landlord. The Tenant recognizes and acknowledges that the premises are currently equipped as a full service branch banking facility and all such furniture, fixtures and equipment are the property of the Landlord. The Tenant shall have no obligation to remove any furniture, fixtures or equipment belonging to the Landlord referred to in the preceding sentence.

7.02 Signs - The Tenant may letter the windows of the premises; Tenant is authorized to erect and display signs on the building, provided they comply with all applicable rules and regulations of all governmental agencies and other offices having jurisdiction thereof and provided they do not exceed in the aggregate an area equal to the total sign area permitted for the entire building multiplied by the same fraction as that used in Subsection 5.03 (Real Estate Taxes). All such signs and lettering shall be subject to the approval of the Landlord.

7.03 Options to Renew - The tenant may renew this Lease for three further periods of five (5) years each at the same rental, except as provided in Subsection 7.04, and upon the same terms and provisions as contained in this Lease; if the Tenant wishes to renew this Lease for any such additional period, it must give notice to that effect to the Landlord not later than twelve (12) months prior to the expiration of the term of this Lease (or the expiration of the next preceding exercised renewal period, as the case may be) time being of the essence; notwithstanding the foregoing, no right of the Tenant to renew shall, in any event, be deemed to be extinguished unless the Landlord has given to the Tenant a notice advising the Tenant that its right to renew shall expire ten (10) days after receipt of the notice and the Tenant thereafter fails to exercise its option within such ten (10) day period.

7.04 Increase in Rent - The annual rent for the first three years of any renewal term shall be the greater of (i) five (5) percent above the annual rent for the year immediately preceding such renewal term or (ii) the annual rent for the year immediately preceding such renewal term increased by the percentage increase in the Index (as hereinafter defined) for the month of March 1, 1996 over the Index as of March 1st immediately preceding the commencement date of any such renewal term but in no event shall the increase in rent provided in this (ii) exceed seven (7) percent over the rent for the immediately preceding year. Further, the annual rental for the fourth and fifth years of each such renewal term shall be the greater of (i) five (5) percent above the annual rent for the third year of such renewal term or (ii) the annual rent for the third year of such renewal term increased by the percentage increase in the Index for the month of March 1, 1996 over the Index as of March 1st of the third year of such renewal term but in no event shall the increase in rent provided in this (ii) exceed seven (7) percent over the rent for the immediately preceding year. The Index shall mean the Consumer Price Index for the New York City area for all items promulgated by the Bureau of Labor Statistics of the United States Department of Labor or if the Consumer Price Index is no longer published, such other index as the Landlord may reasonably determine.

7.05 Reletting on Default; Deficiency - If, at any time during the term of this Lease, the Landlord should retake possession of the premises by reason of any default on the part of the Tenant, (a) the rent shall become due thereupon and be paid up until the time of re-entry, dispossess or expiration, together with reasonable expenses of the Landlord as hereinafter defined; (b) the Landlord may relet the premises or any part thereof, either in the name of the Landlord or otherwise, for a term or terms which may, at the Landlord's option, be less than or exceed the period which would otherwise have constituted the balance of the term of this Lease, and may grant reasonable concessions; and (c) the Tenant or the legal representatives of the Tenant shall pay to the Landlord, for each month of the period which would otherwise have constituted the balance of the term of this Lease, as liquidated damages for the failure of the Tenant to observe and perform the terms and provisions of this Lease, the deficiency between:

(i) the amount of the monthly rent for the month immediately preceding such re-entry or termination, and

(ii) the net amount, if any, of the rents collected on account of the lease or leases of the premises; in computing such liquidated damages, there shall be added to the deficiency such reasonable expenses as the Landlord may incur in connection with relenting, such as court costs, attorneys' fees, brokerage commissions and the expenses of keeping the premises in good order and of preparing the same for reletting; any such liquidated damages shall be paid in monthly installments by the Tenant: on the rent day specified in this Lease, and any suit brought to collect the amount of the deficiency for any month shall not prejudice in any way the right of the Landlord to collect the deficiency for any subsequent month by a similar proceeding; the making of any alterations or decorations in the premises which the Landlord considers advisable and necessary for the purpose of reletting the same shall not operate or be construed to release the Tenant from liability hereunder.

7.06 Condemnation -

(a) If

(i) the whole of the premises shall be taken in or by condemnation or other eminent domain proceedings pursuant to any law, general or special, or (ii) only a portion of the premises shall be so taken, and/or all or a portion of the drive-in and stack-up areas, and if such taking is sufficient, in the good-faith judgment of Tenant, to render the remaining portion of the premises uneconomic for the Tenant's continued use or occupancy, and if the Tenant shall elect to terminate this Lease, then, in either of such events, the term of this Lease shall cease and terminate as of the date of title vesting (unless the Tenant shall occupy a portion of the premises thereafter, in which event the term shall cease when the Tenant vacates);

(b) If any portion of the Property is taken in or by condemnation or other eminent domain proceedings and if this Lease is not terminated pursuant to the preceding sentence, the Landlord shall, at its expense, repair any damage to the Property and to the premises caused by such taking promptly after such taking so that, after the completion of such repair, the Property and the premises shall be, as nearly as practicable, in the same condition as immediately prior to such taking;

(c) If the Tenant elects to terminate this Lease by reason of a partial taking of the premises, or a taking of the drive-in and stack-up areas, it must give notice to the Landlord to that effect not later than sixty (60) days after the date on which title vests in the condemning authority; in the event of a taking as a result of which the term of this Lease is terminated, the current annual rent and additional rent shall be apportioned as of the date of vesting of title; if this Lease is not terminated, the annual rent and additional rent payable hereunder shall be reduced pro rata, based upon the proportion which the floor area in the space taken bears to the entire floor area of the premises immediately prior to such taking.

7.07 Damage or Destruction by Insurable Casualty - If, at any time during the term of this Lease, the Property is damaged or destroyed by fire or by any other casualty or by the elements, the Tenant shall give notice of such damage or destruction to the Landlord and, except as hereinafter otherwise provided, the Landlord, at the Landlord's expense, shall promptly repair, rebuild and restore the Property as nearly as practicable to the condition existing immediately prior to such damage or destruction; if, however, the building in which the premises are located is so damaged or destroyed by fire or any other casualty or by the elements that the Landlord shall decide not to repair, rebuild or restore the same, then the Landlord may terminate this Lease by giving written notice of termination to the Tenant not later than ninety (90) days after such damage or destruction occurs.

7.08 Abatement of Rent - If the premises are destroyed or so damaged by fire or by any other casualty or occurrence or by the elements so as to become untenantable or unfit for occupancy or for the normal conduct of business, then the annual rent and additional rent allocabble to the period from the date of such destruction or damage until the premises are repaired or restored and made fit for occupancy and use, or if this Lease be terminated pursuant to this Subsection 7.08, until the date of such termination, shall be abated during such period. In the event that the damage to the premises shall be such as to render the same only partially untenantable, then during the period from the date of such damage until the completion of the repair and restoration of the premises (or if this Lease be terminated by the giving of notice of termination pursuant to this Sub-section 7.08, then until the date of giving of such notice), the annual rent and additional rent, if any, allocable to such period payable by the Tenant hereunder shall abate in the proportion that the part of the premises which shall be untenantable bears to the whole of the premises.

7.09 Waiver of Subrogation - Each party shall endeavor to obtain and maintain provisions in its fire insurance policies to the effect that any such policy shall not be invalidated should the insured waive in writing, prior to a loss, any or all right of recovery against any party for loss occurring to any of the property covered by the policy; so long as such or similar provisions are included in a fire insurance policy, each party hereby waives any right of recovery against the other for any loss covered by either party's fire insurance policies; if at any time a fire insurance carrier will not include such or similar provisions in a fire insurance policy, the party to whom the policy is issued shall have the other party named in the policy as one of the insured; if any additional premium is imposed for the inclusion of any such provision or for naming the other party as a party insured, as the case may be, the other party shall pay such additional premium, except, however, in lieu of such payment, the party may waive the provisions of this Subsection 7.09; so long as such or similar provisions are included in party's fire insurance policies or the other party is named in such policies as one of the insured, the party will look solely to the proceeds of such policies to compensate it for any loss covered thereunder. If either party is named as one of the insured in accordance with the foregoing, it will endorse promptly without recourse any check, draft or order for the payment of money representing the proceeds of any such policies or representing any other payment growing out of or connected with any such policy and each party does hereby irrevocably waive any and all rights in and to such proceeds and payments and irrevocably appoints the party to whom the policy is issued as its attorney-in-fact to endorse any such check, draft or order.

7.10 Holding Over - Should the Tenant hold over in possession after the expiration of the original term or any renewal term, such holding over shall not be deemed to extend the term or renew the Lease.

7.11 Assignment and Subletting - The Tenant may assign or transfer its interest in this Lease and may sublet the whole or any part of the premises for any use described in Paragraph 1. No assignment or transfer of this Lease shall be binding upon the Landlord until a copy of the document of transfer or assignment, executed by both the transferor and transferee, has been delivered to the Landlord. In the event of any assignment or transfer pursuant to the provisions of this Subsection 7.11, the transferee shall be deemed, without further agreement, to have assumed and agreed to observe and perform all obligations of the Tenant under this Lease. Any such assignment or subletting shall not release the Tenant from its obligation under this Lease.

7.12 Permitted Contests - The Tenant shall not be required to comply with any statute, law, order, rule, regulation or ordinance referred to in Subsection 5.06 so long as the Tenant shall contest, in good faith and without expense to the Landlord, the existence, amount or validity thereof by appropriate proceedings which shall operate, during the pendancy thereof, to prevent any interference with the use or occupancy of the Property or any part thereof or the imposition of any criminal or quasi-criminal liability on the Landlord; while any such proceedings are pending, the Landlord shall not have the right to undertake compliance with any such statue, law, rule, order regulation or ordinance; Tenant will promptly prosecute each such contest to a final conclusion; the Tenant will pay or cause to be paid and save the Landlord harmless from and against any and all losses, judgments, decrees and costs, (including all reasonable attorneys' fees and expenses), in connection with any such contest, and will promptly after the final settlement or determination of such contest perform all acts, the performance of which shall be ordered or decreed as a result thereof.

7.13 Waiver - The failure of either party to seek redress for violation of or to insist on the strict performance of any covenant of this Lease shall not prevent a subsequent act which would have originally constituted a violation from having all the force and effect of any original violations. The receipt by the Landlord of rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach.

7.14 Estoppel Certificates - Each party will, without charge at any time and from time to time hereafter, within ten (10) days after request by the other, certify by written instrument, duly executed and acknowledged, to any mortgagee, purchaser or assignee as to the validity, force and effect of this Lease in accordance with its tenor as then constituted, as to the existence of any default on the part of either party, as to the existence of any offsets, counterclaims or defenses on its part and to any other matters as may be reasonably requested by the other party.

7.15 Limitation of Liability - The term "Landlord" as used in this Lease means only the owner in fee or the mortgagee in possession for the time being of the premises or the holder of the Landlord's interest in this Lease, so that in the event of any transfer of the fee title or assignment of this Lease, the Landlord shall be and is hereby entirely freed and relieved of all obligations of the Landlord under this Lease, and it shall be deemed, without further agreement between the transferor or assignor and the transferee or assignee, that the transferee or assignee has assumed and agreed to perform all obligations of the Landlord under this Lease.

If Landlord is in breach or default with respect to tits obligations or otherwise under this Lease, Tenant shall look for satisfaction of Tenant's damages, rights and remedies solely to the equity of Landlord in the Property and Landlord shall be under no personal liability other than such equity therein. Landlord's liability under the terms, covenants, conditions, warranties and obligations of this Lease shall in no event exceed the loss of the equity interest in the Property.

8. Notices - All notices given under this Lease or in any way affecting this Lease shall be given in writing and delivered by Registered Mail, Return Receipt Requested, addressed as follows:

To the Landlord at 3 Post Road, Oakland, new Jersey, 07436.

To the Tenant at 80 West/Plaza Two, Saddle Brook, New Jersey 07662 - 5893.

The date of deposit of a notice in a United States Post office with the postage prepaid shall be considered as the date of service or giving of the notice. Either party may change the place at which notice is to be given to it by notice given in accordance with this section.

9. Recording - This Lease shall not be recorded or filed in any public filing or recording office; if requested by either party, the other party will join in the execution of a memorandum of this agreement containing such provisions as either party may request except those provisions which would disclose the amount of rental or other payments to be made to the Landlord, which memorandum may be recorded or filed in lieu of recording or filing this Lease.

10. Entire Agreement - This Lease contains the entire agreement between the parties with respect to the premises and may not be changed, altered or modified except by an agreement signed by the parties hereto.

11. Gender and Number - Throughout this Lease the masculine gender shall be deemed to include the feminine or neuter gender, as the case may be, and the singular the plural, and vice versa.

12. Binding Effect - This Lease, and all the covenants, provisions and conditions herein contained shall endure to the benefit of, and be binding upon, the parties hereto and their respective personal representatives, successors and assigns, provided, however, that no assignment by, from , through or under the Tenant in violation of any of the provisions of this Lease shall vest in the assignee any right, title or interest whatsoever.

IN WITNESS WHEREOF, this Agreement has been executed and sealed by the Landlord and the Tenant the day and year first above written. Signed, Sealed and Delivered

in the Presence of

/S/ MADELINE EDWARDS	ROBERT F. GALLO L.S.
Notary Public of New Jersey My commission expires Oct 13, 1997	
S/S CLINTON A. POFF, ESQ.	S/S W. CARY EDWARDS, JR. L.S.
ATTEST:	INTERCHANGE STATE BANK
S/S TIMOTHY MCDERMOTT Assistant Secretary	S/S FRANK C. GIANCOLA

<TABLE>

EXHIBIT 11

COMPUTATION OF PER SHARE EARNINGS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
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Net income	$1,288	$ 1,415	$ 4,378	$4,385
Preferred dividend requirements	$ -	$ 28	$ -	$ 85
Weighted average common shares outstanding	2,840	2,832	2,838	2,832
NET INCOME PER COMMON SHARE	$0.45	$0.49	$1.54	$1.52

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