First Commerce Bank

Consolidated Financial Statements

December 31, 2016 and 2015

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

BDO

First Commerce Bank

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Independent Auditor's Report

To the Board of Directors and Shareholders
First Commerce Bank
Lakewood, New Jersey

We have audited the accompanying consolidated financial statements of First Commerce Bank and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Commerce Bank and Subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Philadelphia, Pennsylvania
March 16, 2017

First Commerce Bank

Consolidated Statements of Financial Condition

(dollars in thousands, except per share amounts)

December 31,	2016	2015
Assets		
Cash and cash equivalents:		
Cash and non-interest bearing deposits in other financial institutions	$ 1,325	$ 1,209
Interest-bearing deposits in other financial institutions	33,199	17,460
Federal funds sold	-	497
Total cash and cash equivalents	34,524	19,166
Investment securities held-to-maturity, at amortized cost ($0 and $40 fair value at December 31, 2016 and 2015, respectively)	-	40
Investment securities available-for-sale, at fair value	22,542	22,599
Restricted stock	1,092	1,309
Loans receivable, net of allowance for loan losses of $11,864 and $9,160 at December 31, 2016 and 2015, respectively	782,299	610,929
Premises and equipment, net	18,943	8,543
Deferred tax asset, net	4,402	3,817
Accrued interest receivable	2,977	2,287
Other assets	597	537
Total Assets	$ 867,376	$ 669,227
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 99,276	$ 80,943
Interest bearing	647,012	507,533
Total deposits	746,288	588,476
FHLB borrowings	8,750	17,650
Accrued interest payable	216	174
Other liabilities	8,305	5,483
Total Liabilities	763,559	611,783
Commitments and Contingencies		
Shareholders' Equity		
Preferred stock; authorized 5,000,000 shares; no shares issued and outstanding in 2016 and 2015	-	-
Common stock, par value $2.00 per share as of December 31, 2016 and 2015; authorized 30,000,000 shares; 22,515,377 and 15,587,091 shares issued and outstanding at December 31, 2016 and 2015, respectively	45,030	31,174
Additional paid-in capital	37,466	16,276
Retained earnings	21,249	9,577
Accumulated other comprehensive income	72	417
Total Shareholders' Equity	103,817	57,444
Total Liabilities and Shareholders' Equity	$ 867,376	$ 669,227

See accompanying notes to consolidated financial statements.

First Commerce Bank

Consolidated Statements of Income

(dollars in thousands)

Years Ended December 31,	2016	2015
Interest Income		
Loans, including fees	$ 38,356	$ 28,740
Investment securities	603	642
Interest-bearing deposits held in other financial institutions	158	46
Federal funds sold	1	2
Total Interest Income	39,118	29,430
Interest Expense		
Deposits	6,241	4,710
Other borrowings	180	128
Total Interest Expense	6,421	4,838
Net interest income	32,697	24,592
Provision for Loan Losses	2,910	2,572
Net Interest Income After Provision for Loan Losses	29,787	22,020
Noninterest Income		
Service charges and fees on customer accounts	558	398
Gain on sale and redemptions of investment securities	272	12
Gain on sale of SBA guarantees	478	-
Other income	580	327
Total Noninterest Income	1,888	737
Noninterest Expenses		
Salaries and employee benefits	6,694	5,733
Occupancy and equipment expense	2,440	2,037
Marketing	163	150
Professional fees	701	348
Data processing	669	599
FDIC assessment	450	360
Other	1,946	1,607
Total Noninterest Expenses	13,063	10,834
Income before income taxes	18,612	11,923
Income Tax Expense	6,927	4,355
Net Income	$ 11,685	$ 7,568

See accompanying notes to consolidated financial statements.

First Commerce Bank

Consolidated Statements of Comprehensive Income

(dollars in thousands)

December 31, 2016		Before-Tax Amount		Tax Benefit (Expense)		Net-of-Tax Amount
Net Income	$	18,612	$	(6,927)	$	11,685
Other Comprehensive Income						
Unrealized gains on available-for-sale securities:						
Unrealized holding losses arising during the period		(313)		148		(165)
Reclassification adjustment for gain recognized in earnings [1] [2]		(272)		92		(180)
Total other comprehensive loss		(585)		240		(345)
Total Comprehensive Income	$	18,027	$	(6,687)	$	11,340
December 31, 2015						
Net Income	$	11,923	$	(4,355)	$	7,568
Other Comprehensive Income						
Unrealized gains on available-for-sale securities:						
Unrealized holding gains arising during the period		161		(64)		97
Reclassification adjustment for gain recognized in earnings [1] [2]		(12)		5		(7)
Total other comprehensive income		149		(59)		90
Total Comprehensive Income	$	12,072	$	(4,414)	$	7,658

[1] Amounts are included in gain on sales of investment securities on the consolidated statements of income as a separate element within Total Noninterest Income.

[2] Applicable tax amounts are included in income tax expense on the consolidated statements of income.

See accompanying notes to consolidated financial statements.

First Commerce Bank

Consolidated Statements of Changes in Shareholders' Equity

(dollars in thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2015	$ 29,098	$ 15,011	$ 2,021	$ 327	$ 46,457
Net income	-	-	7,568	-	7,568
Other comprehensive income	-	-	-	90	90
Warrants exercised during 2015	2,041	922	-	-	2,963
Dividends declared on preferred stock	-	-	(12)	-	(12)
Stock options exercised	35	13	-	-	48
Stock compensation expense	-	330	-	-	330
Balance, December 31, 2015	31,174	16,276	9,577	417	57,444
Net income	-	-	11,685	-	11,685
Other comprehensive income	-	-	-	(345)	(345)
Proceeds from issuance of common stock	13,854	20,716	-	-	34,570
Dividends declared on preferred stock	-	-	(13)	-	(13)
Stock options exercised	2	2	-	-	4
Stock compensation expense	-	472	-	-	472
Balance, December 31, 2016	$ 45,030	$ 37,466	$ 21,249	$ 72	$ 103,817

See accompanying notes to consolidated financial statements.

First Commerce Bank

Consolidated Statements of Cash Flows

(dollars in thousands)

Years Ended December 31,	2016	2015
Cash Flows from Operating Activities		
Net income	$ 11,685	$ 7,568
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	778	604
Net accretion/amortization of securities discounts	32	20
Provision for loan losses	2,910	2,572
Deferred income tax benefit	(345)	(1,033)
Stock compensation expense	472	330
Gain on sales of investment securities	(272)	(12)
SBA loans originated for sale	(4,409)	-
Proceeds from sale of SBA loans	3,745	-
Gain on sale of SBA loan guarantee	(478)	-
Increase in accrued interest receivable and other assets	(750)	(793)
Increase in accrued interest payable and other liabilities	2,864	2,262
Net Cash Provided by Operating Activities	16,232	11,518
Cash Flows from Investing Activities		
Net increase in loans	(173,111)	(160,230)
Purchase of investment securities available-for-sale	(6,077)	(4,834)
Purchase of held-to-maturity securities	-	(40)
Maturities, calls and paydowns of securities available-for-sale	3,149	1,027
Maturities, calls and paydowns of securities held-to-maturity	40	2,508
Proceeds from sale of securities available-for-sale	2,600	786
Redemption (purchase) of restricted stock	217	(352)
Purchase of premises and equipment	(11,178)	(1,171)
Net Cash Used in Investing Activities	(184,360)	(162,306)
Cash Flows from Financing Activities		
Net increase in deposits	157,812	140,368
Proceeds from FHLB advances	2,000	10,000
Repayments of FHLB advances	(10,900)	(5,350)
Net proceeds from the sale of common stock, net of issuance costs	34,570	2,963
Proceeds from exercise of stock options	4	48
Net Cash Provided by Financing Activities	183,486	148,029
Net increase (decrease) in cash and cash equivalents	15,358	(2,759)
Cash and Cash Equivalents, Beginning	19,166	21,925
Cash and Cash Equivalents, Ending	$ 34,524	$ 19,166
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for:		
Interest	$ 6,379	$ 4,816
Taxes	$ 8,137	$ 4,900
Supplementary Schedule of Noncash Investing Activities		
Declaration of dividends	$ 13	$ 12

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Nature of Businesses: First Commerce Bank (Northern State Bank prior to April 28, 2011) (the "Bank") is a New Jersey State chartered commercial bank headquartered in Lakewood, New Jersey, and its deposits are insured by the Federal Deposit Insurance Corporation. The Bank conducts a general commercial banking business, principally in the State of New Jersey and provides full service banking to individuals and businesses, which includes checking, savings, money market and time deposit accounts, as well as commercial loans, commercial mortgages, residential and consumer loans.

The Bank is subject to the regulations of the FDIC and the NJ Department of Banking and Insurance and undergoes periodic examinations by those regulatory authorities.

On April 17, 2011, the Bank opened its new headquarters at 105 River Avenue, Lakewood, New Jersey. On June 30, 2011, regulatory approval was given to change the name from Northern State Bank to First Commerce Bank.

Basis of Financial Statement Presentation and Accounting Estimates: The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiaries, First Commerce Real Estate Holdings, LLC, FCB Investments, LLC, FC Delaware Investment Company, Inc. and its wholly-owned subsidiary, FC Preferred Capital, Inc. All intercompany accounts and transactions have been eliminated in consolidation. The accounting and financial reporting policies of the Bank conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported amounts of revenue and expenses for the reporting period. Significant estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for loan losses, the valuation of deferred tax assets, other-than-temporary impairments of securities and fair value disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Bank considers cash on hand, amounts due from banks, interest-bearing deposits held in other institutions, federal funds sold and highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents. Cash flows from short-term loans, deposits and federal funds are reported net in the statements of cash flows.

Investment Securities: Management determines the appropriate classification of investments at the time of purchase. As of December 31, 2016, the Bank's investment portfolio only contained available-for-sale securities, while as of December 31, 2015, the Bank's portfolio contained both available-for-sale and held-to-maturity securities.

Securities are classified as held-to-maturity based on management's intent and ability to hold them to maturity. Such securities are stated at cost, adjusted for unamortized purchase premiums and discounts, which are amortized or accreted using the level yield method.

Securities that are classified as available-for-sale are stated at fair value. Unrealized gains and losses on securities available-for-sale are excluded from results of operations and are reported as other comprehensive income or loss, a separate component of shareholders' equity, net of taxes. Securities classified as available-for-sale include securities that may be sold in response to changes in interest rates, changes in prepayment risks or for asset/liability management purposes.

The cost of investment securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage-backed securities, over the estimated life of the security. Such amortization or accretion recorded as adjustments to interest and dividends are included in interest income from investments. Realized gains and losses are included in gains (losses) on sales of investment securities in the statements of income. Gains and losses on the sale of securities are recorded on the trade date and are determined based on the specific-identification method.

Management periodically evaluates securities for other-than-temporary impairment when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which fair value has been less than cost; (2) the financial condition and near term prospects of the issuer; (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value; and (4) whether it is not more likely than not that the Bank will be required to sell the investment before recovery of its amortized cost basis, which may be maturity. Factors affecting the determination of whether the other-than-temporary impairment has occurred include a downgrading of the security by a rating agency and a significant deterioration in the financial condition of the issuer. In instances when a determination is made that the other-than-temporary impairment exists but the Bank does not intend to sell the debt security or it is more likely than not that it will not be required to sell the debt security prior to its anticipated recovery, the other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income or loss.

Restricted Stock: The Bank holds investments in the common stocks of Atlantic Community Bankers Bank ("ACBB") and Federal Home Loan Bank of New York ("FHLB"). These investments in restricted stock are carried at cost. The stock has no quoted market value and is subject to redemption restrictions. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. Management considers such criteria as the significance of the decline in net assets, if any, the length of time the situation has persisted, commitments by the institution to make payments required by law or regulation, the impact of legislative and regulatory changes on the customer base of the institution and the liquidity position of the institution.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses and any deferred origination fees or costs. Interest income is accrued on the unpaid principal balance. Loan origination fees or costs are deferred and recognized primarily as an adjustment of the related loan yield using the interest method.

The Bank's loan portfolio is segmented as follows:

- Construction and land development
- Commercial loans
- Commercial real estate
- Residential 1-4 family real estate
- Residential multi-family real estate
- Home equity and second mortgages
- Consumer

Generally, loans are considered past due when contractual payments are delinquent for 31 days or greater. Loans will generally be placed on nonaccrual when the loan has become 90 days past due (unless the loan is well secured and in the process of collection), or if any of the following conditions exist:

- It becomes evident that the borrower will not make payments, or will not or cannot meet the terms for renewals of a matured loan,
- When full repayment of principal and interest is not expected,
- When the loan is graded "special mention" and the future accrual of interest is not protected by sound collateral values,
- When the borrower files bankruptcy and an approved plan of reorganization or liquidation is not anticipated in the near future, or
- When foreclosure action is initiated.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash basis or cost-recovery method until qualifying for return to accrual. In all cases, loans are placed on nonaccrual and some portion or all of the loan is charged-off at an earlier date if collection of principal or interest is considered doubtful.

Nonaccrual loans may be restored to accrual status provided the following criteria are met:

- The loan is current, and all principal and interest amounts contractually due have been made,
- The loan is well secured and in the process of collection, and
- Prospects for future principal and interest payments are not in doubt, generally demonstrated by performance in accordance with the contracted terms for a reasonable period of time, generally six months.

The Bank accounts for interest on impaired loans in a similar fashion.

Allowance for Loan Losses: The allowance for loan losses is maintained at the level considered adequate by management to provide for losses that are probable. The allowance for loan losses is established through provisions for loan losses charged against earnings. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

Management's determination of the adequacy of the allowance is based on an evaluation of individual loans, past loan loss experience, current economic conditions, balance and composition of the loan portfolio and other relevant factors. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses and may require the Bank to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

When establishing the allowance for loan losses, management categorizes loans into homogenous categories generally based on the nature of the collateral and the basis of repayment. Substantially all of such loans are secured and backed by the personal guarantee of the owner of the business. The relevant risk characteristics of each loan segment are as follows:

Construction and Land Development: Construction and land development loans consist of vacant land and property that is in the process of improvement. Repayment of these loans can be dependent on the sale of the property to third parties or the successful completion of the improvements by the builder for the end user. In the event a loan is made on property that is not yet improved for the planned development, there is the risk that approvals will not be granted or will be delayed. Construction loans also run the risk that improvements will not be completed on time or in accordance with specifications and projected costs. Construction real estate loans generally have terms of one year to eighteen months during the construction period and floating interest rates based on a designated index and spread. All construction loans presently have an interest rate floor established.

Commercial: Commercial loans are for commercial, corporate and business purposes, including issuing letters of credit. The Bank's commercial business loan portfolio is comprised of loans for a variety of purposes and generally is secured by accounts receivable, inventory, equipment, machinery and other business assets. Commercial business loans generally have terms of five years or less and fixed interest rates. All commercial loans presently have an interest rate floor established. These loans are underwritten after evaluating historical and projected profitability and cash flow to determine the Borrower's ability to repay their obligations as agreed. Commercial loans are made primarily on the identified cash flow of the Borrower and secondarily on the underlying collateral supporting the loan facility. Accordingly, the repayment of a Commercial loan depends primarily on the creditworthiness of the Borrower (and any Guarantors), while liquidation of collateral is a secondary source of payment.

Commercial Real Estate: Commercial real estate loans are primarily secured by apartment buildings, office and industrial buildings, warehouses and various special purpose properties. Although terms vary, nonfarm nonresidential loans generally have amortizations of 10 to 25 years and at times, have balloon payments at ten years. The interest rates thereon may be adjusted every five years, based on a designated index and spread. These loans are subject to the underwriting standards and processes similar to Commercial loans, in addition to those underwriting standards for real estate loans. These loans are viewed primarily as cash flow dependent and secondarily as loans secured by real estate. Repayment of these loans is generally dependent upon the successful operation of the property securing the loan or the principal business conducted on the property securing the loan. In addition, the underwriting considers the amount of the principal advanced relative to the property value. Commercial real estate loans may be adversely affected by conditions in the real estate market, or the economy in general. Management monitors and evaluates commercial real estate loans based upon cash flow estimates, collateral and risk-rating criteria. The Bank also utilizes third party experts to provide environmental and market valuations. Substantial effort is required to underwrite, monitor and evaluate commercial real estate loans.

Residential 1-4 Family Real Estate, Home Equity and Second Mortgages: Residential 1-4 family real estate, home equity and second mortgages loans are generally smaller in size and are homogenous because they exhibit similar characteristics. These loans are secured by nonfarm property containing one to four family dwelling units which include individual condominium dwelling units secured by an interest in the individual housing unit. First mortgages and home equity loans are originated at a loan to value ratio of 80% or less, while home equity lines are originated at a loan to value ratio of 75% or less. Home equity loans have additional risks as a result of typically being in a second lien position or lower in the event collateral is liquidated.

Residential Multi-Family Real Estate: Residential multi-family real estate loans generally involve a greater degree of credit risk than residential 1-4 family real estate loans due to the reliance on the successful operation of the project. This loan type is sensitive to adverse economic conditions and carries similar underwriting standards and risks to Commercial Real Estate.

Consumer: The risk involved in consumer loans is the type and nature of the collateral and, in certain cases, the absence of collateral. Consumer loans include secured and unsecured loans that have been made for a variety of consumer purposes.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration circumstances surrounding the loan and the borrower, including the length of the delays, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

An unallocated component of the allowance for loan losses is maintained to cover uncertainties that could affect management’s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

The general component consists of quantitative and qualitative factors and covers non-impaired loans. The quantitative factors are based on historical charge-off experience. The qualitative factors are determined based on an assessment of internal and/or external influences on credit quality that are not fully reflected in the historical losses.

As part of the on-going monitoring of the credit quality of the Bank’s loan portfolio, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt and comply with various terms of their loan agreements. The Bank considers current financial information, historical payment experience, credit documentation, public information and current economic trends. Generally, all sizeable (greater than $500) credits receive a financial review no less than annually to monitor and adjust, if necessary, the credit’s risk profile. Credits classified other than Pass generally receive a review more frequently than annually. For Special Mention, Substandard, and Doubtful credit classifications, the frequency of review is increased to several times a year in order to determine potential impact on credit loss estimates.

The Bank categorizes construction and land development, commercial and commercial real estate loans into the following risk categories based on relevant information about the ability of borrowers to service their debt:

Pass: A Pass asset is well protected by the current worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral. Pass assets also include certain assets considered watched, which are still protected by the worth and paying capacity of the borrower but deserve closer attention and a higher level of credit monitoring.

Special Mention: A Special Mention asset has potential weaknesses that deserve management's close attention. The asset may also be subject to a weak or speculative market or to economic conditions, which may, in the future adversely affect the obligor. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date. Special Mention assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification.

Substandard: A Substandard asset is an asset with a well-defined weakness that jeopardizes repayment, in whole or in part, of the debt. These credits are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged. These assets are characterized by the distinct possibility that the institution will sustain some loss of principal and/or interest if the deficiencies are not corrected. It is not necessary for a loan to have an identifiable loss potential in order to receive this rating.

Doubtful: An asset that has all the weaknesses inherent in the Substandard classification, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely likely, but it is not identified at this point due to pending factors.

Loss: An asset or portion thereof, classified as Loss, is considered uncollectible and of such little value that its continuance on the Bank's books as an asset is not warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much or when the recovery would occur. As such, it is not practical or desirable to defer the write-off.

On a quarterly basis, an independent loan review is completed on a sample of construction and land development, commercial and commercial real estate loans. The reviews are completed in enough detail to, at a minimum, validate the risk rating. Additionally, the reviews determine whether any documentation exceptions exist, appropriate written analysis is included in the loan file, and whether credit policies have been properly adhered to. Substantially all of such loans are secured and backed by the personal guarantees of the owners of the business.

For residential 1-4 family real estate, residential multi-family real estate, home equity and second mortgages and consumer loans, management uses performing versus non-performing as the best indicator of credit quality. Nonperforming loans consist of loans that are not accruing interest (nonaccrual loans) as a result of principal and interest being in default for a period of 90 days or more or when the ability to collect principal and interest according to the contractual terms is in doubt. These credit quality indicators are updated on an ongoing basis, as a loan is placed on nonaccrual status as soon as management believes there is sufficient doubt as to the ultimate ability to collect interest on the loan.

Troubled Debt Restructuring (TDR): Troubled debt restructuring exists when the Bank, for economic or legal reasons related to the borrower's financial difficulties, grants a concession (either imposed by court order, law or agreement between the borrower and the Bank) to the borrower that it would not otherwise consider. These concessions could include forgiveness of principal, extension of maturity dates and reduction of stated interest rates or accrued interest. The Bank attempts to maximize its recovery of the balances of the loans through these various concessionary restructurings. All troubled debt restructurings are classified as impaired loans and are subject to the same allowance methodology as described previously for impaired loans. Troubled debt restructurings are placed on accrual or nonaccrual status based on management's assessment of collectability and the borrowers exhibiting the ability to meet the payment terms of the modification.

U.S. Small Business Association (SBA) Lending Activities: The Bank originates loans to customers in its primary market areas under an SBA program that generally provides for SBA guarantees of between 50 percent and 85 percent of each loan. The Bank seldom sells the guaranteed portion of its SBA loans to a third party and retains the servicing, holding the nonguaranteed portion in its portfolio. When the guaranteed portion of an SBA loan is sold, the premium received on the sale and the present value of future cash flows of the servicing assets are recognized in income.

SBA servicing assets are recognized separately when rights are acquired through the sale of the SBA guaranteed portion. These servicing rights are initially measured at fair value at the date of the sale and included in the gain on sale. To determine the fair value of the servicing rights, the Bank uses a valuation model that calculates the present value of estimated future net servicing income. In using this valuation method, the Bank incorporates assumptions that market participants would use in estimating future net servicing income, which includes estimates of the cost to service, the discount rate, custodial earnings rate, an inflation rate, ancillary income, prepayment speeds, default rates, late fees and losses.

These servicing rights are amortized in proportion to, and over the period of, the estimated net servicing income or net servicing loss and measured for impairment based on fair value at each reporting date. The amortization of the servicing rights is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates.

Serviced loans sold to others are not included in the accompanying consolidated statements of financial condition. Income (losses) and fees collected for loan servicing are included in other income.

Concentration of Credit Risk: A major portion of the Bank's loans are secured by real estate located in New Jersey, primarily in Bergen, Mercer, Monmouth and Ocean Counties. A growing portion of loans are also secured by real estate located in Rockland County New York. Accordingly, as with most financial institutions in the market area, the ultimate collectability of a substantial portion of the Bank's loan portfolio is susceptible to changes in market conditions in these areas.

Other Real Estate Owned: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of its carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other real estate owned (OREO) expenses. As of December 31, 2016 and 2015, the Bank had no properties held in OREO.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the useful lives for equipment and the lesser of the term of the lease or the estimated useful life for leasehold improvements. Estimated useful lives for financial reporting purposes are 3 to 40 years. Repairs and maintenance expenditures are charged to operations as incurred, while major improvements are capitalized.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when all of the components meet the definition of a participating interest and when control over the assets has been surrendered. A participating interest generally represents (1) a proportionate (pro rata) ownership interest in an entire financial asset; (2) a relationship where from the date of transfer all cash flows received from the entire financial asset are divided proportionately among the participating interest holders in an amount equal to their share of ownership; (3) the priority of cash flows has certain characteristics, including no reduction in priority, subordination of interest or recourse to the transferor other than standard representation or warranties; and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to pledge or exchange the entire financial asset. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank; (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income Taxes: Income tax accounting results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that all or some portion of the deferred tax asset will not be realized.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that ultimately would be sustained. The benefit of a tax position is recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. There are no uncertain tax positions as of December 31, 2016.

Interest and penalties associated with unrecognized tax benefits would be recognized in income tax expense in the statements of income.

Comprehensive Income (Loss): Accounting principles generally accepted in the United States of America require that recognized revenue, expenses, gains and losses be included in net income or loss. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available-for-sale, net of the related tax effect, are reported as a separate component of the equity section of the statements of financial position, such items, along with net income or loss, are components of comprehensive income (loss).

Stock-Based Compensation: The Bank estimates the fair value of share-based awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as compensation expense in the Bank's statements of income over the requisite service periods. Compensation expense for all share-based awards is recognized using the straight-line method.

Because share-based compensation expense is based on awards that are ultimately expected to vest, share-based compensation expense may be reduced to account for estimated forfeitures. The Bank estimates forfeitures at the time of grant and revises them, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Subsequent Events: Bank management has evaluated subsequent events for potential recognition and/or disclosure through March 16, 2017, the date the financial statements were available to be issued.

2. Cash and Non-Interest Bearing Deposits in Other Financial Institutions

The Bank maintains various deposit accounts with other banks to meet normal funds transaction requirements, to satisfy minimum deposit requirements and to compensate other banks for certain correspondent services. The Bank is required to maintain average balances on hand with the Federal Reserve Bank. These balances approximated $2,477 and $2,503 at December 31, 2016 and 2015, respectively. The Federal Deposit Insurance Corporation insures these accounts up to $250 per account. Management is responsible for assessing the credit risk of its correspondent banks. The withdrawal or usage restrictions of these balances did not have a significant impact on the operations of the Bank as of December 31, 2016 and 2015.

3. Investment Securities

Investment securities consist of the following:

December 31, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities available-for-sale:				
Agency government sponsored enterprises (GSE)	$ 3,589	$ 107	$ (3)	$ 3,693
Mortgage-backed - GSE residential	1,249	7	-	1,256
State and political sub-division	12,241	34	(59)	12,216
SBA pools	5,354	58	(35)	5,377
	$ 22,433	$ 206	$ (97)	$ 22,542

December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Investment securities held-to-maturity:				
State and political sub-division	$ 40	$ -	$ -	$ 40
Investment securities available-for-sale:				
Agency government sponsored enterprises (GSE)	$ 5,833	$ 233	$ (9)	$ 6,057
Mortgage-backed - GSE residential	2,786	84	-	2,870
State and political sub-division	9,392	281	-	9,673
SBA pools	3,894	105	-	3,999
	$ 21,905	$ 703	$ (9)	$ 22,599

Proceeds from the sale of securities in 2016 and 2015 totaled $2,600 and $786, respectively, with gross gains of $124 and $12, respectively. Proceeds from redemptions of securities totaled $3,149 in 2016 with gross gains of $148. Proceeds from redemptions of securities totaled $3,535 in 2015 with gross gains of $0. There were no gross losses realized from the sale of securities in either year.

The amortized cost and fair value of securities at December 31, 2016 and 2015, by contractual maturity, are shown below. Expected cash flows from mortgage-backed securities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Therefore, these securities are not included in the maturity categories of the following summary:

December 31, 2016	Amortized Cost	Fair Value
Investment securities available-for-sale:		
Due within one year or less	$ -	$ -
Due within one through five years	3,149	3,162
Due within five through ten years	9,153	9,226
Due after ten years	8,882	8,898
Mortgage-backed - GSE – residential	1,249	1,256
	$ 22,433	$ 22,542

December 31, 2015	Amortized Cost	Fair Value
Investment securities held-to-maturity:		
Due within one year or less	$ 40	$ 40
Due within one through five years	-	-
Due within five through ten years	-	-
Due after ten years	-	-
Mortgage-backed - GSE - residential	-	-
	$ 40	$ 40
Investment securities available-for-sale:		
Due within one year or less	$ -	$ -
Due within one through five years	-	-
Due within five through ten years	11,702	12,106
Due after ten years	7,417	7,623
Mortgage-backed - GSE – residential	2,786	2,870
	$ 21,905	$ 22,599

At December 31, 2016 and 2015, there are securities totaling $1,206 and $1,916, respectively, pledged as collateral to the NJ Commissioner of Banking for the Government Unit Deposit Protection Act and to the FHLB-New York for borrowings.

The fair value of securities with unrealized losses by length of time that the individual securities have been in a continuous loss position at December 31, 2016 and 2015 is as follows:

December 31, 2016	Total Number in a Loss Position	Continuous Unrealized Losses Existing for Less than 12 Months		Continuous Unrealized Losses 12 Months or More	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available-for-sale:					
Agency GSE	2	$ 1,196	$ (3)	$ -	$ -
State and political sub-division	20	6,537	(59)	-	-
SBA pools	4	2,966	(35)	-	-
Total Temporarily Impaired Securities	26	$ 10,699	$ (97)	$ -	$ -

December 31, 2015	Total Number in a Loss Position	Continuous Unrealized Losses Existing for Less than 12 Months		Continuous Unrealized Losses 12 Months or More	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Investment securities available-for-sale:					
Agency GSE	3	$ 1,736	$ (9)	$ -	$ -
Total Temporarily Impaired Securities	3	$ 1,736	$ (9)	$ -	$ -

Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the loss attributable to credit impairment recognized in net income in the period in which the other-than-temporary impairment is identified. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments nor does the Bank expect to not recover the amortized cost basis. Because the Bank does not intend to sell the investments and it is not more likely than not that the Bank will be required to sell the investments before recovery of their amortized cost basis, which may be at maturity, the Bank does not consider those investments to be other-than-temporarily impaired at December 31, 2016.

4. Loans

The following table summarizes the carrying amount of loans by category:

December 31,	2016	2015
Construction and land development	$ 156,241	$ 105,534
Commercial loans	143,897	115,110
Commercial real estate	414,025	309,148
Residential 1-4 family real estate	43,402	48,807
Residential multi-family real estate	20,634	25,295
Home equity and second mortgages	15,117	15,459
Consumer	127	103
Total	793,443	619,456
Deferred costs	720	633
Less: Allowance for loan losses	11,864	9,160
	$ 782,299	$ 610,929

Aging Analysis: The following tables present the contractual aging of the recorded investment by category of loans as of December 31, 2016 and 2015:

December 31, 2016	30-59 Days Past Due	60-89 Days Past Due	90+ Days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Construction and land development	$ -	$ -	$ -	$ -	$ -	$ 156,241	$ 156,241
Commercial loans	-	-	-	5,035	5,035	138,862	143,897
Commercial real estate	382	-	-	9,174	9,556	404,469	414,025
Residential 1-4 family real estate	-	-	-	-	-	43,402	43,402
Residential multi-family real estate	-	-	-	409	409	20,225	20,634
Home equity and second mortgages	-	-	-	-	-	15,117	15,117
Consumer	-	-	-	-	-	127	127
	$ 382	$ -	$ -	$ 14,618	$ 15,000	$ 778,443	$ 793,443

December 31, 2015	30-59 Days Past Due	60-89 Days Past Due	90+ Days and Still Accruing	Non-accrual	Total Past Due	Current	Total Loans
Construction and land development	$ -	$ -	$ -	$ -	$ -	$ 105,534	$ 105,534
Commercial loans	15	-	-	153	168	114,942	115,110
Commercial real estate	-	-	-	1,442	1,442	307,706	309,148
Residential 1-4 family real estate	-	-	-	-	-	48,807	48,807
Residential multi-family real estate	-	-	-	450	450	24,845	25,295
Home equity and second mortgages	-	-	-	-	-	15,459	15,459
Consumer	-	-	-	-	-	103	103
	$ 15	$ -	$ -	$ 2,045	$ 2,060	$ 617,396	$ 619,456

Non-performing loans are those past due greater than 90 days or on nonaccrual. Nonaccrual loans totaled $14,720 and $1,633 at December 31, 2016 and 2015, respectively, and are included in the impaired loan balances. In addition, there were no loans greater than 90 days past due and still accruing at December 31, 2016 and 2015.

Credit Quality Indicators: For construction and land development, commercial and commercial real estate loans, the Bank's credit quality indicator is internally assigned risk ratings. Each commercial loan is assigned a risk rating upon origination. The risk rating is reviewed on a periodic basis depending on the specific circumstances of the loan.

For residential, home equity, second mortgage and consumer loans, the Bank's credit quality indicator is performance determined by delinquency status. Delinquency status is updated daily by the Bank's loan system.

December 31, 2016	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction and land development	$ 156,241	$ -	$ -	$ -	$ -	$ 156,241
Commercial loans	138,862	973	4,062	-	-	143,897
Commercial real estate	403,305	859	9,861	-	-	414,025
	$ 698,408	$ 1,832	$ 13,923	$ -	$ -	$ 714,163

December 31, 2016	Performing	Non-Performing	Total
Residential 1-4 family real estate	$ 43,402	$ -	$ 43,402
Residential multi-family real estate	20,225	409	20,634
Home equity and second mortgages	15,081	36	15,117
Consumer	127	-	127
	$ 78,835	$ 445	$ 79,280
Total			$ 793,443

December 31, 2015	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Construction and land development	$ 105,534	$ -	$ -	$ -	$ -	$ 105,534
Commercial	114,957	45	108	-	-	115,110
Commercial real estate	307,146	300	1,702	-	-	309,148
	$ 527,637	$ 345	$ 1,810	$ -	$ -	$ 529,792

December 31, 2015	Performing	Non-Performing	Total
Residential 1-4 family real estate	$ 48,807	$ -	$ 48,807
Residential multi-family real estate	24,845	450	25,295
Home equity and second mortgages	15,459	-	15,459
Consumer	103	-	103
	$ 89,214	$ 450	$ 89,664
Total			$ 619,456

Allowance for Loan Losses: The following table summarizes the allowance for loan losses as of and for the years ended December 31, 2016 and 2015, by loan category and the amount by category of the loans evaluated individually or collectively for impairment. There were no acquired loans with impaired credit quality as of or during the years ended December 31, 2016 and 2015.

December 31, 2016	Construction and Land Development	Commercial Loans	Commercial Real Estate	Residential 1-4 Family Real Estate	Residential Multi-Family Real Estate	Home Equity and Second Mortgages	Consumer	Unallocated	Total
Allowance:									
Balance, beginning	$ 1,692	$ 1,608	$ 4,315	$ 434	$ 322	$ 155	$ 1	$ 633	$ 9,160
Charge-offs	-	(146)	-	-	-	(143)	-	-	(289)
Recoveries	-	83	-	-	-	-	-	-	83
Provisions	613	1,664	616	(49)	(210)	299	31	(54)	2,910
Balance, Ending	$ 2,305	$ 3,209	$ 4,931	$ 385	$ 112	$ 311	$ 32	$ 579	$ 11,864
Period-end amount allocated to:									
Individually evaluated for impairment	$ -	$ 1,454	$ 136	$ -	$ -	$ -	$ -	$ -	$ 1,590
Collectively evaluated for impairment	2,305	1,755	4,795	385	112	311	32	579	10,274
Balance, Ending	$ 2,305	$ 3,209	$ 4,931	$ 385	$ 112	$ 311	$ 32	$ 579	$ 11,864
Loans:									
Individually evaluated for impairment	$ -	$ 5,322	$ 10,617	$ -	$ 409	$ 36	$ -	$ -	$ 16,384
Collectively evaluated for impairment	156,241	138,575	403,408	43,402	20,225	15,081	127	-	777,059
Balance, Ending	$ 156,241	$ 143,897	$ 414,025	$ 43,402	$ 20,634	$ 15,117	$ 127	$ -	$ 793,443

December 31, 2015	Construction and Land Development	Commercial Loans	Commercial Real Estate	Residential 1-4 Family Real Estate	Residential Multi-Family Real Estate	Home Equity and Second Mortgages	Consumer	Unallocated	Total
Allowance:									
Balance, beginning	$ 1,356	$ 1,254	$ 3,255	$ 342	$ 132	$ 130	$ 30	$ 195	$ 6,694
Charge-offs	-	(347)	(227)	(29)	-	-	-	-	(603)
Recoveries	-	472	25	-	-	-	-	-	497
Provisions	336	229	1,262	121	190	25	(29)	438	2,572
Balance, Ending	$ 1,692	$ 1,608	$ 4,315	$ 434	$ 322	$ 155	$ 1	$ 633	$ 9,160
Period-end amount allocated to:									
Individually evaluated for impairment	$ -	$ 183	$ 78	$ -	$ -	$ -	$ -	$ -	$ 261
Collectively evaluated for impairment	1,692	1,425	4,237	434	322	155	1	633	8,899
Balance, Ending	$ 1,692	$ 1,608	$ 4,315	$ 434	$ 322	$ 155	$ 1	$ 633	$ 9,160
Loans:									
Individually evaluated for impairment	$ -	$ 2,360	$ 2,079	$ 41	$ -	$ -	$ -	$ -	$ 4,480
Collectively evaluated for impairment	105,534	112,750	307,069	48,766	25,295	15,459	103	-	614,976
Balance, Ending	$ 105,534	$ 115,110	$ 309,148	$ 48,807	$ 25,295	$ 15,459	$ 103	$ -	$ 619,456

Impaired Loans: The following tables present additional detail of impaired loans, segregated by category, as of and for the years ended December 31, 2016 and 2015. The unpaid principal balance represents the recorded balance prior to any charge-offs. The recorded investment represents customer balances net of any partial charge-offs recognized on the loans and unamortized deferred loan fees/costs. The interest income recognized column represents all interest income reported after the loan became impaired. This includes interest income recognized on a cash basis of $319 and $169 in 2016 and 2015, respectively.

December 31, 2016	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial and land development	$ -	$ -	$ -	$ -	$ -
Commercial loans	2,913	2,913	-	2,913	118
Commercial real estate	9,137	9,137	-	9,137	199
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	409	409	-	409	-
Home equity and second mortgages	36	65	-	51	2
Consumer	-	-	-	-	-
Subtotal	12,495	12,524	-	12,510	319
With an allowance recorded:					
Commercial and land development	-	-	-	-	-
Commercial loans	2,409	2,409	1,454	2,409	-
Commercial real estate	1,480	1,506	136	1,492	-
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	-	-	-	-	-
Home equity and second mortgages	-	-	-	-	-
Consumer	-	-	-	-	-
Subtotal	3,889	3,915	1,590	3,901	-
Total:					
Commercial and land development	-	-	-	-	-
Commercial loans	5,322	5,322	1,454	5,322	118
Commercial real estate	10,617	10,643	136	10,629	199
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	409	409	-	409	-
Home equity and second mortgages	36	65	-	51	2
Consumer	-	-	-	-	-
Total	$ 16,384	$ 16,439	$ 1,590	$ 16,411	$ 319

December 31, 2015	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial and land development	$ -	$ -	$ -	$ -	$ -
Commercial loans	1,139	1,139	-	1,139	4
Commercial real estate	2,297	2,297	-	2,297	134
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	-	-	-	-	-
Home equity and second mortgages	41	71	-	66	2
Consumer	-	-	-	-	-
Subtotal	3,477	3,507	-	3,502	140
With an allowance recorded:					
Commercial and land development	-	-	-	-	-
Commercial loans	183	183	183	183	12
Commercial real estate	820	820	78	820	17
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	-	-	-	-	-
Home equity and second mortgages	-	-	-	-	-
Consumer	-	-	-	-	-
Subtotal	1,003	1,003	261	1,003	29
Total:					
Commercial and land development	-	-	-	-	-
Commercial loans	1,322	1,322	183	1,322	16
Commercial real estate	3,117	3,117	78	3,117	151
Residential 1-4 family real estate	-	-	-	-	-
Residential multi-family real estate	-	-	-	-	-
Home equity and second mortgages	41	71	-	66	2
Consumer	-	-	-	-	-
Total	$ 4,480	$ 4,510	$ 261	$ 4,505	$ 169

Impaired loans include loans modified in troubled debt restructurings (“TDR’s”) where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction of interest rate on the loan, payment extensions, forbearance or other actions intended to maximize collection. Details of the activity with respect to TDRs in 2016 and 2015 are as follows:

2016	Number of Loans	New TDR in Period Presented	End of Period Balance	Type of Modification
Type of loan:				
Commercial real estate	2	$ -	$ 1,120	Rate adjustment/repayment terms
Commercial	5	1,060	1,257	Maturity reset/rate adjustment
Residential multi-family	2	409	409	Rate adjustment/repayment terms
		$ 1,469	$ 2,786	

2015	Number of Loans	New TDR in Period Presented	End of Period Balance	Type of Modification
Type of loan:				
Commercial real estate	6	3	$ 2,028	Rate adjustment/repayment terms
Commercial	2	-	183	Maturity reset/rate adjustment
			$ 2,211	

The modifications did not have a significant impact on the allowance for loan losses. There were no modifications that involved forgiveness of debt. At December 31, 2016, all of these loans were performing under their modified terms.

In its estimate of the allowance for loan losses, management considers the probability of troubled debt restructuring re-default and its impact on expected cash flows. There were no troubled debt restructurings which have subsequently defaulted in the last twelve months for 2016 and 2015.

The Bank originates and sells loans secured by the SBA. The Bank retains the unguaranteed portion of the loan and the servicing on the loans sold and receives a fee based upon the principal balance outstanding. During the year ended December 31, 2016, the Bank sold loans for total proceeds of $3,745. The loan sales resulted in realized gains of $478 for the year ended December 31, 2016 and 2015. There were no SBA loans held for sale during the year ended December 31, 2015.

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The risks inherent in the servicing assets relate primarily to changes in prepayments that result from shifts in interest rates. The unpaid principal balances of loans serviced for others were $3,279 and $0 at December 31, 2016 and 2015, respectively. The following summarizes the activity pertaining to SBA servicing assets using the amortization method for the year ended December 31, 2016 (in thousands):

December 31,	2016
Balance, beginning	$ -
Additions	101
Disposals	-
Amortization	2
Balance, ending	$ 99

The SBA servicing assets are included in other assets in the consolidated statements of financial condition.

5. Premises and Equipment

Premises and equipment are summarized as follows:

December 31,	2016	2015
Land improvements	$ 4,293	$ 144
Leasehold improvements	2,682	2,421
Building	11,473	5,323
Building improvements	400	394
Furniture and equipment	2,604	2,085
Computers	748	696
Software	102	61
	22,302	11,124
Less accumulated depreciation and amortization	(3,359)	(2,581)
	$ 18,943	$ 8,543

Depreciation expense amounted to approximately $778 and $604 for the years ended December 31, 2016 and 2015, respectively.

The Bank entered into a non-cancelable lease obligation for its branch located at 530 Piermont Road, Closter, New Jersey. This lease expired on May 31, 2016, with the option to exercise three separate five (5) year renewal terms. However, the Bank's management decided to purchase this building in July 2013, which houses a retail branch and other regional banking activities along with two tenants that lease the office space on the second floor. The Bank continues to lease the land that the office building occupies in Closter.

The Bank entered into a lease agreement for a main office/branch location in Lakewood, New Jersey. The lease commenced on April 17, 2011 for a term of ten years with four options for renewal for five-year periods each. However, the Bank's management decided to purchase this building in December 2016, which houses a retail branch and corporate office of the Bank.

The Bank entered into a lease agreement for an Operations Center located next to the main office location in Lakewood, New Jersey. The lease commenced in April 2013 and is contemporaneous with the term of the lease on the main office (approximately eight years) with the option to exercise three separate five (5) year renewal terms. However, the Bank's management decided to purchase this building in December 2016, which houses an operation center used to conduct all other back office activities of the Bank.

The Bank acquired a bank branch from Bank of America in Allentown, New Jersey in January 2013. Regulatory approval was received in early March and the branch opened for business in May 2013.

The Bank entered into a lease agreement for a branch location in Teaneck, New Jersey on July 31, 2012 for a term of ten years with one renewal option for a five-year period. However, the Bank's management decided to purchase this building in November 2013.

The Bank entered into a lease agreement for a branch location in Englewood, New Jersey. The lease commenced in July 2013 for a term of ten years with the option to exercise three separate five (5) year renewal terms.

The Bank entered into a lease agreement for a branch location in Freehold, New Jersey. The lease commenced on July 23, 2014 for a term of ten years with the option to exercise two separate five (5) year renewal terms.

The Bank entered into a lease agreement for a branch location in Montvale, New Jersey. The lease commenced on September 1, 2014 for a term of ten years with the option to exercise one separate five (5) year renewal term.

The Bank entered into a lease agreement for a branch location in Robbinsville, New Jersey. The lease commenced on October 31, 2014 for a term of fifteen years with the option to exercise three separate five (5) year renewal terms. The branch opened in June of 2016.

The Bank purchased a bank building from Passaic LLC in Fairfield, New Jersey in December 2016. The branch is projected to be fully operational in June of 2017.

Minimum lease payments under all leases are as follows:

2017	$	496
2018		529
2019		532
2020		546
2021		554
Thereafter		2,396
	$	5,053

The total rent for the years ended December 31, 2016 and 2015 amounted to approximately $780 and $557, respectively.

6. Deposits

The composition of deposits at December 31 is as follows:

December 31,	2016	2015
Non-interest bearing demand deposits	$ 99,276	$ 80,943
Interest bearing accounts:		
NOW accounts	27,516	19,301
Money market checking accounts	197,228	156,437
Savings deposits	7,994	6,376
Certificates of deposit	414,274	325,419
	$ 746,288	$ 588,476

At December 31, 2016, the scheduled maturities of certificates of deposits are as follows:

2017	$ 330,605
2018	67,246
2019	12,996
2020	1,031
2021	2,396
	$ 414,274

Certificates of deposit with balances of $250 or more totaled approximately $76,803 and $50,628 at December 31, 2016 and 2015, respectively.

7. FHLB Borrowings

In May 2011, the Bank entered into a Master Agreement with the Federal Home Loan Bank of New York (FHLB) to receive advances with terms varying from one day through ten years. Maximum borrowing capacity with the FHLB as of December 31, 2016 and 2015 was $105,534 and $73,640, respectively, of which $8,750 and $17,650 was outstanding at December 31, 2016 and 2015, respectively, as follows:

		2016		2015	
Issue Date	Maturity Date	Amount	Interest Rate	Amount	Interest Rate
01/04/2012	01/04/2016	$ -	- %	$ 750	1.31 %
11/26/2014	02/18/2016	-	- %	1,000	0.62 %
08/25/2015	03/18/2016	-	- %	1,000	0.65 %
04/18/2013	04/18/2016	-	- %	700	0.75 %
08/25/2015	05/18/2016	-	- %	1,000	0.68 %
11/26/2014	06/14/2016	-	- %	1,000	0.74 %
01/28/2013	07/28/2016	-	- %	750	0.95 %
11/26/2014	08/25/2016	-	- %	1,000	0.8 %
08/25/2015	09/19/2016	-	- %	1,000	0.78 %
04/18/2013	10/18/2016	-	- %	700	0.85 %
11/20/2015	11/21/2016	-	- %	1,000	0.96 %
11/20/2015	12/20/2016	-	- %	1,000	0.99 %
01/04/2012	01/04/2017	750	1.55 %	750	1.55 %
04/21/2016	01/19/2017	1,000	0.86 %	-	- %
11/20/2015	02/21/2017	1,000	1.06 %	1,000	1.06 %
04/21/2016	04/03/2017	1,000	0.95 %	-	- %
04/18/2013	04/18/2017	1,000	0.96 %	1,000	0.96 %
02/03/2015	07/03/2017	1,000	1.1 %	1,000	1.1 %
02/03/2015	10/03/2017	1,000	1.19 %	1,000	1.19 %
02/03/2015	01/03/2018	1,000	1.28 %	1,000	1.28 %
02/03/2015	04/03/2018	1,000	1.36 %	1,000	1.36 %
		$ 8,750		$ 17,650	
Weighted average interest rate			1.134 %		0.972 %

At December 31, 2016, advances from FHLB are secured by approximately $8,750 in Commercial Mortgage loans. At December 31, 2015, advances from FHLB are secured by investment securities with fair value of approximately $497 and approximately $17,153 in Commercial Mortgage loans.

Maturities of advances from FHLB as of December 31, 2016 were as follows:

Year ending December 31,		
2017	$	6,750
2018		2,000
2019		-
2020		-
2021		-
Total	$	8,750

8. Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit, which are conditional commitments issued by the Bank to guarantee the performance of an obligation or service of a customer to a third party. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements.

Credit policies and procedures, including collateral requirements, where applicable, for commitments to extend credit and standby letters of credit are the same as those applicable to loans and the credit risk associated with these instruments is considered in management's assessment of adequacy of the allowance for loan losses.

Unused Commitments		2016		2015
Unused home equity credit lines	$	9,144	$	8,799
Commitments to fund loans secured by real estate		85,300		58,260
Other unused loan commitments		36,095		33,431
	$	130,539	$	100,490

Financial instruments whose contract amounts represent credit risk, which are not reflected in the Bank's consolidated financial statements consisted of the following: Outstanding loan commitments representing the unused portion of loan commitments available to individuals and companies as long as there is no violation of any condition established in the contract. Outstanding loan commitments generally have a fixed expiration date of one year or less, except for home equity credit line commitments which generally have a fixed expiration date of up to twenty years. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit, is based upon management's credit evaluation of the customer. Various types of collateral may be held, including property and marketable securities. The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of December 31, 2016 and 2015, standby letters of credit with customers were $5,094 and $3,452, respectively. These balances are included in other unused loan commitments in the unused commitments table.

The Bank is subject to claims and lawsuits which arise primarily in the ordinary course of business. There were no such claims or lawsuits outstanding as of December 31, 2016.

9. Income Taxes

The components of the provision for income tax expense (benefit) are shown below for the years ended December 31:

December 31,	2016	2015
Current expense:		
Federal	$ 6,359	$ 4,653
State	913	735
Deferred expense (benefit):		
Federal	(92)	(718)
State	(253)	(315)
	$ 6,927	$ 4,355

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31 are as follows:

December 31,	2016	2015
Deferred tax assets:		
Start up and organizational expenses	$ 39	$ 49
Allowance for loan losses	4,589	3,463
Other	769	904
Net operating loss carryover	156	456
Total deferred tax assets	5,553	4,872
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(37)	(277)
Depreciation	(587)	(381)
Prepaid expenses	(55)	(69)
Deferred loan costs	(472)	(328)
Total deferred tax liabilities	(1,151)	(1,055)
Net Deferred Tax Asset	$ 4,402	$ 3,817

A valuation allowance is established when it is more likely than not that some portion of deferred tax assets will not be realized. As of December 31, 2016 and 2015, management evaluated positive and negative evidence impacting the realization of deferred tax assets and determined no valuation allowance is required.

As of December 31, 2016 and 2015, the Bank has Federal net operating loss carryforwards ("NOLs") available to offset future taxable income in the amount of approximately $458 and $1,337, respectively, which expire through 2030.

Federal NOL's are subject to an annual IRC Section 382 limitation in the amount of $878,000 resulting from a change in control of the Bank in 2010. The Bank completed a 382 analysis during 2013 and was able to record the deferred tax benefit of a larger NOL carryforward.

Applicable income taxes for financial reporting differ from the amount computed by applying the statutory federal tax rate to income before federal taxes. The reasons for these differences are as follows:

December 31,	2016	2015
Computed "expected" income tax expense (benefit) from operations	$ 6,328	$ 4,054
Increase (decrease) in taxes resulting from:		
State taxes, net of federal income tax benefit	435	278
Other	164	23
	$ 6,927	$ 4,355

The Bank's tax years that remain subject to examination by taxing authorities are for the tax years after 2012 for federal and after 2011 for state. However, to the extent net operating loss carryforwards were utilized, these losses from earlier years may still be adjusted upon examination. Management has evaluated the Bank's positions and concluded that the Bank has no uncertain tax positions that require adjustment to the financial statements.

10. Shareholders' Equity

Recapitalization: On July 22, 2010, the Northern State Bank (now First Commerce) entered into a Recapitalization Agreement (the "Recapitalization") with a group of investors, who agreed to assist in raising between $15,000 and $30,000 in new capital for the Bank.

At a Special Meeting of Shareholders held on September 15, 2010, the shareholders voted to amend the Bank's Certificate of Incorporation to increase the number of the Bank's authorized shares of common stock to 30,000,000 and also increase the size of the Bank's Board of Directors to fifteen members.

The price per Share was determined as of the month end prior to closing pursuant to a formula contained in the Recapitalization Agreement. Under the formula, the per share purchase price was the Bank's tangible book value per share, as determined under the Recapitalization Agreement, plus $1.21. The Bank's tangible book value per share was determined by taking the Bank's tangible shareholders equity as of November 30, 2010, deducting certain transactional expenses to be incurred by the Bank, and dividing the result by the number of outstanding shares of the Bank's common stock.

The recapitalization was finalized and completed on December 14, 2010. The closing share price, after adjustments to the Bank's tangible book value per share was determined to be $2.63, which resulted in raising over $18,300 and 6,953,229 shares being issued, representing 88% of the total outstanding common shares. As part of the stock offering, the Bank issued 779,436 warrants to purchase one additional share of stock at $2.50 to certain investors. The warrants had a term of five years.

As of December 31, 2013, the exercise price for the warrants outstanding was $4.54 for the initial and secondary capitalization and $2.50 for the recapitalization. All warrants expired on December 31, 2015.

On April 29, 2013, the Bank sought to raise approximately $8 million in new capital through the sale of up to 2,477,000 shares of common stock at an offering price of $3.25 per share. The subscription funds were held in escrow with Atlantic Community Bankers Bank until the offering closed, at which time, management broke escrow and the Bank took possession of the funds. The stock offering closed on August 30, 2013 and was oversubscribed, resulting in the issuance of 3,384,613 shares with total proceeds of approximately $11 million in 2013. Offering costs were approximately $40,000.

On May 5, 2016, the Bank sought to raise $25 million in new capital through the sale of up to 5,000,000 shares of common stock at an offering price of $5.00 per share. The subscription funds were held in escrow in a separate account at the Bank until the offering closed, at which time, management took possession of the funds. The stock offering closed on September 30, 2016 and was oversubscribed, resulting in the issuance of 6,927,286 shares with total proceeds of approximately $35 million in 2016. Offering costs were approximately $66,000.

Regulatory Capital: The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management determined, as of December 31, 2016 and 2015, that the Bank meets all capital adequacy requirements to which it is subject.

The federal banking agencies have substantially amended the regulatory risk-based capital rules applicable to the Bank. The amendments implemented the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act. The new rules apply regulatory capital requirements to the Bank. The amended rules included new minimum risk-based capital and leverage ratios, which became effective in January 2015, with certain requirements to be phased in beginning in 2016 and refined the definition of what constitutes "capital" for purposes of calculating those ratios.

The new minimum capital level requirements applicable to the Bank include: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The amended rules also establish a "capital conservation buffer" of 2.5% above the new regulatory minimum capital ratios and would result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that could be utilized for such actions.

As of December 31, 2016, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table that follows. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of the Bank's actual capital amounts and ratios compared to the FDIC minimum capital adequacy requirements for classification as a well-capitalized institution:

December 31, 2016	Bank Actual		For Capital Adequacy Purposes		Minimum Capital Adequacy with Capital Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Risk-based capital:								
Tier 1	$ 103,530	13.28%	$ ≥52,042	≥6.00%	$ ≥57,463	≥6.625%	$ ≥69,390	≥ 8.00%
Total	113,315	14.54%	≥69,390	≥8.00%	≥74,811	≥8.625%	≥86,737	≥10.00%
Leverage (Tier 1) capital	103,530	12.24%	≥34,695	≥4.00%	N/A	N/A	≥43,368	≥ 5.00%
Common equity (Tier 1) capital	103,530	13.28%	≥39,031	≥4.50%	≥44,453	≥6.125%	≥56,379	≥ 6.50%

December 31, 2015	Bank Actual		For Capital Adequacy Purposes		To be Well Capitalized under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Risk-based capital:						
Tier 1	$ 56,602	9.38%	$ ≥36,206	≥6.00%	$ ≥48,275	≥ 8.00%
Total	64,179	10.63%	≥48,298	≥8.00%	≥60,372	≥10.00%
Leverage (Tier 1) capital	56,602	8.74%	≥25,905	≥4.00%	≥32,381	≥ 5.00%
Common equity (Tier 1) capital	56,602	9.38%	≥22,154	≥4.50%	≥39,223	≥ 6.50%

Dividend Restrictions: Banking regulations limit the amount of dividends that may be paid without prior regulatory agency approval. Since the Bank's deposits are insured by the FDIC, no dividends may be paid if the Bank is in default on any assessment due the FDIC. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. As of December 31, 2016 and 2015, there are no dividend restrictions.

11. Employee Benefit Plans

The Bank has an approved savings plan under Section 401(k) of the Internal Revenue Code. All full-time employees over the age of 21 are eligible to participate in the plan. Under the plan, the Bank is allowed to make elective matching contributions. As of December 31, 2016, the Board of Directors approved to make a matching contribution to the 401(k) plan. The contribution is 50% of the first 4% of the employee's contribution or $31. The contribution will be made prior to the end of the 1st quarter of 2017. The Bank had made the matching contribution for December 31, 2015 of $21 in the first quarter of 2016.

12. Fair Value

Fair Value Measurements: The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Accounting guidance defines the fair value of a financial instrument as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

If there has been a significant decrease in the volume and the level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions. A three-level hierarchy exists for fair value measurements based upon the inputs to the valuation of an asset or liability. The classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities;

Level 2: Valuation is determined from observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

Level 3: Valuation is derived from model-based and other techniques in which at least one significant input is unobservable in the market and which may be based on the Bank's own estimates about assumptions that a market participant would use to value the asset or liability.

Assets and Liabilities Measured on a Recurring Basis: Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
Agency GSE	$ -	$ 3,693	$ -	$ 3,693
Mortgage-backed - GSE	-	1,256	-	1,256
State municipal	-	12,216	-	12,216
SBA pools	-	5,377	-	5,377
	$ -	$ 22,542	$ -	$ 22,542

	Fair Value Measurements at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investment securities available-for-sale:				
Agency GSE	$ -	$ 6,057	$ -	$ 6,057
Mortgage-backed - GSE	-	2,870	-	2,870
State municipal	-	9,673	-	9,673
SBA pools	-	3,999	-	3,999
	$ -	$ 22,599	$ -	$ 22,599

The fair value of available-for-sale securities is the market value based on quoted market prices of the identical security as of the measurement date, when available (Level 1). If listed prices or quotes are not available, fair value is based upon quoted market prices for similar assets or, due to the limited market activity of the instrument, externally developed models that use significant observable inputs (Level 2) or externally developed models that use unobservable inputs due to limited or no market activity of the instrument (Level 3). It includes model pricing, defined as valuing securities based upon their relationship with other benchmark securities and market information from third party sources. In the absence of current market activity, securities may be evaluated by reference to similarly situated bonds. There was no change in valuation techniques used to measure fair value or transfer of levels for the years ended December 31, 2016 and 2015.

The following table presents the Bank's financial assets subject to fair value adjustments on a nonrecurring basis by level within the fair value hierarchy:

December 31, 2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Impaired loans, net	$ -	$ -	$ 2,299	$ 2,299
December 31, 2015				
Financial assets:				
Impaired loans, net	$ -	$ -	$ 742	$ 742

Impaired loans that are collateral dependent are written down to fair value through the establishment of specific reserves. These loans are measured at the fair value of collateral less estimated disposition costs. The collateral is primarily real estate whose value is based on appraisals performed by certified appraisers. These values are generally adjusted based on management's knowledge of changes in market conditions or other factors. Since the adjustments may be significant, are based on management's estimates and are generally unobservable, they have been classified as Level 3.

The following table's present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Bank has utilized Level 3 inputs to determine fair value:

	Qualitative Information about Level 3 Fair Value Measurements			
Balances as of December 31, 2016	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans and leases	$ 2,299	Appraisal of collateral [1]	Appraisal adjustments	6.8% to 21.9% (11.2%)

	Qualitative Information about Level 3 Fair Value Measurements			
Balances as of December 31, 2015	Fair Value	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Impaired loans and leases	$ 742	Appraisal of collateral [1]	Appraisal adjustments	6.8% to 8.4% (7.3%)

[1] Appraisals may be adjusted for qualitative factors such as interior condition of the property and liquidation expenses. Fair value may also be based on negotiated settlements with the borrower.

Fair Value of Financial Instruments: In addition to the disclosures of financial instruments recorded at fair value, generally accepted accounting principles require the disclosure of the estimated fair value for certain of the Bank's financial instruments. The majority of the Bank's assets and liabilities are considered financial instruments. However, many of these instruments lack an available market. In addition, the Bank's general practice and intent is to hold its financial instruments to maturity. Fair value estimates have been determined based on the methodologies management considers most appropriate for each financial instrument.

The carrying value of the following short-term financial instruments approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities and carry interest rates that approximate market value.

- Cash and cash equivalents
- Restricted stock
- Accrued interest receivable
- Demand, savings, money market and NOW deposits
- Accrued interest payable

The fair value methodology for investment securities available-for-sale is described above. Investment securities held-to-maturity are similarly measured using quoted prices from an independent third party that provides valuation services by using quotes for similar assets, with similar terms, in actively traded markets.

For short-term loans and variable rate loans which re-price within 90 days, the carrying value was considered to approximate fair value. For other types of loans, fair value was estimated by discounting cash flows using interest rates approximating current market rates for similar loans and adjusted to reflect credit risk. Where quoted market prices are available, such market prices were used as estimates for fair value.

The fair values of time deposits were estimated by discounting contractual cash flows using the current market rates for instruments with similar maturities.

The estimated fair values of FHLB borrowings are based on the discounted value of estimated cash flows. The discount rate is estimated using current market rates for similar instruments.

The fair value of commitments to extend credit is estimated using the fees currently charged for similar agreements. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of standby letters of credit is based on fees currently charged for similar agreements plus the estimated cost to terminate or otherwise settle the obligations. Fair values of these unrecognized financial instruments are considered immaterial.

The following are the estimated fair values of the Bank's financial instruments as of December 31:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 34,524	$ 34,524	$ 19,166	$ 19,166
Investment securities held-to-maturity	-	-	40	40
Investment securities available-for-sale	22,542	22,542	22,599	22,599
Restricted stock	1,092	1,092	1,309	1,309
Loans receivable, net	782,299	792,413	610,929	622,210
Accrued interest receivable	2,977	2,977	2,287	2,287
Financial liabilities:				
Demand, savings and NOW deposits	332,014	322,690	263,057	257,062
Time deposits	414,274	414,884	325,419	326,373
FHLB borrowings	8,750	8,754	17,650	17,641
Accrued interest payable	216	216	174	174

13. Stock-Based Compensation

During 2009, the shareholders of the Bank approved the Bank's 2009 Equity Incentive Plan (stock option plan or the Plan), which permits the grant of share options or restricted stock awards to Directors, employees and service providers for up to 209,475 shares of common stock, as adjusted for the 5% stock dividend issued during 2010 and 2011. These options may be incentive or non-qualified stock options. Stock options and stock awards are generally granted with an exercise price equal to the fair value of the Bank's common stock on the date of grant. Of these, 108,045 options (adjusted for employee forfeitures and the 5% stock dividends) were granted on December 15, 2009 at $3.03 per share (as adjusted for the 2011 5% stock dividend) with a graded vesting period of five years at each grant date anniversary and terminating after ten years. On March 24, 2014, the Board granted 32,500 options at $3.25 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. On May 20, 2014, the Board granted 22,000 options at $3.25 per share with a graded vesting period of 5 years at each grant date anniversary and terminating after ten years. On October 1, 2014, the Board granted 18,750 options at $4.00 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. On April 1, 2015, the Board granted 14,000 options at $4.00 per share with a graded vesting period of five years at each grant date anniversary and termination after ten years. On October 1, 2015, the Board granted 10,000 options at $4.00 per share with a graded vesting period of five years at each grant date anniversary and termination after ten years. To date, 205,295 options (adjusted for employee forfeitures and the 5% stock dividends) have been granted and 29,405 options have been forfeited under the plan with 33,585 options available to be granted.

In addition, the Bank granted 35,700 restricted stock awards (adjusted for the 2010 5% stock dividend) under the 2009 Plan as part of an employment agreement with the prior chief executive officer of the Bank. These shares vested over five years based on the anniversary grant date and the fair value was determined based on the book value of the Bank at the grant date. At December 31, 2010, 15,750 shares were fully vested whereas the remaining 19,950 shares remained restricted until such time as the TARP obligation was paid back to the United States Department of the Treasury. These 19,950 shares were forfeited in 2011 because the former chief executive officer left the employ of the Bank prior to redemption of the TARP preferred shares.

On April 28, 2011 the Bank's shareholders approved the 2011 Equity Compensation Plan. A maximum of 842,856 awards, as adjusted for the 2011 5% stock dividend, may be granted under the Plan. These awards may be incentive or non-qualified stock options or shares of restricted stock. Of these, 321,300 options (as adjusted for the 2011 5% stock dividend) were granted on June 21, 2011 at $2.50 per share (as adjusted for the 2011 5% stock dividend) with a graded vesting period of five years at each grant date anniversary and terminating after ten years. On August 21, 2012, the Board granted 233,000 options at $2.63 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. On May 21, 2013, the Board granted 35,500 options at $2.63 per share. On October 1, 2015, the Board granted 4,000 options at $4.00 per share with a graded vesting period of five years at each grant date anniversary and termination after ten years. To date, 593,800 options (adjusted for employee forfeitures and the 5% stock dividends) have been granted and 24,560 options have been forfeited under the plan with 273,616 options available to be granted.

On April 21, 2015 the Bank's shareholders approved the 2015 Equity Compensation Plan A and B. A combined maximum of 1,400,000 awards may be granted under the Plans. These awards may be incentive or non-qualified stock options or shares of restricted common stock. Of these, 447,500 incentive stock options were granted on May 27, 2015 at $4.00 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. Of these, 884,000 non-qualified stock options were granted on May 27, 2015 at $4.00 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. Of these, 63,000 incentive stock options were granted on April 1, 2016 at $4.00 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. Of these 16,000 incentive stock options were granted on October 1, 2016 at $5.00 per share with a graded vesting period of five years at each grant date anniversary and terminating after ten years. To date, 1,408,000 options have been granted and 66,500 options have been forfeited under the plan with 58,000 options available to be granted.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option pricing model that uses the assumptions noted in the table below:

December 31,	2016	2015
Risk-free interest rate	1.56% - 1.63%	2.04% - 2.29%
Expected term	5 years	5 years
Expected stock price volatility	22.16% - 26.36%	26.36%

A summary of the activity for stock options adjusted for stock dividends follows:

December 31, 2016	Number of Options	Weighted Average Exercise Price	Remaining Term	Aggregate Intrinsic Value
Outstanding at beginning of year	2,022,490	$ 3.57	9.0	-
Granted in 2016	77,000	4.21	8.1	-
Exercised in 2016	(1,000)	4.00	-	-
Forfeited or expired in 2016	(29,000)	3.97	-	-
Outstanding at end of year	2,069,490	$ 3.59	9.1	4,971
Vested and exercisable at end of year	880,940	$ 3.04	7.8	2,599
Weighted average fair value of options granted			$ 5.99	
Unvested options as of December 31, 2016			1,188,550	

December 31, 2015	Number of Options		Weighted Average Exercise Price		Remaining Term	Aggregate Intrinsic Value
Outstanding at beginning of year	771,095	$	2.71		7.7	-
Granted in 2015	1,345,500		4.00		9.1	-
Exercised in 2015	(17,780)		2.61		-	-
Forfeited or expired in 2015	(76,325)		2.61		-	-
Outstanding at end of year	2,022,490	$	3.57		9.0	1,962
Vested and exercisable at end of year	515,955	$	2.87		7.8	862
Weighted average fair value of options granted				$	4.85	
Unvested options as of December 31, 2015					1,506,535	

Total compensation cost that has been charged to expense for these options and awards was $472 and $330 for 2016 and 2015, respectively. As of December 31, 2016, there was approximately $16,498 of total unrecognized compensation cost related to non-vested options which is expected to be recognized over a weighted average period of 4.0 years.

14. Related Party Transactions

Loans to related parties include loans made to certain officers, Directors and their affiliated interests. All such loans are current and performing in accordance with their original terms. As of December 31, 2016 and 2015, outstanding loans to officers, Directors and their affiliated interests amounted to approximately $6,754 and $5,093, respectively.

Related party deposits were $16,498 and $15,085 at December 31, 2016 and 2015, respectively. The Bank leased its Lakewood headquarters and Operations Center from an entity whose principal is an investor of the Bank. The Bank paid rent to the entity as more fully described in Note 5. Rent paid for these two locations was $214 and $76 in 2016 and $206 and $74 in 2015, respectively. The Bank purchased this property on December 9, 2016 for $8,750 and has determined that the purchase transaction was completed at an arm's length based on an independent appraisal of the property. In 2016, the Bank entered into a lease for a branch in Robbinsville, New Jersey from an entity whose principal is also an investor of the Bank. Rent paid for the location was $64 in 2016.